2008 ANNUAL REPORT

MISSION

Piaggio is an Italian industrial Group operating with a multinational strategy, whose activities are directed towards offering transport solutions at an affordable price and with low environmental impact to customers in more than fifty countries in Europe, India, Asia and America.

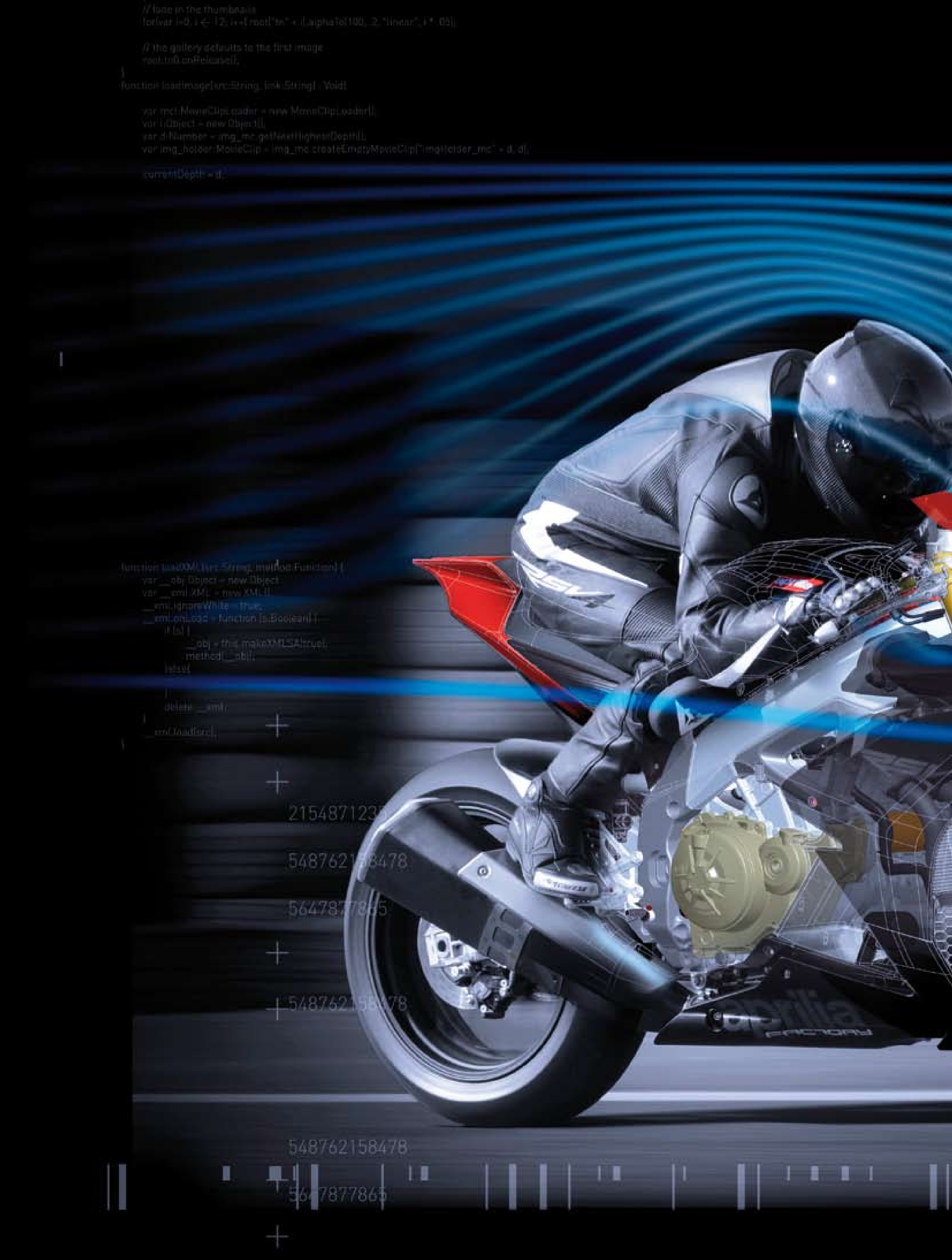
Its objectives are to create value for its shareholders, while fully complying with business ethics and recognising the social role that it has to play, contributing to the professional advancement of its employees and partners and to the economic and civil development of the Communities in which it operates.

PIAGGIO


cafe cafe
MOTO GUZZI
V7 Cafe

INTERNATIONALIZATION

The Piaggio Group has a commercial presence in over fifty countries, in Europe, India, Asia and America. It operates out of production facilities located in Italy, Spain, India and China. In 2009, production operations will commence in the new facilities in Vietnam.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INNOVATION

For the Piaggio Group, which continually strives to satisfy market needs, the industrial development of products and new technologies capable of offering performances that are superior to those of the competition, is a key factor for success.

SAFETY

The Piaggio Group is constantly committed to safety. During the course of 2008, Aprilia introduced ABS on all its most recent models, underscoring its commitment to “maximising enjoyment while minimising risk”.

ENVIRONMENT FRIENDLY

The Piaggio Group has always been sensitive to environmental issues. Vehicles currently being produced meet the most stringent international pollution regulations. During the course of 2008, the company began selling commercial vehicles equipped with a dual - petrol and autogas (LPG) - fuel system. It is developing a hybrid engine (electric and petrol) for the immediate future that will be sold on a number of scooter models.


Vespa

NETWORK CAPILLARITY

The sales network consists of more than 10 thousand operators in the primary and sub-network in Europe, 250 exclusive dealers in India and 300 dealers in the USA, to which must be added the distribution network of Piaggio importers in the other countries.

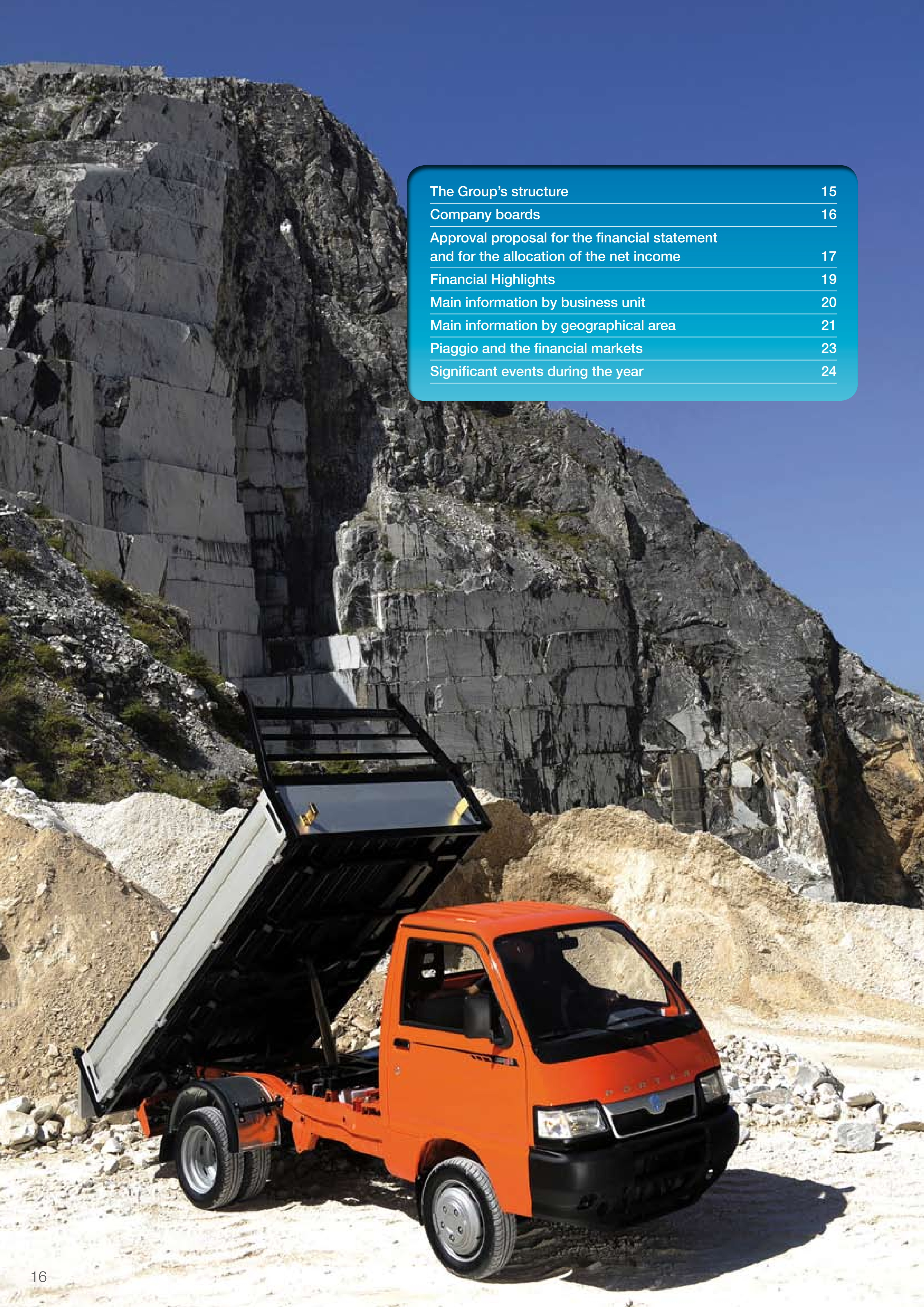
Financial statement and consolidated financial statement closed at 31 December 2008.

Shareholders' meeting

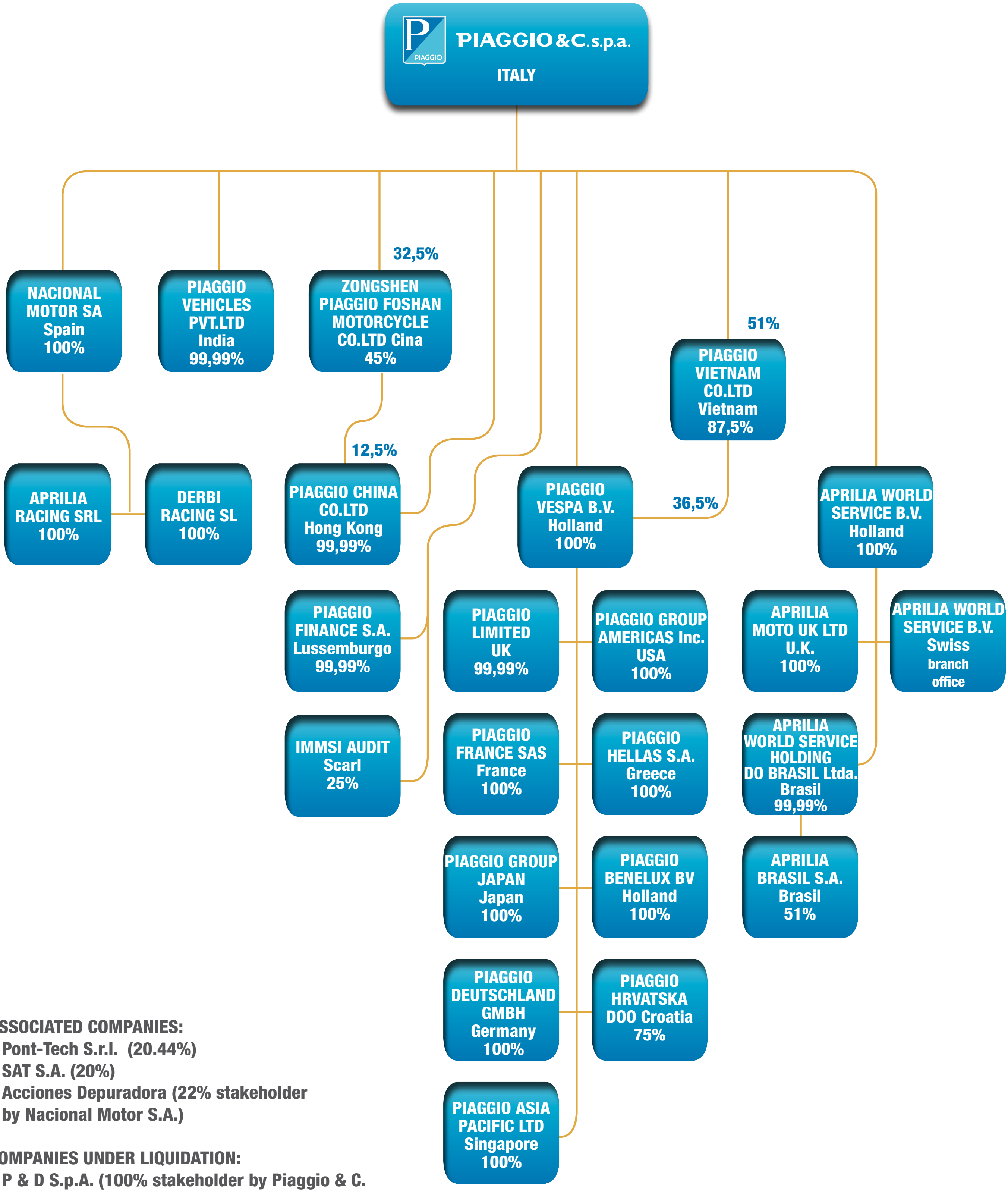
The Annual Shareholders' General Meeting is convened in the company's offices in Pontedera, Viale Rinaldo Piaggio 25, on 14 April 2009 at 9:00 on first call and on 16 April **2009** on second call, in Intesa Sanpaolo's Meeting Hall in Milan, Piazza Belgioioso n. 1 at 3 o' clock p.m., to decide on the following

Agenda

1) Piaggio & C. S.p.A.'s financial statement at 31 December 2008; Company Directors' Report on financial year 2008 and proposal for allocating the net income; Board of Statutory Auditors' Report; Report from the Auditing Company; related and consequent resolutions; submission of the Piaggio Group's Consolidated financial statements at 31 December 2008 and respective reports.
2) Appointing the Board of Directors, upon determining the number of board members, the term of office, their remuneration and the related and consequent resolutions.
3) Appointing the Board of Statutory Auditors and its Chairman; determining the remuneration and related and consequent resolutions.
4) The purchase authorization and disposition for own shares in accordance with the combined provisions set out by articles 2357 and 2357-ter of the Civil Code, as well as article 132 of Legislative Decree 58/1998 and the respective operating dispositions with prior revocation of the authorization given on the Annual General Meeting of June 24th 2008 for the part that was not carried out. Related and consequent resolutions.
5) The modification on the accounting auditing assignment given to Deloitte & Touche S.p.A. on the Company's Annual General Meeting of March 30th 2006, in accordance with article 155 and subsequent articles of Legislative Decree 58/1998, and consequent re-calculations of the amount dues for the same assignment for the accounting years 2008-2001. Related and consequent resolutions.



The Piaggio Group's Corporate Framework December 31st, 2008



ASSOCIATED COMPANIES:
- Pont-Tech S.r.l. (20.44%)
- SAT S.A. (20%)
- Acciones Depuradora (22% stakeholder by Nacional Motor S.A.)

COMPANIES UNDER LIQUIDATION:
- P & D S.p.A. (100% stakeholder by Piaggio & C. S.p.A,)
- Moto Laverda S.r.l. (100% stakeholder by Piaggio & C. S.p.A,)
- Piaggio Portugal Ltda (100% stakeholder by Piaggio Vespa B.V.)

BOARD OF DIRECTORS

CONSIGLIO DI AMMINISTRAZIONE[1]	
President	Roberto Colaninno (1)
Vice-president	Matteo Colaninno
CEO	Roberto Colaninno
Advisors	Gian Giacomo Attolico Trivulzio
	Michele Colaninno
	Franco Debenedetti (3), (4)
	Daniele Discepolo (2), (5)
	Luciano La Noce (3), (4)
	Giorgio Magnoni
	Gianclaudio Neri
	Luca Paravicini Crespi (3), (5)
	Riccardo Varaldo (4), (5)

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

BOARD OF STATUTORY AUDITORS	
President	Giovanni Barbara
Standing auditors	Attilio Francesco Arietti
	Alessandro Lai
Substitute Auditors	Mauro Girelli
	Elena Fornara (6)
	(6) Appointed on 7 May 2008
SUPERVISORY BODY	Enrico Ingrillì
	Giovanni Barbara
	Alessandro Bertolini (7)
	(7) Up to November 30 2008
GENERAL MANAGERS	Daniele Bandiera
	Michele Pallottini
MANAGER IN CHARGE OF PREPARING THE COMPANY'S CORPORATE ACCOUNTING DOCUMENTS	Alessandra Simonotto
INDEPENDENT AUDITORS	Deloitte & Touche S.p.A.

Approval proposal for the financial statement and for the allocation of the net income

Dear Shareholders,

We wish to propose the approval of the financial statement at 31 December 2008, recorded therein according to IFRS (International Financial Reporting Standards).

Furthermore, considering the need to have an available reserve, enough to cover non-amortised development costs recorded in the assets (in accordance with art. 2426, nr. 5 of the Civil Code), we wish to propose the allocation of profits of Euro 29,984,275.47 as follow:

- Euro 1,499,213.77 for legal reserve;
- Euro 6,364,985.84 for profit carried forward;
- the remaining Euro 22,120,075.86 for dividend distribution.

Depending on the approval by the assembly, the Company will payout a dividend of 0.06 per share, starting from 21 May 2009, with a dividend payment date on 18 May 2009, inclusive of the portion for own shares in accordance with art. 2357-ter of the Civil Code.

Milan, 26 February 2009

For the Board of Directors

Chairman and Chief Executive Officer

Roberto Colaninno

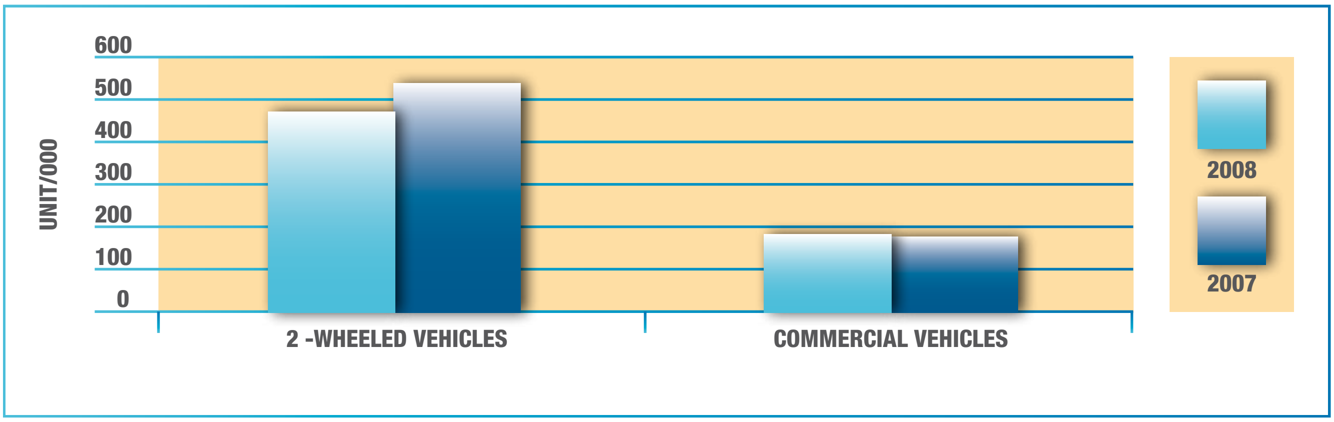
FINANCIAL HIGHLIGHTS PIAGGIO GROUP

(amounts in ML€)		2008	2007
Income statement (reclassified)			
Net sales		1,570.1	1,692.1
Gross industrial margin		468.8	498.4
Operating costs		-374.3	-361.8
Operating earnings		94.5	136.6
Pre-tax earnings		59.6	103.5
Net earnings		43.3	60
.Minority interest		0.3	0.4
.Group		43.0	59.6
Gross margin on net sales	%	29.9	29.5
Operating earnings on Net Sales	%	6.0	8.1
Net earnings on net sales	%	2.8	3.5
Gross operating margin=EBITDA (from operations)		**189.1**	**226.1**
Gross operating margin on Net Sales	%	12.0	13.4
Balance sheet			
Net working Capital		-3.7	-0.4
Net tangible assets		250.4	248.6
Net intangible assets		648.2	637.5
Financial assets		0.6	1.0
Provisions		-137.5	-145.4
Net capital employed		**757.9**	**741.2**
Net financial position		359.7	269.8
Shareholders' equity		398.2	471.4
Sources of funds		**757.9**	**741.2**
Minority interest capital		1.5	1.1
Change in net financial position			
Opening net financial position		**-269.8**	**-318.0**
Cash flow from operations (earnings + amortisation)		137.9	149.5
(Increase)/Decrease in working capital		3.3	20.6
(Increase)/Decrease in net investments		-106.6	-88.3
Net change in pension provisions and other provisions		-7.9	-6.3
Change in shareholders' equity		-116.6	-27.3
Total Changes		***-89.9***	***48.2***
Closing net financial position		**-359.7**	**-269.8**

MAIN INFORMATION BY BUSINESS UNIT

Business unit		2-wheeled vehicles	Commercial vehicles	Total
	2008	470.5	178.1	**648.6**
Sales volumes	2007	534.6	173.9	**708.5**
(units/000)	Change	(64.1)	4.3	**(59.9)**
	Change %	-12.0	2.4	**-8.5**
	2008	1,180.7	389.4	**1,570.1**
Net sales	2007	1,311.9	380.2	**1,692.1**
(ML €)	Change	(131.3)	9.2	**(122,0)**
	Change %	-10.0	2.4	**-7.2**
	December 31, 2008	4,672	1,536	**6,208**
Employees	December 31, 2007	4,622	2,225	**6,847**
(n.)	Change	50	(689)	**(639)**
	Change %	1.1	-31	**-9.3**
Investments				
	2008	45.9	7.6	**53.5**
- Fixed Assets	2007	39.6	4.2	**43.8**
(ML €)	Change	6.3	3.4	**9.7**
	Change %	15.9	81.0	**22.1**
	2008	35.8	13.6	**49.4**
- R&S Capex	2007	40.8	7.0	**47.8**
(ML €)	Change	(5.0)	6.6	**1.6**
	Change %	-12.3	94.3	**3.3**

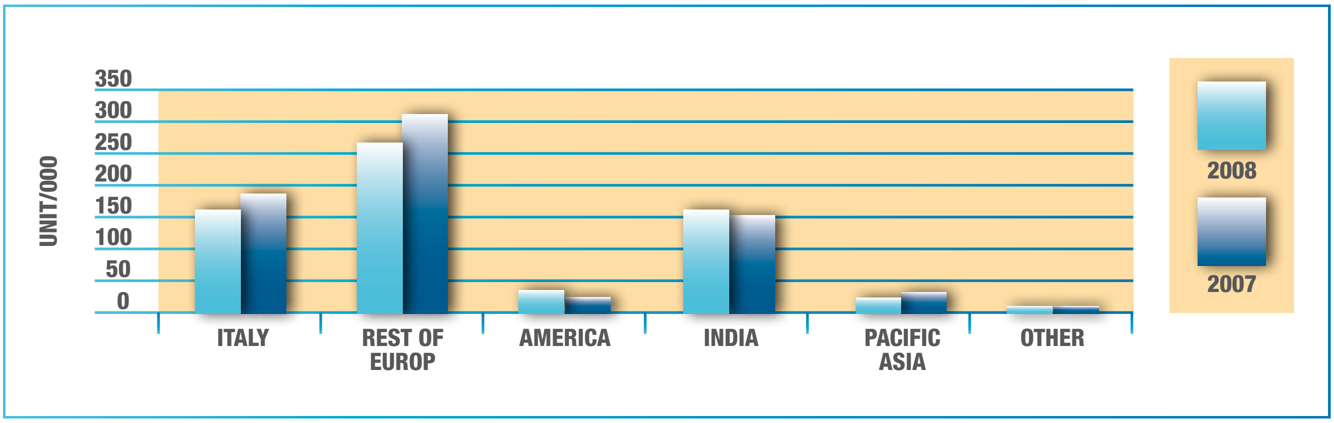
SALES VOLUMES



MAIN INFORMATION BY GEOGRAPHICAL AREA

		ITALY	REST EUROPE	AMERICAS	INDIA	ASIA PACIFIC	OTHER	**Total**
	2008	162.3	266.6	31.6	158.9	23.0	6.3	**648.6**
Sales volumes	2007	186.1	308.4	24.5	154.4	29.6	5.5	**708.5**
(units/000)	Change	(23.8)	(41.8)	7.0	4.6	(6.6)	0.7	**(59.9)**
	Change %	-12.8	-13.6	28.7	2.9	-22.2	13.2	**-8.5**
	2008	500.4	666.7	95.0	244.0	45.6	18.5	**1,570.1**
Net sales	2007	570.0	737.7	79.3	238.0	52.0	15.0	**1,692.1**
(ML €)	Change	(69.7)	(71.0)	15.7	6.0	(6.4)	3.5	**(122.0)**
	Change %	-12.2	-9.6	19.8	2.5	-12.4	23.0	**-7.2**
	December 31, 2008	4,269	561	68	1,205	105		**6,208**
Employees	December 31, 2007	4,257	588	59	1,914	29		**6,847**
(n.)	Change	12	(27)	9	(709)	76		**(639)**
	Change %	0.3	-4.6	15.3	-37.0	262.1		**-9.3**
Investments								
	2008	32.6	2.6	0.2	5.8	12.3		**53.5**
- Fixed Assets	2007	31.7	4.5	0.3	3.7	3.6		**43.8**
(ML €)	Change	0.9	-1.9	-0.1	2.1	8.7		**9.7**
	Change %	2.8	-42.2	-33.3	56.8	241.7		**22.1**
	2008	39.1	1.4		8.9			**49.4**
- R&S Capex	2007	40.5	2.5		4.8			**47.8**
(ML €)	Change	(1.4)	(1.1)		4.1			**1.6**
	Change %	-3.5	-44.0		85.4			**3.3**

SALES VOLUMES



Highlights, the group's results

In 2008, the Piaggio Group sold 648,600 vehicles in the world, 470,500 of which in the 2-wheeler business and 178,100 in the Commercial Vehicle business. With regard to the 2-wheeler business, such performance took place within a particularly difficult market context in the Group's main reference areas. In fact demand dropped compared to the same period of the previous year in Italy (- 7.1%), Europe (- 6%) as well as the United States (- 6% globally but + 35% in the scooter segment).
The Group's sales in America reached 31,600 units (+ 28.7% compared to 2007), which proves Piaggio's international success in high-growth markets.
With respect to the above-mentioned sequence of events, the **group consolidated net sales** in 2008 reported 1,570.1 ML€ (- 7.2% compared to 2007).
In addition to the drop in sales in the 2-wheeler sector, such decline in net sales has also been influenced by the revaluation of the euro against the dollar, the Indian rupee and the sterling, causing a negative effect of approximately 38.4 ML Euros on net sales compared to 2007; it should be noted that the 5-year BMW contract (- 18.0 million € compared to the same period of the previous year) significantly contributed to this contraction.

The **gross industrial margin** is 468.8 ML€ compared to 498.4 ML€ recorded in 2007 with an incidence growth on net sales (29.9% compared to 29.5% in 2007), thanks to a strong focus on reduction of product costs.

Operational expenditures were on the increase by 12.5 ML€ compared to 2007 (+ 3.4%), also because of higher amortisation of the period due to investments in new models and engines carried out during the past few years.

The **consolidated EBITDA** was 189.1 ML€, equal to 12.0% of net sale, on the decline compared to 226.1 ML€, equal to 13.4% of net sales of 2007.

Operating earnings reach 94.5 ML€ compared to 136.6 ML€ in 2007 (-30.8%), with amortisation of 94.5 ML€ (+ 5.0 ML€ + 5.6% compared to 2007).

Pre-tax earnings are 59.6 ML€ (-42.4% compared to 2007) and **net profit** is 43.3 ML€ (-27.8% compared to 2007), after deducting taxes of 16.3 ML€, which also consider deferred taxes recorded in the financial year, also due to the merger of Moto Guzzi.

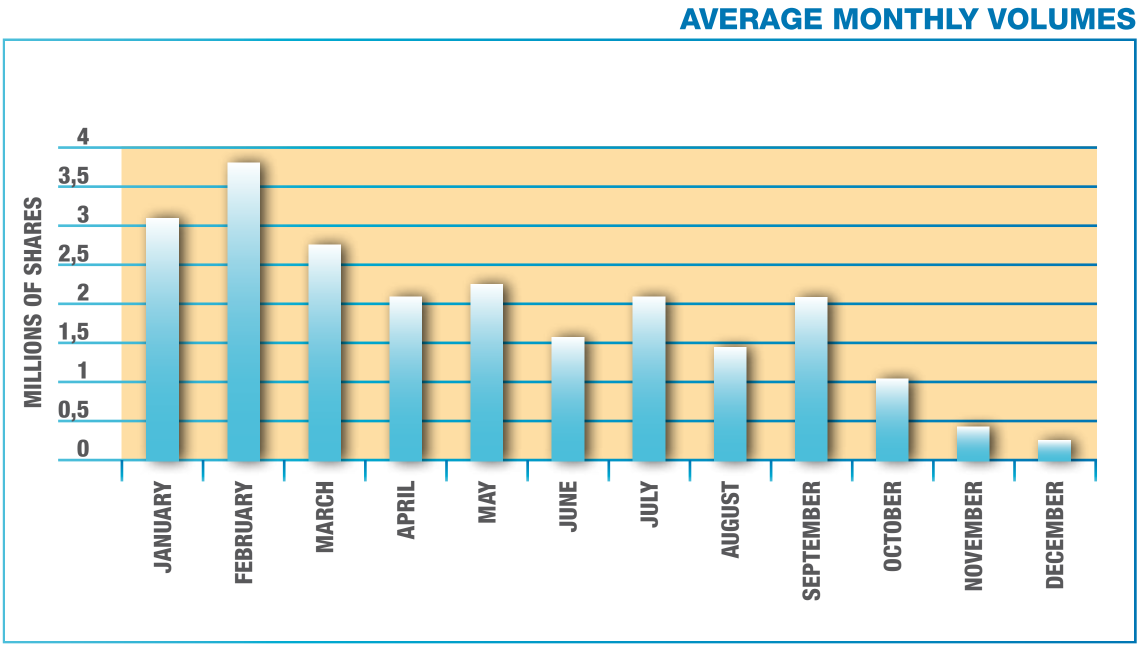
The **Consolidated Net Financial Position** changed from –269.8 ML€ at 31 December 2007 to –359.7 ML€ at 31 December 2008. The growth of 89.9 ML€ reflects the decision to settle the value of Piaggio warrants

2004-2009 for an overall 64.2 ML€ on a cash-basis, to payout a dividend distribution of 23.5 ML€ and to the purchase own shares for 26.1 ML€.

Piaggio and the financial markets

Piaggio has established constant contact with shareholders and investors through its Investor Relations department which throughout the year organises presentations – both live and via conference call – when the Group publishes financial earnings or other events that require direct disclosure to the market.
For further information, refer to the **www.piaggiogroup.com** corporate website, in the Investor Relations section where one can access financial and business data, institutional presentations, periodic publications and share price updates.

Average volumes transacted per month (millions of shares)



Official share price at:

Amounts in euros	31.12.08	30.06.08	28.12.07
Ordinary shares	1.248	1.251	2.309

Significant events during the year

8 April 2008: almost all the banks that hold Piaggio & C. S.p.A. warrants, 2004-2009, have exercised the warrants, which were issued by the company during the acquisition of Aprilia S.p.A.

29 April 2008: the new Moto Guzzi V7 Classic, a 750cc twin with a timeless, vintage design, was showcased in Milan.

9 May 2008: the new organisational structure of Piaggio Group was redesigned in order to organise the Group's resources by "functional areas". In particular, the new structure goes beyond the previous Brand Unit organisation logic, in order to specialise by line of Business – Two-wheeler and Commercial Vehicles – and by geographic areas.

29 May 2008: the Board of Directors presented the 2008-2010 Piaggio strategic plan.

Over the next three years, Piaggio Group will be facing international market challenges with regard to light mobility. The focus will be, in particular, on technological innovation, in order to compete on several worldwide markets as an innovative player, aware of and attentive to consumption and environment issues.

The 2008-2010 Plan guidelines are based on:

- Investments focussing on technological innovation, aimed at the environmental sustainability of the Group's products and at guaranteeing lower costs of urban transport.
- International expansion in terms of both industrial and commercial presence on main world markets, and better efficiency of the Group in research and development, engineering and procurement sectors. In particular, the focus will be on Asian markets.
- Extension of products portfolio to the scooters, motorcycles and commercial vehicles business.
- Development of the Group's image and of the singles brands, in order to add value to the uniqueness of the Group's products on global markets.

4 June 2008: the new family of Aprilia Sportcity scooters was showcased:

- Aprilia Sportcity One, a state-of-the-art product expected to meet the needs of those who need an agile and safe mean of transportation at moderate cost to face the urban traffic, equipped with 50 and 125cc engines.
- Aprilia Sportcity Cube, a comfortable and sporty scooter with 125, 200, and 300cc engines.

11 June 2008: Piaggio's Board of Directors decided to proceed with the liquidation through a Cash Settlement of Piaggio & C S.p.A. warrants, 2004-2009 for 63.9 ML€ and the payment of financial tools EMH.

24 June 2008: the shareholder's meeting of Piaggio & C. S.p.A. passed the company's ordinary shares acquisition and disposition plan. The authorisation for the acquisition and disposition of own shares has the following purposes:

- stabilise the performance of the security on the stock market;
- allow the use of own shares within operations connected to the current management, i.e. connected to projects coherent with the company's strategic lines, which could result in the opportunity of exchanges of securities, including the use of said shares for possible convertible bonds or warrants.

The authorisation was granted for the purchase of own shares up to a maximum amount such that the number of own shares in the portfolio of the Company and of its subsidiaries does not exceed a 10% limit of the company's share pursuant to art. 2357, paragraph 3 of the Italian Civil Code.

Without prejudice to the authorisation for the purchase of own shares granted by Piaggio & C. S.p.A. ordinary shareholders' meeting of 7 May 2007, servicing the 2007-2009 share-based incentives plan.

26 June 2008: the new Piaggio Carnaby 250 was presented. The new scooter, together with the 125 and 200cc versions, completes the Piaggio high-wheel scooter range.

3 July 2008: the cash settlement was made for Piaggio & C. S.p.A warrants, 2004-2009, and for the financial tools EMH.

7 July 2008: the Company sealed a purchase program of 10,000,000 own ordinary shares, equal to 2.52% of the share capital, servicing the top management incentive and retention plan of the Piaggio Group passed by the shareholders Meeting of 7 May 2007, pursuant to art. 114-bis of Legislative Decree 58/1998.

29 July 2008: the Piaggio group and the Zongshen Industrial Group signed a memorandum of understanding in respect of a feasibility study for a new joint venture as equal partners for developing and a range of Ape brand 3-, and 4-wheeled commercial vehicles with petrol and diesel engines at Chongquing in the People's Republic of China, for sale on the Chinese market.

19 September 2008: the new Piaggio Porter Maxxi was showcased, the latest version in the Porter commercial vehicle range.

6 October 2008: Aprilia won the World Championship Constructors title in the 125cc category with still two championship races to be completed, highlighting its indisputable technical superiority in the 125cc class.

6 October 2008: the French rider Mike Di Meglio, astride a Derbi, won the Riders Championship title in the 125cc category.

19 October 2008: the Italian rider, Marco Simoncelli, on a Gilera, won the Riders Championship title in the 250cc category.

19 October 2008: Aprilia triumphed in the 250cc category winning the Championship Constructors title.

In October, the production unit in Hanoi, in Vietnam, was completed, in advance of the planned timetable and preproduction of the Vespa was commenced.

1 December 2008: the merger by incorporation of Moto Guzzi S.p.A. in Piaggio & C. S.p.A. has become effective.

19 December 2008: Piaggio & C. S.p.A. signed a financing agreement with the European Investment Bank amounting to Euro 150 million. The loan that has a duration of 7 years may be used as one or more instalments over a period of 18 months from the date the agreement was signed and was granted to finance an investment plan for research and development that Piaggio will be implementing over the three year period 2009-2012.

Director's Report

1. PIAGGIO GROUP PROFILE

The Piaggio Group has been one of the main world-wide operators in the 2-wheeled vehicle and commercial vehicle industries for over sixty years.

The Group operates in the 2-wheeled sector manufacturing products with the following brands:

Piaggio – the Group's historic brand, with a broad range of products from 50cc to 500cc that cover all the segments of the scooter market. The Piaggio brand image is one of vehicles that are safe, stylish, robust and technically advanced, able to meet the widest urban mobility requirements.

Vespa – the scooter market's historic brand, with which the Group has been selling the Vespa, an icon of style, elegance and Italian quality for 60 years.

Gilera - is the brand which the Group uses to market and sell small and small-to-medium engined scooters and a range of road and off-the-road models that feature sporty and elegant lines, offer top of the range quality and high performance. The brand is marketed to a young, dynamic and sports-oriented target.

Derbi – is the brand which sells small-engined motorbikes and scooters in Europe, aimed at young customers.

Aprilia – the vehicles bearing this brand are sporty and high-tech. The brand has a long racing history of more than 20 years of successes.

Scarabeo – with the Scarabeo brand, launched by Aprilia in 1993, the Group sells scooters of various engine sizes that are the essence of style, elegance and safety.

Moto Guzzi – the Moto Guzzi is an aristocrat of large-engined motorcycles, aimed at enthusiasts seeking classical elegance combined with innovative technology.

The Group operates in the 3- and 4-wheeled sector, manufacturing products under the Piaggio, Ape, Quargo and Porter brands. Piaggio Group's light commercial vehicles stand out for their compact dimensions, high load-bearing capacity and outstanding manoeuvrability.

Vehicles manufactured are sold in over 50 countries.
2-, 3- and 4-wheelers are all distributed through their

own sales networks, comprising over 10,000 operators in the European main and secondary networks, 250 exclusive dealers in India and 300 dealers in the USA, as well as the distribution network of Piaggio importers in other countries.

2. FINANCIAL AND BUSINESS PERFORMANCE OF THE PIAGGIO GROUP

The Piaggio Group's economic performance

Net Sales			
Amounts in ML€	**2008**	**2007**	**Change**
2-wheeled vehicles	1,180.7	1,311.9	(131.2)
Commercial vehicles	389.4	380.2	9.2
TOTAL NET SALES	**1,570.1**	**1,692.1**	**(122.0)**

In 2008, the Piaggio Group sold 648,600 vehicles in the world, 470,500 of which in the 2-wheeler business and 178,100 in the Commercial Vehicle business.

With regard to the two-wheeler business, such performance was realised within a particularly difficult market context in the Group's main reference areas.

The results achieved in America were very flattering, sales went up by 7,000 units (+28.7%), which proved the Group's product success internationally.

However, sales in the Italian and European market declined after a decrease in widespread demand compared to the previous financial year (Italy -7.1% - Europe -6%).

The Commercial Vehicle sector ended the 2008 financial year with sales of 178,100 units, increased by 2.4% compared to 2007. In particular, the growth of the Indian subsidiary continues, despite settlement signals of such strong expanding market during the past few years, which saw volumes growing by a further 2.9% (4,600 vehicles) and net sales by 2.5% compared to 31 December 2007. In local exchange rate, Piaggio Vehicles growth was equal to 15.4%.

Consolidated net sales reported 1,570.1 ML€ in 2008, a decrease of 7.2% compared to 2007. By analysing the performance of net sales in the reference sub-segments, the reduction is mainly attributable to the above-mentioned decrease in demand in the 2-wheeler sector and to the heavy reduction of the five-year BMW order, accounting for a 18.0 ML€ decrease compared to the same period last year. These were only partially mitigated by growth in the commercial vehicles business. Compared to the previous financial year, the decline in the 2-wheel sub-sector is due to the drop in sales reported in the scooter sector (-59.2 ML€ -6.9% compared to 2007) and in the motorcycle sector (-42.4 ML€, -16.8%).

It should also be noted that the works for the new production establishment in Vietnam are being completed and they will be operative next year.

The **gross industrial margin**, defined as the difference between "net sales" and corresponding "Cost of Goods Sold" of the period, is 468.8 ML€, with a decline of 5.9% compared to 2007 and an incidence on sales of 29.9% (29.5% in 2007), including industrial amortisations for 32.5 ML€.

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

Operational expenditures at 31 December 2008 totalled 374.3 ML€, registering an increase of 12.5 ML€ with respect to 361.8 ML€ in the same period of 2007 (+3.5%). These consist of employee costs, costs for services and use of third parties assets, and additional operational expenditures net of net income not included in the gross industrial margin. Amortisations that are not included in the calculation of the gross industrial margin for 62.0 ML€ are covered under operating expenses.

Also note that 2.3 ML€ of costs for devaluation of product planning development are included in operating expenses at 31 December 2008, they were 1.5 ML€ at 31 December 2007.

The dynamics of net sales and costs stated above leads to a **consolidated Ebitda** – defined as the "operating earning" before amortizations of tangible and intangible assets, as resulting from the consolidated income statement – equals to 189.1 ML€, a decrease of 16.4% compared to 226.1 ML€ for the previous period; percentage wise, in 2008 Ebitda reports 12% compared to 13.4% in 2007.

The **operative earning** of 2008 is positive for 94.5 ML€, a decrease of 42.1 ML€ compared to 136.6 ML€ in 2007.

Net financial charges amount to 34.9 ML€ compared to 33.1 ML€ in 2007, of which 15.6 ML€ were for a bond issued by Piaggio Finance. The worsening results are mainly correlated by the average financial debt after the cash settlement of warrants, the buy-back programme and the average cost of debt linked to the increase of the Euribor.

The financial year 2008 ends with a consolidated **net profit** of 43.3 ML€, compared to a net profit of 60.0 ML€ reported in the previous year. Taxes of the period, overall amounted to 16.3 ML€ (43.5 ML€ at 31 December 2007). The tax burden showed a decrease compared to the previous year and is strictly correlated to economic performance results of the year and to the registration of the above-mentioned deferred tax assets.

Consolidated cash flow statement

The consolidated cash flow statement, prepared in accordance with the schedules envisaged by the IFRS international accounting standards, is presented in the "Consolidated Financial Statements and Explanatory Notes at 31 December 2008"; the following is a comment relating to the summary statement shown in the Highlights.

Financial resources taken up in the financial year amounted to 89.9 ML€.

Cash flow from operations, i.e. net earnings plus amortisation and depreciation, was 137.9 ML€. The positive effect of such cash flow generated in the period, increased by the positive effect of the decrease in working capital from -0.4 ML€ at 31 December 2007 to -3.7 ML€ at 31 December 2008 (-3.3 ML€), was partially taken up by investments of 106.6 ML€, by change in provision of 7.9 ML€, by a dividend distribution of 23.5 ML€ and by the purchase of own shares for 26.1 ML€.

Investments took up resources for a total of 106.6 ML€. The increase in **fixed assets** is mainly made up of 45.6 ML€ of investments in tangible fixed assets and 59.8 ML€ in intangible fixed assets, 2.5 ML€ of which were used for discounting back financial instruments issued during the acquisition of Aprilia, which are set off by the start-up entry.

The balance sheet of the piaggio group

The **working capital** – defined as the net sum of: Trade Receivables and other current and non-current receivables, Balance, Trade Payables and other long term debt and current payables, Other Receivables (Receivables for the inland revenue, short and long term, deferred taxes) and Other Payables (tax payables and other short term payables) – amounts to a negative value of 3.7 ML€, a decrease compared to the values at 31 December 2007 (a 3.3 ML€ net reduction).

Net tangible assets consist of properties, plant, machinery and industrial equipment, net of the accumulated depreciation, and assets intended for sale, as set out in more detail in the "Explanatory Notes" to the Consolidated Financial Statements, namely in notes 16 and 27. At 31 December 2008, tangible assets amounted to 250.4 ML€, an increase of 1.8 ML€ compared to 31 December 2007.

Net intangible assets consist of capitalized development costs, patent costs, Know-how costs and goodwill, derived from the acquisition/merger taken place within the Group since 2000, as specified in detail under the "Explanatory Notes" on the consolidated financial statements on note no. 15. At 31 December 2008, net intangible assets amounted to 648.2 ML€, an increase of 10.7 ML€ compared to 31 December 2007, which is mainly due to the diesel engine development in India and to discounting back Aprilia's financial instruments.

Financial assets, defined by the Directors as the sum of the items: Equity investments and other financial non-current activities (see "Explanatory Notes" no. 18 and 19), amount to 0.6 ML€, they were 1.0 ML€ at 31 December 2007.

The funds made up by the Pension Fund and benefits to employees (Note no. 35), other long term funds (Note no. 33), current allowance to other long term funds (Note no. 33) and deferred tax liability (Note no. 34), all amount to 137.5 ML€, a decrease compared to the period ended at 31 December 2007 (-7.9 ML€).

Net **financial debt** at 31 December 2008 was negative for 359.7 ML€, compared to 269.8 ML€ at 31 December 2007. The increase of 89.9 ML€ compared to 31 December 2007 generated after the decision to not use the right to settling the value of Piaggio 2004-2009 warrants with the issue of new shares for a total of 64.2 ML€ (63.9 ML€ of which was settled on a cash-basis in July). In addition, the debt also increased due to the dividend distribution of 23.5 ML€, the acquisition of own shares for 26.1 ML€ and the investments described above, which were only partially compensated by the positive performance of the operating cash flow that was already explained previously.

The breakdown of the net financial position, which is set out in more detail in the specific table in the "Explanatory notes", may be summarised as follows:

Amounts in ML€	31/12/2008	31/12/2007
(Medium/long-term financial payables)	(143.9)	(177.5)
(Bond)	(120.9)	(145.4)
(Short-term financial payables)	(140.7)	(66.6)
Financial activities	5.8	18.4
Liquid assets	40.0	101.3
Total financial position	**(359.7)**	**(269.8)**

Shareholders' equity at 31 December 2008, amounts to 398.2 ML€, versus 471.4 ML€ at 31 December 2007, owing to the cash settlement of warrants and due to the buy back programme.

Employees

The number of employees for the Group was 6.208 at 31 December 2008, including seasonal personnel (345 people), this shows a decrease of 639 people compared to 31 December 2007, which concentrated in the Indian subsidiary.

	Average number		Number at	
Number of people	*2008*	*2007*	*2008*	*2007*
Senior Management	111	115	112	111
Middle Management	429	412	430	425
Clerical staff	1,967	1,845	1,995	1,878
Manual labour	4,797	4,940	3,671	4,433
Total	**7,304**	**7,312**	**6,208**	**6,847**

3. SIGNIFICANT EVENTS AFTER 31 DECEMBER 2008

During February, the Council of Ministers approved a law by decree that provided an incentive of 500 Euros for the purchase of motorcycles up to 400 cc under category Euro 3 by simultaneously trading-in (through a scrapping programme) a moped or a small motorbike under category Euro 0 or Euro 1.

4 February 2009 Standard & Poor's confirmed the corporate rating of the Parent Company of BB with a stable outlook.

During the months of January and February, the Parent company continued to purchase own shares servicing the Company's ordinary shares purchase and disposal plan passed by the Shareholders' Meeting of 24 June 2008. On 20 February 2009, the total number of own shares in the Company's portfolio totalled 27,372,977 at an average purchase price of € 1.9685.

4. MANAGEMENT PROGRESS

In 2009, the Piaggio Group will focus on the continuous improvement of competitiveness in all the sectors/markets in which it operates.

Quality, product costs and productivity will drive the management of 2009, which will be developed in actions aimed at increasing the sales of 3/4 wheel commercial vehicles in India and in Europe. Moreover, special care will be taken to re-launching the Moto Guzzi brand and in consolidating the scooter sector in Europe and in America.

The Group plans on improving its market position in this sector by completing the product range of Aprilia motorcycles and at the same time projecting a greater presence in international markets.

In 2009, the Piaggio Group will be committed to the development for the future and new investments, among them, the most significant are represented by the development of hybrid motorizations and the construction of plants in Vietnam and India.

5. RELATIONS WITH ASSOCIATED COMPANIES

Net sales, costs, payables and receivables at 31 December 2008 involving parent companies, subsidiaries and associated companies relate to the sale of goods or services and are part of normal Group activities.

Transactions are at arm's-length, based upon the characteristics of the goods and services provided.

Information on dealings with related parties, including that required by the CONSOB Communication dated 28 July 2006, is presented in Note E of the Consolidated Financial Statements and in Note D of the parent company's separate Financial Statement.

6. THE MARKET

6.1 The two-wheeler business

After several years of growth, the world market of the two wheelers (scooter and motorbike) resulted in a decline of 3% compared to 2007, with volumes lower than 40 million of vehicles sold.

The Asian area is confirmed as the market with the greatest area: The People's Republic of China remains number one in the worldwide market and it shows a slight growth (+1%) with approximately 15 million of vehicles sold. The second place goes to India, which in 2008 showed a slight decline (-1%) reporting below 7.4 millions of vehicles sold. Southeast Asia is the area that most suffered the worldwide economic crisis, which was revealed entirely in the second semester of 2008: with 10.6 millions of vehicles, a decline of 11%. Among the countries of this area, Indonesia remains the main market and covers almost 40% of sales with 4.1 million of vehicles sold; followed by Vietnam with 2.1 millions and Thailand with 1.5 millions, which represent 20% and 14% of sales in the area, respectively.

The Japanese market with approximately 500 thousand vehicles sold, shows a considerable decline in sales of 24% compared to 2007.

As far as the performance of the market for the Americas, the North-American market trend is negative (concentrated in USA with more than 90%), which reports a new drop and falls below one million of vehicles sold, with a trend of -6% compared to 2007 and with an opposite trend for scooters, an increase of 35% and a 10% drop for motorbikes.

On the contrary, Latin America continues in 2008 with a strong growth thanks to the boost in Brazil (83% of the area) whose market shows an increase of 17% with 1.9 million of vehicles sold.

Europe, the main reference area for the Piaggio Group's business with approximately 2.2 million of vehicles sold, has reported a negative trend in 2008 (-6%). All sectors were in decline, especially the over 50cc sector (-7%); the 50cc sector had a less intensified drop (-3%).

The scooter market

Italy

The Italian market for scooters ended the year 2008 with sales of 382 thousand vehicles, a drop of 6% compared to the 405 thousand vehicles sold in 2007; scooters over 50cc reported a drop of 5% while 50cc scooters showed a decline of 8%.

Europe

In 2008, the scooter market in Europe showed a volume cutback of 2%, going from 1 million 401 thousand vehicles in 2007 to 1 million 368 thousand vehicles in 2008; this result is due to the negative trend of both scooter sub-sectors (over 50cc vehicles dropped to 648 thousand units versus 673 thousand units in 2007, a decline of -4% and 50cc scooters went from 728 thousand units in 2007 to 720 thousand units in 2008, a decline of -1%).

Among the main European countries, the reference market remains in Italy (approximately 28% of the European market) with 382 thousand units (-6% compared to 2007), followed by France with 267 thousand units (-3%) and Spain with 157 thousand units (-26%); against the current trend, Germany, which thanks to the introduction of a monitor market of various Chinese manufacturers, comes close to 134 thousand vehicles sold with a trend of +55% compared to 2007.

If the decline in the French market is entirely due to the decidedly drop of scooters 50cc, while keeping a minimum growth, even slightly in scooters over 50cc, the Spanish market cutback was caused by a strong crisis in both sectors. However, in Germany a considerable growth in scooters >50cc continued and a very possible trend was added to scooters 50cc.

The English market also suffered a negative trend (-4%) established right below 40 thousand units with a decline in both sectors, scooters >50cc and scooters 50cc.

North America

The scooter market in North America reports a remarkable growth (+35%) in 2008, going from 63 thousand units in 2007 to over 85 thousand units in 2008. There are positive trends for scooters 50cc and for scooters over 50cc, which distribute sales equally. Particularly in the United States (88% of the reference area), the scooter market shows a considerable growth in 2008 (+38%), with 75 thousand units; growth returns for scooters over 50cc (+34%) and scooters 50cc show a positive trend (+41%), thus it boosts its own incidence in terms of relative weight, covering 50% of the market to this day.

The motorcycle market

Italy

At the end of 2008, the motorcycle market in Italy (including 50cc motorcycles) showed a declined, going from 161 thousand units at the end of 2007 to 144 thousand units in 2008 (-10%), mainly due to a considerable drop in the motorcycle sub-sector 126-750cc, which went from 86 thousand units in 2007 to 73 thousand units in 2008 (-15%). Motorcycles over 750cc suffered a less severe decline (-5%), which went from 57 thousand vehicles in 2007 to 54 thousand vehicles in 2008; motorcycles 51-125cc suffered a (-1%) decline and reported a volume of just over 10 thousand units.

Europe (EU)

The motorcycle market in Europe went from 941 thousand units in 2007 to 844 thousand units in 2008, reporting a 10% drop.
The fall in the motorcycle 50 cc sector must be pointed out in particular (-14%), which reported 87 thousand units compared to 100 thousand at the end of 2007 and motorcycles 51-125cc (-15%) went from 139 thousand units in 2007 to 118 thousand units at the end of 2008. The decline reported by the Spanish market of -42% and -41%, respectively, is considerable for both sectors.
The sales of mid-size motorcycles 126-750cc dropped (-9%) and ended 2008 with 344 thousand new registrations versus 379 thousand in 2007. Maxi motorcycles (>750 cc) also suffered a decline and ended 2008 with a -8% drop, 296 thousand new registrations versus 323 thousand in 2007.
The most considerable markets showed to be France (with 160 thousand units), Spain (with 125 thousand units), Germany (with 121 thousand units) and, at last Great Britain (with 91 thousand units).
In Europe, the most important sub-sector proves to be mid-size motorcycles from 126 to 750cc, where the Group is present with the brands Aprilia and Moto Guzzi and are followed by maxi motorcycles of over 750cc, where the Group is also present with the brands Aprilia and Moto Guzzi.
For the 51-125cc sector, the Group is present with the brands, Aprilia and Derbi.

North America

In 2008, the motorcycle market in North America suffered a considerable drop of (-10%) and went from 968 thousand units in 2007 to 874 thousand units in 2008.
Particularly in the United States (91% of the area), the motorcycle sub-sector showed a sizeable drop compared to 2007 (-11%), reporting 795 thousand units versus 893 thousand units in 2007.
The negative trend concerns all the motorcycle sectors, but low-powered motorcycles were the most pronounced (-46% in 50cc motorcycles and -32% in 51-125cc motorcycles).
On the contrary, the Canadian market is growing and goes from 74 thousand units in 2007 to 79 thousand units in 2008.

6.2 The commercial vehicles business

In 2008, the European market for Light Commercial Vehicles (vehicles with a total weight ≤ 3,5 tons) reported a major decline compared to the similar period in 2007, equal to 10.4% (source ACEA).
In the Italian national market, a decline is reported at 8.7% with 230,875 units versus 252,737 units in 2007 (source: ANFIA, deliveries declared by manufactures under market N1).
The 3-wheeler Indian market wherein Piaggio Vehicle Private Limited operates, a subsidiary company of Piaggio & C. S.p.A., went from 380,661 units sold in 2007 to 348,097 units in 2008, reporting a 8.5% drop.

The passenger vehicles sector in such market continues to show an outgoing trend, reaching 251,293 units with a 6% growth, whereas the Cargo sector reports a 32.6% drop going from 143,621 units to 96,804 units. In addition to the market tradition for the 3-wheelers, the market for 4-wheel light commercial vehicles intended for cargo must be considered, this is where Piaggio Vehicle Private Limited started to operate with the launching of the Ape Truk in the middle of 2007.

The size of the LCV Cargo market reported 152,480 units sold during 2008 with a 0.5% drop compared to the same period in 2007.

7. THE REGULATORY FRAMEWORK

Italy

During 2008, the Government introduced national policies as incentives for the purchase of motorcycles up to 400cc and with low environmental impact. The Ministry for the Environment introduced incentives for the purchase of Euro2 and Euro3 motorcycles - when the corresponding old vehicle is scrapped - in addition to which, scrappage costs are refunded (approximately Euro 80) and owner's tax is not levied for a period of 5 years. A similar higher subsidy has been introduced for those buying electric vehicles. The main objective behind these measures is to modernise vehicles on the road by introducing vehicles with more advanced technology and with reduced fuel consumption and emissions causing pollution.

With regard to measures concerning the circulation of scooters and motorcycles that have been implemented both at a regional and municipal level to reduce pollution, noteworthy are those that have been implemented by the Regions of Lombardy, Piedmont, Emilia Romagna, Tuscany and the City of Rome. Specifically, commencing from September 2006, the first four regions and, as from January 2007, the city of Rome, introduced a permanent traffic ban applying to Euro0 two-stroke mopeds and motorcycles. This ban applies to the area of 135 communes in Lombardy and 35 communes in Piedmont, in communes with at least 50,000 inhabitants in Emilia Romagna and in 23 communes in Tuscany.

At the beginning of 2008, after having made the relevant filing and obtained approval from the Civil Motor Vehicle Authority, the procedure for decentralised printing of Certificates of Conformity (CoC) for all mopeds and motorcycles destined for use domestically was approved.

In parallel to this, and applying only to motorcycles, a CoC now has an anti-forgery code issued by the Ministry of Transport. The combination of these two new measures guarantees that CoCs used for registering vehicles are authentic for the purpose of preventing contraband and deterring the theft of vehicles.

In the third quarter of 2008, the Civil Motor Vehicle Authority, ANFIA and ANCMA started working together to draw up guidelines governing the tuning of new vehicles and those already on the road. The purpose of this scheme is to give customers the option of "customising" their vehicles by replacing important components to enhance safety and/or reduce emissions, subject to the condition that all technical and administrative regulations laid down by the Ministry of Transport are complied with.

Europe

On 31 December 2008, the so-called exemption of "end of range" vehicles for Euro2 motorcycles sold and selling less than 5.000 vehicles a year within the EU expired. This exemption allowed registration of Euro2 less popular models of motorcycles, of which less than 5.000 vehicles were sold overall per year within the 27 States of the EU.

As a result, vehicles manufactured by the Group that belonged to this legally defined category have been updated to comply with Euro3 standards currently in force or production has been discarded as they can no longer be registered in Europe.

During 2008, the European Union introduced a Regulation that obliged manufacturers and importers of chemicals to systematically evaluate and manage risks that chemicals may have for health and safety and the environment (the REACH Regulation= Registration, Evaluation, Authorisation and restrictions of Chemicals). The first step in this process consists in registering the enterprise with the European Chemicals Agency that has the task of calculating the amount of chemicals that are produced or imported within the EU annually, Vehicles, components and materials used by Piaggio in the manufacture of its products comply with the provisions of the aforementioned Regulation.

On 26 September 2008 European Directive 2006/66 came into force and established new specifications for the disposal and recycling of all types of batteries and accumulators, including those used in motor vehicles when they come to the end of their useful life. The Directive establishes that in each member State manufacturers of batteries and accumulators have to organise a suitable collection and disposal system.

In 2008, a legislation became effective in Spain and established a progressive taxation for the registration of motor vehicles, depending on CO_2 values emitted. At first, mopeds and motorcycles up to 250cc were excluded from the application of such law; when the Spanish Government, however, realised that revenues from this law coming into force would be less than expected, it decided to extend measures to all motorcycles. As far as the **commercial vehicle** sector is concerned, (categories M1 and N1 – Porter), it should be noted that a recent Community decree relating to testing specifications for evaluating pollutant gas emissions has made it possible to homologate these vehicles according to Euro5 and Euro6 specifications that provide for different limits for petrol and diesel engines.

On 15 December 2008, in addition, Directive 2005/64 came into force establishing administrative and technical provisions for motor vehicle approval, with the aim of guaranteeing that their components can be reused, recycled and recovered according to the minimum percentages provided. Furthermore, it fixes special measures directed towards guaranteeing that the reuse of components does not compromise safety or give rise to environmental hazards.

Extra European countries

In Japan in 2008, new and stricter pollution limits came into force for mopeds and motorcycles both for locally manufactured and imported vehicles.

In China, new legislation came into force limiting motorcycle polluting emissions. This law is similar to that currently in force in the EU, with the difference that in China, measures relating to the duration of the anti-pollution system and evaporative emissions already came into force in 2008, while the corresponding European legislation is still at the proposal stage and currently under review by the EU Commission.

In the USA, new legislation came into force on the permeability of fuel tanks, pipes and other components used in engine fuel systems. The new measures that impose the use of new materials for the various components have the purpose of limiting hydrocarbon emissions caused by petrol evaporation in motor vehicles, both when running and stationary.

8. THE PIAGGIO GROUP

8.1 The two-wheeler business unit

In 2008, the Piaggio Group marketed the 2 wheel business for a total of 468,300 units (-11% compared to 2007), with net sales of 1,159.5 ML€ (-8.5%), including spare parts and accessories, after the BMW contract and the motor sales of 21.2 ML€.

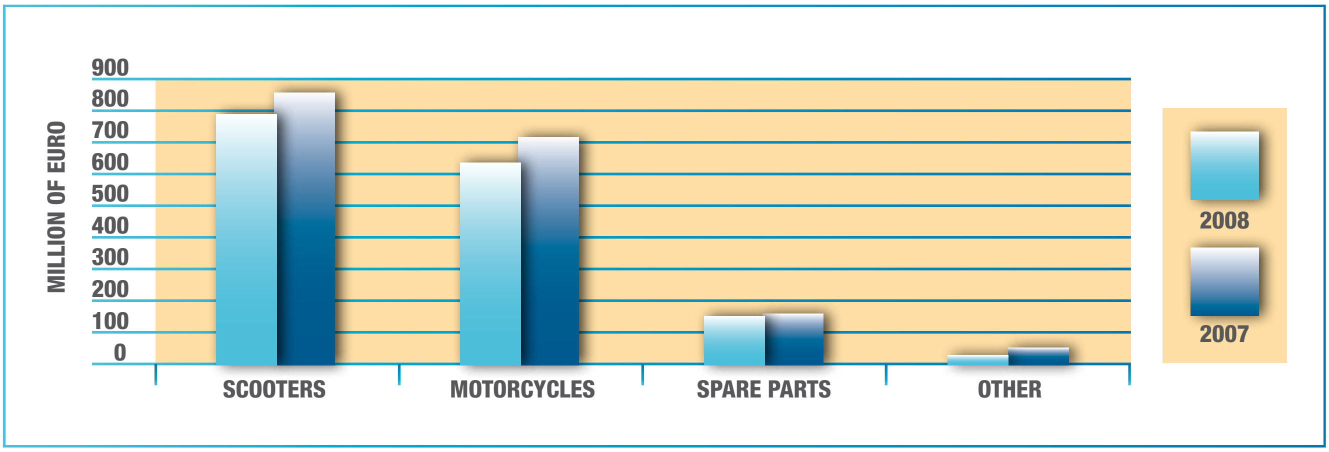
In 2008, the Piaggio Group also proved to be the market leader for scooters in Europe.

As pointed out in previous paragraphs, the trend for the Piaggio Group in 2008, was heavily penalized by the decline in the demand of the Italian and European market. This drop concerned the scooter sub-sector (-5.7% in Italy -2% in Europe) as well as the motorcycle sub-sector (-10.6% in Italy -10% in Europe).

On the contrary, the results achieved in America were very flattering and mainly thanks to the success of the Vespa, sales and revenues went up by 27.6% and 18.8%, respectively.

	2008		2007		Change %		Change	
	Volumes	Net sales	Volumes	Net sales				
	Sell in		Sell in					
	(units/000))	(ML€)	(units/000))	(ML€)	Volumes	Net sales	Volumes	Net sales
Scooters	405.7	794.9	453.3	854.1	-10.5%	-6.9%	(47.6)	(59.2)
Motorcycles	62.6	210.1	73.0	252.6	-14.2%	-16.8%	(10.4)	(42.4)
Spare parts and Accessories		154.5		160.3		-3.6%		(5.8)
Other	2.3	21.2	8.4	45.0	-73.3%	-52.9%	(6.2)	(23.8)
TOTAL	**470.5**	**1,180.7**	**534.6**	**1,311.9**	**-12.0%**	**-10.0%**	**(64.1)**	**(131.3)**
Italy	149.2	395.0	172.1	465.9	-13.3%	-15.2%	(22.9)	(70.9)
Europe + Mea	267.3	646.5	308.6	715.3	-13.4%	-9.6%	(41.3)	(68.7)
Asia Pacific	23.0	45.6	29.6	52.0	-22.3%	-12.4%	(6.6)	(6.4)
Americas	31.0	93.5	24.3	78.7	27.6%	18.8%	6.7	14.8
TOTAL	**470.5**	**1,180.7**	**534.6**	**1,311.9**	**-12.0%**	**-10.0%**	**(64.1)**	**(131.3)**

2-WHEELED VEHICLE MARKET SALES REVENUE



8.2 The two-wheel product range

The Piaggio product range, Vespa and Gilera, made up by a wide series of products, which mainly already comply with category Euro 3, are capable of meeting with the demand of all the type of customers present in the scooter market. The two models that were the most sold in 2008, were Vespa LX (with 63 thousand units) and Piaggio Liberty (with approximately 38 thousand units), followed on third place by the Vespa GTS (with 31 thousand units), fourth place by Piaggio Beverly (with over 30 thousand units) and the fifth place by the Fly (with 28 thousand units sold); the sales for the Vespa S (with 19 thousand units) and MP3 were also considerable, MP3 on its third year after being launched has made sales of 15 thousand units in 2008.

During 2008, the Piaggio Brand updated its Beverly model, one of the vehicles with most success and was presented in the new version with a "high headlight" for 125cc, 250cc and 400cc, called the Tourer. However, the Brand Vespa and Gilera are the main new ideas of 2008; the first offered an additional evolution of the Vespa GT: after GTS was launched in 2008, GTS Super was created, a Vespa with sports traits, equipped with a 300cc motorization, capable of providing both, high performance and pleasant driving comfort. Later, the Brand Gilera introduced the GP800, the first scooter with a two-cylinder engine, produced by the Piaggio Group and is by far the most powerful scooter of the market. During 2008, Aprilia reviewed its range of scooters completely and offered a face lifting for the Mojito models (50 and 125cc), completely updating the Sportcity family with the introduction of the ONE version and with an important update of the liquid-cooled version that witnessed the introduction of the new 300cc i.e. motorization as a substitute of the 250 cc and has a completely new re-designed body. The updating of the Scarabeo models was completed with the new 500, with the twin spark 500cc engine, capable of competing in the best possible way, in terms of performance and equipment, positioning itself in the upper part of the high-powered high wheel sector. As far as motorcycles, 2008 has witnessed strengthening and consolidation, in terms of market share of new launched products (Shiver and Mana), as well as the launch of major new models, the Dorsoduro 750 to widen Aprilia's range of products for mid-size motorcycles and SX/RX 125 that proves Aprilia's care for younger people.

It should also be noted that Aprilia has marketed the ABS models for all its most recent products (Shiver 750, Dorsoduro 750 and Mana 850), thus proving its care for "safe fun". To complete its range of products in the Off Road sector, Aprilia launched the Motocross MXC 450 in 2008.

In 2008, Moto Guzzi extended its market coverage by promoting two major new products early in the year: the first one was Stelvio, enduro 1200cc road motorcycle equipped with a new four-valve engine, and later it was the motorcycle of the Group's brand with the highest number of registrations in Europe. The V7 Classic arrived in May, a Naked motorcycle based on a bypass powertrain Breva 750, with a completely new design, widening its offer in the naked motorcycle sector and in particular trying to conquer the "vintage" market niche. The V7, for which in 2009 was expected to have new model variations, has also drawn great success in the public, positioning itself in second place among the most sold Moto Guzzi bikes in 2008, despite its short presence in the market for just one part of the year. In the second half of 2008, major updates were proposed for models that were already in the catalogue, such as the Bellagio Luxury and the 1200 Sport with a four-valve engine.

8.3 Commercial vehicle business unit

The Commercial Vehicle Sector ended 2008 with 178.1 units sold, an increase of 2.4% compared to volumes in 2007, whereas the sales went from 380.2 ML€ in 2007 to 389.4 ML€ in 2008, with a +2.4% change. The sales in Europe were 145.4 ML€ and 244.0 ML€ in India.

Piaggio reported 19,191 units sold in the European market, with a slight decline compared to the same period in 2007 (-1.5%). The sales, thanks to major initiatives accomplished in the Porter product range and on new motorizations with low environmental impact Eco-solution, are however growing by 2.0%, going from 142.2 ML€ in 2007 to 145.4 ML€ in 2008. The dynamics of sales in the Porter units was also positive, from 6,991 in 2007 to 7,295 in 2008, with a 4.3% change in a falling European market framework.

As for the product range in Europe, 2008 was distinguished by the introduction of a new Porter Eco-solution range with eco-compatible motorizations with low or no environmental impact.

Among the most important products, Porter Ecopower was outstanding, characterized by a modern bi-fuel Petrol and LPG fuel system, capable of minimizing polluting emissions and guaranteeing performance and reduced consumption. Moreover, the new Porter Maxxi was introduced

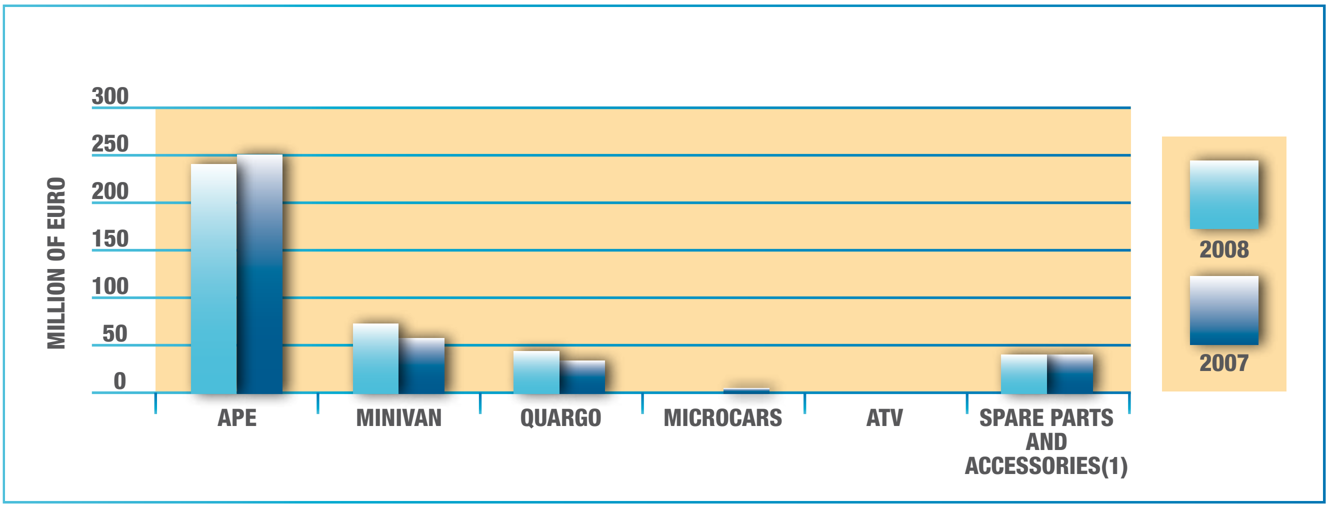
	2008		2007		Change %		Change	
	Volumes	Net sales	Volumes	Net sales				
	Sell in		Sell in					
	(units/000)	(ML€)	(units/000)	(ML€)	Volumes	Net sales	Volumes	Net sales
Ape	158.8	238.5	161.0	250.1	-1.4%	-4.6%	-2.2	-11.6
Minivan	7.3	72.6	7.0	62.4	4.3%	16.4%	0.3	10.2
Quargo/Ape Truk	11.8	40.9	5.4	28.1	116.1%	45.5%	6.3	12.8
Microcars	0.1	1.0	0.3	2.4	-57.3%	-57.6%	-0.2	-1.4
Atv	0.1	0.4	0.1	0.7	15.4%	-42.4%	0.0	-0.3
Spare parts and Accessories		35.9		36.4		-1.5%		-0.5
TOTAL	**178.1**	**389.4**	**173.9**	**380.2**	**2.4%**	**2.4%**	**4.3**	**9.2**
Of which India								
Vehicles	158.9	229.1	154.4	223.9	2.9%	2.5%	4.6	6.0
Spare parts and Accessories		14.9		14.1		5.7%		0.8
Total India	**158.9**	**244.0**	**154.4**	**238.0**	**2.9%**	**2.5%**	**4.6**	**6.0**
Of which Europe								
Vehicles	19.2	124.5	19.5	119.9	-1.5%	3.8%	-0.3	4.6
Spare parts and Accessories		21.0		22.3		-6.0%		-1.3
Total Europe	19.2	145.4	19.5	142.2	-1.5%	2.3%	-0.3	3.3
TOTAL	**178.1**	**389.4**	**173.9**	**380.2**	**2.4%**	**2.4%**	**4.3**	**9.2**

in July 2008, with a capacity of 1.1 tons, made completely in Pontedera and put side by side as the traditional range of products, the modern Ecopower motorization, starting from November 2008.

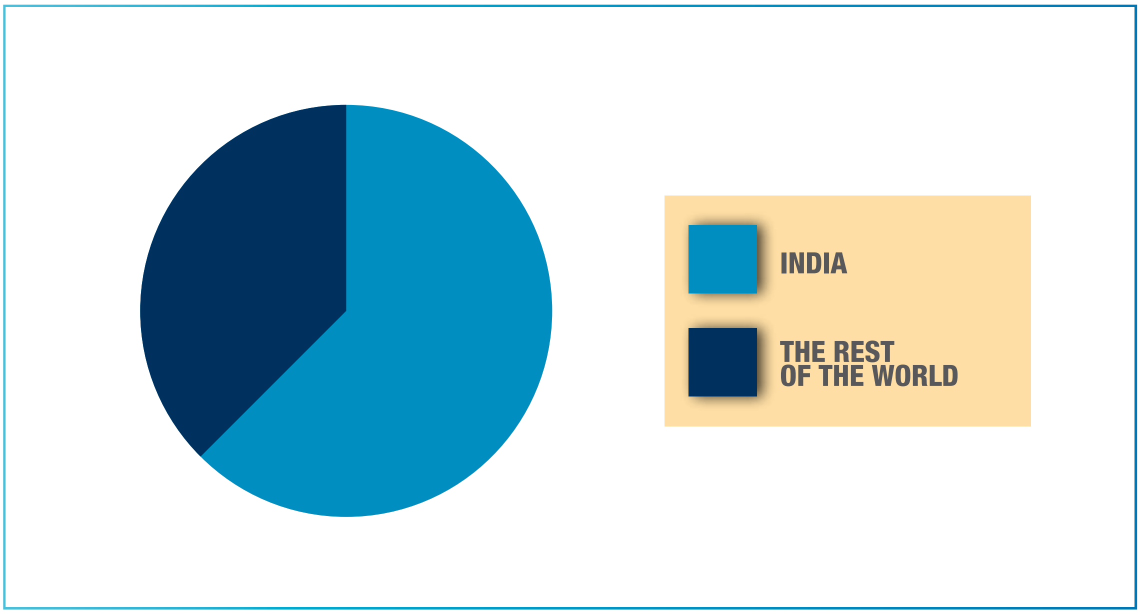
The Indian market for 3-wheel Piaggio Vehicles continues to strengthen its role of reference player and market leader. Sales for 3-wheelers went from 149,790 in 2007 to 146,114 in 2008, reporting a 2.4% decline, well below when compared to the market decline. Therefore, market share increases and reaches 42%. Sales for the 4-wheel Light Commercial Vehicles report a strong growth, Ape Truk (introduced during 2007), went from 2,577 units in 2007 to 9,600 units in 2008.

When analyzing the market in detail, Piaggio Vehicles strengthens its role as market leader of the Cargo sector. In particular, thanks to the "Piaggio Ape 501" and thanks to its numerous customizable possibilities, Piaggio Vehicles' market share has reached 47.1%. The incidence on the Passenger sector also continues to grow; here the market share has reached 40%.

COMMERCIAL VEHICLES SALES REVENUE



COMMERCIAL VEHICLES 2008 SALES REVENUE



8.4 Research and development

The Piaggio Group carries out its own research and development operations for new products and advanced technical solutions to apply to its own vehicles and engines in the productive plants located in Pontedera, Noale, Mandello del Lario, Barcelona and Baramati. Up until last year, Piaggio Vehicles used development product planning made in Pontedera in the Commercial Vehicle area. Starting from this year, Piaggio Vehicles started to develop projects for new products independently and they will be made in their own establishment.

Also in 2008, the Piaggio Group continue its own policy aimed at maintaining its technologic leadership in the sector, allocating 73.0 ML€ for Research and Development activities (61.7 ML€ in Piaggio & C. S.p.A., 2.0 ML€ in Nacional Motor and 9.3 ML€ in Piaggio Vehicles Private Limited), with an incidence of 4.6% on net sales (compared to 4.2% in 2007), 49.4 ML€ of which capitalised in intangible assets as development costs.

Research activities particularly concerned new vehicles and new motorizations, especially from an ecological point of view.

Research and Development Projects

The Financial Act 2007 with article 1, paragraphs from 280 to 284 provides a tax credit lending to help companies that carry out "industrial research and pre-competitive development activities". Companies are entitled to this concession for activities started in the tax period 2007-2008-2009.

The owing credit equals to 10% of incurred costs, raised to 40% if the costs refer to contracts drawn with universities and public research entities, but in any case, a maximum of 50 million Euros of expenditures is admitted for each financial year.

Activities started during 2007 and 2008 enabled the attainment of a tax credit within the limits admitted by the law.

R&D projects funded by the Ministry of Economic Development (MSE)

During 2007, in the course of the so-called national programme "Industry 2015", Piaggio participated in the public announcement of "Sustainable Mobility" and "Made in Italy".

For the latter, the performance classification is expected for Spring 2009, the project submitted by Piaggio as first in line of 16 Entities on Sustainable Mobility with the title "Urban

Company	2008			2007		
Amounts in ML€	Capitalised	Costs	Total	Capitalised	Costs	Total
Piaggio & C. (*)	**39.1**	**22.6**	**61.7**	**45.3**	**21.3**	**66.6**
of which 2-wheeled vehicles	34.4	21.0	55.4	38.3	19.3	57.6
of which Commercial Vehicles	4.7	1.6	6.3	7.0	2.0	9.0
PVPL	**8.9**	**0.4**	**9.3**			
of which Commercial Vehicles	8.9	0.4	9.3			
Nacional Motor	**1.4**	**0.6**	**2**	**2.6**	**1.4**	**4**
of which 2-wheeled vehicles	1.4	0.6	2	2.6	1.4	4
Total	**49.4**	**23.6**	**73.0**	**47.9**	**22.7**	**70.6**
of which 2-wheeled vehicles	35.8	21.6	57.4	40.9	20.7	61.6
of which Commercial Vehicles	13.6	2	15.6	7	2	9

(*) the 2007 data includes the Moto Guzzi merger of 2008 with Piaggio & C.

road vehicles with ecological wheels, ergonomic, low-cost, safe and interconnected for the transportation of people and/or goods", came on the second place of the classification with a score of 59.5/60 points. The expenditures admitted for Piaggio in the three-year period 2009/2011 amounted to 11,742,932 Euros for a subsidy contribution of 3,974,430 Euros.

R&D projects funded by the Ministry of Education, University and Research (MIUR)

At the end of the year the agreements were signed with the agent bank for the Mid2R project on injection systems of traditional motors and methane gas motors (6 million Euros of expenses admitted).

The presentation of the financial statements for the Eureka One project is been prepared and in the month of February 2009, the subsidy payment for the first Work Progress Status of 529,129.23 arrived, in addition to the € 1,146,444.86 of funding received.

As for the 5 research projects submitted by Aprilia before the acquisition by the Group, 3 were conferred based on the original characteristics. The engineering project for the chassis was conferred based on updated and current projects (4.6 millions Euros of admitted expenses); the fifth project regarding materials is pending an update proposal.

European Research and Development Projects

In 2008, Piaggio's commitments continued for European Projects funded for the 6th and 7th Framework Programme and for motorcyclist road safety improvements.

On December 2008, the **WATCH-OVER** project was completed and its objective was to study a preventive safety system for vulnerable road users (therein including motorcyclists) based on the communication between the car and the motorcycle. On the final demonstration, Piaggio showed an innovative man-vehicle interface concept implemented on an MP3.

Several major projects are in process, among which include the following:

- The **APROSYS** integrated project, whose objective is to study and develop passive safety advanced systems for terrestrial vehicles (cars, motorcycles and heavy vehicles).

  The main outcome of the sub-project **Aprosys – SP4 "Motorcycle Accidents"** was to study an activation system of passive safety devices for motorcycles (such as airbags and wearable devices) by means of simulations and experimental crash testing between a car and a motorcycle; the project will end in March 2009.
- The **Safespot** project (an "integrated type project") is aimed at studying the communication between the various vehicles present on-the-road and infrastructures, its objective is to increase the safety level of road users by informing users about the risks and dangers present on the road, beforehand.

  During the second year, the hardware and software architecture for vehicles to be used in the functional tests was defined, planned for the second half of 2009.

- The **SIM project “Safety in Motion”**, wherein Piaggio is the leader, will conclude in 2009 with the completion of two prototypes equipped with an advanced braking system (3-channel ABS), semi-active suspension system and a combined passive safety system (front airbag and inflatable jacket).
- The **Saferider** project, started in January 2008 for the 7th Framework Programme, concerns studies to improve the Human Machine Interface (HMI) that considers market demands (mainly linked to Infotainment features such as GPS, mp3, cellular telephony, intercom…) and safety demands (e-safety or driving auxiliary systems).”
- The **eSUM** project was approved by the European Commission Directorate General for Energy and Transport. Piaggio takes part in such project with the municipality of major European cities (Rome, Paris, London, Athens, Barcelona) in demonstrative activities that show results achieved in other safety projects and sustainable urban mobility projects (prototypes of the SIM project and hybrid vehicles).

8.5 Production

Pontedera facilities

The remodernisation of the 2bis building and production workshops has been completed, incorporating new layouts for engine fitting and the implementation of a new fitting line dedicated to the new 1,000cc 4-cylinder engine used on the Aprilia RSV4. The thermal plant for producing energy serving the 2R paintwork departments and for heating the mechanical workshops has been completely remodernised. The plant that started energy production in October 2008, permits centralised energy management featuring the highest safety standards and energy savings.The building space used for the technical service school has been remodernised, featuring teaching halls and practical training rooms that will be operational commencing January 2009.

Commercial Vehicle facilities

The Porter GPL, Porter MAXXI and Porter MAXXI GPL lines have been industrialised.

Scorzè facility

In December roofing works were completed on the scooter and warehousing facilities, featuring complete replacement of the rain water collection system. A new climatisation system has been installed in the bike and scooting fitting facilities for enhancing ambience comfort.

Mandello del Lario facility

The first part of the tender for improvement of facility areas plans for works updating the fire fighting system, improvements to the general electricity network, replacement of centralised heating plants and technical areas for generating compressed air. Works planned for this stage of the tender will be completed in May 2009.

Baramati facility

The new building housing the mechanical workshops manufacturing LEADER engines for scooters and the new bi-cylinder diesel engines has been completed. The procurement process for purchasing new machinery and equipment has been launched and final approval testing is planned for second half 2009.

Hanoi facility

The construction of a new facility for the manufacture of Vespa scooters and relevant installations, systems and equipment (welding, paintwork and fitting departments) was completed and the facility will start manufacturing operations during 2009.

Environmental and occupational health and safety certification

The ISO 14001:2004 (environmental) and OHSAS

18001:1999 (occupational health and safety) certification processes have been successfully sustained, after new audits on facilities in Pontedera, Noale, Scorzè and Ternate.

9. RISK FACTORS

The Piaggio Group has set up procedures to handle risks in areas that are more exposed.

Risks relative to the business sector

Risks linked to the macroeconomic situation of the sector

Among other things, our business is influenced by general economic conditions that can be different in the various markets in which we operate.

An economic crisis phase and the resulting cutback in consumptions can have a negative effect on the sales trend of the Group.

In order to relieve the negative impact and a decline in demand that can affect the corporate profitability, the Piaggio Group uses a flexible structure and thanks to the use of temporary work contracts, Piaggio can dimension its productive capacity in relation to the market demand.

Risks linked with high market competition

Many major competitors of the Group are significantly greater in size, have greater financial resources and production capacities.

A very aggressive price policy put into effect by the competition could force our Group to defend our market share and increase discounts, hence reducing margins. The ability of the Group to continuously introduce innovative products in the market protects itself against such risk, at least partially.

Risks linked to an increase in energy costs, raw materials and components

Production costs are exposed to fluctuation risks in the cost of energy, raw materials and components. If the Piaggio Group were not capable of transferring a possible increase onto the sales price, its profitability would suffer.

To this day, the Piaggio Group has not considered necessary the use of financial instruments to cover fluctuation risks of prices in costs of energy, raw materials and components.

Risks linked to seasonal business fluctuations

Our business is exposed to a high seasonal demand. The sales of 2-wheeled vehicles concentrate in the spring and summer. Furthermore, an excessively rainy spring can cutback the sales of products and negatively affect our economic results and financial position. In order to cope with these risks, the Piaggio Group uses a flexible productive structure and thanks to institutions that provide part-time "vertical" jobs (working part of the week) and short-term contracts, the Group is capable of dealing with peak demands.

Risk relative to the regulatory reference framework

Our business is subjected to high regulations. In order to type-approve our products, they must pass minimum technical requirements in terms of safety, noise, consumptions, emission of polluting gases, all which are defined by the various national and international government institutions. The enactment of regulations that are more restrictive in relation to current regulations may put products out of the market, which may be currently on-the-road and this can force manufacturers to sustain investments required for making adaptations. To that end, the Piaggio Group, as a worldwide leader manufacturer, is often invited (through its agents) to participate in parliamentary committees in charge of making new regulations.

Risks relative to the Piaggio Group

Risks linked to changes in customers' preferences

Our success depends on our ability to offer products that can meet with the taste of the consumer and that are capable of meeting with the consumer's mobility demands. If our products do not meet with the customer's preferences we would attain less sales compared to what is planned, and we would need to offer greater discounts, hence obtain lower margins. The Piaggio Group that constantly invests in research and development (see paragraph 8.4), uses a team who anticipates and faces up with market trends and demands and introduces innovative products.

Risks linked to the protection of rights regarding brands, licences, and patents

The Piaggio Group legally protects its own products and brands around the world. In some countries wherein the Group operates, there are no regulations that ensure a particular protection of intellectual property. This circumstance could make the measures taken by the Group insufficient for protecting itself against the abusive exploitation of such right by third parties. Unlawful actions of plagiarism by competitors could cause a negative after-effect on our sales.

Risks linked to dependence on suppliers and to a global sourcing policy

In order to carry its own activities, the Group uses different suppliers for raw materials, semi-finished products and for parts for its own vehicles.

The Group's business is influenced by the ability of its suppliers to guarantee quality standards, specific requests for products and meeting with the respective delivery times.

The Group has launched a policy for purchasing parts that consists in the increase of low-cost supplies derived from Asian countries (without altering its quality standard) and plays on the direct presence in India and China.

In the future, any unavailability of supplied products, or any non-fulfilment from suppliers regarding quality standards, specifications requested and/or the delivery times, can entail an increase in the prices of supplies, interruptions or can jeopardize the business of the Group.

Risks linked with the operativeness of industrial establishments

The Group operates through industrial establishments located in Italy, Spain, India and in Vietnam since 2009. These establishments are subjected to operative risks, therein including as example, plant failures, lack of adaptations to applicable regulations, the revocation of permits or licenses, the lack of labour force, natural catastrophes, sabotage, attempts or considerable interruptions in the supply of raw materials or components. Any interruption in the productive activity could negatively affect the business and the economic situation or financial position of the Group. Operative risks linked to the Italian or foreign industrial establishments are covered with specific insurance coverage divided among the various establishments and based on their relative importance.

Country Risk

The Piaggio Group operates internationally and is exposed to risks linked to a high internationalization. The political instability of some countries where the Group operates, as well as the changes on legislative dispositions or the creation of customs barriers, can negatively affect the Group's profitability.

Risks linked to product liability and risks linked to possible vehicle defects

The Piaggio Group is exposed to a product liability risk in the countries in which it operates. Although, nothing has been brought forth against the Group to this day, any compensation for damages that are not covered by the insurance, can be initiated in the future, in particularly to the use of 2-wheeled vehicles in the United States. Any claims for compensation of damages claims that may be accepted in the future and that exceed the insurance coverage on product liability could negatively affect the business and the economic situation or financial position of the Group.

The vehicles manufactured by the Piaggio Group, including parts supplied by third parties, therein installed, could have unforeseeable defects that may require the repair of the vehicle under warranty and entail a burdensome factory recall campaign. In order to prevent such risks, the Piaggio Group has put a quality control system into effect to monitor the supplied parts and finished products and provide them with the highest standards of the market.

Risks linked to legal proceedings

For more information on legal proceedings refer to paragraph 11.2.

Risks linked to relations with trade unions

The Piaggio Group operates in Europe in an industrial framework characterized by a strong presence of trade union organizations and is potentially exposed to risks of strikes and interruptions in productive activities.

Recently, the Group has not suffered significant halts in production due to strikes. In order to avoid, as much as possible, interruption risks in productive activities, the Group has always established a good interlocutory relationship with trade union organizations.

Risks linked to the publication of financial statements

The international presence exposes the Group to various taxing regulations. Its progress could expose the Group to non-compliance risks.

The Group is exposed to the risk of a possible inadequacy in corporate procedures aimed at guaranteeing the compliance with major Italian and foreign regulations to which it's subjected.

To cope with such risk, the financial statements of the Group's companies are certified by the auditing company. Moreover, it should be noted that during 2008, the administrative and accounting systems used by the Group's foreign subsidiaries, Piaggio Vehicles Pvt. Ltd and Piaggio Group of America Inc. were tested. The above-mentioned companies were found to have an administrative and accounting system in place appropriate for providing executive management and Piaggio's audit firm with regular disclosures about business, assets and financial data needed for preparing the Consolidated Financial Statement.

Financial risks

Risks linked to financial debt – Up to the date of the financial statements, the main financial funds of the Piaggio Group are the following:

- a bond for a total amount of 124 million Euros issued by Piaggio Finance and secured by Piaggio & C., with expiration on 30 April 2012 and interest payment equal to 10% with fixed rate;
- banking financing for a total amount of 241 million Euros, whose composition by type, rate and expiration is widely explained on the explanatory note.

Furthermore, the Group has other minor financing contracts and closed-end lines of credit for a total nominal debt of 410.4 million Euros.
The debt described could negatively affect the Group in the future and limit its ability to get additional financing or may forced the Group to get financing with less favourable conditions.

Liquidity risk (access to the credit market)

This risk is linked to any difficulties that the Group may encounter while getting financial support for operative activities within a reasonable time.
Cash flows, the need for financing and the Group's liquidity are monitored and managed within the control of the Group's Finance Management, whose objective is to ensure an effective and efficient finance resource management.
Moreover, to cover liquidity risks to a greater extent, the Group's Treasury uses "committed" lines of credit, described in paragraph 31 of the Explanatory Notes on the Consolidated Statement.

Exchange rate risks

The Piaggio Group carries out operations in different currencies other than the euro and is therefore exposed to risks on the fluctuations of exchange rates between the various foreign currencies.

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.

The Group's policy provides for the coverage of at least 66% of business exposure for each month of reference.
The transaction risk exposure consists of credits and debits in foreign currency acquired in the accounting system at any time. The coverage must be equal to 100% of the transaction exposure, import, export or net for each foreign currency, at all times.

In 2008, currency exposure was handled consistently with policy introduced in 2005, aimed at neutralizing any negative effects that exchange rate fluctuations might have on corporate cash-flow by hedging business risk, regarding gaps between actual company profits and budget targets based on a currency of reference (the "budget currency"), and transaction risk, regarding differences in the exchange rates used when recording receivables and payables due in foreign currencies and when recording collection or payment.

Rate risk

The Group holds assets and liabilities that are sensible to interest rate fluctuations and are necessary for managing the liquidity and financial needs. These assets and liabilities are subjected to a rate risk that is hedged through the use of derivates.

Credit risk

The Piaggio Group is exposed to risks linked with delays in receivable payments. In order to even-out such risk, the Parent Company has drawn contracts to transfer non-recourse banker's receivables with major Italian and foreign factoring companies.

10. HUMAN RESOURCES AND QUALITY SYSTEMS

10.1. Quality and customer service

2008 was a year in which Piaggio focussed comprehensively on issues related to the Quality of its products and processes and, specifically, on Customer Satisfaction. From an organisational standpoint, the Operations Division drafted guidelines for centrally co-ordinated Quality Assurance and Management Systems, and was assigned the task of directing the Company, indicating the correct priorities to be followed, towards enhancing its processes.

The work logics directed towards two distinct but at the same time complementary "currents" for improving the quality standards of products and processes:

1. Strengthen the development process of new products with a more concrete and transparent redefinition of key phases in the development process.
2. Acceleration of enhancement processes for existing products via analysing and establishing a work logic for each model (for all Group strategic products), with a direct comparison of results achieved in the marketplace with those of main competitors for the purpose of identifying key factors that can be used for establishing actions directed towards improving customer loyalty.

These work logics integrate all improvement activities that were started in 2008 and range from the redefinition of monitoring procedures of internal processes (production establishments) to the monitoring of external processes (suppliers and assistance network) singled out and monitored with specific audits.

The quality improvement project for supplies was also launched in 2008, along with an outside international certification firm, DNV, the making of this project will involved the Group starting from January 2009. Thus, the project that involves the Group's strategic suppliers intends to guide them to strengthen their productive processes in order to guaranty the quality objectives requested. In parallel to this, the Company has also undertaken a revision of the General Terms and Conditions of Supply which, with regard to quality schedules, provide for the introduction of increasing checks and controls in cases where non conformities have been identified, thereby moving away from a logic that sanctions (penalties) suppliers towards one that aims preventing non compliance with quality specifications.

Management activities were likewise implemented throughout 2008 for maintaining Quality Assurance, Health and Safety and Environmental certification in compliance with the international best practice standards (UNI EN ISO 9001:2000 - UNI EN ISO 14001:2004 and OHSAS 18001:1999).

10.2 The organisation

In 2008, the Group implemented a new corporate organisational structure directed towards sustaining the presence and evolution of the Group on a global scale. Specifically, the new management structure features the following elements:

- focus on commercial activities by business line – Commercial Vehicles and 2-Wheeled vehicles – the latter also being organised by geographical areas. More specifically, a new Commercial 2R EMEA Management was created and together with other organisational units that operate in markets in America, Asia-Pacific, Vietnam and China, can ensure the promotion of all the brands and products of the Group under the competent geographical and market areas.
- the creation of a "technical centre of excellence" – called Product Development & Racing - which is the hub of all Product Marketing, Styling and Engineering activities for scooters, motorbikes and engines, guaranteeing the development of Group specialist know how and leadership of new technology supporting brand distinctiveness.

- a new Quality management system which, in addition to being central to all corporate processes, has specific responsibilities within the ambit of Product and Manufacturing Development Processes. The new organisation has the purpose of making further enhancement of product and process quality standards possible, as well as developing a corporate culture that encourages collective responsibility and sharing of these goals.
- polarisation by geographical area of Materials and Component Purchasing, with the aim of strengthening those partnerships needed for sustaining research and development processes, as well as attaining increasing levels of efficiency.

Piaggio & C. S.p.A. took over subsidiary Moto Guzzi S.p.A.; the merger was completed with the aim of not changing the distinctive features of the brand while, at the same time, implementing significant industrial, commercial and financial scales of economy by rationalising technical, industrial, design and styling activities.

Two projects have been launched and implemented (the Master and Business International Engineering Projects) with the aim of attracting and recruiting into the Group resources with personal and professional attributes that will lead to a management style in the future oriented towards innovation and direct comparison with the competition comparison.

10.3 Personnel

Overall Group personnel – that is, not only Group employees world-wide but also seasonal workers for Piaggio operations - totalled 6,706 people, of whom 4,745 working in Italy, registering an overall decrease of 693 workers.

The 9.4% decrease is mainly due to the subsidiary in India and thanks to its organisational features of "employment flexibility", has promptly adapted the labour force to the market trend. The commitment of the Group to sourcing new methods and technologies directed towards enhancing overall efficiency of the management model continues to be pursued. In particular, the reengineering of processes in progress, made possible by advances in IT, enabled a diversification of the workforce mix with a growth rate of professional and/or specialised personnel focussed on product and process innovation and development (+ 9.7% - increasing from 5% to 5.7% of the total workforce) and product testing and laboratory activities. The number of workers permanently employed by the Group totalled 5,863 people, of which 4,243 in Italy, reporting an increase of 157 workers. Of particular significance has been the development of the various Far East markets, including consolidation of the newly set up Piaggio Vietnam Co. Ltd. (81 employees). Within this context, the expansion of Piaggio Vehicles Private Limited has also continued, the most consolidated of Piaggio operations, which reports an increase in permanent staff working for the company from the start of the year figure of 800 people rising to 893 at the end of the year, with a significant increase in management personnel that increased from 98 to 113 people.

10.4 Industrial relations

The renewal of the 2nd level integrative workers agreement that expired on 31.12.2007 for the Pontedera facilities was the main focus of trade union activity during the year under review. More specifically, consistent with the new relations systems set up in 2007, activities regarding the integrative agreement have respectively pivoted on a "national platform" in which information procedures and comparisons on thematic areas that concern the Group in its entirely, have been defined and consolidated. Negotiations continued at a decentralised level - i.e., each single facility - for matters pertaining to working hours, environment and health and safety and work organisation, etc., Negotiations, currently in progress, are "influenced" by the direction of a number of negotiations that are taking place at a national level and which are closely linked, for example: negotia-

tions between Confindustria and Trade Unions for establishing the new format for negotiation levels and the other between Federmeccanica - the Engineering Workers union and national category union representatives with a view to defining professional staff categories and levels.
The economic and financial crisis that has hit all markets causing robust discontinuity in sales volumes has required a review and retargeting of production levels and made it necessary to suspend manufacturing activities for a number of weeks with recourse to the Ordinary Guaranteed Wages and Earnings Fund (Cassa Integrazione Guadagni Ordinari) both for facilities at Scorzè (VE) in November and December 2008 and the Pontedera (PI) facilities in December.
With regard to Moto Guzzi, as a result of the corporate merger, across-the-board restructuring and logistics requalification were undertaken at the industrial facilities of Mandello del Lario (the ARROCCO project) that required a complete halt to all activities for two months (December 2008 – January 2009) and, due to which, recourse was made to the Extraordinary Guaranteed Wages and Earnings Fund.
The complexity of both national and decentralised - facility level - industrial relations (renewal of the integrative agreement) has caused increased tension with Trade Unions and an increase in worker walkouts and strikes. The total abstention in the Group equalled to 56,914 hours, 60% of which were attributable to strikes declared on national theme matters (safety on the workplace, the renewal of the CCNL, government policies).

11. OTHER INFORMATION

11.1 Corporate

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

- On 10 January 2008, the stake held in Geofor Patrimonio S.p.A. (0.5%) was transferred to the Municipality of Pisa.
- On 12 March 2008, Simest S.p.A. purchased an equity in Piaggio Vietnam Co. Ltd., by means of which the share capital is distributed as follows: Piaggio & C. S.p.A. for 51%, Piaggio Vespa BV for 36.5%, and Simest S.p.A. for 12.5% of the share capital.
- On 8 April 2008, the company Piaggio Indochina Pte Ltd., already in voluntary winding up, was liquidated.
- On 25 June 2008, the merger by the incorporation of Aprilia Motorrad GmbH into Piaggio Deutschland Gmbh was validated by local authorities; this merger is effective since 1 January 2008.
- On 30 October 2008, AWS B.V. conferred the AWS Spanish Branch to Nacional Motor S.A. After the conferment, AWS B.V. purchased a stake equals to 1.99% of Nacional Motor S.A.'s share capital.
- On 7 November 2008, the trading name of Derbi Italia S.r.l. was changed to Aprilia Racing S.r.l..
- On 1 December 2008, the merger by incorporation of Moto Guzzi S.p.A. into Piaggio & C. S.p.A. became effective.
- On 12 December 2008, the company IMMSI Audit Limited Liability Consortium Internal Company of the IMMSI Group (IMMSI Audit S.c. a r.l.) was established, with Piaggio & C. S.p.A. subscribing 25% of the share capital.
- On 19 December 2008, the procedure for winding up Motoride S.p.A. was concluded and the company cancelled from the Registry of Companies.
- On 31 December 2008, the office and corporate name of Mitsuba F.N. Europe S.p.A. changed to Mitsuba Italia S.p.A. with offices in Pontedera (PI).

Furthermore, the following transactions took place in early 2009:

- On 1 January 2009, Aprilia Racing S.r.l. increased its share capital from Euro 21,000 to Euro 150,000, by means of contribution by Piaggio & C. S.p.A., of its "racing" business line and resulting subscription of an increase in share capital of 86%.
- On 21 January 2009, Aprilia Moto UK Limited was cancelled from the local Registry of Companies.

11.2 Disputes

As part of a case brought by Leasys S.p.A. Savarent at the Court of Pisa against the Company as guarantor of the latter in relation to the requests made by Europe Assistance against Leasys at the Court of Monza, regarding the initial supply of vehicles for Poste Italiane (Italian Post), on 28 June 2006, the Judge in Pisa handed down a ruling suspending judgment until the procedure is completed in the Court of Monza.

Furthermore, Leasys S.p.A. appealed claiming injunctive relief for payment of a number of invoices relating to costs incurred by Leasys as a result of having tested the mopeds rented by Leasys to Poste Italiane S.p.A. The Company has opposed such injunction since, in accordance with the underlying supply contract, the testing in question and the related costs were not the responsibility of the Company.

The judge rejected the plea filed by Leasys for interim injunctive relief to become provisionally enforceable. At the most recent hearing, the Company requested that closing arguments be submitted and the Judge adjourned the case to a hearing scheduled for 16 April 2009.

On 25 May 2006, Piaggio & C. S.p.A. brought a case against a number of companies of the Case New Holland Group (Italy, Holland and USA), in order to recover damages under contractual liability and tort liability relating to the performance of a development and supply agreement for a new family of utility vehicles. At the hearing on 16 March 2007, the Judge granted the application of the provisions of article 183 of the Italian Code of Civil Procedure for the filing of motions and set a hearing for 17 October 2007 in order to discuss the pre-trial arguments of the parties. This latter hearing was adjourned in order to appoint a new Judge to the case.

The new Judge ordered the case to be adjourned and set a hearing date on 2 December 2009 for submitting closing arguments.

In a writ (statement of claim) served on 29 May 2007, Gammamoto S.r.l. in liquidation, former Aprilia dealer for Rome, brought a case against the Company for contractual liability and tort liability. The Company has contested the legal grounds of Gammamoto's claims and has filed an objection in respect of the lack of jurisdiction of the Judge in this matter.

The Judge rejected the pre-trial arguments submitted by the parties, holding, with regard to the objection filed by the Company concerning lack of territorial jurisdiction, that he had the powers to hear the case.

At the hearing for closing arguments on 24 September 2008, the Judge assigned the legal time limit for filing written final arguments and any rebuttals and held the case mature for decision.

With reference to fiscal cases that involved the Parent Company Piaggio & C. S.p.A, there are three petitions lodged in which as many notice of assessments were contested and notified to the Company and were related to the tax periods of 2002 and 2003. These notice of assessments originated from an access made by the Revenue Agency in 2007 at the Company, followed by remarks listed on the Ascertainment Record Case made in 2002 after a general verification. In this respect, the Company did not deem it necessary to make any provisions in consideration of the positive indications expressed by the professional experts engaged by the defence.

The main tax disputes concerning the other companies in

the Group involve P&D S.p.A. in liquidation and Piaggio Vehicles PVT Ltd.
More specifically, with regard to P&D S.p.A. in liquidation, there are disputes arising from tax assessment notices issued by the Tax authorities for the tax periods 1993, 1994, 1995-1997, and 2000-2002 following an inspection carried out in 1999, resulting in the relative Official Tax Audit Report. A number of these disputes are at the final stage.
Against the assessment notices, the Company obtained a favourable judgement of the Court of First and Second Instance for the years 1993 and 1994. The General Prosecutor of the State lodged an appeal before the Supreme Court of Cassation against the said decisions of Court of Second Instance and the company P&D submitted prompt counter appeals and interlocutory appeals.
With regard to tax years 1995-1997, P&D obtained a favourable decision in the court of the first degree and an unfavourable one in the court of the second degree. The Company decided to lodge an appeal before the Supreme Cassation Court, which was followed by a counter-appeal filed by the government lawyers.
In May 2008, said pending cases regarding years 1993 and 1994 were heard before the Court of Cassation which, with correlated orders, decided to adjourn the cases for a new case docket, in order to take a decision in conjunction with those regarding the years 1995-1997. Thereby, the Supreme Court admitted the validity of the defensive grounds pleaded by P&D with ruling of 21 January 2009 with references to years 1995-1997 and with ruling of 13 February 2009 for years 1993 and 1994. The case is therefore considered concluded in favour of the company for such annuities.
For years 1993-1994, the decision of the Supreme Court has still to be handed down which, taking into consideration the operative part of the judgment of 21 January 2008, may be deemed to be in favour of the Company.
Finally, with regard to the tax assessment notices for the years 2000, 2001, and 2002, P&D S.p.A. lodged an appeal with the Pisa Provincial Tax Commission, however, judgment was adjourned until the outcome of the Cassation Court decision on the disputes regarding the previous years has been handed down.
In the light of the favourable decision for years 1995-1997, the Company is awaiting that the similar contentious matter regarding years 2000, 2001, 2002 be dismissed.
At last, for Piaggio Vehicles PVT Ltd. there are various cases concerning different annuities from 1998 to 2008 and are pending direct and indirect tax assessments. The Indian company immediately paid the amounts claimed, which will be reimbursed in the event that the dispute is settled in its favour. Defence professionals retained for the matters are confident that the aforesaid disputes will have a favourable outcome.

11.3 Stock option plan

In connection to the incentive plan 2007-2009 that was decided by the Company's board on 7 May 2007 and reserved for executives of the Company or Italian and/or foreign subsidiaries in accordance with art. 2359 of the Civil Code, as well as for directors with proxies in the above-mentioned subsidiaries **("Plan 2007-2009")**, it should be noted that during the financial year, 3,260,000 options were distributed on 31 July 2008, 300,000 on 3 October 2008 and 655,000 options have lapsed. At 31 December 2008, there is a total of 9,415,000 options distributed for a corresponding number of stock.
It should also be noted that after the annual closing of the financial statements, on 15 January 2009, an additional 390,000 options were distributed with an exercise price of € 1.2218. When the options were distributed, the market price of financial instruments was € 1.1569.
During the financial year, the company completed a purchasing programme for a total of 10,000,000 own ordinary shares, equal to 2.52% of the share capital, which

Rights	No. options	Average exercise price (Euros)	Market price (Euro)
Rights existing at 31.12.2007	**6,510,000**	**3.55**	**3.704***
° of which exercisable in 2007			
New rights allocated in 2008			
31/07/2008	3,260,000	1.216	1.391*
03/10/2008	300,000	1.570	1.512*
Rights exercised in 2008			
Rights lapsed in 2008	655,000		
Rights existing at 31.12.2008	**9,415,000**		
° of which exercisable at 31.12.2008			

* market price of the underlying financial instruments at the distribution date

was intended for the 2007-2009 plan. The purchase of 10,000,000 own shares took place in the market, regulated at a weighted-average price of € 3.0367 and entailed a total disbursement of € 30,367,026.00, of which €26,829,743.66 are already incurred and accounted for in the 2007 Financial Statement.

Detail information on the 2007-2009 plan is available on the documents published by the Issuer in accordance with article 84-bis of the Consob Issuers Regulation, these documents can be viewed on the institutional site of the Issuer at www.piaggiogroup.com, under the Investor Relations section.

11.4 Corporate ownership information

Information regarding corporate ownership in accordance with article 123-bis of TUF are listed under the special section on the Annual Report regarding corporate governance.

11.5 Compliance plan of internal monitoring systems for the group's company with premises in non-eu countries

In connection with the provisions of articles 36 and 39 of the Regulation approved with the Consob decision no. 16191/2007 and in connection with the Compliance Plan

adopted by the Company in accordance with the above-mentioned regulations ("Plan"), it should be noted that during the financial year, the administrative and accounting systems used by foreign subsidiaries, Piaggio Vehicles Pvt. Ltd and Piaggio Group of America Inc. have been tested. The above-mentioned companies were found to have an administrative and accounting system in place appropriate for providing executive management and Piaggio's audit firm with regular disclosures about business, assets and financial data needed for preparing the Consolidated Financial Statement.

We hereby certify that in accordance with article 2.6.2, paragraph 12 of Markets Organized and Managed by Borsa Italiana S.p.A, the Company will adapt to the provisions of article 36 of the Consob Regulation no. 16191/2007.

11.6 Existing relationships with the parent company

Piaggio & C. S.p.A. and the companies it controls are managed and co-ordinated by IMMSI in accordance with articles 2497 et seq. of the Italian Civil Code. During the year, this management and co-ordination has regarded the following activities:

- As regards statutory accounting information, in particular the financial statements and the directors' reports relating to the situation of Group companies, IMMSI has created a group manual which identifies the main accounting principles adopted and the optional choices implemented so as to represent the consolidated accounting situation in a consistent and uniform manner.
- IMMSI also defined the methodology and the timescale for drafting the Budget and, generally, the industrial plan of the Group companies, as well as the final management analyses supporting management control activities.
- Furthermore, in order to optimise Group resources, IMMSI provided services relating to the development and the management of the Company's property assets, carried out property consultancy and provided other services of an administrative nature.
- Finally, IMMSI provided consultancy and assistance in matters of extraordinary finance, organisation, strategy and co-ordination to the Company and its subsidiaries, as well as providing services to optimise the Group's economic and financial structure.

We hereby, certify the existence of the conditions of article 37 of the Consob Regulation no. 16191/2007, in accordance with article 2.6.2, paragraph 13 of Markets Organized and Managed by Borsa Italiana S.p.A.

Equity investments of the members of the company boards, general managers and managers with strategic responsibilities

It is hereby stated that members of company boards, control committees and general managers of the Issuer do not own shareholding interests in the Issuer.

Milan, 26 February 2009

for the Board of Directors
Chairman and Chief Executive
Roberto Colaninno

Corporate Governance Report

Pursuant to article 124-*ter* of the Consolidated Law on Finance and 89-bis of Consob Regulation on Issuers and article IA.2.6 of the Instructions to the Regulation of the Markets

Glossary

Code: the Corporate Governance Code of listed companies approved in March 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.

Civil Code: the Italian Civil Code

Board: the Board of Directors of the Issuer

Issuer: the Issuer of listed shares to which the Report refers

Financial period: the financial period to which the Report refers

Stock Exchange Regulation Instructions: the Instructions of the Regulation of the Markets organised and managed by Borsa Italiana S.p.A.

Stock Exchange Regulation: the Regulation of the Markets organised and managed by Borsa Italiana S.p.A.

CONSOB Regulation of Issuers: a Regulation issued by Consob, approved in Resolution no.11971 in 1999 establishing the rules for issuers

CONSOB Regulation of Markets: a Regulation issued by Consob, approved in Resolution 16191 in 2007 establishing the rules for markets

Report: in respect of corporate governance, the Company has to draft a report pursuant to article 124-ter of the Consolidated Law on Finance (TUF), article 89-bis of the Consob Regulation of Issuers and article IA.2.6. of Stock Exchange Regulation Instructions

TUF: Legislative Decree no.58 of 24 February 1998 (Consolidated Law on Finance)

1. ISSUER'S PROFILE

Founded in 1884, the Issuer, with registered office in Pontedera (Pisa), is today one of the leading world manufacturers of 2-wheeled motor vehicles.

The Issuer is one of the top 4 operators in its market industry. The product range includes scooters, mopeds and motorcycles from 50 to 1,200cc marketed under the Piaggio, Vespa, Gilera, Aprilia, Moto Guzzi, Derbi and Scarabeo brands. The Issuer also operates in the 3- and 4-wheeled light transport sector with the Ape, Porter and Quargo brands.

The Issuer is organised according to a traditional administration and control model, as established in articles 2380-bis sqq. of the Italian Civil Code, with Shareholders' Meetings, a Board of Directors and Board of Statutory Auditors.

The Chairman and Chief Operating Officer of the Issuer is Roberto Colaninno, Deputy Chairman is Matteo Colaninno and General Managers are Daniele Bandiera (Operations) and Michele Pallottini (Finance)..

2. INFORMATION about SHAREHOLDERS (pursuant to article 123-bis of the Consolidated Law on Finance) at 31/12/2008

a) Structure of the share capital

At the time of publishing this Report, the Issuer's share capital was fully subscribed and paid up and amounted to 205,941,272.16 Euros divided into 396,040,908 ordinary shares with a nominal value of 0.52 Euros each. The shares, each of which gives one voting right, are indivisible and issued as dematerialised shares.

At 31 December 2008, 9,415,000 option rights were reported as having been granted and, on the date of this report, 9,805,000 option rights had been granted to managers of Italian and foreign subsidiaries and operational Directors in the aforesaid subsidiaries, which grant the right to purchase ordinary shares of the Issuer in the corporate portfolio, in compliance with the Incentive Scheme approved by the Issuer's Shareholders' Meeting on 7 May 2007 and disclosed to the market in a release prepared pursuant to article 84-bis of Consob Regulation of Issuers. The main items of the Incentive Scheme have been described in section 11.3 of the Operating Report and in disclosure documents published by the Issuer pursuant to article 84-bis of Consob Regulation of Issuers. These documents are available for consultation on the corporate web site of the Issuer www.piaggiogroup.com under the Section Investor Relations/Corporate Documentation.

b) Restrictions on the transfer of securities

There are no restrictions on the transfer of securities.

Categories of shares:

	N° shares	% of share capital	Listed (indicate the markets) / unlisted	Rights and obligations
Ordinary shares	396,040,908	100	MTA	Each share gives right to one vote. Rights and duties of shareholders are those provided in article 2346 and sqq. of the Italian Civil code.

Financial instruments that grant the right to subscribe newly issued shares:

	Listed (indicate the markets) / unlisted	N° of instruments in circulation	Category of shares servicing the conversion/exercise	N° of shares servicing the conversion/exercise
Warrants	unlisted	41	ordinary shares	Up to a maximum number of 25,000,000 shares.

c) Significant equity investments in the share capital

At 31 December 2008, own shares in the Issuer's portfolio amounted to 26,650,686, corresponding to 6.729% of share capital. On the same date, significant shareholdings in the Issuer, according to disclosures made pursuant to article 120 of the Consolidated Law on Finance were as follows:

At the time this Report was approved, own shares in the Issuer's portfolio amounted to 27,372,977 corresponding to 6.91% of share capital. On the same date, significant shareholdings in the Issuer's equity are those stated in disclosures made pursuant to article 120 of the Consolidated Law on Finance and article 114, section 7 of the same law and were as follows continued on next page in table 1:

Declarant	Direct shareholder		% of ordinary share capital	% of voting share capital
	Name	Title		
Omniaholding S.p.A.	IMMSI S.p.A.	Ownership	52.972	52.972
		Lender	1.943	1.943
		Total	**54.915**	**54.915**
	Omniaholding S.p.A.	Ownership	0.025	0.025
	Piaggio & C. S.p.A.	Ownership	6.729	6.729
		Total	**61.769**	**61.769**
Diego della Valle	Diego della Valle & C. S.a.p.a.	Ownership	5.01	5.01
		Total	**5.01**	**5.01**
Girondi Giorgio	G.G.G. S.p.a.	Ownership	2.103	2.103
	Doutdes S.p.a.	Ownership	0.328	0.328
		Total	**2.431**	**2.431**
State of New Jersey Common Pension Fund D	State of New Jersey Common Pension Fund D	Ownership	2.14	2.14
		Total	**2.14**	**2.14**

Tab 1

Declarant	Direct shareholder		% of ordinary share capital	% of voting share capital
	Name	Title		
Omniaholding S.p.A.	IMMSI S.p.A.	Ownership	53.337	53.337
	Omniaholding S.p.A.	Ownership	0.025	0.025
	Piaggio & C. S.p.A.	Ownership	6.91	6.91
		Total	**60.272**	**60.272**
Diego della Valle	Diego della Valle & C. S.a.p.a.	Ownership	5.01	5.01
		Total	**5.01**	**5.01**
Girondi Giorgio	G.G.G. S.p.a.	Ownership	2.103	2.103
	Doutdes S.p.a.	Ownership	0.328	0.328
		Total	**2.431**	**2.431**
State of New Jersey Common Pension Fund D	State of New Jersey Common Pension Fund D	Ownership	2.14	2.14
		Total	**2.14**	**2.14**
Intesa Sanpaolo S.p.A.	Banca di Trento e Bolzano S.p.A.	Pledged	0.148	0.148
	Banca Fideuram S.p.A.	Pledged	0.005	0.005
	Banca IMI	Ownership	2.324	2.324
	Cassa di Risparmio del Veneto S.p.A.	Pledged	0.001	0.001
	Cassa di Risparmio di Firenze S.p.A.	Pledged	0.001	0.001
	Cassa di Risparmio di Bologna	Pledged	0.000	0.000
	Intesa Sanpaolo Private Banking	Pledged	0.001	0.001
	Intesa Sanpaolo S.p.A.	Pledged	0.031	0.031
		Total	**2.510**	**2.510**

d) Securities bearing special rights

No securities have been issued bearing special rights of control.

e) Employee share ownership: mechanism to exercise voting rights

There is no employee share ownership scheme.

f) Restrictions to voting rights

There are no restrictions to voting rights.

g) Shareholder agreements

On 31 October 2008, the agreement between Omniaholding S.p.A., B&L S.r.l. and Ruggero Magnoni and Rocco Sabelli entered into on 6 November 2002 (subsequently integrated on 13 March 2003 and on 9 November 2005), ceased to be in force, which had the scope of governing the relations as Shareholders of Omniainvest S.p.A.

To the best knowledge of the Issuer, at 31 December 2008, no shareholder agreements are to be reported with subject matter that is significant pursuant to article 122 of the Consolidated Law on Finance.

h) Appointment and substitution of Directors and changes to the bylaws

The provisions of the bylaws of the Issuer that govern the composition and appointment of the Board of Directors (article 12) are appropriate for ensuring compliance with provisions introduced with regard thereto by Law 262/2005 (article147-ter of the Consolidated Law on Finance TUF) and Legislative Decree no.303 of 29 December 2006.

The company is governed by a Board of Directors consisting of no less than 7 (seven) and no more than 15 (fifteen) members. The Shareholders' Meeting establishes, upon appointing directors, the number of Board Members within the aforesaid limits and, likewise, the term of office that may not in any case exceed three financial years, and said the office shall expire at the Shareholders' Meeting called for approving the financial statements for the last financial year of office. Board directors may be re-elected.

Directors are nominated by the Ordinary Shareholders' meeting on the basis of a slate of candidates submitted by the shareholders, in which candidates are listed and assigned a progressive number.

In accordance with article 12.3 of the Issuer's bylaws, the slate of candidates for the office of Director must be filed by the shareholders at the registered office no later than 15 (fifteen) days before the date of the Shareholders' Meeting in first call.

Only Shareholders that, alone or together, represent at least 2.5% (two point five percent) of share capital may submit lists of candidates or, another percentage, established in legal or regulatory provisions.

For a slate to participate in the apportionment of the Directors to be elected, it needs to obtain at least half the percentage of votes required in order to present the slate itself.

Minority Shareholder slates give the right to 1 (one) Director.

The appointment mechanism adopted for choosing the candidates of the various slates is as follows:

a) in the order in which they are listed, all the directors to be appointed bar one are taken from the slate that received the most shareholder votes;

b) the remaining director is taken from the minority slate that may not in any way, not even indirectly, be linked with the shareholders who presented or voted the slate referred to in point a) and that received the most shareholder votes, being the first candidate on the list of names.

Should the minority slate referred to in point b) not have obtained a percentage of votes equal to at least half of that required, in accordance with the above, for the purpose of presenting the slate itself, all the Directors to be appointed shall be taken from the slate referred to in point a).

If the appointment of the minimum number of Directors having the necessary requirements of independence established by law in relation to the overall number of Directors is not ensured with the candidates elected in the above manner, the non-independent candidate elected as listed last in the slate that received the most votes, as per point a) above, shall be substituted by the independent candidate not elected in the same slate listed in the progressive order, or, otherwise, by the first independent candidate listed in order not elected in the other slate, depending on the number of votes they each received. This substitution procedure shall continue until the Board is made up of at least the minimum number of members having the requirements established in paragraph 3 of article 148 of the TUF required by law. Finally, if this procedure does not ensure this last result, then the substitution will be made by simple

majority shareholder resolution, conditional upon the presentation of candidates having the above requirements.
If only one slate is presented or no slate is presented, then the shareholders resolve in accordance with the majority established by law, without observing the above procedure.

Whenever during the course of the financial year, one or more Directors are unable to hold office, so long as the majority is made up of Directors appointed by the Shareholders' Meeting, replacement shall be made pursuant to the provisions of article 1386 of the Italian Civil Code and according to the following procedure:

(i) the Board, upon resolution passed by the Statutory Board of Auditors, shall appoint Directors, replacing those no longer in office within the ambit of candidates (that are still eligible for election) belonging to the same list to which the Directors no longer in office belonged and the Shareholders' Meeting shall pass a resolution, with the legal majority, complying with the same criterion;

(ii) whenever no candidates that have not been previously elected are available on the aforesaid list or, whenever, for whatever reason it is not possible to comply with the provision of point (i), the Board, upon resolution passed by the Statutory Board of Auditors and, subsequently the Shareholders' Meeting shall provide for the Directors to be replaced with the majorities provided by law, without voting the list.

In any event, the Board and the Shareholders' Meeting shall proceed with appointments ensuring that the elected Directors have the requisites prescribed by law, by the statute and any other applicable provisions.

Whenever the majority of Directors appointed by the Shareholders' Meeting is no longer in office, then the entire Board of Directors shall fall from office and the Shareholders' Meeting shall be called forthwith by the Directors remaining in office for the purpose of reconstituting the Board.

Changes to the bylaws are governed by current pro *tempore* regulations.

i) Powers to increase the share capital and authorisations to purchase own shares

1. Within the context of the 2004-2007 Stock Option Plan, the Board of Directors obtained the following authorisations for increasing the share capital of the Issuer:

- In resolution passed on 7 June 2004, the Extraordinary Shareholders' Meeting of the Issuer granted powers to the Board of Directors, pursuant to article 2443 of the Italian Civil Code, with the faculty for a period of five years from the time that the resolution became enforceable, to increase share capital paid in cash, with a premium, in one or more increases, for a maximum nominal amount of 10,587,241.60 Euros, via issuing up to a maximum number of 20,360,080 shares with a par value of 0.52 Euros, servicing option rights, pursuant to paragraphs five and six of article 2441 of the Italian Civil Code, within the context of the 2004-2007 Stock Option Plan; the Board was also empowered to establish, in accordance with paragraph 2 of article 2439 of the Italian Civil Code, that the share capital will be deemed increased, by each increase, by an amount equal to the subscriptions received within five years from the date of filing the above resolution with the Registry of Companies.
- In resolution passed on 8 March 2006, the Extraordinary Shareholders' Meeting of the Issuer granted powers to the Board of Directors, pursuant to article 2443 of the Italian Civil Code, with the faculty for a period of five years from the time that the resolution became enforceable, to increase share capital, paid in cash, with a premium, in one or more increases, for a maxi-

mum nominal amount of 551,200.00 Euros, via issuing a maximum number of 1,060,000 new ordinary shares with a par value of 0.52 Euros, servicing option rights, pursuant to paragraphs five and six of article 2441 of the Italian Civil Code, within the context of the 2004-2007 Stock Option Plan approved by Board Resolution on 4 May 2004; the Board was also empowered to establish, in accordance with paragraph 2 of article 2439 of the Italian Civil Code, that the share capital will be deemed increased, by each increase, by an amount equal to the subscriptions received within five years from the date of filing the above resolution with the Registry of Companies.

At the time of publishing this Report, the Board of Directors exercised the faculty to increase share capital servicing option rights under the 2004-2007 Stock Option Plan for a total nominal amount of 11,113,840.92 Euros via issuing 21,372,771 new ordinary shares, each with a par value of 0.52 Euros.

It should be noted that all the options granted under the aforementioned 2004-2007 Stock Option Plan have been exercised.

2. Within the context of Warrant PIAGGIO & C. 2004-2009, the Board of Directors was authorised to increase share capital of the Issuer:

- With a resolution on 18 April 2005, the Extraordinary Shareholders' Meeting of the Issuer granted powers to the Board, in accordance with article 2443 of the Italian Civil Code, to increase on one or more occasions, the share capital up to an amount of 13,000,000.00 Euros par value, against payment, with or without premium, by issuing a maximum number of 25,000,000 ordinary shares with the same features as those already in circulation, for a period five years from the date of filing the above resolution with the Registry of Companies, disapplying pre-emption rights in the company's interest, in accordance with paragraph 5 of article 2441 of the Italian Civil Code, and reserving the right to subscribe these shares exclusively to the holders of the "PIAGGIO & C. 2004-2009 Warrants"; the Board was also empowered to ensure that the share capital be increased by the amount of the subscriptions received within the period that will be determined by a Board resolution, as well as, consequently, the power to establish, from time to time, the issue price of the shares, the coupon, the timing, the methods and the conditions of issue, including the powers to ensure that the new shares are released against offset of the receivables to which the holders of such warrants may be entitled as a result of exercising those warrants.

At the presentation date of this Report, no capital increase has been carried out in connection with the above powers.

***

On 7 May 2007, the Ordinary Shareholders' Meeting of the Issuer, pursuant to and per the effects of article 114-*bis* of the Consolidated law on Finance, approved an Incentive Scheme for Executive Managers of the company or Italian and/or foreign subsidiaries pursuant to article 2359 of the Italian Civil Code and, likewise, Executive Directors of the aforesaid subsidiaries ("2007-2009 Scheme"), to be executed by free grant of option rights valid for purchasing Piaggio ordinary shares in the Company portfolio. To this end, the Shareholders' Meeting, likewise, authorised, pursuant to and per the effects of article 2357 of the Italian Civil Code, the purchase, in one or more occasions and at any time, for the maximum period permitted by applicable legislation and from the time of the date of the resolution, of ordinary corporate shares, up to a maximum amount of 10,000,000 shares, at a price included between a minimum and maximum corresponding to the arithmetic average of official listed prices of Piaggio ordinary shares in the ten

market trading days prior to each single purchase transaction, decreased or increased by 10%, respectively.
In execution of the foregoing, the Company has launched a program for the purchase of its own shares that was concluded on 7 July 2008 with the purchase of 10,000,000 shares at a weighted average price of 3.0367 Euros, for a total outlay of 30,367,026.00 Euros, of which 26,829,743.66 Euros already posted to the 2007 Balance Sheet.

On 24 June 2008, the Ordinary Shareholders' Meeting of the Issuer appoint a purchase and disposal plan for ordinary Company shares for the purpose of: (i) proceeding with the purchase and/or disposal of its own shares for the purpose of investment and stabilisation of share trends and liquidity of the same on the Stock Market; (ii) permitting the use of own shares within the context of transactions connected with current operations or projects in line with the strategic guidelines of the Company, in relation to which there are opportunities for share swaps, including allocating said shares for use for any convertible bond loans and/or warrants.
To this end, the Shareholders' Meeting approved, pursuant to and per the effects of article 2357 of the Italian Civil Code, the purchase, on one or more occasions, for a period of eighteen months from the date of the resolution, of ordinary shares of the Company, up to a maximum number which, taking account, from time to time, of the shares held in the Company portfolio, shall not exceed in total 10% of share capital at a minimum unit price that shall be no less than 20% and a maximum unit price of no more than 10% compared to the arithmetic average of Piaggio official listed share prices during the ten days of trading prior to each single purchase transaction or, in the event that purchases shall be made via public tender or swap, at a minimum and maximum price not less than 10% and not exceeding 10%, respectively compared to the official listed Piaggio share price quoted the day before the offer to the public.

In execution of the foregoing, the Issuer purchased on 31 December 2008 16,650,686 own shares at a weighted average price of 1.3635 Euros and, at the time of writing this report, 17,372,977 own shares at a weighted average price of 1.3536 Euros.

l) Change of control clauses

The Issuer has entered into a number of significant agreements, the subject matter of which is illustrated in a relevant section of the Financial Statements closed at 31 December 2008, which shall be amended or discharged in the event of changes in the control of the contracting Company and, specifically: a loan agreement and credit line opened with Banca Intesa Sanpaolo S.p.A. and Mediobanca for a total of 250 million Euros; a bond loan for 150 million Euros issued by Piaggio Finance and secured by the Issuer; a framework agreement for operational credit lines for 70.3 million Euros granted by a pool of banks represented by Banca Intesa Sanpaolo S.p.A. as agent; a loan agreement with Efibanca for 1 million Euros; a loan agreement with Banca Europea for investments for 150 million Euros.

m) Payments to Directors in the event of resignation, removal or termination of employment following a take-over bid

No agreements have been signed between the Issuer and the Directors that envisage indemnities in the event of resignation, removal/revocation without cause or if employment is terminated following a take-over bid.

3. COMPLIANCE

The Issuer has adopted the Code.

Neither the issuer nor its subsidiaries with strategic relevance are subject to non Italian provisions of law impacting the Corporate Governance structure of the Issuer.

4. MANAGEMENT AND CO-ORDINATION ACTIVITIES

The Issuer and the companies that it controls are subject to the management and co-ordination of IMMSI S.p.A. pursuant to article 2497 sqq. of the Italian Civil Code.

This activity is carried out as illustrated in the specific section of the Directors' Report.

5. BOARD OF DIRECTORS

5.1. Composition

The Board of the Issuer in office at the time of this report is composed of eleven members appointed by the Ordinary Shareholders' Meeting of 28 August 2006. It is hereby stated that, during the course of financial year 2006, pursuant to article 2386, paragraph 1 of the Italian Civil Code, Director Gianclaudio Neri was voted via co-optation to replace Rocco Sabelli. The Ordinary Shareholders' Meeting of 7 May 2007 confirmed this appointment and the Board, as composed, shall remain in office up to the time that the Shareholders' Meeting is called to approve the financial statements for financial year ending 31 December 2008. It should be noted that the Board currently in office was appointed with resolutions passed with a majority vote (without adopting the slate system) on motion tabled by Shareholder IMMSI S.p.A. in compliance with the provisions of article 12.4 of the Issuers' bylaws.

The professional *curricula* of Directors are available at the registered office of the Issuer and on the corporate web site www.piaggiogroup.com at the section Investor Relations / Corporate Documentation.

Name	Office	In office from	Exec.	Non exec	Indep.	Indep. TUF	% BoD	Other offices
Roberto Colaninno	Chairman CEO	28/08/2006	X				89	7
Matteo Colaninno	Deputy Chairman	28/08/2006		X			78	3
Gianclaudio Neri	Director			X			100	3
Michele Colaninno	Director	28/08/2006		X			89	9
Luciano Pietro La Noce	Director	28/08/2006		X			100	11
Giorgio Magnoni	Director	28/08/2006		X			67	3
Daniele Discepolo	Director	28/08/2006		X	X	X	89	9
Franco Debenedetti	Director	28/08/2006		X	X	X	100	4
Riccardo Varaldo	Director	28/08/2006		X	X	X	100	3
Luca Paravicini Crespi	Director	28/08/2006		X	X	X	89	6
Gian Giacomo Attolico Trivulzio	Director	28/08/2006		X			100	5

LEGEND
Exec.: indicates whether the Director may be qualified as executive
Non-exec.: indicates whether the Director may be qualified as non-executive
Indep.: indicates whether the Director may be qualified as an independent in accordance with the provisions of the Code
Indep. TUF: indicates whether the Director has the requirements of independence established in paragraph 3 of article 148 of the TUF (article 144-decies, of CONSOB's Regulation of Issuers)
% BoD: indicates (in percentage terms) the attendance of the Director at Board meetings
Other offices: indicates the overall number of offices held in other companies of the group to which the Issuer belongs, in companies listed on regulated markets (even abroad), in financial, banking, insurance companies or companies of significant dimensions.

Name	Position	A.C.	% A.C.	R.C.	% R.C.	ICC	% I.C.C.
Luciano Pietro La Noce	Director	M	_	M	100		
Daniele Discepolo	Director					P	100
Franco Debenedetti	Director	P	_	M	100		
Riccardo Varaldo	Director			P	100	M	50
Luca Paravicini Crespi	Director	M	_			M	75

LEGEND

A.C.: indicates the Appointment Committee; P/M indicates whether the Director is Chairman/member of the appointment Committee

% A.C.: indicates attendance, as a percentage, of Directors at Appointment Committee meetings (this percentage is calculated on the number of meetings attended by the Director out of the number of Appointment committee meetings held during the financial year or since appointment)

R.C.: the Remuneration Committee; C/M indicates whether the Director is Chairman/member of the Remuneration Committee

% R.C.: indicates (in percentage terms) the attendance of the Director at Remuneration Committee meetings (this percentage is calculated on the number of meetings attended by the Director out of the number of Remuneration Committee meetings held during the financial period or since appointment)

I.C.C.: the Internal Control Committee; C/M indicates whether the Director is Chairman/member of the Internal Control Committee

%. I.C.C.: indicates (in percentage terms) the attendance of the Director at Internal Control Committee meetings (this percentage is calculated on the number of meetings attended by the Director out of the number of Internal Control Committee meetings held during the financial period or since appointment)

There were no changes in the Board composition after the end of the financial period.

Maximum aggregation of positions held in other companies

The Board has not deemed it necessary to establish the general criteria on the maximum number of offices as directors or as members of control committees in other companies that may be deemed compatible with efficient performance of the office of Director in the Issuer, it being understood that each Director has a duty to evaluate the compatibility of offices of Director and Statutory Auditor held in other companies listed on regulated markets, in investment companies, banks, insurance companies or enterprises of a significant dimension, with diligently carrying out tasks assigned as Director of the Issuer.

During the course of the meeting held on 26 February 2009, the Board, having regard to the outcome of the audit on current appointments held by the company's Directors in other enterprises, held that the number and type of offices held do not interfere with Directors' duties and, thus, are compatible with the efficient carrying out of Director's duties with the Issuer.

As regards the positions held by Directors of the Issuer in the parent company IMMSI S.p.A., it is hereby stated that the majority of the Board members of the Issuer hold no management or control position in IMMSI S.p.A.

A page is a list of companies in which each Director holds a management or control office at the time of preparing this report, and with those companies highlighted in which an office is held that form part of the Group controlled by or which the Issuer is part.

Full name	Company	Management and control positions held in incorporated companies
Roberto Colaninno	- IMMSI S.p.A. *	Chairman, BoD
	- Omniaholding S.p.A. *	Chairman, BoD
	- RCN Finanziaria S.p.A. *	Chairman, BoD
	- Omniainvest S.p.A. *	Director
	- Rodriquez Cantieri Navali S.p.A. *	Director
	- Alitalia Compagnia Aerea Italiana S.p.A.	Chairman, BoD
	- Air One S.p.A.	Chairman, BoD
Gianclaudio Neri	- Rodriquez Cantieri Navali S.p.A. *	Chief Executive Officer and General Manager
	- Intermarine S.p.A. *	Deputy Chairman and Director
	- RCN Finanziaria S.p.A. *	Director
Matteo Colaninno	- Omniaholding S.p.A. *	Deputy Chairman and Chief Executive Officer
	- IMMSI S.p.A. *	Director
	- Omniainvest S.p.A. *	Director
Michele Colaninno	- Is Molas S.p.A. *	Director
	- Omniainvest S.p.A.	Director
	- Rodriquez Cantieri Navali S.p.A. *	Director
	- Omniaholding S.p.A. *	Chief Executive Officer
	- IMMSI S.p.A. *	Director
	- Piaggio Vietnam Co. Ltd. *	Director
	- ISM Investimenti S.p.A.*	Director
	- Immsi Audit S.c.a r.l.*	Director
	- RCN Finanziaria S.p.A.*	Director
Daniele Discepolo	- Zucchi S.p.A.	Director
	- Esaote S.p.A.	Director
	- Beta Skye S.r.l.	Chairman, BoD
	- Investimenti & Sviluppo S.p.A.	Director
	- KREnergy S.p.A. già Kaitech S.p.A.	Chairman, BoD
	- Fondazione Filarete	Director
	- Artemide Group S.p.a.	Director
	- Tag Group S.r.l.	Chairman, BoD
	- Mascioni S.p.A.	Director
Luciano Pietro La Noce	- Rodriquez Cantieri Navali S.p.A. *	Chairman, BoD
	- Is Molas S.p.A. *	Chairman, BoD
	- Apuliae S.p.A. *	Chairman, BoD
	- Pietra S.r.l. *	Chairman, BoD
	- Omniainvest S.p.A. *	Chief Executive Officer
	- B&L S.r.l.	Only Director
	- IMMSI S.p.A. *	Chief Executive Officer
	- RCN Finanziaria S.p.A. *	Chairman, BoD

Full name	Company	Management and control positions held in incorporated companies
Giorgio Magnoni	- ISM Investimenti S.p.A.*	Deputy Chairman
	- Banca Popolare di Mantova	Director
	- Air One S.p.A.	Director
	- Acqua Blu S.r.l.	Chairman, BoD
	- Life Science Capital S.p.A.	Director
	- SO.PA.F. S.p.A.	Deputy Chairman BoD and Executive
Franco Debenedetti	- CIR S.p.A.	Director
	- COFIDE S.p.A.	Director
	- Fondazione Rodolfo Debenedetti	Director
Luca Paravicini Crespi	- IRIDE S.p.A.	Director
	- CIR S.p.A.	Director
	- Gruppo Editoriale l'Espresso S.p.A.	Director
	- Scala Group S.p.A.	Director
	- Education.it S.p.A.	Director
	- Consilium SGR S.p.A.	Director
Riccardo Varaldo	- Il Gallione S.p.A.	Director
	- Finmeccanica S.p.A	Director
	- Intesa Sanpaolo S.p.A.	Board Member
	- Italy-Japan Business Group	Member of Supervisory Committee
Gian Giacomo Attolico Trivulzio	- Immobiliare Molgora S.p.A.	Chairman, BoD
	- Spafid S.p.A.	Director
	- Ecovolt S.r.l.	Director
	- Solar Prometheus S.r.l.	Director
	- Fondazione Poldi Pezzoli	Director

* The company is part of the Group to which the Issuer belongs.

5.2. The role of the board of directors

During the course of the financial year, the board held 9 (nine) meetings on the following dates: 30 January 2008; 7 March 2008; 7 May 2008; 29 May 2008; 11 June 2008; 31 July 2008; 12 September 2008; 31 October 2008; 5 December 2008. Board meetings lasted ninety minutes on average. For the current financial year, the calendar of the main corporate events for 2009 (already disclosed to the Market and Borsa Italiana S.p.A., according to regulatory provisions, on 30 January 2009) plans for 4 (four) meetings to be held on the following dates:

- 26 February 2009 – approval of draft financial statement and consolidated financial statement closed at 31 December 2008.
- 29 April 2009 – approval of interim operating statement as at 31 March 2009;
- 30 July 2009 – approval of 1H financial report as at 30 June 2009;
- 30 October 2009 – approval of interim operating statement as at 30 September 2009.

The calendar is available, in Italian and English language versions, on the corporate web site of the Issuer www.piaggiogroup.com, at the section Investor Relations / Corporate Governance/ Calendar Corporate Events.

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The Board is central to the corporate organisation. It is in charge of the strategic and organisational functions and responsibilities, as well as of ascertaining the existence of the controls needed to monitor the performance of the Issuer and of the Group companies which report to the Issuer.

Pursuant to article 17.1 of bylaws, the Board is empowered for the management of the company and, to this end, may pass resolutions or implement any actions it may deem necessary or useful for attaining the corporate object, with the exception of any matters reserved by law or by bylaws as coming under the competence of the Shareholders' Meeting.
By virtue of the Issuer's commitments with Borsa Italiana S.p.A., on being listed, the Board, in the meeting of 28 August 2006, passed a resolution in respect of the management responsibilities of the Board of Directors which, in addition to those powers granted by law or corporate bylaws, shall be vested as a collegiate body with the following powers:

a) to acquire or dispose of equity investments in companies or business units;
b) to sign and amend loan agreements of any kind in excess of 25 million Euros;
c) to provide collateral security on assets and to provide guarantees on third party obligations other than those provided in the interests of companies controlled directly or indirectly;
d) to transfer trademarks, patents and other intellectual property rights, as well as to sign licensing agreements;
e) to sign and amend long-term agreements of a commercial nature, including joint ventures;
f) to buy and sell property;
g) to carry out other extraordinary transactions valued in excess of 50 million Euros;
h) without prejudice to the above items, to carry out dealings with related parties, as defined by the provisions of applicable law and regulations, with the exclusion of transactions that are typical and usual Company business carried out at arm's length;
i) to appoint the Company's general manager and manager in charge of administration, finance and control;
j) to appoint the directors and the general managers of the companies controlled directly and indirectly.

As part of its duties, the Board examines and approves the strategic, industrial and financial plans of the Issuer and of the group which reports to the Issuer, the Issuer's corporate governance system and the structure of the group which reports to the Issuer.

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Pursuant to article 2381 of the Italian Civil Code and the implementing criterion 1.1.C of the Code, during the course of the financial year, the Board verified, at least once every quarter, the suitability of the organisational, administrative and general accounting structure of the Issuer and its subsidiaries with strategic relevance, specifically with regard to the internal control system and management of conflicts of interest, according to the procedures adopted by the Issuer for this purpose. Within the context of this activity, the Board availed itself, depending on cases, of the support of the internal Control Committee, the body in charge of internal control, of the auditing firm Cogitek S.r.l. and the executive manager responsible for drafting corporate accounting documents and, likewise, procedures and audits carried out pursuant to Law 262/2005.

It should be noted with regard thereto that, on 14 November 2008, the Issuer terminated the Plan for Adapting subsidiaries, established and governed by laws of States not belonging to the European Union, under the conditions provided in article 36 of the Consob Market Regulation

("Plan"). On the basis of parameters of significance and relevance adopted in the recent Consob Resolution no. 16530/2008, subsidiaries outside of the European Union with strategic relevance are: Piaggio Vehicles Pvt Ltd and Piaggio Group Americas Inc.

A description of the Plan and enabling activities implemented by the Issuer with regard thereto are illustrated in the 3Q interim Report at 30 September 2007 and subsequent corporate financial statements.

As regards the remuneration of Directors, in accordance with article 18 of the bylaws, each Director was reimbursed the expenses incurred in the performance of his duties and received annual emoluments approved by the Ordinary Shareholders' Meeting at the time of appointment, which remain unchanged in the absence of a different Shareholder resolution.

The emoluments of the Chairman, the Deputy Chairman and the Managing Director were approved by the Board on 28 August 2006, upon favourable opinion expressed by the Board of Statutory Auditors.

As regards the remuneration of the top management, the Issuer implements a policy that envisages incentives linked to company profitability, also by means of specific corporate incentive plans that include the granting of stock options.

The Board assessed general operating performance at least quarterly, taking account of the information received from the delegated bodies, as well as periodically comparing actual results with the budgets.

Following the listing of the Issuer and the resolutions subsequently passed by the Board in the meeting on 28 August 2006 concerning the division of its management duties, the Board needs to examine and grant prior approval to dealings of the Issuer and its subsidiaries that have a significant strategic, economic, business or financial importance to the Issuer itself.

In compliance with current regulatory provisions and the bylaws, the Board also needs to examine and grant prior approval to dealings of the Issuer and its subsidiaries where one or more Directors have personal or third party interests.

As far as management of conflicts of interest and dealings with related parties of the Issuer and the group which the Issuer is the parent are concerned, please see point 13 further on.

On 26 February 2009, the Board of directors of the Issuer ordered the annual evaluation pursuant to implementing Criterion 1.C.1, letter g) of the Code to be carried out, deeming the composition and functioning of the management body to be suitable in respect of management and organisational needs of the Issuer, taking into account that of the total of eleven members of the Board, ten Directors are Non-executive Directors, of which four Directors are independent Non-Executive Directors, who, likewise, guarantee the suitable composition of the Committees constituted within the Board.

The shareholders have not authorised derogations from the rule prohibiting competition, as established in article 2390 of the Italian Civil Code.

5.3. Strategic executives

Managing Directors

The Chairman of the Issuer, Roberto Colaninno, also holds the position of Chief Executive Officer.

The Chairman and Chief Executive Officer has been granted full powers of ordinary and extraordinary management, except for the powers reserved to the entire Board by law, the bylaws and the Board resolution passed on 28 August 2006 (Refer to 5.2 above).

Chairman

The Chairman of the Board:

a) is the key manager of the Issuer *(Chief Executive Officer)* and

b) is not the controlling shareholder of the Issuer.

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Information to the Board

During the course of the financial year, the Chief Executive Officer reported to the Board on the activities carried out during the financial year by virtue of his delegated powers at least once every quarter and using methods suitable for allowing Directors to express an informed opinion on matters submitted to them for review.

5.4. Other executive directors

There are no other Executive Directors.

5.5. Independent directors

The number and stature of the Non-executive Directors and the Independent Directors ensure that their judgement may have a significant weight upon the decision-making of the Issuer's Board. The Non-executive Directors and the Independent Directors bring their specific competencies to Board discussions and contribute to decisions being made in the company's interest.

That the independent Directors currently in office possess the requisites of independence provided for under article 3 of the Code and article 148, paragraph 3, letters b) and c) of the Consolidated Law on Finance has already been verified by the Board upon their appointment and re-verified during the meeting held on 26 February 2009.

It should be noted that, in order to rule out potential risks of limiting management independence of the Issuer that could arise, in particular, by an overlapping of the Boards of the Issuer and of the parent company IMMSI S.p.A.: (a) on the Board of the Issuer currently in office, there are six Non-Executive Directors and, namely - Michele Colaninno, Matteo Colaninno, Luciano Pietro La Noce, Giorgio Magnoni, Gianclaudio Neri and Gian Giacomo Attolico Trivulzio and four independent Non-Executive Directors, namely - Directors Daniele Discepolo, Franco Debenedetti, Riccardo Varaldo and Luca Paravicini Crespi; (b) the majority of the members of the Board of the Issuer has no management or control duties in IMMSI S.p.A.

The Independent Directors possess the requirements for independence as per article 3 of the Code and article 148, paragraph 3, points b) and c) of the Consolidated Law on Finance, in that each of them:

(i) does not directly or indirectly control the Issuer, even through subsidiaries, trustees or third parties, nor is able to exercise substantial influence on it;

(ii) is not party, either directly or indirectly, to any shareholder agreement by which one or more individuals can exercise control or substantial influence over the Issuer;

(iii) is not, nor has been in the last three years, a key manager (that is, the Chairman, the Legal Representative, Chairman of the Board of Directors, an Executive Director or a manager with strategic responsibilities) of the Issuer, of a strategic subsidiary, of a company jointly controlled with the Issuer, of a company or an entity that, even jointly through a shareholder agreement, controls the Issuer or exercises substantial influence over it;

(iv) has no, nor has in the previous year, direct or indirect (for example, through subsidiaries or companies in which the individual is a key manager, as described in point (iii) above, or as a partner in a firm of professionals or consultancy firm), significant business, financial or professional relationship or employment contract: (a) with the Issuer, one of its subsidiaries, or with any of their key managers, as described in point (iii) above; (b) with a party that, even jointly with others by means of a shareholder agreement, controls the Issuer, or – in the case of a company or entity – with its key managers, as described in point (iii) above;

(v) notwithstanding point (iv) above, has no independent or employment work relationship, nor other relationships of a professional or economic nature such as to compromise his/her independence: (a) with the Issuer, its subsidiaries, parent companies or jointly-controlled companies; (b) with the Issuer's Directors; (c) with parties related by marriage, family or affinity within the fourth degree of the Directors of the companies as described in point (a) above;

(vi) does not receive, nor has received in the last three years, from the Issuer or a subsidiary or parent company, significant additional remuneration beyond the fixed emolument as Non-executive Director of the Company, including incentive plans (even stock-based) connected with company performance;

(vii) has not been a Director of the Issuer for more than nine of the last twelve years;

(viii) is not an Executive Director in another company in which an Executive Director of the Issuer is also Director;

(ix) is not a shareholder or Director in a company or entity belonging to the network of the company mandated to audit the Issuer;

(x) is not a close relative of a person who is in one of the above situations and is not a spouse, relative or with an affinity within the fourth degree of Directors of the Issuer, its subsidiaries, parent companies or jointly-controlled companies.

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The Board of Statutory Auditors has verified the correct application of criteria and inspection procedures adopted by the Board for evaluating the independence of its members and the outcome of said verification shall be disclosed within the context of the Report of the Statutory Board of Auditors to the Shareholders' Meeting pursuant to article 153 of the consolidated Law on Finance.

During the year, 2 meetings of the Independent Directors were held: on 7 May 2008 and on 5 December 2008.

During the course of said meetings, at which the Chairman and CEO, Roberto Colaninno, was invited to attend, the progress of the 2008-2010 Strategic Plan, business development outlook and the strategic industrial actions implemented reviewed, specifically with regard to the Asian markets; furthermore, issues regarding corporate organisation and management were also examined.

5.6. Lead independent director

The Board has appointed the Independent Non-executive Director, Daniele Discepolo, as Lead Independent Director in accordance with the Code so that he may be the point

of reference and co-ordination of the requests of the Non-executive Directors, especially the Independent Directors. The Lead Independent Director, Daniele Discepolo, an Independent Director possessing the necessary accounting and finance skills, is also Chairman of the Internal Control Committee.

During the year, the Lead Independent Director called 2 meetings of the Independent Directors of the Issuer. Refer to 5.5 above.

6. TREATMENT OF CORPORATE INFORMATION

6.1. The procedure for release and disclosure of insider information

The Board, for the purpose of monitoring access to and the circulation of insider information before it is released to the public domain and, likewise, for ensuring compliance with obligations of confidentiality provided by law and regulations and, likewise, for the purpose of governing internal management and disclosure to the public of the aforesaid information adopted, during the meeting of 28 August 2006, a "Procedure for the public disclosure of Insider information".

In accordance with this procedure, the Chairman of the Board, the Chief Executive Officer and the Investor Relations department (refer to point 7 below) ensure the proper handling of the disclosure to the market of insider information and monitor compliance with said Procedure.

The Investor Relations department and the Chief Press Officer, informed by the top management of the Group or otherwise aware of significant facts concerning the Issuer or its subsidiaries, discuss with the General Manager Finance and the Head of Legal Affairs for the purpose of verifying the requirements of law and, in particular, whether information should be deemed insider information.

If it is considered insider information or applicable regulations require public disclosure, the Chief Press Officer prepares a press release and, with the assistance of the Head of Legal Affairs, ensures that it complies with current applicable law.

The text of the press release must be submitted to the Chairman and to the Chief Executive Officer and, if necessary, to the Board of Directors for final approval prior to its public disclosure.

The press release is put on the Network Information System (NIS) organised and managed by Borsa Italiana, and is transmitted to CONSOB and to at least two press agencies via the NIS. Furthermore, the Company inserts the press release on the www.piaggiogroup.com corporate web site in the Investor Relations section and ensures the information remains there for at least two years.

So as to ensure the handling of insider information within the Group, the Procedure is notified to the Managing Directors of the main subsidiaries, that is, those companies controlled by the Issuer that are consolidated.

The handling of insider information regarding subsidiaries is the responsibility of their Managing Directors, who shall promptly transmit to the General Manager Finance and/or the Investor Relations department of the Issuer all information that they consider may be insider information in accordance with the Procedure.

The General Manager Finance and/or the Investor Relations department receiving the insider information advice from the Managing Directors of subsidiaries discusses with the Head of Legal Affairs to verify the legal obligations and in particular if the information is to be considered insider information.

If it is considered insider information or applicable regulations require public disclosure, the Chief Press Officer prepares a press release and, with the assistance of the Head of Legal Affairs, ensures that it complies with current applicable law.

The text of the press release must be submitted to the Chairman and to the Chief Executive Officer and, if necessary, to the Board of Directors for final approval prior to its public disclosure.

6.2 Register of persons with access to insider information

With particular reference to the requirement for listed issuers, for parties in controlling relations with them and for persons acting in their name or on their behalf, to establish and manage a register of persons with access to insider information in accordance with article 115-bis of the TUF, in a meeting on 3 May 2006, the Board of Directors of the Company resolved to (i) mandate the parent company IMMSI S.p.A., in accordance with article 152-bis of the Regulation of Issuers, to keep, manage and update the register of persons with access to insider information of Immsi S.p.A. also on behalf of Piaggio and the companies of the Piaggio Group; (ii) acknowledge the “Procedure for the management of the register of persons with access to insider information” adopted by IMMSI S.p.A. with a resolution of its Board of Directors on 24 March 2006.

On 5 November 2007 the Board, deeming it appropriate for the Issuer to independently establish, keep and manage a register of persons with access to insider information relating to the group which reports to the Issuer, adopted an independent “Procedure for the management of the register of persons with access to insider information – Piaggio & C. S.p.A. Group” envisaging its application also regarding parties that control the Issuer, subject to the necessary adjustments to the corporate organisational structures in the respective organigrammes.

Both procedures are available on the www.piaggiogroup.com corporate web site in the Investor Relations / Procedures section.

6.3. Internal dealing

In relation to managing disclosure obligations arising out of the new law on Internal Dealing provided for under 114, paragraph 7 of the Consolidated Law on Finance and articles 152-sexies, 152-septies and 152-octies Issuers Regulation, in force for listed corporations as from 1 April 2006, the Board of Directors of the Issuer, on 3 May 2006 passed a resolution adopting the “Procedure for compliance with Internal Dealing obligations”, binding and valid from the time of listing of the Company.

Releases regarding significant transactions pertaining to the Internal Dealing regulation carried out in 2007 have been disclosed to the market in compliance with said Procedure and are available on the Issuer’s www.piaggiogroup.com corporate web site in the Investor Relations section.

7. COMMITTEES WITHIN THE BOARD OF DIRECTORS

Within the Board of Directors, a number of Committees have been set up and, namely - the Appointments Committee, the Remuneration Committee and the Internal Control Committee. It should be noted that the Issuer has not set up a committee that performs the functions of two or more of the committees provided in the Code or committees other than those provided for in the Code.

8. APPOINTMENTS COMMITTEE

The Board, in compliance with the provisions of the Code and in consideration of the presence in the bylaws of the slate voting system for the appointment of the Board, has established an internal Appointments Committee.
During the year, there was no need to hold meetings of the Appointments Committee.

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The Appointments Committee mostly consists of Independent Non-executive Directors.
The Appointments Committee has three members: Franco Debenedetti (the Chairman), Luca Paravicini Crespi and Luciano La Noce.

Appointments Committee functions

The Appointments Committee has the duty of verifying that the procedure of presenting slates established in the bylaws is carried out correctly and transparently, in compliance with the applicable provisions of law and the bylaws. Having verified compliance of the above procedure, with particular reference to the completeness of the documents to be filed and the timeliness of such filing, the committee carries out the necessary formalities for the presentation of those slates to the shareholder meeting called to appoint the Board or its members.
In accordance with article 6.C.2, point c) of the Code, the Appointments Committee is also authorised to express, whenever it deems necessary, opinions to the Board regarding its size and composition.

9. REMUNERATION COMMITTEE

The Board of the Company, in compliance with the provisions of the Code, has established an internal Remuneration Committee.
During the course of the financial year, the remuneration Committee held 1 (one) meeting on 31 July 2008.

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The Remuneration Committee is composed on mostly independent, Non-Executive Directors.
The Remuneration Committee has three members: Riccardo Varaldo (the Chairman), Luciano La Noce and Franco Debenedetti.

During the course of the financial year, the Remuneration Committee did not pass resolutions for which it was necessary for Directors to abstain from voting.

Remuneration Committee meetings were attended by non-members upon the invitation of the Committee itself.

Functions of the Remuneration Committee

The duties of the Remuneration Committee are: (i) to formulate proposals to the Board regarding the remuneration of the Chief Executive Officer and the other Directors with specific duties, monitoring the application of such decisions; and (ii) to formulate general recommendations to the Board regarding the remuneration of senior managers with strategic responsibilities within the Piaggio Group, taking account of the information and indications provided by the Chief Executive Officer, while periodically assessing the criteria adopted for the remuneration of senior management.
The Remuneration Committee also has duties in relation to the management of any stock option plans approved

by the competent organs of the Company. During the meeting of 31 July 2008, the Remuneration Committee reviewed the Incentive and Loyalty Scheme for Piaggio top management and Piaggio Italian and foreign subsidiaries ("2007-2009 Scheme"), reporting that the Company had concluded its own share purchase program servicing the Scheme in July 2008.

During the course of this meeting, further grant of 3,260,000 options to 24 beneficiaries was also assessed, which was found to be compliant with the terms and criteria established under the Scheme.

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Minutes were duly taken at the remuneration committee meeting.

In carrying out its duties, the Remuneration Committee was able to access information and other corporate departments required for executing its tasks and well as, availing itself of external consultants under the conditions established by the Board of Directors.

The Remuneration Committee did not receive any financial resources in that the Committee uses the Issuer's in-house resources and structures for carrying out its functions.

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10. DIRECTORS EMOLUMENTS

The remuneration of the Executive Directors is not linked to the financial results of the Issuer and/or the achievement of specific objectives previously indicated by the Board.

A significant part of the remuneration of senior managers with strategic responsibilities is linked to the financial results of the Issuer and/or the achievement of individual objectives previously indicated by the Chief Executive Officer.

There is a stock-based incentive plan for managers of the Issuer or of Italian and/or foreign companies it controls, in

accordance with article 2359 of the Italian Civil Code, and the managing directors of those subsidiaries.

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The remuneration of the Non-executive Directors is not linked to the financial results of the Issuer.

There is no stock-based incentive plan for Non-executive Directors.

The remuneration of the Non-executive Directors was decided by the shareholders.

All Directors of the Issuer receive the same emoluments of 40,000 Euro per annum.

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In relation to disclosure obligations provided under article 78 of the Issuers Regulation, the following table reports the emoluments received by Board Directors and the two General Managers during the financial year according to the criteria indicated in Schedule 3C of the aforesaid regulation.

In particular, the emoluments for the office indicate: (i) the emoluments for the period approved by the shareholders, or as per paragraph 2 of article 2389 of the Italian Civil Code, still to be paid and (ii) any profit sharing, (iii) attend-

Name	Emoluments for the office	Non-monetary benefits	Bonuses and other incentives	Other remu-neration	Total
Roberto Colaninno	1,040,000 (1)				1,040,000
Matteo Colaninno	100,000 (2)				100,000
Gianclaudio Neri	40,000				40,000
Michele Colaninno	40,000			3,333	43,333 (3)
Luciano Pietro La Noce	40,000				40,000
Giorgio Magnoni	40,000				40,000
Daniele Discepolo	60,000 (4)				60,000
Franco Debenedetti	40,000				40,000
Riccardo Varaldo	50,000 (5)				50,000
Luca Paravicini Crespi	50,000 (5)				50,000
Gianclaudio Attolico Trivulzio	40,000				40,000
Daniele Bandiera			9,923	505,186	515,109
Michele Pallottini			10,474	903,045	913,519

(1) This amount includes 600,000 Euro as emoluments for the office of Chairman and 400,000 Euro as emoluments for the office of Chief Executive Officer.
(2) This amount includes 60,000 Euro as emoluments for the office of Deputy Chairman.
(3) The emoluments are paid to the company of employment.
(4) This amount includes 20,000 Euro as emoluments for the office of Chairman of the Internal Control Committee.
(5) This amount includes 10,000 Euro as emoluments for the office of member of the Internal Control Committee.

ance payments, (iv) expenses refunded; the non-monetary benefits column indicates the fringe benefits (following a criterion of taxable income) including any insurance policies; Bonuses and other incentives include one-off portions of remuneration; other remuneration indicates (i) emoluments for positions held in listed and unlisted subsidiaries (ii) employee remuneration (gross of social security and tax charges for the employee's account, excluding the mandatory collective social security charges for the company's account and the provision for employee leaving indemnity) (iii) indemnities payable upon leaving office, and (iv) any other remuneration from other services provided.

Other than the two General Managers, whose remuneration is indicated in the above table, the Issuer has no further senior managers with strategic responsibilities.

11. THE INTERNAL CONTROL COMMITTEE

The Board has established an Internal Control Committee.

During the course of the financial year, the Internal control committee held 4 (four) meetings on 6 February 2008; 23 June 2008; 13 October 2008 and 1 December 2008.

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The Internal Control Committee of the Issuer consists of Independent Non-executive Directors.

The Internal Control Committee had at least three members during the financial year under review and, namely: Daniele Discepolo (the Chairman), Riccardo Varaldo and Luca Paravicini Crespi.
The Director Daniele Discepolo possesses the necessary

accounting and finance skills required by the Board at the time of his appointment.

Attendance at Internal Control committee meetings by non-members was upon invitation from the Committee.

Functions of the Internal Control Committee

The Internal Control Committee is a consultative body that can put forward proposals to the Board and is mandated to carry out the following duties:

(i) assist the Board in carrying out internal control activities, in particular in defining the guidelines of the system and the periodic monitoring of the adequacy, effectiveness and actual functioning of the system;

(ii) examine the work plan prepared by the person in charge of internal control and the half-yearly reports transmitted by him;

(iii) assess, together with the Manager in charge of preparing the corporate accounting documents and the auditors, the adequacy of the accounting principles used for the audit and their consistency for the purposes of preparing the consolidated financial statements;

(iv) assess the proposals formulated by the auditors regarding the mandate, the work plan prepared for the audit and the results illustrated in the report and in the letter of suggestions;

(v) report to the Board, at least every six months, at the time of approving the financial statements for the financial period and the half-year report, regarding activities carried out and the adequacy of the internal control system;

(vi) carry out any further duties that the Board deems appropriate to assign to the Committee, in particular regarding relations with the auditors and the consultative functions concerning dealings with related parties envisaged by the specific procedure approved by the Board.

During the course of the financial year, the Internal Control Committee carried out ongoing inspection and audit activities in respect of the internal control system and, within this context, monitored of the progress of internal auditing work plan, with specific regard to the implementation of measures resulting from audit activities carried out in previous financial years, the progress of the 2008 audit plan and the progress of risk analysis activities and implementation of measures for guaranteeing full compliance of the Issuer with the provisions of Law 262/2005.

With regard to the foregoing, on 14 November 2008, the Issuer reported successful completion of measures directed towards guaranteeing compliance of its subsidiaries, established under, and governed by laws of States outside the European Union with provisions provided under article 36 of the Consob Market Regulation. This disclosure may be accessed on the corporate web site of the Issuer www.piaggiogroup.com in the section Investor relations / Corporate Documents.

At meetings, the Internal Control Committee discussed the most suitable initiatives to be implemented in relation to auditing activities, with a view to progressively improving the internal control system, thereby ensuring maximum efficiency and safety.

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The Chairman of the Board of Statutory Auditors, Giovanni Barbara attended all Internal Control Committee meetings.

Minutes were duly taken at all Internal Control Committee meetings.

In carrying out its functions, the Internal control Committee was able to access information and other corporate departments required for executing its tasks and well as, availing itself of external consultants under the conditions established by the Board of Directors.

The Internal control Committee did not receive any financial resources in that it made use of in-house resources and corporate structures of the Issuer for carrying out its duties.

12. THE INTERNAL CONTROL SYSTEM

The Board defines the guidelines of the internal control system, that is, the set of processes aimed at monitoring the efficiency of corporate operations, the reliability of financial information, compliance with regulations and the law, the safeguarding of corporate assets.

The Board (i) prevents and manages corporate risks regarding the Issuer and the group which reports to the Issuer by defining suitable control guidelines that ensure that such risks are correctly identified and adequately measured, monitored, managed and assessed, even as regards safeguarding corporate assets and the fit and proper management of the company; (ii) periodically (at least annually) verifies the adequacy, efficiency and effectiveness of the internal control system.

In carrying out these functions, the Board avails itself of a designated Director supervising the working of the internal control system ("Designated Director") and an Internal Control Committee; it also takes account of the organisational and management models adopted by the Issuer and the group which reports to the Issuer in accordance with Law 231/2001.

The Board, in response to a proposal by the Director Appointed and having obtained the opinion of the Internal Control Committee, has appointed the Person in charge of Internal Control and ensured that the individual receives adequate means to carry out his/her functions, even from the viewpoint of operating structure and internal organisational procedures to access the information needed by the position, authorising the Chief Executive Officer and the General Manager Finance to agree the terms and conditions of the appointment.

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During the course of the financial year, the Internal Control Committee regularly reported to the Board on the Committee's activities, on the outcome of audits and on the workings of the Internal Control system, stating that the system was substantially adequate for meeting the needs of the size and organisational and operational structure of the Issuer.

The Board of Directors of the Issuer, on the basis of the indications provided by the Internal Control Committee, was able to express the opinion that the internal control system of the Issuer was adequate, efficient and actually being implemented during the meeting held on 26 February 2009.

12.1. The director in charge of the internal control system

The Board appointed a Designated Executive Director, Roberto Colaninno, Chairman and CEO, to supervise the working of internal control system.

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The Designated Executive Director appointed to supervise the working of the internal control system:

- identified the main corporate risks (strategic, operating, financial and compliance), taking account of the characteristics of the activities carried out by the Issuer and its subsidiaries, and periodically submitted them to the Board for examination;
- implemented the guidelines drawn up by the Board, as well as planned, implemented and managed the internal control system, constantly monitoring its overall adequacy, effectiveness and efficiency;
- adapted this system to the development of operations and to the legal and regulatory framework;
- submitted to the Board the appointment of the Person in Charge of Internal Control.

12.2. The person carrying out internal control

The Board on 12 December 2006, upon a proposal submitted by the Designated Director and having regard to the favourable opinion expressed by the Internal Control Committee, appointed Pierantonio Piana, in his capacity as head of Cogitek S.r.l., as the Person in Charge of Internal Control, granting powers to the Chairman and General Manager for Finance to officially draft the terms and conditions of the appointment.

It should be noted with regard thereto that, on 26 February 2009, the Board of the Issuer, acknowledging that the consortium company, Immsi Audit S.c. a r.l., began operations as of 1 January 2009, with the task of carrying out all internal auditing activities of companies of the Immsi Group, upon proposal submitted by the Designated Director and having regard to the opinion of the Internal Audit Committee, resolved to appoint Maurizio Strozzi, Managing Director of Immsi Audit S.c. a r.l., as Person in Charge of Internal control, replacing Pierantonio Piana, whose appointment expired upon approval of the draft financial statement closed at 31 December 2008.

The Person in Charge of Internal Control is not responsible for any operational area and does not report to any persons in charge of operational areas, including the accounting and finance area.

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During the financial year, the Person in Charge of Internal Control:

- had direct access to all the information needed to perform his duties;
- reported on his activities to the Internal Control Committee and the Board of Statutory Auditors;
- reported on his activities also to the Designated Executive Director supervising the working of the internal control system.

During the course of the financial year, the Person in Charge of Internal Control, with the support of the internal audit structure, continued verification of the internal control system. In the first instance, initiatives were implemented directed towards responding to the Issuer's Corporate Governance rules, both via structural and organic advancement, impacting all corporate processes of the Issuer, including risk analysis carried out on the internal control system, both by performing compliance audits in respect of a number of legislative provisions, such as Legislative Decree 231/2001 and Law 262/2005, which were followed by suitable support given to the Supervising Body and Person in Charge of Internal Control; with reference to Law 262/2005, the control systems of the most significant foreign subsidiaries outside the European Union were analysed (using specific scoping methods, validated by corporate management and the Regulatory authority),as required by article 36 of the Consob Market regulation. Still with regard to Corporate Governance, activities have been implemented directed towards inspecting the presence and correct working of accounting/management procedures on a number of significantly important accounting entries, verification of commitments taken on when the issuer was listed, as well as verification of dealings with related parties.

In the second instance, audit activities also spanned a number of more business-oriented areas, such as verification of the efficiency of production processes, the reliability of the industrial accounting system, issues linked to inspection of the sales network and customer satisfaction.

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The Issuer also has an internal audit function and the Person in charge of Internal Control is also in charge of this area.

Internal Audit role was performed by Mr.Pierantonio Piana, head of Cogitek S.r.l. during the financial year.

No ties exist between the Issuer and the designated Person in Charge of the Internal Audit role.

The Internal Audit role has been assigned to an external person for the purpose of guaranteeing full independence and autonomy in performing the relevant activities.

With regard to the foregoing, it should be noted that, in the meeting held on 26 February 2009, the Board of Directors of the Issuer assigned the internal audit role to Maurizio Strozzi, Managing Director of the consortium company Immsi Audit S.c. a r.l., replacing Pierantonio Piana, head of Cogitek S.r.l.

12.3. Organisational model pursuant to legislative decree 231/2001

On 12 March 2004, the Issuer adopted an organisational, management and control model for the purpose of preventing corporate crimes provided for in Legislative Decree 231/2001, as amended ("Model"). At the date of this Report, the Supervisory Body, in office for the years 2006-2007-2008, and thus up to the time of approval of the financial statements at 31 December 2008, consists of Giovanni Barbara, a member of the Board of Statutory Auditors and chosen from among the statutory auditors; Alessandro Bertolini, head of Legal Affairs at the Issuer, who tendered his resignation as from 30 November 2008; and Enrico Ingrillì, the Chairman, as the member designated by the Chief Executive Officer together with the Chairman of the Board of Statutory Auditors, chosen among external executives possessing the necessary prerequisites.

The Model currently consists of the Code of Ethics and Code of Conduct, in addition to the Internal Control Process Charts, subdivided into Instrumental and Operational processes, as well as the Disciplinary System.

The Model is currently undergoing review and updating for the purpose of including new statutory offences and crimes provided by Law 123/07 and Legislative Decree 81/2008 occupational health and safety, and Legislative decree 231/07 regarding anti-laundering and anti-receiving stolen goods.

During the final part of 2008, an e-mail account was set up on the corporate Intranet allowing Piaggio employees to send a message directly to the Supervisory Body for the purpose of reporting any relevant cases. Such messages may only be read by the Supervisory Body, thereby rendering the relationship between the Supervisory Body and the actual corporation of the Issuer compliant with the Model.

It should be noted that, during the course of 2008, the Supervisory Body of the Issuer met 8 times, with all members in attendance at all scheduled meetings.

At the last meeting, held on 27 January 2009, the Supervisory Body approved the 2009 Activity Plan.

The model has been sent to all Piaggio Group executive managers and has been published on the corporate Intranet and is available on the corporate web site of the Issuer www.piaggiogroup.com at the section Investor Relations / Corporate Governance/ Governance Model.

12.4. Independent auditors

Deloitte & Touche S.p.A. has been appointed as external auditor of accounts. The appointment was made by the Shareholders' Meeting of 30 March 2006 and terminates on the date that the financial statements closed as at 31 December 2011 are approved.

12.5. Manager in charge of preparing the corporate accounting documents

The Manager in Charge of Preparing the Corporate Accounts of the Issuer is Alessandra Simonotto, Head of Accounting and Accounts Payable/Receivable at the Issuer.

Pursuant to article 17.3 of the bylaws of the Issuer, the Manager in Charge of Preparing the Corporate Accounting Documents shall possess the requisites of good name and standing and reliability prescribed by legislation in force for those persons holding administrative and management positions and be professionally suitably qualified in the administrative and accounting fields. This knowledge, to be verified by the Board, must have been acquired through work experience in a position of adequate responsibility for a suitable period of time.

The Manager in Charge of Preparing Corporate Accounting documents is appointed by the Board, upon prior mandatory favourable opinion being expressed by the Board of Statutory Auditors.

Upon appointment, the Board granted all relevant powers and resources required for performing assigned duties to the Manager in Charge of Preparing corporate Accounting Documents.

13. DIRECTORS' INTERESTS AND DEALINGS WITH RELATED PARTIES

The "Procedure for significant transactions and dealings with related parties", approved by the Issuer during the Board meeting of 28 August 2006, establishes the criteria (quantitative and/or qualitative) that apply for identifying transactions that only the Board may review and approve. These criteria have been identified in relation to the type of dealing in question, with specific and distinct reference to (i) significant dealings from the economic, business and financial viewpoint or in relation to the activities of the Issuer ("Significant Dealings", as defined below); as well as (ii) dealings with related parties ("Dealings with Related Parties", as defined below).

In order to concretely implement articles 9.C.1 and 9.C.2 of the Code, the Board has defined specific procedures to ensure the Directors receive complete and exhaustive information regarding Significant Dealings and Dealings with Related Parties.

Significant Dealings

The following are considered to be significant dealings from the economic, business and financial viewpoint or in relation to the activities of the Issuer ("Significant Dealings"):

1) the acquisition or disposal of equity investments in companies or business units;
2) the signing and amending of loan agreements of any kind in excess of 25 million Euros;
3) the provision of collateral security on assets and guarantees on third party obligations other than those provided in the interests of companies controlled directly or indirectly;
4) the transfer of trademarks, patents and other intellectual property rights, as well as the signing of licensing agreements;
5) the signing and amending of long-term agreements of a commercial nature, including joint ventures;
6) the purchase and sale of property;
7) other extraordinary transactions valued in excess of 50 million Euros;
8) the appointment of the Company's general manager and manager in charge of administration, finance and control;
9) the appointment of directors and general managers of the companies controlled directly and indirectly.

For the purposes of calculating the amounts indicated in points 2) and 7) above, reference must be made to each dealing individually considered; exceptionally, for dealings that are strictly and objectively linked within the same strategic or executive plan, reference must be made to the overall value of all the associated dealings.

In relation to each Significant Dealing, the Board shall receive from the delegated bodies information that is sufficient to permit a preliminary examination of the key elements of such transaction. In particular, it shall be provided with exhaustive information regarding the strategic reasons for the Significant Dealing the foreseeable economic and financial effects of the transaction, even at the consolidated level.

Dealings with Related Parties

In compliance with article 2, paragraph 1, letter h) of the Consob Issuers Regulation, Related Parties are defined as such by the International Accounting Standard concerning balance sheet disclosures on transactions with Related Parties, adopted according to the procedure provided under article 6 of (EC) Regulation 1606/2002 (International Accounting Standard IAS 24).

So as to ensure prompt compliance with the principles and procedures outlined above, the delegated bodies prepare and update the list of names of identifiable Related Parties.

Review and approval of Dealings with Related Parties, with the exclusion of Typical Transactions with related Parties under Market Conditions (as defined further on) are the sole prerogative of the Board.

It being understood that, the entire Board shall be responsible for reviewing and approving Typical Transactions with Related Parties under market Conditions that qualify as Significant Dealings. In said cases, the rules and procedures that have been described above for Significant Dealings shall apply.

As regards the above Procedure:

- a "Typical transaction" is one that is recurring, usual or part of normal business affairs of the Issuer as regards type, purpose and method of determining the consideration;

- an "Arm's length transaction" is one closed at market conditions or at conditions in line with normally followed negotiating procedures or at conditions not differing from those practised for similar transactions.

In relation to each Dealing with Related Parties reserved for the Board, the Board shall receive from the delegated bodies information that is sufficient to permit a preliminary examination of the key elements of such transaction, with particular reference to the following elements:

- general features of the transaction (indicating in particular: the purpose, the reasons, the consideration and the timing of the transaction, as well as the nature of the relationship);
- method of determining the consideration and/or of the main terms and conditions that may generate liabilities for the Company;
- foreseeable economic and financial effects of the transaction, even at the consolidated level;
- any interests (even if indirect) of members of the company boards in the transaction.

The Board, following having received due disclosure from the delegated bodies and, whenever it shall deem it fitting and necessary, and having taken account of the nature of the transaction, the amount involved and the other features of the single Dealings with Related Parties (as prescribed by the implementing criterion 9.C.1 of the Code), may request that said transaction be concluded with the assistance of one or more experts, who shall provide an opinion on the business financial terms and/or the technical methods and those for executing the transaction. The choice of experts to be used shall fall upon individuals of proven professionalism and competence, of whom the Board shall ascertain the independence and the absence of conflicts of interest in the transaction.

In accordance with article 9.C.2 of the Code, Directors who have an interest, even if potential or indirect, in a Dealing with Related Parties must previously and exhaustively inform the Board of the existence of the interest and the related circumstances. The Board must assess, in relation to each concrete case and on the basis of the information provided by the Director in question, also by taking account of the need to ensure the proper functioning of the management body, the appropriateness of requiring said Director: (i) to absent himself from the meeting before discussions begin until a decision has been taken; or (ii) to abstain from voting.

Dealings with Related Parties other than those reserved for the examination and approval of the Board fall within the purview of the delegated bodies, in accordance with the mandates granted them.

Except as specified below, the delegated bodies provide the Board, in the next meeting, exhaustive information regarding the key elements of the Dealing with Related Parties carried out by themselves, as well as any risk profiles or other critical elements. In particular, exhaustive information must be provided regarding the following elements:

- the general features of the transaction (indicating in particular the nature of the relationship and the reasons behind the transaction);
- the foreseeable economic and financial effects of the transaction, even at the consolidated level.

In all cases, wherever they deem it appropriate, the delegated bodies retain the right to submit for examination and approval of the Board of the Issuer the Dealings with Related Parties that, while not being reserved for the Board, contain specifically critical and/or risk elements for the safeguarding of corporate assets or the protection of minority interests. In this case, the related procedure is applied.

The procedure for Significant Dealings and that for Dealings with Related parties is available for consultation on the corporate web site of the Issuer www.piaggiogroup.com, at the section Investor Relations / Corporate Governance / Procedure.

14. APPOINTMENT OF STATUTORY AUDITORS

The appointment and substitution of Statutory Auditors is governed by applicable law and regulations in force and by article 24 of the Issuer's bylaws. The provisions of the Issuer's bylaws governing the appointment of the Board of Statutory Auditors are appropriate to ensure compliance with the provisions of paragraph 2-bis of article 148 of the TUF introduced by Law 262/2005 and the provisions of Law 303/2006.

In accordance with article 24 of the Issuer's bylaws, the slates presented by the shareholders must be filed at the registered office at least fifteen days before the date of the shareholder meeting in first call.

Appointment of the Board of Statutory Auditors is made on the basis of candidate slates submitted by Shareholders. Each Shareholder and, likewise, Shareholders that have entered into significant Shareholder Agreements pursuant to article 122 of the Consolidated Law on Finance and also the controlling entity, subsidiaries and those subject to shared control pursuant to article 93 of the Consolidated Law on Finance, may not submit or collaborate together to submit, also excluding via *interposta persona* or fiduciary company more than one slate, nor may they vote different slates.

Only those shareholders who, alone or as a group, represent at least 2.5% (two point five percent) of the share capital with voting rights, or another percentage established by legal or regulatory provisions, may submit slates.

The Board of Statutory Auditors is elected as follows:

a) in the order in which they are listed, two standing auditors and one substitute are taken from the slate that received the most shareholder votes;

b) in the order in which they are listed, one standing auditor and the other substitute are taken from the second slate that received the most shareholder votes, which, in accordance with applicable regulations, may not in any way, not even indirectly, be linked with the shareholders who presented or voted the slate referred to in point a).

In the event of two or more slates receiving the same amount of votes, the older candidates will be elected as Statutory Auditors.

The standing auditor taken from the second slate that received the most shareholder votes, as per point b) above, becomes Chairman of the Board of Statutory Auditors.

The above procedures for electing the Board of Statutory Auditors do not apply when only one list is presented or votes; in such cases, the shareholders vote by relative majority.

If, at the end of the term for presenting the slates, only one slate has been filed, or only slates presented by shareholders who are significantly linked in accordance with applicable law and regulations at the time, then slates may be presented for another five days after such date; in this case, the minimum threshold for presenting slates is halved.

When the shareholders need to appoint the standing and/or substitute auditors needed to complete the Board of Statutory Auditors, the following procedure is used: if statutory auditors elected in the majority slate need to be substituted, the appointment is by relative majority without any restriction of slates; if, however, statutory auditors elected in the minority slate need to be substituted, the shareholders substitute them by relative majority, choosing among the candidates indicated in the slate to which the statutory auditor to be substituted belonged.

15. STATUTORY AUDITORS

The Board of Statutory Auditors in office at the time of drafting this Report was appointed by the Ordinary Shareholders' Meeting of 30 March 2006. It should be noted that, during the course of financial year 2007, Substitute Auditor, Maurizio Maffeis ceased to hold office as Substitute Auditor and on 7 May 2008, the Ordinary Shareholders' meeting appointed Elena Fornara as his replacement. The Board of Statutory Auditors, so composed, shall remain in office up to the Shareholders' Meeting called for approving the Financial Statements for year ending 31 December 2008. It should be noted that the Board of Statutory Auditors in office was elected on the basis of provisions of bylaws in force prior to corporate listing and the replacement of the Substitute Auditor was made without adopting the slate mechanism.

The Board of Statutory Auditors in office is composed of the following members (table 2)

In relation to disclosure obligations prescribed under article 78 of the Issuers regulation, the following table 3 shows the emoluments paid to Statutory Auditors during the course of the financial year according to the criteria shown in Schedule 3C of said regulation.

Tab 2

Name	Office	In office From	Indep.	% attendance	Other offices
Giovanni Barbara	Chairman	30/03/2006	X	100	_
Attilio Francesco Arietti	Standing Auditor	30/03/2006	X	90	_
Alessandro Lai	Standing Auditor	30/03/2006	X	90	2
Mauro Girelli	Substitute Auditor	30/03/2006	X	_	2
Elena Fornaia	Substitute Auditor	07/05/2008	X	_	_

LEGEND
Indep.: indicates whether the statutory auditor may be qualified as independent in accordance with the criteria of the Code.
% attendance: indicates attendance as a percentage that the auditor was present at Statutory Auditor meetings (this percentage is calculated taking into account the number of meeting attended by the Auditor compared to the number of meetings held by the board of Statutory Auditors during the financial period or after taking office).
Other offices: indicates the total number of offices held in listed companies (for a list of offices held in corporations defined in Book V, Title V, Sections V, VI and VII of the Italian civil Code, please see the Statutory Auditors' Report on supervisory and inspective activities prepared pursuant to article 153 of the Consolidated Law on Finance).

Tab 3

Name	Emoluments for the office	Non-monetary benefits	Bonuses and other incentives	Other remuneration	Total
Barbara Giovanni	110,783	-	-	34,117	144,900
Arietti Attilio Francesco	76,597	-	-	-	76,597
Lai Alessandro	77,011	-	-	-	77,011
Girelli Mauro	-	-	-	13,816	13,816
Fornara Elena	-	-	-	-	

For professional *curricula* of Statutory Auditors pursuant to articles 144-octies and 144-decies of CONSOB Issuers Regulation are available at the corporate web site of the Issuer www.piaggiogroup.com under the section Investor relations / Corporate Documentation.
During the course of the financial year, the Board of Statutory Auditors held 10 (ten) meetings on the following dates: 5-6 February 2008; 9 April 2008; 24 April 2008; 7 May 2008; 20 May 2008; 24 June 2008, 31 July 2008, 22 September 2008, 13 October 2008 and 5 December 2008.

The delegated management body provided the Board of Statutory Auditors in a timely fashion with suitable reports on the activities performed, on the general progress of operations and the foreseeable outlook, as well as details of transactions deemed significant due to their size and features carried out by the Issuer and by its subsidiaries, as prescribed by law and in bylaws, at least once each quarter period.

The Board of Statutory Auditors, on 13 October 2008 verified that the requisites of independence of its members still existed, already verified upon their appointment, on the basis of criteria provided in the Code in relation to the Independence of Directors.

The Issuer requires any Statutory Auditor who, on his own behalf or on behalf of third parties, has an interest in a specific transaction of the Issuer to promptly and exhaustively inform the other Statutory Auditors and the Chairman of the Board regarding the nature, terms, origin and scope of the interest. The Statutory Auditors periodically verify the independence of the auditors and express their opinion in the report to the shareholders.

The Board of Statutory Auditors, in carrying out its business, regularly co-ordinated with the internal audit function and the Internal Control Committee through discussions with the manager of the internal audit function and the Person in charge of Internal Control.

16. SHAREHOLDER RELATIONS

The Company believes it is in its own interest from the time of the listing – as well as its duty towards the market – to promote continuous discussion with the shareholders and institutional investors, based on a reciprocal understanding of roles; this relationship is to be developed in compliance with the “Procedure for the public disclosure of insider information” described in point 6 above.
In this respect, it is believed that these relations with the shareholders and institutional investors may be facilitated by establishing dedicated corporate structures with adequate staff and organisational means.
To this end, an Investor Relations office was established to handle relations with the shareholders and institutional investors and to carry out any specific duties regarding the handling of price-sensitive information, as well as relations with CONSOB and Borsa Italiana S.p.A.
At the time of drafting this report, the Head of Investor Relations was Michele Pallottini (who also holds the office of Finance General Manager). He may be contacted at: investorrelations@piaggio.com
Investor information is also ensured by making the most significant corporate documents available in a timely and continuous manner on the Company web site in the “Investor Relations” section.
Specifically, on the aforementioned web site, all press releases distributed to the Market, interim financial approved by the competent corporate management bodies may be freely accessed and consulted by investors, available as Italian and English language versions (financial statements and consolidated financial statements; half-year report; quarterly reports), as well as the documentation distributed at meetings with professional investors, analysts and the

financial community. Furthermore, the web site contains the Issuer's bylaws, the documents prepared for shareholder meetings, releases regarding Internal Dealing, the current corporate governance report and any other document which needs to be published on the Issuer's web site in accordance with applicable regulations.

It should be noted that, for the purpose of updating the Market in a timely fashion, the Company has set up an e-mail alert service that allows subject matter released on the web site to be received in real time.

17. SHAREHOLDERS' MEETINGS

In accordance with article 8.2. of the Issuer's bylaws, "Shareholders for whom the advice established by paragraph 2 of article 2370 of the Civil Code has been received by the Company no later than two business days prior to the date of the individual Shareholders Meeting may attend the meeting".

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To facilitate shareholder attendance at these meetings, the bylaws also establish that the Shareholders Meeting may be held with attendees taking part in more than one location, connected by video, conditional upon compliance with the collective method and the principles of good faith and of shareholders receiving equal treatment (paragraph 2 of article 6 of the bylaws).

The Company does not currently see the need to propose the adoption of a specific regulation governing shareholder meetings, considering that it deems appropriate that, in principle, the shareholders shall be assured the widest attendance and voice in shareholder discussions.

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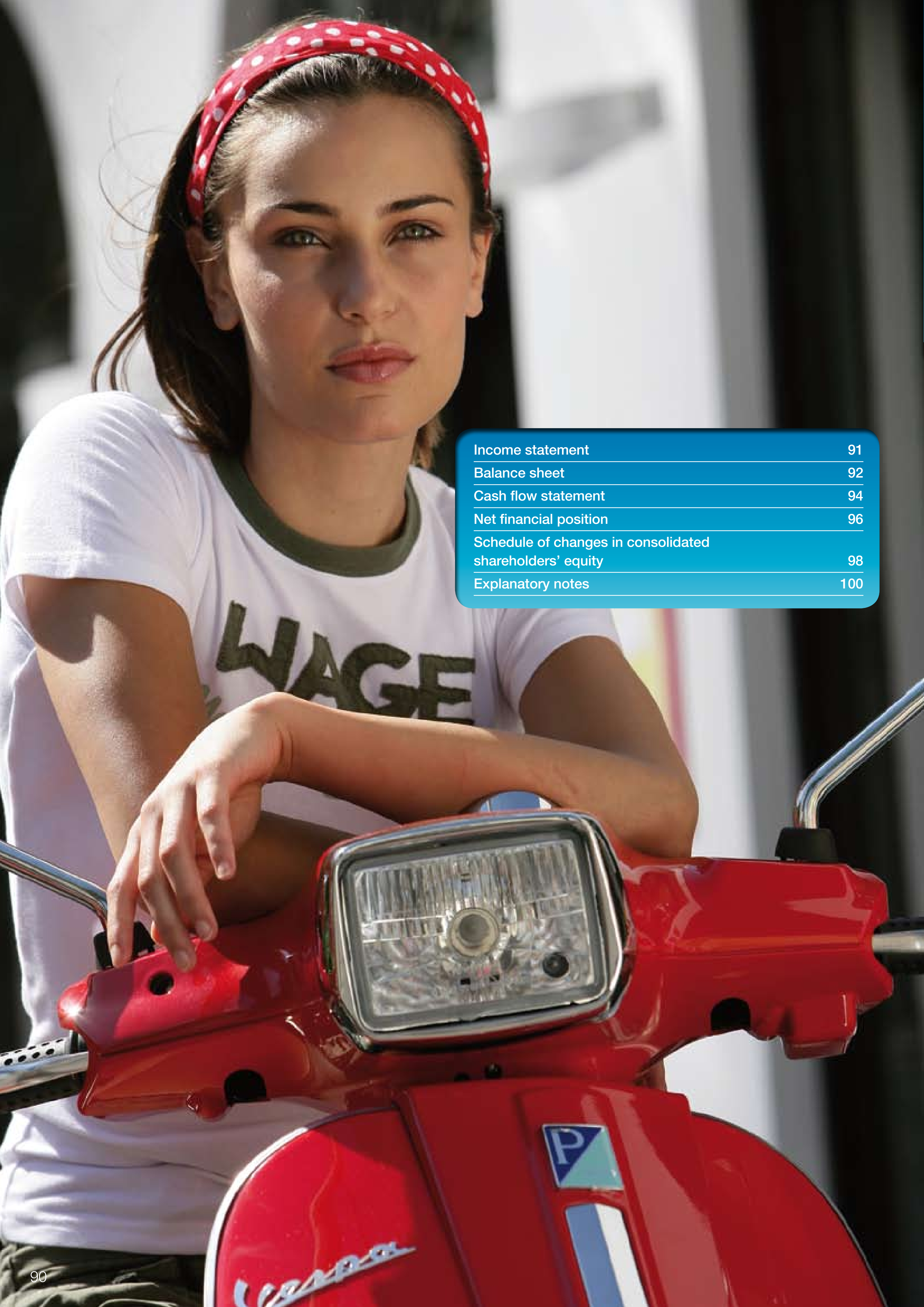
The Board reported to the Shareholders' Meeting of activities performed and planned and worked in order to ensure that Shareholders received suitable information and disclosure on all necessary matters in order to be able to take those decisions for which the Shareholders' Meeting is responsible, having opportune knowledge thereof.

The Board, during the meeting held on 26 February 2009, acknowledged, pursuant to implementing Criterion 11.C.6 of the Code that, during the course of the financial year, a significant change occurred in the market capitalisation of the Issuer following which, in September 2008, the Issuer moved from the Blue Chip to the Standard segment. However, the Board of Directors does not deem it necessary to submit to the Shareholders' Meeting amendments to bylaws in relation to established percentages for exercising prerogatives protecting minorities, in that, in adopting article 144-quater Consob Issuers Regulation for submitting slates for appointing members of the Board of Directors and the Board of Statutory Auditors - articles 12.3 and 24.1 of the Issuer's bylaws require a threshold of 2.5% of share capital or a different percentage whenever established or cited in legal or regulatory provisions With regard thereto, with Resolution no. 16779 of 27 January 2009, Consob established as 2.5% of share capital, the shareholding quota required for submitting candidate slates for electing members to management and control bodies at the Issuer with reference to the Financial Statements for year ending 31 December 2008.

18. CHANGES AFTER THE CLOSE OF THE FINANCIAL PERIOD

After the close of the financial period, no changes occurred to the corporate governance structures other than those reported in the specific sections.


Vespa

Piaggio Group

Consolidated financial statements at 31 december 2008

INCOME STATEMENT

In thousand Euros	Notes	2008	2007	Change
Net Sales	**4**	**1,570,060**	**1,692,126**	**(122,066)**
of which with related parties		*58*	*1*	*57*
Cost of materials	5	936,603	1,020,442	(83,839)
of which with related parties		*43,855*	*51,202*	*(7,347)*
Costs for services and use of third party assets	6	292,920	303,560	(10,640)
of which with related parties		*1,557*	*1,393*	*164*
Cost of employees	7	250,967	237,754	13,213
Depreciation of property, plant and machinery	8	38,073	39,802	(1,729)
Amortisation of intangible assets	8	56,467	49,724	6,743
Other operating income	9	133,474	127,487	5,987
of which with related parties		*2,035*	*4,417*	*(2,382)*
Other operating costs	10	33,993	31,754	2,239
of which with related parties		*10*	*14*	*(4)*
Operating earnings		**94,511**	**136,577**	**(42,066)**
Income/(loss) from equity investments		12	79	(67)
Financial income	11	31,906	17,552	14,354
Financial charges		(66,796)	(50,679)	(16,117)
of which with related parties	*11*	*246*	*0*	*246*
Pre-tax earnings		**59,633**	**103,529**	**(43,896)**
Taxation for the period	12	16,302	43,527	(27,225)
Earnings from continuing activities		43,331	60,002	(16,671)
Assets intended for disposal:				
Gain/loss from assets intended for disposal	13			0
Consolidated net earnings		**43,331**	**60,002**	**(16,671)**
Attributable to:				
Shareholders of the parent company		43,001	59,561	(16,560)
Minority Shareholders		330	441	(111)
Earnings per share (figures in €)	14	0.11	0.15	(0.04)
Earnings diluted per share (figures in €)	14	0.11	0.14	(0.03)

BALANCE SHEET

In thousand Euros	Notes	At 31/12/2008	At 31 /12/007	Change
ASSETS				
Non-current assets				
Intangible assets	15	648,234	637,535	10,699
Property, plant and machinery	16	250,354	248,595	1,759
Real estate investments	17			0
Equity investment	18	239	725	(486)
Other financial assets	19	359	235	124
of which with related parties		*0*	*58*	*(58)*
Long-term tax receivables	20	8,166	7,821	345
Deferred tax assets	21	36,227	33,532	2,695
Trade receivables	22	0	0	0
Other receivables	23	12,587	8,877	3,710
of which with related parties		*799*	*830*	*(31)*
Total non-current assets		**956,166**	**937,320**	**18,846**
Assets for disposal	**27**			**0**
Current assets				
Trade receivables	22	90,278	121,412	(31,134)
of which with related parties		*460*	*2,042*	*(1,582)*
Other receivables	23	21,380	20,345	1,035
of which with related parties		*1,961*	*226*	*1,735*
Short-term tax receivables	20	27,772	19,621	8,151
Inventory	24	257,961	225,529	32,432
Other financial assets	25	5,787	18,418	(12,631)
of which with related parties		*45*	*58*	*(13)*
Cash and cash equivalents	26	39,985	101,334	(61,349)
Total current assets		**443,163**	**506,659**	**(63,496)**
TOTAL ASSETS		**1,399,329**	**1,443,979**	**(44,650)**

BALANCE SHEET

In thousand Euros	Notes	At 31/12/2008	At 31 /12/007	Change
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital and reserves attributable to the shareholders of the parent company	30	396,767	470,397	(73,630)
Share capital and reserves attributable to minority shareholders	30	1,454	1,050	404
Total shareholders' equity		**398,221**	**471,447**	**(73,226)**
Non-current liabilities				
Financial liabilities falling due over one year	31	264,789	322,921	(58,132)
Reserves for pension and employee benefits	35	64,160	62,204	1,956
Other long-term reserves	33	21,678	19,969	1,709
Tax payables	36	166		166
Other long-term payables	37	5,965	20,746	(14,781)
Deferred tax liabilities	34	31,795	39,514	(7,719)
Total non-current liabilities		**388,553**	**465,354**	**(76,801)**
Current liabilities				
Financial liabilities falling due within one year	31	140,691	66,614	74,077
Trade payables	32	362,224	347,460	14,764
of which with related parties		*8,712*	*4,781*	*3,931*
Tax payables	36	19,065	9,683	9,382
Other short-term payables	37	70,677	59,662	11,015
of which with related parties		*600*	*180*	*420*
Current portion other long-term reserves	33	19,898	23,759	(3,861)
Total current liabilities		**612,555**	**507,178**	**105,377**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,399,329**	**1,443,979**	**(44,650)**

CASH FLOW STATEMENT

The following table highlights the main items for changes in cash-flow net of short term overdraft facilities as prescribed by IAS no. 7.

In thousand Euros	2008	2007
Operating activities		
Consolidated net earnings	43,001	59,561
Minority shareholders	330	441
Taxation for the period	16,302	43,527
Depreciation of property, plant and machinery	38,073	39,802
Amortisation of intangible assets	56,467	49,724
Non-monetary costs for stock options	1,980	1,749
Provision to reserves for risks and reserves for pensions and employee benefits	29,836	14,375
Write-downs / (Revaluations)	6,268	4,226
Losses / (Gains) on the disposal of property, plant and machinery	(237)	(143)
Financial income	(3,905)	(2,858)
Financial charges	35,723	32,695
Public financial contributions and grants	(7,316)	(1,728)
Change in working capital:		
(Increase)/Decrease in trade receivables	31,134	19,564
(Increase)/Decrease other receivables	(1,035)	37,176
(Increase)/Decrease in inventories	(32,432)	7,777
(Increase)/Decrease in trade payables	14,764	(47,405)
(Increase)/Decrease other payables	(3,766)	16,521
Increase/(Decrease) in provisions for risks	(18,411)	(10,624)
Increase/(Decrease) in reserves for pensions and employee benefits	(11,621)	(14,755)
Other changes	(16,452)	(39,919)
Cash generating by operating activities	**178,703**	**209,706**

In thousand Euros	2008	2007
Interest paid	(32,716)	(17,764)
Taxation paid	(22,394)	(23,519)
Cash flow from operating activities (A)	**123,593**	**168,423**
Investment activity		
Investment in property, plant and machinery	(45,635)	(36,184)
Sale price, or repayment value, of property, plant and machinery	1,116	1,684
Investment in intangible assets	(57,293)	(55,332)
Sale price, or repayment value, of intangible assets	22	40
Sale price of equity investments	496	20
Repayment of loans granted (loans provided)	71	(86)
Purchase of financial assets	(10)	(6,524)
Sale price of financial assets	12,630	
Collected interests	4,030	2,271
Cash flow of investment activities (B)	**(84,573)**	**(94,111)**
Financing activities		
Increase in share capital		6,264
Loans received	43,456	26,145
Outflow for repayment of loans	(101,635)	(39,636)
Loans on leases received		14
Dividends paid	(23,251)	(11,881)
Repayment of finance leases	(695)	(943)
Purchase of own shares	(26,102)	(26,830)
Cash flow of the funding activities (C)	**(108,227)**	**(46,867)**
Increase / (Decrease) in cash (A+B+C)	(69,207)	27,445
Opening balance	**94,862**	**66,639**
Exchange differences	321	778
Closing balance	**25,976**	**94,862**

The following table provides a breakdown of the balance of the cash flow items at 31 December 2008 and 31 December 2007.

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Cash and cash equivalents	39,985	101,334	(61,349)
Current account overdrafts	(14,009)	(6,472)	(7,537)
Closing balance	**25,976**	**94,862**	**(68,886)**

NET FINANCIAL POSITION

In thousand Euros	Note	At 31/12/2008	At 31/12/2007	Change
Medium/long-term financial payables:				
Medium/long-term bank loans	31	(117,056)	(147,912)	30,856
Amounts due under leases	31	(9,019)	(9,746)	727
Amounts due to other lenders	31	(8,842)	(11,409)	2,567
Aprilia Instruments	31	(8,999)	(8,474)	(525)
Total		**(143,916)**	**(177,541)**	**33,625**
Bond	31	(120,873)	(145,380)	24,507
Short-term financial payables:				
Current account overdrafts	31	(14,009)	(6,472)	(7,537)
Current account payables	31	(52,369)	(12,601)	(39,768)
Amounts due to factoring companies	31	(13,020)	(9,332)	(3,688)
Bank loans	31	(57,734)	(28,502)	(29,232)
Amounts due under leases	31	(727)	(695)	(32)
Amounts due to other lenders	31	(2,569)	(2,690)	121
Aprilia Instruments	31	(263)	(6,322)	6,059
Total		**(140,691)**	**(66,614)**	**(74,077)**
Other current financial assets				
Financial receivables due from third parties	25	4,137	435	3,702
Financial receivables due from associated companies	25	45	58	(13)
Securities	25	1,605	17,925	(16,320)
Total		**5,787**	**18,418**	**(12,631)**
Liquid assets	*26*	*39,985*	*101,334*	*(61,349)*
Total net financial position		**(359,708)**	**(269,783)**	**(89,925)**

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

In thousand Euros	
Increase/decrease in cash from the cash flow statement	**(69,207)**
Outflow for repayment of loans	101,635
Repayment of finance leases	695
Loans received	(43,456)
Loans on leases received	0
Repayment of loans provided	(71)
Purchase of financial assets	10
Sale of financial assets	(12,630)
Exchange differences	321
Present value impact of EMH financial instrument not included in the IAS cash flow statement since it does not involve a monetary change	(178)
Present value impact of the APRILIA SHAREHOLDER financial instrument not included in the IAS cash flow statement since it does not involve a monetary change	(526)
Reclassification Aprilia Instruments	(64,206)
Non-monetary change in financial receivables and financial payables (amount included in the other changes of the operating activities in the cash flow statement)	(2,312)
Change in net financial position	**(89,925)**

CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
At 1 January 2008	**202,124**	**3,493**	**4,273**	**62,703**	**(5,859)**
Translation of financial statements in foreign currency					
Change in IAS reserves				(63,108)	
Allocation of profits			3,224		
Distribution of dividends					
Purchase of own shares	(9,977)				
Entry of Simest in share capital of Piaggio Vietnam					
Earnings for period					
At 31 December 2008	**192,147**	**3,493**	**7,497**	**(405)**	**(5,859)**

CHANGES TO EQUITY

In thousands of Euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
At 1 January 2007	**203,170**	**32,961**	**723**	**59,819**	**(4,113)**
Translation of financial statements in foreign currency					
Change to IAS reserves				2,884	
Allocation of profits			3,550		
Distribution of dividends					
Exercising of stock options	2,771	3,493			
Purchase of own shares	(3,817)				
Losses covered		(32,961)			(1,746)
Earning for the year					
At 31 December 2007	**202,124**	**3,493**	**4,273**	**62,703**	**(5,859)**

1 JANUARY 2008 / 31 DECEMBER 2008

	Group consolidation reserve	Group conversion reserve	Stock option reserve	Earnings (losses) for previous periods	Earnings (losses) for the period	Consolidated Group shareholders' equity	Minority interest capital and reserves	TOTAL SHARE-HOLDERS' EQUITY
	993	**(293)**	**6,576**	**136,826**	**59,561**	**470,397**	**1,050**	**471,447**
		(6,079)				(6,079)	(73)	(6,152)
			1,980			(61,128)		(61,128)
				33,015	(36,239)	0		0
					(23,322)	(23,322)	(171)	(23,493)
				(16,125)		(26,102)		(26,102)
						0	318	318
					43,001	43,001	330	43,331
	993	**(6,372)**	**8,556**	**153,716**	**43,001**	**396,767**	**1,454**	**398,221**

1 JANUARY 2007 / 31 DECEMBER 2007

	Group consolidation reserve	Group conversion reserve	Stock option reserve	Earnings (losses) for previous periods	Earnings (losses) for the period	Consolidated Group shareholders' equity	Minority interest capital and reserves	TOTAL SHARE-HOLDERS' EQUITY
	993	**(852)**	**4,827**	**70,587**	**69,976**	**438,091**	**607**	**438,698**
		559				559	2	561
			1,749			4,633		4,633
				66,426	(69,976)	0		0
				(11,881)		(11,881)		(11,881)
						6,264		6,264
				(23,013)		(26,830)		(26,830)
				34,707		0		0
					59,561	59,561	441	60,002
	993	**(293)**	**6,576**	**136,826**	**59,561**	**470,397**	**1,050**	**471,447**

EXPLANATORY AND ADDITIONAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008

A) GENERAL ASPECTS

Piaggio & C. S.p.A. (Company) is a joint-stock company established in Italy at the Registry of Companies - Pisa office. The addresses of its registered office and the locations where the Group' has its main operations are shown in the introduction to the report documents. The main operations of the company and its subsidiaries (the Group) are described in the Directors' Report.

The financial statements are expressed in Euros (€) since that is the currency used for the majority of the Group's transactions. The foreign businesses are included in the consolidated financial statements in accordance with the principles indicated in the following notes.

Consolidation area

At 31 December 2008, the structure of the Piaggio Group was that attached to the Directors' report and is referred to here as well.

The consolidation area has changed due to the closing of the liquidation procedures of Piaggio Indocina PTE Ltd. This change, which bears little impact, does not affect the comparability of profit and loss and income and equity results with those of the two reference periods.

Conformity with international accounting standards

The consolidated financial statements of the Piaggio Group for year ending 31 December 2008 have been prepared in compliance with International Accounting Standards (IAS/IFRS), in force at such time and issued by the International Accounting Standards Board, approved by the European Commission and, likewise, in compliance with provisions of article 9 of Legislative Decree no. 38/2005 (Consob Resolution no. 15519 of 27/7/06 indicating "Provisions for the presentation of financial statements", Consob Resolution no. 15520 of 27/7/06 regarding "Changes and additions to the Issuer Regulation adopted by Resolution no. 11971/99", Consob communication no. 6064293 of 28/7/06 regarding "Corporate reporting required in accordance with article 114, paragraph 5 of Legislative Decree 58/98"). Account was also taken of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

In addition, international accounting standards have been uniformly applied for all Group companies. The financial statements of the subsidiaries used for the consolidation have been duly adapted and reclassified, where necessary, in order to make them conform to the international accounting standards and to the standard classification criteria used in the Group. The financial statements have been prepared on the basis of historical cost, suitably adapted as required for valuating a number of financial instruments and taking account that the company is a going concern. The Group has assessed that, even given the difficult business and financial climate, no significant uncertainties exist (as defined under section 25 of IAS 1 standard) concerning the company as a going concern, also in consideration of the measures that have been adopted for meeting changed levels of demand and, likewise, the industrial and financial flexibility of the Group. The consolidated financial statements have been audited by Deloitte & Touche S.p.A.

In addition, it should be noted, for the purpose of greater clarity and comparability of figures, compared to notes accompanying the consolidated financial statements for y.e. 2007, details of service costs and other operating income and liabilities have been stated without altering the total amount of the single items in the financial statements.

Other information

It should be noted that, in a relevant section of this Report, details of significant events after the close of the period and foreseeable outlook have been provided.

1. CONTENT AND FORM OF THE FINANCIAL STATEMENTS

Form of the consolidated financial statements

The consolidated financial statements consist of the balance sheet, the income statement, the schedule of changes to shareholders' equity, the cash flow statement and these explanatory and additional notes.

In relation to the form of the consolidated financial statements the Company has opted to present the following types of accounting schedules:

Consolidated balance sheet

The consolidated balance sheet is presented in sections with assets, liabilities and shareholders' equity indicated separately. Assets and liabilities are shown in the consolidated financial statements on the basis of their classification as current and non-current.

Consolidated income statement

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

Consolidated cash flow statement

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

Change in consolidated shareholders' equity

The schedule of changes in consolidated shareholders' equity is shown as required by international accounting standards, with a separate indication of the consolidated result for the period and of every individual sale, income, charge and expense that has not been transferred to the income statement, but charged directly to consolidated shareholders' equity on the basis of specific IAS/IFRS accounting standards.

Content of the consolidated financial statements

The consolidated financial statements of the Piaggio & C. Group include the financial statements of the parent company Piaggio & C. S.p.A. and of the directly and indirectly controlled Italian and foreign subsidiaries, which are listed in section L.

2. CONSOLIDATION PRINCIPLES AND VALUATION CRITERIA

Using the line-by-line method, the consolidated financial statements at 31 December 2008 include the financial statements of the parent company and the companies in which the Piaggio Group holds the majority of voting rights and, in any case, of all the companies in which it exercises a dominant influence, the list of which is supplied in section L. At 31 December 2008, the subsidiaries and associated companies of Piaggio & C. S.p.A. were as follows:

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

2.1 Consolidation principles

The assets and liabilities, as well as the income and charges, of the consolidated companies are incorporated using the global integration method, by eliminating the book value of the consolidated equity investments against the related shareholders' equity at the purchase or underwriting date. The book value of the equity investments has been eliminated against the shareholders' equity of the subsidiaries, by attributing the portion of shareholders' equity and net income for the period due to the minority interest shareholders in specific items in the case of subsidiaries that are consolidated with the line-by-line method.

The positive differences arising from the elimination of the equity investments against the book value of shareholders' equity at the date of the first consolidation are charged to the higher values attributable to assets and liabilities and the remainder to goodwill. In accordance with the transitory provisions of IFRS 3, the Group has changed the accounting criterion for goodwill for the future starting from the transition date. Therefore, as from this date the Group has stopped amortising goodwill, testing it instead for impairment.

The portion of shareholders' equity and net income of the subsidiaries that is due to minority interest have been recorded in specific items under shareholders' equity and in the Income statement called "Minority interest capital and reserves" and "Minority interest", respectively.

Subsidiaries

These are companies where the Group exercises a dominant influence. Such influence exists when the Group has the power, directly or indirectly, to determine the financial and operational policies of a company in order to derive benefits from its activities. The acquisition of subsidiaries is recorded on the basis of the method of acquisition. The acquisition cost is determined from the sum of the present values, at the date when control is achieved of the assets, of the liabilities incurred or taken on, and of the financial instruments issued by the Group in exchange for control of the company acquired, plus the costs directly attributed to the merger.

The assets, liabilities and identifiable contingent liabilities of the company acquired which meet the conditions for their recording in accordance with IFRS 3 are recorded at their fair values at the date of acquisition, with the exception of non-current assets (or Groups being disposed of) which are classified as held for sale in accordance with IFRS 5 and which are recorded and measured at fair value less sale costs.

The goodwill arising from the acquisition is recorded as an asset and initially measured at cost, represented by the surplus of the acquisition cost compared to the Group share in fair values of the assets, liabilities and identifiable contingent liabilities recorded.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control is assumed until such time as that control ceases to exist.

The portions of shareholders' equity and income attributable to minority interest are indicated separately, in the consolidated balance sheet and consolidated income statement, respectively.

Associated companies

These are companies in which the Group exercises notable influence, but not joint control, over their financial and operational policies.

The consolidated financial statements include the portion due to the Group of the results of the associated companies, accounted for using the equity method, from the date on which such notable influence starts until such time as it ceases to exist.

Should the Group portion of the associated company's losses exceed the book value of the equity investment in the financial statements, then the value of the equity investment is reversed and the portion of further losses is not recorded, except and to the extent that the Group is obliged to answer for them.

Joint control companies

These are businesses over whose activities the Group has joint control, established by contractual agreements; such joint venture agreements, which imply the establishment of a separate entity in which each participant has a share of the equity investment, are called joint control equity investments. The Group records joint control equity investments by using the equity method.

With reference to transactions between a Group company and a joint control company, unrealised gains and losses are eliminated to an extent equal to the percentage of the Group's equity investment in the joint control company, except where the unrealised losses represent evidence of a reduction in value of the transferred asset.

Equity investments in other companies

Equity investments in other companies (normally with a percentage of ownership below 20%) are recorded at cost which is written down if necessary for impairment. The dividends received from such companies are included under the item Gain (loss) from equity investments.

Transactions eliminated in the consolidation process

In preparing the consolidated financial statements, all the balances and significant transactions between Group companies are eliminated, as are unrealised gains and losses on intragroup transactions. Unrealised gains and losses generated on transactions with associated or joint control companies are eliminated in relation to the value of the Group's portion of equity investment in those companies.

Transactions in foreign currency

Transactions in foreign currency are recorded at the exchange rate in force at the reference date of the financial statements and are converted at the exchange rate in force at that date. Exchange rate differences generated by the extinction of currency items or by their conversion at rates different to those at which they were converted when they were initially recorded in the period or in prior financial statements are recorded in the income statement.

Consolidation of foreign companies

The separate financial statements of each company that belongs to the Group are drawn up in the currency of the main economic environment in which it operates (the operating currency). For the purposes of the consolidated financial statements, the financial statements of each foreign company are expressed in Euros, the operating currency of the Group and the currency for the presentation of the consolidated financial statements.

All the assets and liabilities of foreign companies in currencies other than the Euro and which fall within the consolidation area are converted by using the exchange rates in force at the reference date of the financial statements (current exchange rate method). Income and costs are converted at the average rate for the period. Exchange rate differences arising from the application of this method are classified as an item of shareholders' equity until the equity

investment is disposed of. In preparing the consolidated cash flow statement, average exchange rates have been used to convert the cash flows of the foreign subsidiaries.
During first-time adoption of the IFRS, the cumulative exchange rate differences generated by the consolidation of foreign companies outside the Euro zone have not been reversed, as allowed by IFRS 1 and therefore have been maintained.
Conversion differences that arise from the comparison between opening shareholders' equity converted at current exchange rates and the same converted at historic exchange rates, as well as the difference between the result for the period expressed at average exchange rates and that expressed at current exchange rates, are charged to the shareholders' equity item "Other reserves".
The exchange rates used for the conversion into Euros of the financial statements of the companies included in the consolidation area are shown in the table 1 below.

2.2 Accounting standards

Intangible assets

An intangible asset which is bought and produced internally is recorded under assets, in accordance with the provisions of IAS 38, only if it is identifiable, verifiable and it is likely to generate future economic benefits and its costs can be reliably determined.
Intangible assets with a finite life are recorded at purchase or production cost net of accumulated amortisation and impairment. Amortisation is equated to their expected useful life and starts when the asset is available for use.

Goodwill

In the case of the purchase of businesses, assets, liabilities and contingent liabilities acquired and identifiable are recorded at their fair value at the date of acquisition. The positive difference between the acquisition cost and the Group's portion in the fair value of the assets and liabilities is classified as goodwill and is recorded in the financial statements as an intangible asset. Any negative goodwill is recorded in the income statement at the moment of acquisition. Goodwill is not amortised, but is tested for impairment on an annual basis, or more frequently if specific events or changed circumstances indicate the possibility that there has been a loss in value, in accordance with the provisions of IAS 36 Write-down of asset. After the initial recording, goodwill is valued at cost net of any accumulated impairment.
On disposing of a part or the whole company that was previously acquired and from the acquisition of which there emerged goodwill, in determining the capital gain or loss on the disposal, account is taken of the corresponding residual value of goodwill.

Table 1

Currency	Exchange rate at 31/12/2008	Average rate 2008	Exchange rate at 31/12/2007	Average rate 2007
US dollar	1.39170	1.47076	1.47210	1.37064
Pound sterling	0.95250	0.796285	0.73335	0.68455
Indian rupee	67.63600	63.73430	58.02100	56.58880
Singapore dollar	2.00400	2.07619	2.11630	2.06362
Chinese renminbi	9.49660	10.22360	10.75240	10.41860
Croatian kune	7.35550	7.22389	7.33080	7.33809
Japanese yen	126.14000	152.45400	164.93000	161.24064
Vietnamese Dong	24,321.80000	24,177.20000		

During first-time adoption of the IFRS, the Group chose not to apply IFRS 3-Business combinations retroactively to company acquisitions that took place before 1 January 2004; consequently, the goodwill generated on acquisitions prior to the IFRS transition date has been maintained at the previous value determined in accordance with Italian accounting standards, subject to the verification and recording of any impairment.

After 1 January 2004, following the acquisitions that occurred in 2004, further goodwill was generated, the amount of which was recalculated in light of the various values assumed by the shareholders' equity of the companies acquired, in relation to the provisions of IFRS 3.

Development costs

Development costs on projects for the production of vehicles and engines are recorded under assets only if all the following conditions are met: the costs can be reliably determined and the technical feasibility of the product, the forecast volumes and prices indicate that the costs incurred in the development phase will generate future economic benefits.

The capitalised development costs include only the expenses incurred which can be directly attributed to the development process.

The capitalised development costs are amortised on a straight-line basis, from the commencement of production throughout the estimated life of the product.

All other development costs are recorded in the income statement when they are incurred.

Other intangible assets

Other intangible assets acquired or produced internally are recorded under assets, in accordance with the provisions of IAS 38 – Intangible assets, when it is likely that their use will generate future economic benefits and when the cost of the asset can be reliably determined.

These assets are measured at purchase or production cost and are amortised on a straight-line basis over their estimated useful lives, if they have a finite useful life. Intangible assets with an indefinite useful life are not amortised but are tested for impairment on an annual basis, or more frequently, if there is an indication that the asset may be impaired.

Other intangible assets recorded following the acquisition of a company are recorded separately from goodwill, if their current value can be determined reliably.

Below is a summary of the amortisation periods for the various items under Intangible assets:

Development costs	3 years
Industrial patent rights and intellectual property rights	3-5 years
Other	5 years
Trademarks	max 15 years

Property, plant and machinery

The Piaggio Group opted for the cost method on first/time adoption of IAS/IFRS standards, as allowed under IFRS 1. For the measurement of property, plant and machinery, therefore, the preference was not to use the fair value method.

Property, plant and machinery are, therefore, recorded at purchase or production cost and are not reassessed. For an asset that justifies capitalisation, the cost also includes any financial charges that are directly attributable to acquisition, construction or production of the asset.

The costs incurred following acquisition are capitalised only if they increase the future economic benefits inherent in the asset to which they refer.

All the other costs are recorded in the income statement when they are incurred. Construction in progress is valued at cost and is depreciated from the period in which it comes into operation.

Depreciation is determined on a straight-line basis on the cost of the assets net of the related residual values, depending on their estimated useful life by applying the percentage rates shown in the comment to the item.

Land is not depreciated.

Assets owned through finance leases, by means of which all the risks and benefits linked to ownership are largely transferred to the Group, are recognised as Group assets at their fair value, or, if lower, at the present value of the minimum payments due under the lease.

The corresponding liability due to the lessor is recorded in the financial statements under financial payables. The assets are depreciated by applying the criteria and the rates used for assets owned by the company.

Leases in which the lessor essentially keeps all the risks and benefits linked to ownership of the assets are classified as operating leases.

The costs of operating leases are recorded on a straight-line basis in the income statement over the duration of the lease.

The Group also has production plants in countries where the right of ownership is not allowed. Up to financial period 2006, leasing advances paid for obtaining the availability of land where its manufacturing facilities were located were classified under property and the relevant quota of the lease payment duly depreciated.

This based upon the premise that, on the one hand local law does not permit the purchase of property and, on the other hand, the almost 90-year term of the contract means the situation could fall under a lease.

As from last year, on the basis of clarification provided by IFRIC lease advances paid for obtaining the availability of land where manufacturing facilities were located were reclassified as assets.

Gains and losses arising from the disposal or sale of assets are determined as the difference between the sale income and the net book value of the asset and are charged to the income statement for the period.

Impairment

At every financial statement date, the Group reviews the book value of its tangible and intangible assets to determine if there are indications that these assets have suffered a loss in value (an impairment test).

Should such indications exist, the recoverable amount of the assets is estimated in order to determine the size of the write-down.

Where it is not possible to estimate the recoverable value of an asset individually, the Group estimates the recoverable value of the cash flow generating unit to which the asset belongs.

The recoverable amount is the higher figure of the fair value net of sale costs (if available) and its continuing use value.

In valuating the continuing use value, the estimated future inflows are discounted to their current value, using a rate net of taxes that reflects current market valuations of the actual monetary value and specific risks attached to the asset.

If the recoverable amount of an asset (or of a cash flow generating unit) is estimated to be lower than the current book value, then the book value of the asset is reduced to the lower recoverable value.

An impairment is recorded in the income statement immediately, unless the asset is land or buildings other than real estate investments recorded at reassessed values, in which case the loss is charged to the respective revaluation reserve.

When the continuation of a write-down is no longer justified, the book value of the asset (or of the cash flow generating unit), with the exception of goodwill, is increased to the new value arising from the estimate of its recoverable value, but to no more than the net book value which the asset would have had if the write-down for impairment had not been applied.

The recovery in value is immediately recorded in the income statement.

An intangible asset with an indefinite useful life is tested for impairment annually, or more frequently, if there is an indication that the asset may be impaired.

Real estate investments

International accounting standards have regulated property assets used for production or administration purposes (IAS 16) separately from real estate investments (IAS 40).
As allowed by IAS 40, property and buildings that are not for operations and are held in order to earn rent and/or to increase the value of assets are measured at cost net of accumulated depreciation and impairment losses.
Real estate investments are eliminated from the financial statements when they are sold or when the property investment is unusable in the long term and no future economic benefits are expected from its possible disposal.

Non-current assets held for sale

Non-current assets (and groups of assets being disposed of) classified as held for sale are measured at the lower of their previous book value and the market value net of selling costs.
Non-current assets (and groups of assets being disposed of) are classified as held for sale when it is expected that their book value will be recovered through a disposal rather than through using them as an operating asset for the company.
This condition is met only when the sale is highly likely, the asset (or group of assets) is available for immediate sale in its current condition and management has made a commitment to sell, which should take place within twelve months of the classification under this item.

Financial assets

Financial assets are recorded and reversed from the balance sheet on the basis of their trade date and are initially measured at cost, including the charges directly associated with the acquisition. At subsequent financial statement dates, the financial assets which the Group intends and has the ability to maintain to maturity (securities held to maturity) are recorded at amortised cost using the effective interest rate method, net of write-downs made to reflect impairment.
Financial assets other than those held to maturity are classified as held for trading or available for sale, and are measured at the end of each period at their fair value.
When financial assets are held for trading, the gains and losses arising from changes in the fair value are charged to the income statement for the period; for financial assets available for sale, the gains and losses arising from changes in the fair value are charged directly to equity until they are sold or have been impaired; at that moment, overall gains or losses previously charged to equity are charged to the income statement of the period.

Inventories

Inventories are recorded at the lower of the purchase or production cost, determined by allocating to products the directly incurred costs as well as the portion of indirect costs that may reasonably be ascribed to the use of productive assets under normal production capacity conditions, and the market value at the closing date of the financial statements.
The purchase or production cost is determined in accordance with the weighted average cost method.
For raw materials and work in progress, the market value is represented by the presumed net sale value of the corresponding finished products after deducting finishing costs; as for finished goods it is determined by the presumed sale price (sale price lists).
The lesser value that may be determined on the basis of market trends is eliminated in subsequent periods if the reasons for that valuation cease to exist. Inventories that are obsolete, slow moving and/or excess to normal

requirements are written down in relation to the possibility of their being used or their possible future sale through the creation of a provision for stock write-downs.

Receivables

Receivables are recorded at their nominal adjusted value, in order to align them to their presumed realisable value, through the recording of a bad debt reserve. This reserve is calculated on the basis of the recovery assessments carried out by analysis of the individual positions and of the overall risk of all the receivables, taking account of any guarantees.
When the payment of the sum due is postponed beyond normal credit terms offered to customers, the receivable needs to be discounted. In order to determine the effect, estimates have been made of the time before payment by applying a discount rate that corresponds to the 20-year Euribor swap rate plus a spread of AA rated Government securities to the various forecast cash flows.

Factoring transactions

The Group sells a significant portion of its trade receivables by factoring them. The sales can be without recourse, and in this case there are no recourse or liquidity risks, leading to the reversal of the corresponding amounts from the balances of receivables due from customers at the moment of payment by the factor.
For with recourse sales, since neither the risk of non-payment nor the liquidity risk is transferred, the related receivables are maintained on the balance sheet until the receivable sold is paid by the debtor. In this case the advance payments received from the factor are recorded under payables due to other lenders.

Cash and cash equivalents

The item relating to cash and cash equivalents includes cash, bank current accounts, demand deposit accounts and other highly-liquid short-term financial investments, which are readily convertible into cash and have an insignificant risk of losing value.

Financial liabilities

Financial liabilities are recognised at the value of the sums received net of accessory charges. After initial recognition, loans are recorded using the amortised cost method, calculated using the effective interest rate.
Financial liabilities hedged by derivative instruments are valued at fair value, in accordance with the approach established for hedge accounting, applicable to the fair value hedge: gains and losses arising from the subsequent measurement at fair value, due to variations in interest rates, are recorded in the income statement and are offset with the actual portion of the loss and the gain arising from subsequent measurements at fair value of the instrument hedged.

Derivative instruments and hedge accounting

The Group's activities are mainly exposed to financial risks through changes in exchange and interest rates. The Group uses derivative instruments (mainly forward currency contracts) to hedge the risks arising from changes of foreign currencies in certain irrevocable commitments and in envisaged future transactions.
The use of these instruments is regulated by written procedures on the use of derivatives in line with the Group's risk management policies.
Derivative instruments are initially recorded at cost, and adjusted to fair value at subsequent period end dates.
Financial derivative instruments are used solely with the intent of hedging, in order to reduce the risk from exchange and interest rate variations and changes in market prices. In line with the provisions of IAS 39, financial derivative instruments can be recorded in accordance with the meth-

ods established for hedge accounting only when, at the start of the hedge, there is the formal designation and documentation of the hedge itself, when it is presumed that the hedge is highly effective, when the effectiveness can be reliably measured and when the hedge itself is highly effective during the various accounting periods for which it is designed.

When the financial instruments have the necessary features to be recorded under hedge accounting, the following accounting treatments apply:

- *Fair value hedge*: If a financial derivative is designated as a hedge for the exposure to variations in the fair value of an asset or a liability, attributable to a particular risk which can have an impact on the income statement, gains or losses arising from subsequent assessments of the fair value of the hedge are recorded on the income statement. The gain or loss on the hedged item, attributable to the risk hedged, changes the book value of that item and is recorded in the income statement.
- *Cash flow hedge* If a derivative is designated as a hedge of the exposure to changes in the cash flows of an asset or liability recorded in the financial statements or of a transaction that is considered highly likely and which could have an impact on the income statement, the effective portion of gains or losses on the financial instrument is recorded under shareholders' equity. The accumulated gain or loss is reversed from shareholders' equity and recorded in the income statement in the same period in which the hedged transaction is recorded. The gain or loss associated with the hedge or that part of the hedge that is ineffective, is immediately recorded in the income statement. If a hedging instrument or a hedge are closed, but the hedged transaction has not yet taken place, the accumulated gains and losses, which until that moment had been recorded under shareholders' equity, are recorded in the income statement when the related transaction occurs. If the hedged transaction is no longer considered likely to occur, then the unrealised gains or losses held under shareholders' equity are immediately recorded in the income statement.

If hedge accounting cannot be applied, the gains or losses arising from the measurement at fair value of the financial derivative instrument are immediately recorded in the income statement.

Long-term reserves

The Group records provisions for risks and charges when it has a legal or implicit obligation towards third parties and it is likely that the use of Group resources will be necessary to fulfil the obligation and when a reliable estimate of the amount of the obligation itself can be made.

Changes in the estimate are reflected in the income statement for the period in which the change occurred.

Should the impact be significant, the provisions are calculated by discounting the estimated future financial cash flows at a discount rate that is estimated gross of taxes so as to reflect the current market assessments of the present value of money and the specific risks connected to the liabilities.

Reserves for pensions and employee benefits

With the adoption of the IFRS, employee leaving indemnity is considered a defined benefit obligation to be recorded in accordance with IAS 19 - *Employee benefits*. Consequently, it must be recalculated using the "*Projected Unit Credit Method*", by undertaking actuarial valuations at the end of each period.

Payments for defined benefit plans are charged to the income statement in the period in which they fall due.

The liabilities for benefits following the employment relationship recorded in the financial statements represent the present value of liabilities for defined benefit plans adjusted to take account of actuarial gains and losses and the unrecorded costs related to previous employment services, and reduced by the fair value of the programme assets.

Any net assets resulting from this calculation are limited to the value of the actuarial losses and the cost in relation to unrecorded previous employment services, plus the present value of any repayments and reductions in future contributions to the plan.

The Group has decided not to use the so-called "corridor method", which would allow it not to record the cost component calculated in accordance with the method described represented by actuarial gains or losses, where it does not exceed 10 percent.

Finally, it should be noted that the Group has decided to show the interest element of the charge relating to employee plans under the financial charges item.

Stock option plan

In accordance with the provisions of IFRS 2 – *Share-based payments*, the overall amount of the fair value of the stock options at the grant date is recorded entirely in the income statement under employee costs with a counter entry recognised directly in shareholders' equity should the assignees of the equity instruments become rights holders at the grant date.

In the case in which a "vesting period" is envisaged in which certain conditions must apply before the assignees can become rights holders, the cost of compensation, determined on the basis of the fair value of the portions at the grant date, is recorded under employee costs on a straight-line basis over the period between the grant date and the vesting date, with a counter entry recognised directly under shareholders' equity.

Fair value is determined using the Black Scholes method.

Changes in the fair value of the options subsequent to the grant date have no impact on the initial valuation.

Deferred taxation

Deferred taxation is determined on the basis of the temporary taxable differences between the value of the assets and liabilities and their tax value. Deferred tax assets are accounted for only to the extent that the existence of adequate future taxable incomes against which to use this positive balance is considered likely. The book value of deferred tax assets is subject to review at every period end and is reduced to the extent to which the existence of sufficient taxable income to allow the whole or partial recovery of such assets is no longer probable.

Deferred taxation is determined on the basis of the tax rates which are expected to be applied in the period in which such deferments will occur, considering the rates in force or those known to be issued.

Deferred taxation is charged directly to the income statement, except when it relates to items that are directly recorded under shareholders' equity, in which case the related deferred taxation is also charged to shareholders' equity.

Deferred taxation is offset when there is a legal right to offset current tax assets and liabilities and when it refers to taxes due to the same tax authority and the Group intends to liquidate the current tax assets and liabilities on a net basis.

Payables

Payables are recorded at their nominal value, which is considered representative of their settlement value.

Recognition of net sales

In accordance with the IFRS, sales of assets are recognised when the assets are despatched and the company has transferred to the buyer the significant risks and benefits connected to ownership of the assets.
Net sales are recorded net of returns, discounts, rebates and allowances, as well as of tax directly connected to the sale of goods and the provision of services.
Net sales of a financial nature are recorded on an accrual basis.

Grants

Grants related to plant are recorded in the financial statements provided that the right to receive them is certain and they are charged to the income statement in relation to the useful life of the asset against which they are provided.
Operating grants are recorded in the financial statements provided that the right to receive them is certain and they are charged to the income statement in relation to the costs against which they are provided.

Financial income

Financial income is recorded on an accrual basis. It includes interest income on invested funds, exchange rate gains and income arising from financial instruments, when it is not offset as part of hedging transactions. Interest income is charged to the income statement as it accrues, considering the effective yield.

Financial charges

Financial charges are recorded on an accrual basis.
They include interest due on financial payables calculated by using the effective interest rate method, exchange rate losses, and losses on financial derivative instruments. The portion of interest charges for finance lease payments is charged to the income statement using the effective interest rate method.

Dividends

Dividends recorded in the income statement, arising from minority equity investments, have been recorded on an accrual basis, i.e. when, following the resolution is passed by the subsidiary to pay a dividend, the related tax credit right arises.

Income taxes

Taxation is the sum total of current and deferred taxes.
The consolidated financial statements include the tax set aside in the financial statements of the individual companies that are part of the consolidation area on the basis of the estimated taxable income determined in conformity with the national legislation in force at the closing date of the financial statements, taking account of the applicable exemptions and the tax credits due. Income taxes are recorded in the income statement, except for those relating to items directly charged or credited to shareholders' equity, in which case the tax effect is recognised directly under shareholders' equity.
Income taxes are stated under the item "Tax payables", net of payments on account and withholding taxes paid.
The taxes due in the case of the distribution of reserves on which tax has been suspended recorded in the financial statements of the individual Group companies are not set aside since their distribution is not expected.
With validity commencing from fiscal year 2007 and for a three-year period, the Parent Company and Moto Guzzi S.p.A. have opted for the National Tax Consolidation regime pursuant to articles 117 through to 129 of the Consolidated Income Tax Law (T.U.I.R in Italian), whose consolidating entity is IMMSI S.p.A. and, of which other companies in

the IMMSI Group form part. The consolidating entity establishes a single taxable basis for the group of companies that have opted for the National Consolidated Tax regime, in that, it may set off taxable income against tax losses in a single tax return.
Each company opting for the Consolidated Tax regime transfers its taxable income (taxable income or tax losses) to the consolidating entity.
The latter will report a receivable due to the consolidated company corresponding to the corporate income tax to be paid. On the other hand, in respect of the companies that report tax losses, the consolidating entity will post a payable corresponding to corporate income tax on the portion of losses that have been actually been set off at Group level.

Income per share

Income per share is calculated by dividing the income or loss attributable to parent company shareholders by the weighted average number of ordinary shares in circulation during the period.
The diluted income per share is calculated by dividing the income or loss attributable to parent company shareholders by the weighted average number of shares in circulation, taking account of the effects of all the potential ordinary shares with a diluting effect.
The potential shares considered are those connected to the stock option plan and those connected to Aprilia warrants. The adjustment to be made to the number of stock options in order to calculate the adjusted number of shares is determined by multiplying the number of stock options by the underwriting cost and dividing it by the market price of the share.

Use of estimates

The preparation of the financial statements and the related notes in application of the IFRS requires management to make estimates and assumptions that have an impact on the values of assets and liabilities in the financial statements and on the information relating to contingent assets and liabilities at the financial statement date. The results which will be achieved could differ from the estimates. The estimates are used to measure the intangible assets tested for impairment (see Impairment), as well as for recording provisions for risks on receivables, for obsolescence of stocks, amortisation, write-downs of assets, employee benefits, tax, restructuring reserves, and other provisions and reserves.
These estimates and assumptions are periodically reviewed and the impact of each change is immediately reflected in the income statement.
It should be noted that given the current global economic and financial crisis, assumptions concerning future performance are characterised by a high degree of uncertainty. As such, it cannot be excluded that performance next year may differ from expectations, requiring adjustments to accounts that may be significant, which today obviously cannot be predicted or estimated.

Dealings with related parties

Dealings with related parties are shown in the Directors' Report which is to be referred to for this item as well.

New accounting standards

On 30 November 2006, IASB issued the IFRS 8 accounting standard – *Operating Segments*, effective from 1 January 2009, replacing IAS 14 – *Segment Reporting*. The new accounting standard requires the company to base the segment reporting on the element used by the management to take their operating decisions, therefore, it requires the identification of the operating segments on the basis of internal reporting, which is regularly revised by the management for the allocation of the reserves to the different segments for performance analysis purposes.

On 29 March 2007, IASB issued a revised version of IAS 23 – *Financial charges* which will be applicable as of 1 January 2009. In the new version, it was removed the option according to which companies can post immediately to income statement the financial charges incurred due to assets for which usually a determined period of time is required to prepare the said asset ready for use or sale. The standard will be applicable prospectively to the financial charges relative to capitalised goods as of 1 January 2009.

On 6 September 2007, IASB issued a revised version of IAS 1 – *Presentation of financial statements* which will be applicable as of 1 January 2009. The new version of the standard requires that the company presents in a schedule of changes to shareholders' equity, all changes due to transactions with shareholders. All transactions generated with minority interest ("comprehensive income") should instead be reported in a "comprehensive income" schedule or in two schedules (income statement and "comprehensive income" schedule). In any case, the changes generated by transactions with minority interest cannot be reported in the schedule of changes to shareholders' equity.

On 10 January 2008, IASB issued an updated version of IFRS 3 – *Business combinations*. The main changes to IFRS 3 regard in particular the elimination of the obligation to evaluate the single assets and liabilities of the subsidiary at the fair value in each subsequent acquisition, in case of acquisition by degrees of subsidiaries.
In such cases, the goodwill will be determined as the difference between the value of the equity immediately before the acquisition, the equivalent of the transaction, and the value of the acquired net assets. Further, should the company not acquire 100% of the equity, the portion of shareholders' equity pertaining to minority interest, can be evaluated both at the fair value and by using the method already provided by IFRS 3. The revised version of the standard also provides the recording in the income statement of all costs connected to the business combination and the posting at the date of the acquisition of the payments subject the acceptance to condition.

On the same date IAS 27 – *Consolidated and separate financial statements* was also amended establishing that modifications to the share that do not result in loss of control should be accounted for as equity transaction and with the item therefore recognised under shareholders' equity. Moreover, it was also established that when a company disposes of the control of its own subsidiary, but continues to retain a portion of capital in the company, this should be accounted for at the fair value and possible gains or losses due to the loss of control should be posted to the income statement. Finally, the amendment to IAS 27 requires that all losses attributable to minority interest should be allocated to the portion of third parties' shareholders' equity, also when these exceed their own share of capital in the subsidiary. The new regulations will be applicable for the future starting as of 1 January 2010. At the time of issuing these financial statements, the decision-making bodies of the European Union had still to conclude the approval process required for applying this amendment.

On 17 January 2008, IASB issued an amendment to IFRS 2 – *Share-based payments - vesting conditions and cancellations* according to which, for the purpose of evaluating the share-based transactions, only service conditions and performance conditions can be considered vesting conditions. The amendment also specifies that the same accounting treatment should be applied, also in case an entity cancels a grant of equity instruments.

On 14 February 2008, IASB issued an amendment to IAS 32 – *Financial instruments: presentation* and to IAS 1 – *Presentation of financial statements – Puttable instru-*

ments and obligations arising on liquidation. In particular, the standard requires companies to classify the puttable instruments and financial instruments that impose an obligation on the company to hand over to a minority interest a share of the equity investment in the company's assets as equity instruments. Such amendment should be applied as of the 1 January 2009.

On 22 May 2008, IASB issued a set of amendments to the IFRS; following are reported exclusively those indicated by IASB as modifications that will result in a change to the presentation, recognition, and evaluation of balance entries, omitting those regarding only terminology changes.

- IFRS 5 – *Non-current assets held for sale and discontinued operations*. The amendment, which is effective as of 1 January 2010, establishes that if an enterprise is engaged in a disposal plan entailing the loss of control over a subsidiary, all assets and liabilities of the subsidiary should be reclassified as held for sale, also if after the disposal the company will still retain a minority equity in the subsidiary.
- IAS 1 – *Presentation of the financial statement*. The change, which should be applied as of 1 January 2009 for the future starting, establishes that assets and liabilities resulting from derivative financial instruments (which were obtained for the purposes of the negotiation) be reported in the financial statement by distinguishing the current from the non current portion.
- IAS 16 – *Property, plant and machinery*. The amendment, which is effective as of 1 January 2009, establishes that enterprises whose typical business is renting, should reclassify in the inventory goods that needs to be located and are held for sales. Subsequently, gains or losses arising from their disposal, should be recorded as net sales. The amounts paid to build or purchase goods to be allocated to others, as well as the amounts collected from the subsequent sale of such goods, form, for the purpose of the cash flow statement, cash flows arising from operating activities (and not from investment activities).
- IAS 19 – *Employee benefits*. The amendment is to be applied prospectively as of 1 January 2009 to the changes to benefits made following such date. It clarifies the definition of cost/income relative to past service rendered by employees and it establishes that in case of reduction of a plan, the effect to be immediately posted to the income statement should only include the reduction of benefits relative to future periods, whereas the effect arising from possible reductions due to past service periods, should be held as a negative cost relative to past services rendered by the employees.
- IAS 20 – *Accounting for government grants and disclosure of government assistance*. The amendment, which is to be applied prospectively as of 1 January 2009, establishes that benefits arising from government grants at an interest rate much lower than the market one, should be considered as government assistance and should therefore follow the recognition rules established by IAS 20.
- IAS 23 – *Financial charges*. The definition of financial charges has been reassessed. The amendment should be applied as of the 1 January 2009.
- IAS 28 – *Equity investments in associated companies*. The amendment, which should be also applied only prospectively as of 1 January 2009, establishes that in case of equity investment evaluated with the shareholders' equity method, a possible impairment should not be allocated to single assets (and in particular to the possible goodwill) that form the equity's book value, but to the value of the equity as a whole. Therefore, in the presence of conditions for a subsequent revaluation, such revaluation should be recognised in full.
- IAS 28 – *Equity investments in associated companies* and IAS 31 *Equity investments in joint ventures*. Such

amendments, which should be applied as of 1 January 2009, provide that additional information be supplied also for equity investments in associated companies and joint ventures evaluated at fair value according to IAS 39. Consistently, IFRS 7 – *Financial instruments: disclosures* and IAS 32 - *Financial instruments: presentation were modified*.

- IAS 29 – *Financial reporting in hyperinflationary economies*. The previous version of the standard did not explain that some assets and liabilities could be recorded in the financial statement according to the current value, rather than according to the historical cost. In order to take into consideration such possibility, the amendment should be applied as of 1 January 2009.
- IAS 36 – *Impairment of assets*. The amendment, which is to be applied as of 1 January 2009, provides that additional information be provided in case the company determines the recoverable amount of the cash-generating units by using the discounted cash flow method.
- IAS 38 – *Intangible assets*. The amendment, which should be applied as of 1 January 2009, establishes the posting to income statement of promotional and advertising costs. It also establishes that in case the enterprise incurs charges from which future economic benefits are expected without being recorded as intangible assets, these should be posted to the income statement when the enterprise itself has the right to access the good, if it is the purchase of goods, or when the service is rendered, if it is the purchase of services. Finally, the standard was modified to enable the enterprises to adopt the method of the produced units to determine the amortisation of finite life intangible assets.
- IAS 39 – *Financial instruments: recognition and measurement*. The amendment, which is to be applied as of 1 January 2009, clarifies how to calculate the new effective interest rate of a financial instrument at the end of a fair value hedge accounting. Moreover, it clarifies that the prohibition to reclassify as financial instrument with adaptation of the fair value to income statement, should not be applied to the derivative financial instruments that can no longer be qualified as hedging instruments or that become hedging instruments. Finally, to avoid conflicts with the new IFRS 8 – *Operating segments*, it eliminates references to a sector's hedging instrument designation.
- IAS 40 – *Real estate investments*. The amendment, which is to be applied prospectively as of 1 January 2009, establishes that the real estate investments under construction should fall within the scope of IAS 40, rather than IAS 16.

On 3 July 2008 IFRIC issued the interpretation IFRIC 16 – *Hedges of a net investment in a foreign operation* with which it was eliminated the possibility to apply the hedge accounting for operations hedging the exchange rate differences arising between the functional currency of the foreign subsidiary and the currency of the consolidated financial statement.

The interpretation clarifies, moreover, that in case of operations hedging an equity in a foreign company, the hedging instrument can be held by every company part of the Group, and that, in case of disposal of the equity, for the determination of the value to be reclassified from the shareholders' equity to the income statement, IAS 21 – *The effects of changes in foreign exchange rates* should be applied. The interpretation should be applied as of 1 January 2009.

At the date of issue of this financial statement, the competent bodies of the European Union have not yet concluded the process of approval which is necessary for its application.

On 31 July 2008, IASB issued an amendment to IAS 39 – *Financial instruments: Recognition and Measurement* which is to be applied as of 1 January 2010, with retrospective application. The amendment specifies the application of the principle for the definition of the following hedging object in particular situation. At the date of issue of this financial statement, the competent bodies of the European Union had not completed yet the process of approval necessary for the application of such standard.

Finally, it is pointed out that during 2007 the following interpretations relative to facts and cases not present within the Group, were issued:

- IFRIC 12 – *Service Concession Arrangements* (applicable from 1 January 2008);
- IFRIC 13 – *Customer loyalty programmes* (applicable from 1 January 2009);
- IFRIC 15 – *Agreements for the construction of real estate* (applicable from 1 January 2009).

B) INFORMATION BY SECTOR

3. INFORMATION BY BUSINESS SECTORS AND BY GEOGRAPHICAL AREA

During the course of 2008, the Piaggio Group adopted a new organisational structure with a view to focusing Group resources by "functional area" and by "geographical area".

As a result, internal reporting has been modified to reflect this organisational change; hence, this is based on functional areas and geographical areas that have been identified, as illustrated further on, as primary and secondary sectors.

The Piaggio Group has established sector reporting based on internal reporting procedures used by management for taking strategic decisions.

Primary sector: functional areas

The "2-Wheeled vehicles" and "Commercial vehicles" divisions represent the organisational structure of the Group and whose results are considered by management for assessing performances attained.

The business figures and margins adopted in the primary sector are in line with those used in internal reporting.

Assets and liabilities have been recognised both taking into account actual use by the sector for its typical operations and by reasonable allocations.

Secondary sector: geographical area

"Italy", "The Rest of Europe", "Americas", "India", "Asia Pacific" e "Other" are the "destination" geographical areas that have been used for breaking down Group business and financial data at 31 December 2008.

Since it is not possible to reformulate comparative data from the previous financial period according to the new organisational structure ("2-Wheeled vehicles" and "Commercial vehicles"), with a view to allowing comparison of 2008 data with those of 2007, the previous model has been adopted for presenting sector figures.

Primary sector operational areas

INCOME STATEMENT

	2-wheeled vehicles	Commercial vehicles	PIAGGIO GROUP
In millions of Euros			
Income statement			
Net sales	1,180.7	389.4	1,570.1
Business margin	**375.3**	**93.5**	**468.8**
Non allocated shared costs			(374.3)
Operating earnings			**94.5**
Income/(loss) from equity investments			0
Financial income			31.8
Financial charges			(66.7)
Pre-tax earnings			**59.6**
Tax for the period			16.3
Consolidated net earnings			**43.3**
Attributable to:			
Shareholders of the parent company			43.0
Minority Shareholders			0.3

BALANCE SHEET

In millions of Euros	2-wheeled vehicles	Commercial vehicles	PIAGGIO GROUP
Balance Sheet			
Sector assets	919.6	330.2	1,249.8
Non allocated assets			149.5
Total assets			**1,399.3**
Sector liabilities	441.5	103.1	544.6
Non allocated liabilities			854.7
Total liabilities			**1,399.3**

OTHER INFORMATION

	2-wheeled vehicles	Commercial vehicles	PIAGGIO GROUP
Other information			
Increases in fixed assets	81.7	21.2	**102.9**
Increases in non allocated fixed assets			**0**
Write-downs of tangible and intangible fixed assets	79.6	6.8	**86.4**
Write/downs of non allocated tangible and intangible assets			**8.1**

Secondary sector: geographical areas

	2008						
In millions of Euros	Italy	Rest of Europe	Americas	India	Asia Pacific	Other	Consolidated
NET SALES	500.4	666.7	95.0	244.0	45.6	18.5	1,570.1
INVESTMENTS	71.7	4.0	0.2	14.7	12.3		102.9
ASSETS	1,108.0	141.9	26.6	87.9	30.0	4.9	1,399.3

The following table shows business and financial data for the Group at 31 December 2008 and 31 December 2007 broken down according to the old organisational model of the light road transport sector:

In millions of Euros	2008	2007
NET SALES		
Sales to third parties	1,570.0	1,692.1
Sales to related parties	0.1	
TOTAL NET SALES	**1,570.1**	**1,692.1**
Gross industrial margin	468.8	498.4
Net financial charges	(34.9)	(33.1)
Equity investments earnings		0.1
Earnings before taxation	59.6	103.5
Income tax	16.3	43.5
Loss (gains) minority interest	(0.3)	(0.4)
NET EARNINGS	**43.0**	**59.6**
OTHER INFORMATION		
Increases in tangible and intangible assets	102.9	91.5

Breakdown by "destination" geographical area, i.e. using the nationality of customers or supplier/lender as reference (see the table 2 on the next page).

C) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

4. NET SALES €/000 1,570,060

Net sales are shown net of bonuses recognised to customers (dealers).

This item does not include transport costs, which are recharged to customers (€/000 36,425) and advertising cost recoveries invoiced (€/000 9,801), which are shown under other operating income.

The net sales for disposals of Group core business assets essentially refer to the marketing of vehicles and spare parts in European and non-European markets.

Breakdown by market segment

	2008				2007			
In millions of Euros	2-wheeled vehicles	Commercial vehicles	Other	Total	2-wheeled vehicles	Commercial vehicles	Other	Total
NET SALES								
Sales to third parties	1,159.4	389.4	21.2	1,570.1	1,294.3	380.1	17.7	1,692.1
Sales to related parties	0.1			0.1				
TOTAL NET SALES	**1,159.5**	**389.4**	**21.2**	**1,570.1**	**1,294.3**	**380.1**	**17.7**	**1,692.1**
Gross industrial margin				468.8				498.4
Net financial charges				(34.9)				(33.1)
Income/(loss) from equity investments								0.1
Earnings before taxation				59.6				103.5
Income tax				16.3				43.5
Loss (gains) minority interest				(0.3)				(0.4)
NET EARNINGS				**43.0**				**59.6**
OTHER INFORMATION								
Increases in tangible and intangible assets				102.9				91.5

Table 2

In millions of Euros	Italy	Rest of Europe	Americas	India	Asia Pacific	Other	Consolidated
2008 financial period							
NET SALES							
Sales to third parties	500.3	666.7	95.0	244.0	45.6	18.5	1,570.0
Sales to related parties	0.1						0.1
TOTAL NET SALES	**500.4**	**666.7**	**95.0**	**244.0**	**45.6**	**18.5**	**1,570.1**
BALANCE SHEET							
TOTAL ASSETS	**1,108.0**	**141.9**	**26.6**	**87.9**	**30.0**	**4.9**	**1,399.3**
TOTAL LIABILITIES	**1,117.0**	**160.6**	**6.0**	**31.2**	**84.1**	**0.4**	**1,399.3**
2007 financial period							
NET SALES							
Sales to third parties	570.1	737.7	79.3	238.0	52.0	15.0	1,692.1
Sales to related parties							
TOTAL NET SALES	**570.1**	**737.7**	**79.3**	**238.0**	**52.0**	**15.0**	**1,692.1**
BALANCE SHEET							
TOTAL ASSETS	**1,152.8**	**153.2**	**30.7**	**83.0**	**16.8**	**7.4**	**1,443.9**
TOTAL LIABILITIES	**1,145.6**	**195.9**	**1.1**	**85.7**	**15.5**	**0.1**	**1,443.9**

Net sales by business sector

The breakdown of sales by business sector is shown in the following table:

In thousand Euros	2008		2007		Changes	
	Amount	%	Amount	%	Amount	%
2-wheeled vehicles	1,180,666	75.20	1,311,971	77.53	(131,305)	-10.01
Commercial vehicles	389,394	24.80	380,155	22.47	9,239	2.43
Total	**1,570,060**	**100.00**	**1,692,126**	**100.0**	**(122,066)**	**-7.21**

Net sales by geographic area

The division of net sales by geographic area is shown in the following table:

In thousand Euros	2008		2007		Changes	
	Amount	%	Amount	%	Amount	%
Italy	500,386	31.87	570,079	33.69	(69,693)	-12.23
Rest of Europe	666,684	42.46	737,712	43.60	(71,028)	-9.63
Americas	94,952	6.05	79,281	4.69	15,671	19.77
India	243,972	15.54	238,001	14.07	5,971	2.51
Asia Pacific	45,595	2.90	52,039	3.08	(6,444)	-12.38
The rest of the World	18,471	1.18	15,014	0.89	3,457	23.03
Total	**1,570,060**	**100.00**	**1,692,126**	**100.0**	**(122,066)**	**-7.21**

In 2008, net sales decreased by €/000 122,066, following the contraction of general demand for 2-wheeled vehicles in the European Market due to the economic crisis which has hit the whole of the Western world, as well as the exchange rate effect linked to the Euro revaluation with an impact of around €38.4 million.

It should be noted that the 5-year BMW contract (– €18.0 million compared to the same period of the previous year) significantly contributed to this contraction in 2-wheel sector.

5. COSTS FOR MATERIALS €/000 936,603

These totalled €/000 936,603 compared to €/000 1,020,442 in 2007.

The reduction 8.2% is linked to efficiencies obtained and a contraction of production volumes and sales. As a consequence, the percentage incidence on net sale fell, decreasing from 60.3% in 2007 to 59.7% in the current period. The following table provides a breakdown of this item of the financial statements:

In thousand Euros	2008	2007	Change
Raw materials, consumables and goods for resale	968,553	1,015,440	(46,887)
Change in inventories of raw materials, consumables and goods	(139)	2,642	(2,781)
Change in work in progress of semifinished and finished products	(31,811)	2,360	(34,171)
Total purchase costs	**936,603**	**1,020,442**	**(83,839)**

This item includes costs for €/000 43,854 relating to the purchase of scooters and engines from the Chinese subsidiary Zongshen Piaggio Foshan, which are respectively distributed on the European and Asian markets and assembled on scooters built in Italy.

6. COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS €/000 292,920

These totalled €/000 292,920 compared to €/000 303,560 at 31 December 2007.

Below is a breakdown of this item:

In thousand Euros	2008	2007	Change
Employee costs	18,712	17,858	854
Maintenance and cleaning	6,915	7,137	(222)
Energy, telephone and telex	20,129	19,547	582
Commissions paid	3,763	4,999	(1,236)
Advertising and promotion	47,019	49,674	(2,655)
Technical, legal and tax consultancy and services	45,003	46,191	(1,188)
Company boards operating costs	2,759	2,630	129
Insurance	3,331	3,467	(136)
Third party work	32,374	37,314	(4,940)
Transport costs and spare parts	55,457	59,046	(3,589)
Sundry commercial expenses	12,537	11,398	1,139
Product warranty costs	16,643	14,359	2,284
Bank costs and factoring charges	5,790	6,411	(621)
Costs for use of third party assets	11,847	12,208	(361)
Other	9,451	9,236	215
Services provided by other Group companies	1,190	2,085	(895)
Total costs for services	**292,920**	**303,560**	**(10,640)**

Savings amounting to €/000 10,640 were generated by a contraction in operating volumes.

The costs for use include lease rentals for business properties of €/000 4,045, as well as lease payments for car hire, computers and photocopiers.

Third party work of €/000 32,374 refers to production components. The item “Other” includes costs for temporary work of €/000 1,643.

7. EMPLOYEE COST €/000 250,967

The breakdown of employee costs borne is as follows:

In thousand Euros	2008	2007	Change
Wages and salaries	183,319	181,438	1,881
Social securities	49,922	51,029	(1,107)
Employee leaving indemnity	13,501	(1,228)	14,729
Other costs	4,225	6,515	(2,290)
Total	250,967	237,754	13,213

Personnel costs increased in absolute terms by €/000 13,213 compared to the previous period (5.6%).

This increase is essentially attributable to the fact that financial period 2007 benefited from a receipt of €/000 7,493 arising out of a recalculation of a previous employee leaving indemnity reserve following changes introduced by the 2007 Finance Law concerning the destination of accruing quotas that had modified the nature of pensions from a defined benefit scheme to a defined contribution one.

In addition, in 2008 the inflation rate trend and rates used for updating had a negative effect on labour costs. It should be noted that the employee costs include €/000 1,980 relating to stock option costs, required by the international accounting standards.

The following table provides an analysis of the average and actual composition of the headcount.

	Average number		
Level	2008	2007	Change
Senior Management	111	115	(4)
Middle Management	429	412	17
Clerical staff	1,967	1,845	122
Manual labour	4,797	4,940	(143)
Total	7,304	7,312	(8)

	Number at		
Level	31/12/2008	31/12/2007	Change
Senior Management	112	111	1
Middle Management	430	425	5
Clerical staff	1,995	1,878	117
Manual labour	3,671	4,433	(762)
Total	6,208	6,847	(639)

The decrease is essentially attributable to the Indian subsidiary that, due to its organisational features of “occupational flexibility” has promptly adapted its workforce to market trends.

It should be noted that the average headcount is influenced by seasonal workers during the summer months (term contracts and fixed-term temporary workers).

The Group, in order to meet peaks in demand during summer months, uses workers on fixed-term temporary contracts.

Changes in headcount between 2008 and 2007 are shown in the table below:

	At 31/12/07	Cash inflows	Cash outflows	Transfer	At 31/12/08
Senior management	111	24	(32)	9	112
Middle management	425	52	(62)	15	430
Clerical staff	1,878	384	(263)	(4)	1,995
Workers	4,433	2,058	(2,800)	(20)	3,671
Total (*)	6,847	2,518	(3,157)	0	6,208
(*) of which fixed/term contracts	1,141				345

8. AMORTISATION, DEPRECIATION AND IMPAIRMENT COSTS €/000 94,540

Below is a summary of the amortisation and depreciation broken down by category:

In thousand Euros	2008	2007	Change
Property, plant and machinery:			
Buildings	3,584	3,632	(48)
Plant and machinery	12,722	12,744	(22)
Industrial and commercial equipment	19,351	20,634	(1,283)
Other assets	2,416	2,792	(376)
Total tangible asset depreciation	**38,073**	**39,802**	**(1,729)**

In thousand Euros	2008	2007	Change
Intangible assets:			
Development costs	33,426	28,051	5,375
Industrial patent rights and intellectual property rights	13,747	13,245	502
Concessions, licences, trademarks and similar rights	9,195	8,344	851
Other	99	84	15
Total intangible asset amortisation	**56,467**	**49,724**	**6,743**

As set out in more detail in the paragraph on intangible assets, as of 1 January 2004, goodwill is no longer amortised, but is tested annually for impairment.

The impairment test carried out at 31 December 2008 confirmed the full recoverability of the amounts recorded in the financial statements.

9. OTHER OPERATING INCOME €/000 133,474

This item consists of:

In thousands of Euros	2008	2007	Change
Operating grants	7,316	1,728	5,588
Increases in fixed assets from internal work	35,672	34,206	1,466
Sundry sales and income:			
- Rent receipts	10,742	9,599	1,143
- Capital gains on assets and equity interests	258	243	15
- Sale of miscellaneous materials	790	842	(52)
- Recovery of transport costs	36,425	38,906	(2,481)
- Recovery of advertising costs	9,801	7,608	2,193
- Recovery of sundry costs	11,741	14,271	(2,530)
- Compensation	461	202	259
- Contingent assets	919	60	859
- Licence rights and know-how	1,617	1,336	281
- Sponsorship	6,194	6,717	(523)
- Other income	11,538	11,769	(231)
Total other operating income	**133,474**	**127,487**	**5,987**

The other operating income item shows a slight increase compared to figures for financial period 2007.

The rent receipts refer mainly to income for the rent of racing bikes to the teams which compete in the World Motorcycling Championship.

The item recovery of transport costs refers to costs recharged to customers, the charges for which are classified under "services". Operating grants essentially refer to a benefit arising out of a tax receivable for Research and Development provided for under article 1, par. 280-284 of Law no. 296/2006.

10. OTHER OPERATING COSTS €/000 33,993

This item consists of:

In thousand Euros	2008	2007	Change
Non-income tax and duties	4,540	4,651	(111)
Capital losses from disposal of assets	21	105	(84)
Various subscriptions	864	987	(123)
Write-downs of intangible assets	2,137	1,510	627
Write-downs of tangible assets	125	91	34
Write-downs of receivables in working capital	4,006	2,625	1,381
Allocation of provisions	16,259	15,508	751
Other operating costs	6,041	6,277	(236)
Total	**33,993**	**31,754**	**2,239**

Overall, other operating costs increased by €/000 2,239. This change is essentially attributable to a greater number of write/downs made during the financial period.

11. NET FINANCIAL INCOME/(CHARGES) €/000 (34,890)

Below is the breakdown of financial income and charges:

In thousand Euros	2008	2007	Change
Income:			
- Interest received from customers	238	119	119
- Interest on bank and postal accounts	1,954	2,858	(904)
- Interest on financial receivables	1,951	222	1,729
- Financial income from discounting back Employee Indemnities	19	114	(95)
- Other	2,205	1,214	991
Total income from third parties, other than the above	**6,367**	**4,527**	**1,840**
Exchange gains	25,539	13,025	12,514
Total financial income	**31,906**	**17,552**	**14,354**

In thousand Euros	2008	2007	Change
Financial charges paid to associated companies	246	-	246
Financial charges paid to others:			
- Interest on bond	15,620	15,766	(146)
- Interest on bank loans	12,169	10,632	1,537
- Interest paid to other lenders	7,041	5,804	1,237
- Cash discounts for customers	1,163	1,450	(287)
- Bank charges on loans	332	378	(46)
- Charges implementation reserves for severance indemnities	3,304	3,054	250
- Interest paid on leases	666	493	173
- Other	747	267	480
Total financial charges due to others	**41,042**	**37,844**	**3,198**
Exchange losses	25,508	12,835	12,673
Total financial charges	**66,796**	**50,679**	**16,117**
TOTAL FINANCIAL INCOME (CHARGES)	**(34,890)**	**(33,127)**	**1,763**

The balance of financial income (charges) for f.y. 2008 was negative and amounted to €/000 34,890, up compared to €/000 33,127 of the previous period.

The increase of €/000 1,763 compared to the aforementioned period was primarily due to an increase in average net debt for the period, to an increase in charges for discounting back severance indemnities and an average rise in the average cost of interest linked to Euribor increases.

12. TAXATION €/000 16,302

The following table provides an overview of Income Tax:

In thousand Euros	2008	2007	Change
Taxes and current corporate income tax	33,558	48,428	(14,870)
Deferred taxes	(17,256)	(4,901)	(12,355)
Total	**16,302**	**43,527**	**(27,225)**

In 2008, tax amounted to €/000 16,302, with an incidence on earnings before tax of 27.3%.

During financial year 2007, tax amounted to €/000 43,527, with an incidence on earnings before tax of 42%.

The tax rate applicable in 2008 was different compared to that applied in 2007, primarily as a result of the posting of deferred tax assets associated with tax losses that will be used by the Group in future years.

Reconciliation compared to the theoretical tax rate is shown in the following table 3.

Theoretical taxation was calculated by applying the current IRES (corporate income tax) rate (27.5%) in Italy to earnings before tax.

The impact deriving from the IRAP (regional tax on productive activities) and the Indian Dividend Distribution Tax was calculated separately, in that these taxes are not calculated on the basis of earnings before tax.

Table 3

In thousand Euros	2008
Earnings before tax	59,633
Theoretical tax rate	27.5%
Theoretical income tax	16,399
Taxation relating to previous years	(784)
Tax effect deriving from foreign tax rates differing from Italian theoretical rates	2,935
Tax effect deriving from permanent differences	(1,863)
Use of tax losses against which no deferred tax assets have been allocated	(1,006)
Other differences	(7,458)
Other local taxation	8
IRAP (includes €/000 6,900 in IRAP payables, gross of drawdowns on deferred taxes)	5,533
Tax on distribution of dividends (India)	2,538
Income tax posted to financial statements	**16,302**

13. GAIN/(LOSS) FROM ASSETS HELD FOR DISPOSAL OR SALE €/000 0

At the close of the financial year, no gains or losses from assets held for disposal or sale were reported.

14. EARNINGS PER SHARE

Earnings per share are calculated as follows:

In thousand Euros		2008	2007
Net earnings	€/000	43,331	60,002
Earnings attributable to ordinary shares	€/000	43,331	60,002
Average number of ordinary shares in circulation		396,040,908	395,602,928
Earnings per ordinary share	€	0.11	0.15
Adjusted average number of ordinary shares		396,199,585	416,050,150
Diluted earnings per ordinary share	€	0.11	0.14

In calculating the diluted earnings per share, account has been taken of the potential effects arising from the stock option plans and from the measurement of financial instruments associated with the acquisition of Aprilia.

D) INFORMATION ON THE CONSOLIDATED BALANCE SHEET - ASSETS

15. INTANGIBLE ASSETS €/000 648,234

The following table 4 provides a breakdown of intangible fixed assets at 31 December 2008 and 31 December 2007, as well as relevant movements that took place during the course of the financial period.

Increases primarily concerned capitalisation of research costs for new products and new engines, as well as the purchase of software.

Write/downs regarded suspended research projects.

Development costs €/000 81,820

Development costs include costs for products and engines in projects for which there is an expectation, for the period of the useful life of the asset, to see net sales at such a level in order to allow the recovery of the costs incurred.

The item also includes work in progress amounting to €/000 48,263, which represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.

In relation to development costs, during the course of 2008, the new projects capitalised refer mainly to the new Piaggio MP3 hybrid, Vespa GTS 300, Aprilia RSV 1000 4c, Naked 1200 cc, Moto Guzzi Stelvio and 1400 cc engine, Derbi DRV Evo 50 cc, Derbi Mulhacen Cafè, Derbi Terra 125 cc, India LTV diesel engine, and Porter update.

Development costs included under this item are amortised on a straight-line basis over 3 years, in consideration of their residual usefulness.

During the course of 2008 were directly recognised to the income statement and amounted to approximately 23.6 million Euros.

Industrial patents and intellectual property rights €/000 18,095

This item includes software amounting to €/000 11,138, as well as patents and know/how. It includes assets under construction for €/000 2,699.

Patents and Know/how primarily refer to vehicles Vespa, GP 800 e MP3.

In relation to software, the increase refers to implementing applications in the commercial, administrative and manufacturing areas at the Parent company and the use

Table 4

In thousand Euros	Book value at 31/12/2007	Increases	Amortisation	Disposals	Writedowns	Reclassifications	Exchange differences	Book value at 31/12/2008
R & D costs	68,833	49,428	(33,426)	(19)	(2,137)	711	(1,570)	81,820
Patent rights	25,390	6,436	(13,747)	(3)		19		18,095
Concessions, licences and trademarks	98,172		(9,195)			10,629		99,606
Goodwill	444,480	2,460						446,940
Other	660	1,429	(99)			(212)	(5)	1,773
Total	**637,535**	**59,753**	**(56,467)**	**(22)**	**(2,137)**	**11,147**	**(1,575)**	**648,234**

of SAP in India and Vietnam. Industrial patent rights and intellectual property right costs are amortised over three years.

Concessions, licences and trademarks €/000 99,606

The Item *Concessions, licences and trademarks* amounted to €/000 99,606, and break down as follows:

In thousand Euros	Net value at 31/12/2008	Net value at 31/12/2007
Guzzi	33,515	25,933
Aprilia	65,856	71,843
Laverda	155	310
Minor brands	80	86
Total brands	**99,606**	**98,172**

In previous financial statements, the trademark Guzzi was recognised under assets net of the related taxation reserve.

With the merger by incorporation of Moto Guzzi in Piaggio & C. the gross value of the trademark was recognised alone under assets and the corresponding deferred taxation reserve posted under liabilities.

In thousand Euros	Guzzi trademark
Net value at 31 December 2007	**25,933**
Deferred taxes at 31 December 2007	10,629
Amortisation for the period	(3,252)
Reversal of Guzzi trademark higher amortisation	205
Book balance at 31 December 2008	**33,515**

The gross value of the Aprilia brand is €/000 89,803 while the Guzzi brand is valued at €/000 37,326.

The value of the Aprilia and Moto Guzzi brands is based on an independent audit carried out in 2005.

The aforementioned brands have been amortised over a period of 15 years.

In relation to agreements for the acquisition of Aprilia, in December 2004, the Company had issued warrants and financial instruments in favour of Aprilia and selling shareholders' creditor banks, exercisable in the periods determined by the respective regulations starting from the approval of the consolidated financial statements at 31 December 2007, of which commitments can be summed up as follows:

- Piaggio 2004/2009 warrants for an overall issue price of €/000 5,350.5, which envisaged a realisable value proportionate to the differential between the Group's economic value at the exercise date and a grid of threshold values variable depending on the different exercise periods. It was also established that the maximum realisable value of the warrant could never exceed the overall issue price by twelve times, equal to €/000 64,206; and could be settled, with reserved faculty by the issuer, both by cash and by the handover of Company's shares if listed on the MTA of the Italian Stock Exchange. The Company, already from the 2005 financial statements, had recorded in a special equity reserve the fair value of this commitment, on the assumption that the realisable value could be settled by handing over shares, after having at the same time started the process for the floatation of the Company and being in possession of the resolution by the Shareholders' Extraordinary Meeting to increase the reserved capital through the issue of up to a maximum of 25 million shares. During 2008, almost all banks holding the warrants had exercised them. The realisable value of the equity's rights due to the owners of the 9,959 exercised warrants was equal to € 63,942,755.40 as from an estimation given by an independent estimator on 5 June 2008. On 3rd July, a cash settlement was made. Following such resolution, steps were taken to reclassify to financial debt to what was previously classified among shareholders' equity reserves. At 31 December

2008, 41 warrants for a value of € 263,244.60 had not yet been exercised.

- EMH 2004/2009 financial instruments for a global nominal value of €/000 10,000, with the right to payment following approval of the financial statements at 31 December 2009 of a minimum guaranteed sum of €/000 3,500 in addition to a maximum realisable value of €/000 6,500 in proportion to the differential between the Group's economic value at the exercise date and a grid of threshold values above the values established for Piaggio 2004/2009 warrants, variable in relation to different exercise periods. The realisable value of the equity's rights due to the owners of the EMH instruments was equal to € 6,500,000 as from estimation given by an independent estimator on 5 June 2008. On 3rd July, a cash settlement was made.
- Aprilia shareholder 2004/2009 financial instruments which envisage a realisable value that can never exceed €/000 10,000 proportionate to the differential between the Group's economic value at the exercise date and a grid of threshold values and dependent on the total payment by the Company of the maximum amount, inclusive of the minimum guaranteed, of the value envisaged for the Piaggio 2004/2009 warrants and for the EMH 2004/2009 financial instruments.

The initial purchase cost adjustment relating to the payment of Warrants and EMH Financial Instruments equal to €/000 70,706 was entered as goodwill. Moreover, the initial purchase cost adjustment relating to Aprilia Shareholder Instruments, estimated as €/000 8,999 was also entered as goodwill, as it was considered probable in the light of final results and 2008-2010 Plan forecasts.

Due to the fact that this payment was deferred, the cost is represented by the actual cost of the same calculated according to the following parameters (table 5).

The counter entry for the adjustment to the purchase cost, following the resolution Piaggio's Board of Directors dated 11 June 2008, was recorded to financial payables.

Goodwill €/000 446,940

The following table summarises structure of the goodwill:

In thousand Euros	At 31/12/2008	At 31/12/2007
Piaggio & C.	330,590	330,590
Nacional Motor	31,237	31,237
Piaggio Vehicles	5,408	5,408
Aprilia	79,705	77,245
Total	**446,940**	**444,480**

Goodwill derives from the greater value paid compared to the corresponding share of the subsidiaries' shareholders' equity at the time of the purchase, less the related accumulated amortisation until 31 December 2003.

During first-time adoption of the IFRS, the Group opted not to retroactively apply IFRS 3 - *Business Combinations* to acquisitions of companies that took place before 1 January 2004; as a result, the goodwill generated on acquisitions prior to the date of transition to IFRS was maintained at the

Table 5

		31/12/2008			at 31/12/2007	Change (A-B)
In thousand Euros	Value	Actual Value (A)	Time	Discount rate	Actual Value (B)	
Warrants	64,206	64,206			62,450	1,756
EMH instrument	6,500	6,500			6,322	178
Aprilia shareholder instrument	10,000	8,999	1.6	6.81%	8,473	526
Total	**80,706**	**79,705**			**77,245**	**2,460**

previous value, determined according to Italian accounting standards, subject to assessment and calculation of value impairment.

For all the transactions listed below, the difference between the book value of the equity investment and the net book value has been attributed to goodwill.

The transactions which gave rise to this item are:

- the acquisition by MOD S.p.A. of the Piaggio & C. Group, completed during 1999 and 2000 (net value at 1 January 2004: €/000 330,590)
- the acquisition by Piaggio & C. S.p.A. of 49% of Piaggio Vehicles Pvt. Ltd from Greaves Ltd completed in 2001 (net value at 1 January 2004: €/000 5,192). To this may be added the subsequent acquisition by Simest S.p.A. of a 14.66% stake in the share capital of Piaggio Vehicles Pvt. Ltd
- the acquisition by Piaggio & C. S.p.A., of 100% of Nacional Motor S.A. in October 2003, at a price of €/000 35,040 with goodwill net of amortisation of €/000 31,237 at 1 January 2004.

As specified in setting out the accounting principles, from 1 January 2004 goodwill is no longer amortised, but is annually, or more frequently if specific events or changed circumstances indicate the possibility of it having been impaired, tested for impairment, in accordance with the provisions of IAS 36.

Write-down of asset (impairment test)

In adopting the methodology provided under IAS 36, the Piaggio Group identified the cash generating units that are the smallest identifiable group of assets that are largely independent of the cash inflows from other assets or group of assets within the consolidated financial statements.

The maximum level of aggregation of the cash generating units is represented by the primary segment as prescribed by IAS 14 – Segment Reporting. It should noted that, compared to the previous year, the group undertook a review of the structure of cash generating units in line with the new organisational model that is based on functional areas (2-wheeled vehicles and Commercial vehicles) and the geographical areas where the Group operates (2- wheeled vehicles Emea, 2-wheeled vehicles Americas, 2-wheeled vehicles Asia Pacific, Commercial vehicles India and Commercial vehicles Europe).

Specifically, goodwill has been allocated to the 2-wheeled vehicle sector and the Commercial vehicle sector as shown in the table below:

2-wheeled vehicle sector	272.1 millions of Euros
Commercial vehicle sector	174.8 millions of Euros
Total goodwill	446.9 millions of Euros

Recoverability of the amounts posted is verified by comparing the net book value of the single cash generating units with the recoverable value (value in use).

This recoverable value is represented by the current value of future cash flows that are estimated based on continuous use of the assets in relation to the cash generating unit and the terminal value that is attributed to them.

Recoverability of goodwill (446,940 thousand Euros at 31.12.2008) is verified at least once a year even when there are no indicators that there has been a loss in value.

The primary assumptions utilized by the Group for the calculation of the recoverable value (use value) refer to:

a) the utilization of values derived from the budget and the plan;
b) the discount rate;
c) the utilization of the growth rate.

With regards to the values described in point a), the Piaggio Group - in light of the current economic/financial crisis - has taken into consideration, on a precautionary basis, a hypothesis that is only valid for the purposes of impairment tests and which refers to the 2009-2013 forecast of the

Plan. With regards to growth rates of revenues relating to the period covered by the plan, reference was also made to external sources representing the forecasted growth rate of the market of reference.

For the discounting of cash flows the Group has adopted a different discount rate for the different cash generating units, that reflects current market assumptions for the cost of borrowing and also takes into account the specific risks attributable to the asset and the geographical area in which the cash generating unit operates; the average weighted Group discount, net of tax, is 8.1%.
In carrying out impairment tests, the terminal value was determined using a growth rate (g rate) of 1.5%.

Analyses conducted have not highlighted any loss in value. Thus no write-downs have been reported in the consolidated figures at 31 December 2008.
In addition, on the basis of indications contained in the document issued jointly by Bank of Italy, Consob and Isvap no. 2 of 6 February 2009, the Group undertook a sensitivity analysis on the test results compared to the basic assumptions (use of growth rate in calculating the terminal value and discount rate) that condition the use rate of the cash generating unit.

In all cases processed the Group use value was higher than the net book value put to the test.

Taking into account that the recoverable value is determined based on estimates, the Group cannot guarantee that goodwill in future periods will not loss value.
Given the actual context of market crisis, the various factors used for elaborating estimates may be subject to revision; the Piaggio Group will continue to constantly monitor these factors and the existence of losses in value.

Other intangible assets €/000 1,773

Totalled €/000 1,773 overall and were primarily attributable to charges sustained by Piaggio Vietnam.

16. PROPERTY, PLANT AND MACHINERY €/000 250,354

The following table shows the breakdown of tangible assets at 31 December 2008 and 31 December 2007, together

In thousand Euros	Net value at 31/12/2007	Increases	Depreciation	Disposals	Write-downs	Reclassifications	Exchange differences	Net value at 31/12/2008
Land	32,848			(331)		(367)		32,150
Buildings	86,949	9,233	(3,584)	(350)		812	(1,634)	91,426
Plant and machinery	68,341	16,782	(12,722)	(1)		(151)	(2,982)	69,267
Equipment	51,949	16,817	(19,351)	(39)		(408)	15	48,983
Other	8,508	2,803	(2,416)	(158)	(125)	137	(221)	8,528
Total	**248,595**	**45,635**	**(38,073)**	**(879)**	**(125)**	**23**	**(4,822)**	**250,354**

with changes over the financial period under review. The increases are primarily attributable to moulds for new vehicles launched during the year, together with the building of the new facilities in Vietnam.

Land €/000 32,150

Land refers to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain).

Land is not depreciated.

Buildings €/000 91,426

Buildings, net of the accumulated depreciation, consists of:

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Industrial buildings	86,120	84,035	2,085
Ancillary buildings	759	418	341
Lightweight constructions	414	380	34
Assets under construction	4,133	2,116	2,017
Total	**91,426**	**86,949**	**4,477**

Industrial buildings refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India), Hanoi (Vietnam).

The item “Other” primarily refers to other instrumental buildings of the Parent Company Piaggio & C S.p.A.

At 31 December 2008, the net values of assets held under leases were as follows:

In thousand Euros	At 31/12/2008
Mandello del Lario facility (land and buildings)	13,996
EDP (other assets)	9
Total	**14,005**

Future lease rental commitments are detailed in note 31.

Buildings are depreciated on a straight-line basis using rates considered suitable to represent their useful life. Instrumental buildings is depreciated at the following rates, between 3% and 5%, whereas lightweight constructions are depreciated at rates varying between 7% and 10%.

Plant and machinery €/000 69,267

Plant and machinery, net of the accumulated depreciation, consists of:

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Non-specific plants	33,399	38,111	(4,712)
Automatic machinery	7,364	9,490	(2,126)
Ovens and sundry equipment	736	900	(164)
Other	13,498	14,987	(1,489)
Assets under construction	14,270	4,853	9,417
Total	**69,267**	**68,341**	**926**

Plants and machinery refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India), Hanoi (Vietnam).

The “Other” item mainly includes non-automatic machinery and robotic centres.

Plant and machinery are depreciated using the following rates:

- generic plants: 10%;
- specific plants and non-automatic operating machinery: 10%;
- specific plants and automatic operating machinery: 17.5%;
- ovens and sundry equipment: 15%;
- robotised working stations: 22%.

Assets under construction amounting to €/000 5,654 refer to the plant being built in Vietnam.

Industrial and commercial equipment

€/000 48,983

€/000 48,983 is the value of the item *Industrial and commercial equipment* and is largely made up of production equipment for Piaggio & C. S.p.A., Moto Guzzi S.p.A., Nacional Motor S.A. and Piaggio Vehicles Pvt. Ltd. already being depreciated and includes assets under construction for €/000 10,217. The main investment in equipment concerned moulds for the new vehicles launched during the year or for which launch is planned in the first six months of the next financial period, moulds for new engines and specific equipment for the assembly lines. Industrial and commercial equipment is depreciated using rates considered appropriate by the Group companies to represent its useful life and in particular:

- testing and monitoring equipment: 30%;
- miscellaneous equipment: 25%.

Other tangible assets €/000 8,528

Other tangible assets, net of accumulated depreciation, consist of:

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
EDP systems	2,569	3,199	(630)
Office furniture and equipment	2,246	2,631	(385)
Vehicles	1,198	1,426	(228)
Other	765	767	(2)
Assets under construction	1,750	485	1,265
Total	**8,528**	**8,508**	**20**

Revaluations of fixed assets

The Parent Company still has under assets and liabilities, fixed assets which have undergone revaluation in compliance with specific rules or when merger operations have taken place. The following table provides a detailed overview of financial statement items and with reference to legislative provisions or merger transactions.

In thousand Euros	Reval. Law 623/73	Reval. Law 575/65 and 72/83
Tangible fixed assets		
Industrial buildings	16	2,950
Plant and machinery	0	1,004
Industrial and commercial equipment	0	0
Furniture and ordinary office equipment	0	5
Electrical office equipment	0	0
Internal transport vehicles	0	0
Total tangible fixed assets	**16**	**3,959**
Intangible fixed assets		
Aprilia	0	0
Guzzi		103
Total intangible fixed assets	**0**	**103**
General total	**16**	**4,062**

Guarantees

At 31 December 2008 the Group had land and buildings mortgaged or encumbered in favour of banks securing loans obtained in previous years.

17. REAL ESTATE INVESTMENTS €/000 0

At 31 December 2008, there were no real estate investments to be reported.

18. EQUITY INVESTMENTS €/000 239

Equity investments consist of:

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Equity investments in subsidiaries			
Equity investments in joint ventures			
Equity investments in associated companies	239	725	(486)
Total	**239**	**725**	**(486)**

Changes for the period are shown in the following table:

	Reval. For Merger 1986	Reval. Econ. 1988	Reval. Law 413/91	Reval. in derogation former Art.2425	Reval. Merger 1990	Reval. Merger 1996	Reval. Law 242/2000	Total Revaluations
	0	584	3,201	1,018	1,668	1,549	0	10,986
	263	0	0	0	42	0	1,930	3,239
	331	0	0	0	2,484	0	3,438	6,253
	58	0	0	0	101	0	0	164
	0	0	0	0	27	0	0	27
	0	0	0	0	13	0	0	13
	652	**584**	**3,201**	**1,018**	**4,335**	**1,549**	**5,368**	**20,682**
	0	0	0	0	21,691	0	25,823	47,514
				258				361
	0	**0**	**0**	**258**	**21,691**	**0**	**25,823**	**47,875**
	652	**584**	**3,201**	**1,276**	**26,026**	**1,549**	**31,191**	**68,557**

In thousand Euros	Book value at 31/12/2007	Increases	Reclassifications	Disposals/ Writedowns	Book value at 31/12/2008
Subsidiaries					
Valued using the equity method:					
Piaggio China Co. Ltd	0				
Aprilia Brasil SA	0				
Aprilia World Service do Brasil Ltd	0				
Total subsidiaries	**0**				
Joint ventures					
Valued using the equity method:					
Piaggio Foshan Motorcycles Co. Ltd – China	0				0
Total joint ventures	**0**				**0**
Associated companies					
Valued using the cost method:					
Immsi Audit S.c.a.r.l.	0	10			10
SA.T.S.A. - Tunisia	45				45
Acciones Depuradora Soc. Coop.	3				3
Motoride.com – Milan (in liquidation)	496			(496)	0
Pontech Soc. Cons. S.c.r.l. – Pontedera	181				181
Total associated companies	**725**	**10**	**0**	**(496)**	**239**

Equity investments in subsidiaries €/000 0

With regard to subsidiaries, the main events that occurred during the period were, namely:

- On 12 March 2008, Simest S.p.A. purchased an equity in Piaggio Vietnam Co. Ltd., by means of which the share capital is distributed as follows: Piaggio & C. S.p.A. for 51%, Piaggio Vespa BV for 36.5%, and Simest S.p.A. for 12.5% of the share capital.
- On 8 April 2008, the company Piaggio Indochina Pte Ltd., already in voluntary winding up, was liquidated.
- On 25 June 2008, local authorities approved the merger for the incorporation of Aprilia Motorrad GmbH in Piaggio Deutschland GmbH. Such merger had effect as of 1 January 2008.
- On 30 October 2008, conferment by AWS B.V. to Nacional Motor S.A. of AWS Spanish Branch. Following this transfer, AWS B.V. acquired a shareholding interest of 1.99% in Nacional Motor S.A.
- On 7 November 2008, the trading name of Derbi Italia S.r.l. was changed to Aprilia Racing S.r.l.
- On 1 December 2008 Moto Guzzi S.p.A. was merged by incorporation in Piaggio & C. S.p.A.

Furthermore, the following transactions took place in early 2009:

- On 1 January 2009, Aprilia Racing S.r.l. increased its share capital from Euro 21,000 to Euro 150,000, by means of contribution by Piaggio & C. S.p.A., of its "racing" business line and resulting subscription of an increase in share capital of 86%.
- On 21 January 2009, Aprilia Moto UK Limited was cancelled from the local Registry of Companies.

Equity investments in joint ventures €/000 0

The equity investment in Piaggio Foshan Motorcycles Co. Ltd has been classified under "joint ventures" in relation to the agreement signed on 15 April 2004 between Piaggio & C. S.p.A. and its historic partner Foshan Motorcycle Plant, on the one side, and the Chinese company Zongshen Industrial Group Company Limited, on the other.
Piaggio & C. S.p.A. holds a 45% equity investment in Piaggio Foshan Motorcycles, 12.5% of which is held through the direct subsidiary Piaggio China Company Ltd.
The book value of the equity investment remained unchanged and equal to zero compared to 31 December 2007.
In relation to the bank loans provided to the subsidiary Piaggio Foshan Motorcycle Co. Ltd. Group companies have issued overall bank guarantees of €/000 12,862.

The following table summarises the main financial highlights of the joint ventures:

Piaggio Foshan Motorcycle Co.	Financial statements at 31/12/2008	
		45% (*)
In thousand Euros		
NET TRADE RECEIVABLES	888	400
TRADE RECEIVABLES DUE FROM Piaggio Group	8,204	3,692
INVENTORIES	8,459	3,807
TRADE PAYABLES	(9,032)	(4,065)
AMOUNTS DUE TO Piaggio Group	(394)	(178)
OTHER RECEIVABLES	74	34
OTHER PAYABLES	(4,373)	(1,968)
WORKING CAPITAL	3,826	1,722
TANGIBLE ASSETS	13,310	5,989
INTANGIBLE ASSETS	11	5
TOTAL ASSETS	13,321	5,994
NET CAPITAL EMPLOYED	17,147	7,716
Other reserves	551	248
RESERVES	551	248
FINANCIAL PAYABLES	17,796	8,008
SHORT-TERM FINANCIAL RECEIVABLES AND LIQUID FUNDS	(5,616)	(2,527)
FINANCIAL POSITION	12,179	5,481
SHARE CAPITAL	26,954	12,129
OTHER RESERVES	36,024	16,211
	(60,540)	(27,243)
EARNINGS FOR THE PERIOD	1,978	890
SHAREHOLDERS' EQUITY	4,416	1,987
TOTAL SOURCES OF FUNDS	17,147	7,716

(*) percentage Group ownership

Equity investments in associated companies €/000 239

The changes recorded in the year were due to:

- Conclusion of the winding up of Motoride.com, in which a majority equity interest was acquired in October;

- Acquisition by Piaggio & C of a 25% equity interest in Immsi Audit, a newly established company.

19. OTHER NON-CURRENT FINANCIAL ASSETS €/000 359

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Financial receivables due from associated companies	-	58	(58)
Financial receivables due from third parties	194	-	194
Equity investments in other companies	165	177	(12)
Total	**359**	**235**	**124**

At 31 December 2007, the item financial receivables due from associated companies includes the non-current portion of the loan granted to the Fondazione Piaggio.

Financial receivables due from third parties concerns the winding up of Motoride.

The following table shows the changes in equity investments in other companies:

In thousand Euros	Book value at 31/12/2007	Increases	Reclassifica-tions	Disposals	Book value at 31/12/2008
Other companies:					
Valued using the cost method:					
Sviluppo Italia Liguria S.c.p.a.	5				5
Consorzio Pisa Ricerche	76				76
Centro per l'innovazione – Pisa	0				0
A.N.C.M.A. – Rome	1				1
GEO.FOR. S.p.A. – Pontedera	47				47
GEO.FOR. Patrimonio S.p.A. – Pontedera	12			(12)	0
E.CO.FOR. S.p.A. – Pontedera	2				2
Consorzio Fiat Media Center – Turin	3				3
S.C.P.S.T.V.	21				21
Other	5				5
IVM	5				5
Mitsuba Italia S.p.A.	0				0
Total other companies	**177**			**(12)**	**165**

The €/000 12 reduction in the item equity interests in other companies is due to the disposal, on 10 January 2008, of the equity (0.5%) in Geofor Patrimonio S.p.A. in favour of the Municipality of Pisa.

20. CURRENT AND NON-CURRENT TAX RECEIVABLES €/000 35,938

Tax receivables of €/000 36,274 consist of:

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
VAT receivables	27,281	18,496	8,785
Receivables for tax for which a refund has been claimed	1,932	7,689	(5,757)
Other receivables due from the public authorities	6,725	1,257	5,468
Total tax receivables	**35,938**	**27,442**	**8,496**

Tax receivables including non-current assets amounted to €/000 8,166 compared to €/000 7,821 at 31 December 2007, while tax receivables included in current assets amounted to €/000 27,772 compared to €/000 19,621 at 31 December 2007, primarily due to the effect of an increase of the VAT receivable of the Indian subsidiary.

21. DEFERRED TAX ASSETS €/000 36,227

These totalled €/000 36,227 compared to €/000 33,532 at 31 December 2007. The change of €/000 2,695 was primarily generated by the Parent Company that posted new deferred tax assets for €/000 17,075 and deferred tax assets used posted to previous financial periods in relation to IRES corporate income tax off set against previous tax losses and with regard to temporary differences being reabsorbed. This posting was made on the basis of expected results of Piaggio & C. S.p.A. and relevant use in the next financial periods and taking into account the different dynamics between use and temporal expire of the relevant tax benefits.

Within the context of valuations that have been made for the purpose of defining deferred tax assets, the Group has primarily taken into account the following considerations:

1. tax legislation in the different countries where the Company is present, its impact in terms of displaying temporal differences and any tax benefits arising out of using previous tax losses taking into account their expire;
2. the expected business results in the medium period for each single company and the business and tax impact arising out of implementing the new organisational structure.

In the light of these considerations, and also using a prudent approach, the Group has opted not to entirely recognise the tax benefits arising out of losses that may be carried forward.

In thousand Euros	Amount of temporary differences	tax rate	Fiscal Effect
	12,162	*27.5% 31.40%*	*3,564*
	265	*39.80%*	*105*
	618	*23.50%*	*145*
Provisions for risks	**13,045**		**3,814**
	15,196	*31.40%*	*4,772*
	30	*39.80%*	*12*
	992	*38.00%*	*377*
Product guarantee reserve	**16,218**		**5,161**
	16,593	*27.50%*	*4,563*
	992	*38.00%*	*377*
Allowance for doubtful accounts	**17,585**		**4,940**

In thousand Euros	Amount of temporary differences	tax rate	Fiscal Effect
	22,289	*31.40%*	*6,999*
	10	*39.80%*	*4*
	430	*23.00%*	*99*
	992	*38.00%*	*377*
Reserve for stock obsolescence	**23,721**		**7,479**
	7,620	*27.5% 31.40%*	*2,328*
	361	*33.33%*	*120*
	1,237	*39.00%*	*482*
	2,346	*33.99%*	*797*
	204	*20.00%*	*41*
Other changes	**11,768**		**3,768**
Total deferred tax assets from temporary differences	**82,337**		**25,163**
Piaggio & C.	*115,265*	*27.50%*	*31,698*
Nacional Motor	*62,919*	*30.00%*	*18,876*
Piaggio Group Americas	*17,071*	*38.00%*	*6,510*
Piaggio France	*257*	*33.33%*	*86*
Derbi Racing	*8,270*	*30.00%*	*2,481*
Total deferred tax assets from prior losses	**203,783**		**59,651**
Recognised deferred tax assets			36,227
Non recognised deferred tax assets			48,587

22. CURRENT AND NON-CURRENT TRADE RECEIVABLES €/000 90,278

At 31 December 2008 current trade payables totalled €/000 90,278 against €/000 121,412 at 31 December 2007.
In both periods under review, there were no non-current trade receivables.

Their breakdown was as follows:

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Receivables due from customers	89,818	119,370	(29,552)
Receivables due from Group companies valued at equity	394	1,064	(670)
Receivables due from parent company		920	(920)
Receivables due from associated companies	66	58	8
Total	**90,278**	**121,412**	**(31,134)**

The trade receivables item comprises the receivables, referring to normal sale transactions, recorded net of a reserve for risks on receivables of €/000 24,343. The Piaggio Group normally assigns its trade receivables on a rotating basis 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 clients an instrument for funding their own inventories. At 31 December 2008, trade receivables assigned without recourse amounted in total to €/000 86,811 for which the Group received payment before the natural due date of the receivable for €/000 80,426. At 31 December 2008 receivables assigned with recourse totalled €/000 13,020 with a counter entry posted under current liabilities.

Changes in the reserve are as follows:

In thousand Euros	
31 December 2007	**23,187**
Increases for provisions	3,862
Decreases for applications	(2,706)
31 December 2008	**24,343**

Receivables due from Group companies valued at equity comprise amounts due from Zongshen Piaggio Foshan Motorcycles. Receivables due from associated companies regard amounts due from the Fondazione Piaggio.

23. OTHER CURRENT AND NON-CURRENT RECEIVABLES €/000 33,967

Other receivables recorded under non-current assets totalled €/000 12,587 compared to €/000 8,877 at 31 December 2007, whereas those recorded under current assets are equal to €/000 21,380 against €/000 20,345 at 31 December 2007. They comprise the following:

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Other non-current receivables:			
- due from Group companies valued at equity	440	440	0
- due from associated companies	359	390	(31)
- due from others	11,788	8,047	3,741
Total non-current portion	**12,587**	**8,877**	**3,710**

Receivables due from Group companies valued at equity comprise amounts due from AWS do Brasil. Receivables due from associated companies regard amounts due from the Fondazione Piaggio.

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Other current receivables:			
Receivables due from parent company	1,784	226	1,558
Receivables due from Group companies valued at equity	5	-	5
Receivables due from associated companies	172	-	172
Receivables due from others	19,419	20,119	(700)
Total current portion	**21,380**	**20,345**	**1,035**

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 associated companies regard amounts due from the Fondazione Piaggio.

24. INVENTORIES €/000 257,961

This item at 31 December 2008 amounted to €/000 257,961 compared to €/000 225,529 at the end of the 2007 financial period and breaks down as follows:

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Raw materials and consumables	103,314	99,214	4,100
Reserve for loss in value	(8,687) 94,627	(8,072) 91,142	(615) 3,485
Work in progress	23,733	21,737	1,996
Reserve for loss in value	(852) 22,881	(852) 20,885	0 1,996
Finished products and goods	161,766	131,156	30,610
Reserve for loss in value	(21,417) 140,349	(17,899) 113,257	(3,518) 27,092
Payments on account	104	245	(141)
Total	**257,961**	**225,529**	**32,432**

25. OTHER CURRENT FINANCIAL ASSETS €/000 5,787

This item comprises:

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Financial charges paid to associated companies	45	58	(13)
Securities	1,605	17,925	(16,320)
Other	4,137	435	3,702
Total	**5,787**	**18,418**	**(12,631)**

The item securities refers to certificates of deposit issued by an Indian public security body and purchased by the Indian subsidiary in order to make efficient use of temporary liquidity. The item financial receivables due from associated companies includes the current portion of the loan granted to the Fondazione Piaggio. The item "Other" refers to receivables due from some factors for amounts due to be credited with 2008 bank dates.

26. CASH AND CASH EQUIVALENTS €/000 39,985

The item mainly includes short-term and on demand bank deposits. Cash and cash equivalents totalled €/000 39,985 against €/000 101,334 at 31 December 2007, as detailed below:

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Bank and post office deposits	39,943	101,161	(61,218)
Cash and assets in hand	42	173	(131)
Total	**39,985**	**101,334**	**(61,349)**

27. ASSETS INTENDED FOR SALE €/000 0

At 31 December 2008 no assets were reported held for sale.

28. BREAKDOWN BY GEOGRAPHICAL AREA OF ASSETS

With regard to the breakdown by geographical area of assets posted to the balance sheet, please see the section and information regarding market sectors.

29. RECEIVABLES OVER 5 YEARS €/000 0

At 31 December 2008, no receivables over 5 years were reported.

INFORMATION ON THE CONSOLIDATED BALANCE SHEET - LIABILITIES

30. SHARE CAPITAL AND RESERVES €/000 398,221

Share capital €/000 192,147

The change in share capital during the period was as follows:

In thousand Euros	
At 1 January 2008	**202,124**
Purchase of own shares	(9,977)
At 31 December 2008	**192,147**

At 31 December 2008, the subscribed and paid up share capital consisted of 396,040,908 ordinary shares with a par value of € 0.52 each, for a total of € 205,941,272.16. During the period, the Parent Company, on the basis of resolutions passed by the Shareholders' Meeting on 7 May 2007 and 24 June 2008, purchased 19,186,334 own shares, of which 2,660,000 servicing the new 2007-2009 stock option plan and 16,526,334 for the purpose of sustaining the stock trend.

Thus, at 31 December 2008, the Parent Company held 26,526,334 own shares, corresponding to 6.7% of share capital. It should be noted that in the last days of December, the Parent Company issued instructions to purchase a further 124,352 own shares, as provided for under accounting standards which, being processed in January will be posted to the relevant month.

In accordance with the provisions of international accounting standards, these purchases were recorded as a reduction in shareholders' equity.

Share premium reserve €/000 3,493

The share premium reserve at 31 December 2008 was unchanged and stood at €/000 3,493.

Legal reserve €/000 7,497

The legal reserve increased by €/000 3,224 as a result of the allocation of the earnings for the last period.

Other reserves and retained earnings €/000 150,629

This item consists of:

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Conversion reserve	(6,372)	(293)	(6,079)
Stock option reserve	8,556	6,576	1,980
Financial instruments' fair value reserve	(405)	62,703	(63,108)
IFRS transition reserve	(5,859)	(5,859)	0
Total other reserves	(4,080)	63,127	(67,207)
Consolidation reserve	993	993	0
Retained earnings	153,716	136,826	16,890
Total	**150,629**	**200,946**	**(50,317)**

The financial instruments' fair value reserve amounting to €/000 - 405 relates to the effect of recording the cash flow hedge of forward currency buying and selling based respectively on budgeted purchasing and invoiced flows, described in detail in the section financial instruments.

The change of €/000 63,108 is mainly due to the decision to proceed with the cash settlement for Piaggio 2004-2009 warrants for a value of €/000 64,206.

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

Distributed dividends €/000 23,322

During the month of May 2008, dividends for €/000 23,322 were paid.

During 2007, dividends for €/000 11,881 were paid.

Group earnings (losses) for the period €/000 43,001

Minority interest capital and reserves €/000 1,454

Equity and third party reserves increased from €/000 1,050 at 31 December 2007 to €/000 1,454 at 31 December 2008. The change compared to 31 December 2007 essential arises out of the entry of a third party in the equity of Piaggio Vietnam, only in part off set by the distribution of dividends to third parties made by Piaggio Hrtvaska (€/000 171). The end of period amount refers to the minority shareholders in Piaggio Hrvatska Doo and Piaggio Vietnam.

Reconciliation between Shareholders' equity and earnings for the period of the Parent Company and the consolidated Shareholders' equity and earnings for the period.

In thousand Euros	Earnings at 31/12/2008	Shareholders' equity at 31/12/2008
Piaggio & C. S.p.A.	29,984	307,066
Pro rata earnings and shareholders' equity of subsidiaries	32,569	71,886
Cancellation of book value of shareholdings		(52,696)
Difference between carrying amount of equity investments valued at cost by the Parent Company and valuation of the same using the net Equity method and postings to eliminate intercompany effects	(19,222)	71,965
Piaggio & C. Group	**43,331**	**398,221**

31. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES €/000 405,480

During the course of 2008, overall debt of the Group reported an increase of €/000 15,945, rising from €/000 389,535 to €/000 405,480.

This increase is primarily attributable to the decision to provide a cash payout to Piaggio 2004-2009 Warrant holders and the EMH instruments totalling €/000 70,443 (the remaining non-exercised warrants amounting to €/000 263 have been reclassified under current financial liabilities) which originally were to be settled via the issue of new shares. Also the net debt of the Group increased from €/000 269,783 at 31 December 2007 to €/000 359,708 at 31 December 2008 as can be seen in the table on net financial position included in the financial schedules.

Cash generated by typical operations was only sufficient to finance in part the aforementioned Warrants and EMH instrument and also the distribution of dividends for €/000 23,493, the purchase of own shares for €/000 26,102 and industrial investments.

Financial liabilities included in non-current liabilities totalled €/000 264,789 compared to €/000 322,921 at 31 December 2007, while financial liabilities included in current financial liabilities totalled €/000 140,691 compared to €/000 66,614 at 31 December 2007.

The attached tables provide an overview of the breakdown of financial debt at 31 December 2008 and 31 December 2007, as well as change reported for the period.

In thousand Euros	At 31/12/2007	Repay-ments	New issues	Reclassified to current portion	Other changes	At 31/12/2008
Non-current portion:						
Medium-/long-term loans	147,912		26,500	(57,734)	378	117,056
Bonds falling due over 12 months	145,380	(26,040)			1,533	120,873
Other medium-/long-term loans						
of which leases	*9,746*			*(727)*		*9,019*
of which due to other providers	*11,409*			*(2,569)*	*2*	*8,842*
of which Aprilia instruments	*8,474*				*525*	*8,999*
Total loans over 12 months	**29,629**			**(3,296)**	**527**	**26,860**
Total	**322,921**	**(26,040)**	**26,500**	**(61,030)**	**2,438**	**264,789**

In thousand Euros	At 31/12/2007	Repay-ments	New issues	Reclassified from non-current portion	Other changes	At 31/12/2008
Current portion:						
Current account overdrafts	6,472		7,537			14,009
Current account payables	12,601		39,768			52,369
Payables due to factoring companies	9,332		3,688			13,020
Current portion of medium-/long-term loans:						
of which leases	*695*	*(695)*		*727*		*727*
of which due to banks	*28,502*	*(28,502)*		*57,734*		*57,734*
of which due to other providers	*2,690*	*(2,690)*		*2,569*		*2,569*
of which Aprilia instruments	*6,322*	*(70,443)*	*64,206*		*178*	*263*
Total loans within 1 year	**38,209**	**(102,330)**	**64,206**	**61,030**	**178**	**61,293**
Total	**66,614**	**(102,330)**	**115,199**	**61,030**	**178**	**140,691**

The breakdown of the debt is as follows:

In thousand Euros	Book value at 31/12/2008	Book value at 31/12/2007	Nominal value at 31/12/2008	Nominal value at 31/12/2007
Bank loans	241,168	195,487	241,995	196,722
Bonds	120,873	145,380	123,960	150,000
Other medium-/long-term loans:				
of which leases	*9,746*	*10,441*	*9,746*	*10,441*
of which due to other providers	*24,431*	*23,431*	*24,431*	*23,431*
of which Aprilia instruments	*9,262*	*14,796*	*10,263*	*16,500*
Total other loans	**43,439**	**48,668**	**44,440**	**52,834**
Total	**405,480**	**389,535**	**410,395**	**397,094**

The table below shows the debt servicing schedule at 31 December 2008:

In thousand Euros	Nominal value	Amounts falling due within 12 months	Amounts falling due beyond 12 months	Amounts falling due in				
	at 31.12.2008			2010	2011	2012	2013	Beyond
Bank loans	241,995	124,112	117,883	37,453	36,645	35,754	7,131	900
- of which opening of credit lines and overdrafts	*66,378*	*66,378*	*0*					
- of which medium/long-term loans	*175,617*	*57,734*	*117,883*	*37,453*	*36,645*	*35,754*	*7,131*	*900*
Bonds	123,960	0	123,960			123,960		
Other medium-/long-term loans:								
- of which leases	*9,746*	*727*	*9,019*	*756*	*791*	*827*	*866*	*5,779*
- of which due to other providers	*24,431*	*15,589*	*8,842*	*2,361*	*2,324*	*2,214*	*271*	*1,672*
- of which Aprilia instruments	*10,263*	*263*	*10,000*	*10,000*				
Total other loans	**44,440**	**16,579**	**27,861**	**13,117**	**3,115**	**3,041**	**1,137**	**7,451**
Total	**410,395**	**140,691**	**269,704**	**50,570**	**39,760**	**162,755**	**8,268**	**8,351**

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

In thousand Euros	Book value at 31.12.2007	Book value	Notional value	Applicable interest rate
		at 31.12.2008		
Euro	382,887	385,147	400,284	5.82%
Dollari Singapore	354			
Rupie indiane	3,296	9,705	-	0,00%
Dollari USA	2,998	5,350	4,833	1.42%
Dong Vietnam		5,278	5,278	9.50%
Totale valute non euro	6,648	20,333	10,111	5.64%
Total	**389,535**	**405,480**	**410,395**	**5,67%**

Medium-/long-term bank debt totalling €/000 174,790 (of which €/000 117,056 non-current debt and €/000 57,734 current debt) primarily consists of the following loans:

- €/000 108,673 (nominal value €/000 109,500) loan provided to the parent company by Mediobanca and Banca Intesa San Paolo. In April 2006, this loan was syndicated to a restricted pool of banks and it is part of a more articulated loan package. The package consists of a portion of €/000 150,000 nominal fully drawn and a portion of €/000 100,000 to be used as a credit line, which at 31 December 2008 was completely undrawn. The structure envisages a 7-year term, with a grace period of 18 months and 11 semi-annual instalments with the last maturity on 23rd December 2012 for the loan portion, a variable interest rate linked to the 6-month Euribor rate to which a variable margin of between a maximum of 2.10% and a minimum of 0.65% is added depending on the Net Financial Debt/EBITDA ratio. In relation to the value of this index with 2007 financial statement figures, the margin remained stable at 0.90% for the whole of 2008. For the portion relating to the credit line there is a commitment fee of 0.25%. The agreement does not envisage the issue of guarantees, while, in line with market practice, it does require meeting some financial parameters. It should be noted that, in reference to 2008 period figures, these parameters were comfortably met;

- a €/000 29,000 loan granted to the Parent Company by a pool of 14 banks at the time of the Aprilia acquisition for the purchase of an amount of 34 million Euros in non self-liquidating financial receivables claimed by the same lenders from Aprilia S.p.A.. the economic terms provide for a fixed interest rate of 3.69% annually compounded and repayment of principal and interest in a sole instalment on final maturity at 31 December 2009 aligned with the exercise date of Piaggio 2004-2009 warrants underwritten by the same lenders during the Aprilia closing;
- a €/000 1,106 loan provided by Interbanca in accordance with Law 346/88 regarding subsidies for applied research, secured by a mortgage lien on property;
- €/000 25,000 5-year unsecured loan provided by Interbanca entered into in September 2008;
- an interest-free loan of €/000 2,691 provided by Banca Antonveneta originally to a subsidiary of the Aprilia Group and, following the acquisition, taken on by the Parent Company with a single repayment date in 2011. The conditions envisage a market interest rate over the last two years based on the performance of the Piaggio 2004-2009 warrants;
- a €/000 1,030 subsidised loan provided by Efibanca, maturing on 28/12/2009;
- a €/000 2,290 subsidised loan provided by Banca Intesa San Paolo under Law 346/88 regarding applied research;
- a €/000 3,500 of payables due to Interbanca in its capacity of provider of the EMH instruments;
- €/000 1,500 8-year subsidised loan provided by ICCREA in December 2008 granted under Law 100/90 and linked to the SIMEST equity investment in the Vietnamese company.

In December 2008, the company entered into a medium-term loan agreement for €/000 150,000 with the European Investment Bank for the purpose of financing the Research & Development investment plan planned for years 2009-12. The loan has a duration of 7 years and may be drawn as one or more tranches at a variable interest rate with a spread of 1.323 above the Euribor rate. The contractual terms envisage loan covenants but exclude guarantees. At 31 December, the Company had not yet requested the loan to be activated.

The item bonds falling due over 12 months (€/000 120,873 net carrying amount) refer to a high-yield bond issued on 27 April 2005 by subsidiary Piaggio Finance S.A. (Luxembourg), for a nominal amount of €/000 150,000, maturing on 30 April 2012 and with a half/yearly coupon bearing a fixed annual nominal rate of 10%. The bond issue was guaranteed by the Parent company and in June 2008 Standard & Poor's confirmed its BB rating with a stable outlook, in line with the Issuer's corporate rating; also the rating agency, Moody's, in July 2008 confirmed its Ba2 rating and "stable" outlook remark. The crisis that impacted financial markets in the latter part of 2008, has been reflected in bond market prices that in these circumstances have been trading under par. The Group has taken advantage of this situation and has repurchased its own bonds on the market using its extended capacity of available credit. At the end of 2008, the Issuer repurchased these for a total nominal amount of €/000 26,040, deciding not to cancel the quota held in its portfolio but posting them to the balance sheet instead offsetting the initial debt, as prescribed in accounting standards.

Medium-/long-term payables due to other lenders amount to €/000 43,439 of which €/000 26,860 falling due over 12 months. €/000 16,579 is the current portion of other loans). These break down as follows:

- finance leases for €/000 9,746, of which €/000 9,740 provided by Locat S.p.A. to Moto Guzzi S.p.A., and €/000 6 provided by Italease Factoring S.p.A. to Moto Guzzi S.p.A.;
- Piaggio 2004-2009 warrants for €/000 263;
- ex-Aprilia Shareholders' financial instrument for €/000 8,999;
- subsidised loans totalling €/000 11,411. provided by Simest and by the Ministry for Economic Development under legislation for providing export incentives and investments in research and development (non-current portion amounting to €/000 8,842);
- advances from factoring operations with recourse €/000 13,020.

Financial instruments

Exchange rate risk

In 2008, the exchange rate risk was managed in line with the policy introduced in 2005 which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flow, by hedging the business risk, which concerns the changes in company profitability compared to the annual business budget on the basis of a key change (the so-called "budget change") and of the settlement risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.

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.

The hedge must be equal at least 66% of the balance sheet exposure in each quarter of reference.

The exposure to 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 exchange rate risk on receivables and payables in foreign currency (settlement risk), at 31 December 2008, Piaggio & C. S.p.A. had forward purchase transactions of CAD/000 260, corresponding to €/000 149 (valuated at forward exchange market rate), GBP/000 850, corresponding to €/000 938, SEK/000 390, corresponding to €/000 37, JPY/000,000 99, corresponding to €/000 795 and CHF/000 2,870, corresponding to €/000 1,930. At 31 December 2008, the following forward sale transactions were in place:

- USD/000 23,540 corresponding to €/000 17,652 (valued at the forward exchange rate);
- GBP/000 2,050 corresponding to €/000 2,235 (valued at the forward exchange rate);
- JPY/000,000 80 corresponding to €/000 682 (valued at the forward exchange rate);
- NOK/000 1,160 corresponding to €/000 131 (valued at the forward exchange rate);
- SGD/000 540 corresponding to €/000 268 (valued at the forward exchange rate);
- DKK/000 1,290 corresponding to €/000 173 (valued at the forward exchange rate);
- CAD/000 2,775 corresponding to €/000 1,775 (valued at the forward exchange rate);
- and finally, CHF/000 2,930 corresponding to €/000 1,932 (valued at the forward exchange rate).

As regards contracts in place to hedge exchange rate risk on forecast transactions (business risk), at 31 December 2008, the parent company had forward purchase transactions of JPY/000 610,000, corresponding to €/000 4,941 (valued at the forward exchange rate), and CNY/000 346,000, corresponding to €/000 34,851 (valued at the forward exchange rate), and forward sales transactions for a value of CHF/000 10,500 corresponding to an overall €/000 6,766 (valued at the forward exchange rate).

32. CURRENT AND NON-CURRENT TRADE PAYABLES €/000 362,224

At 31 December 2008 and at 31 December 2007 no trade payables were recorded under non-current liabilities. Trade payables included in current liabilities totalled €/000 362,224 compared to €/000 347,460 at 31 December 2007.

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Current liabilities:			
Liabilities due to suppliers	353,512	342,679	10,833
Liabilities due to Group companies valued at equity	8,209	4,071	4,138
Liabilities due to associated companies	159	119	40
Liabilities due to parent companies	344	591	(247)
Total current portion	**362,224**	**347,460**	**14,764**

33. RESERVES (CURRENT AND NON-CURRENT PORTION) €/000 41,576

The breakdown and changes in the provisions for risks during the year were as follows (table 6).

The breakdown between the current and non-current portions of long-term reserves is as follows:

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Non-current portion			
Product warranty reserve	2,945	3,612	(667)
Reserve for risks on equity investments	5,480	5,605	(125)
Reserve for contractual risks	8,481	7,151	1,330
Other provisions for risks and charges	4,772	3,601	1,171
Total non-current portion	**21,678**	**19,969**	**1,709**

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Current portion			
Product warranty reserve	15,592	16,705	(1,113)
Reserve for risks on equity investments	302	302	0
Reserves for restructuring	-	1,605	(1,605)
Other provisions for risks and charges	4,004	5,147	(1,143)
Total current portion	**19,898**	**23,759**	**(3,861)**

Table 6

In thousand Euros	Balance at 31/12/2007	Provisions	Applications	Reclassification	Change	Balance at 31/12/2008
Product warranty reserve	20,317	13,297	(15,064)	(21)	8	18,537
Reserve for risks on equity investments	5,907		(125)			5,782
Reserves for restructuring	1,605		(1,605)			0
Reserve for contractual risks	7,151	2,312	(834)	(148)		8,481
Other provisions for risks and charges	8,748	2,962	(3,357)	280	143	8,776
Total	**43,728**	**18,571**	**(20,985)**	**111**	**151**	**41,576**

The product warranty reserve relates to allocations for technical assistance on products with 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 of a commitment to scheduled maintenance.

The reserve increased over the year to €/000 13,297 and was used for €/000 15,064 in relation to charges incurred during the year.

The reserve for risks on equity investments covers the negative share of shareholders' equity held by the parent companies Piaggio China Co. Ltd and AWS do Brasil, and by the joint venture Zongshen Piaggio Foshan, along with related charges that may arise.

During the year, reserves for company restructuring were annulled following the bringing to term of the company restructuring measures for which the reserves were originally allocated.

The provision of contractual risks refers largely to charges which may arise from the ongoing negotiation of a supply contract. The allocation of €/000 2,312 related to charges forecast for the three-year management plan.

"Other reserves" include the provision for legal risks for an amount of €/000 5,586. The allocation of €/000 2,962 in reserves for legal risks included €/000 1,206 for litigation underway.

34. DEFERRED TAX LIABILITIES €/000 31,795

Deferred tax liabilities totalled €/000 31,795 compared to €/000 39,514 at 31 December 2007.

The change was mainly attributable to the parent company following the partial realignment of differences between the statutory and fiscal value of the Aprilia brand as per Law No. 244/2007 and the reabsorption of temporary differences. The releases were partially offset by the booking of deferred tax liabilities connected with the recognition of the gross value of the Guzzi brand.

35. RESERVES FOR PENSION AND EMPLOYEE BENEFITS €/000 64,160

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Pension funds	2,562	2,594	(32)
Employee severance indemnity	61,598	59,610	1,988
Total	**64,160**	**62,204**	**1,956**

The reserves for pensions comprise reserves for employees allocated by foreign companies and the additional customer indemnity reserve, which represents the compensation due to agents in the case of the agency contract being terminated for reasons beyond their control. Drawdowns refer to the indemnity settlements for which reserves were allocated in previous years, whereas additional allocations refer to indemnities matured over the period.

The following changes were recorded in employee severance indemnity reserves:

	In thousand Euros
Balance December 31, 2007	**59,610**
Additions	12,820
Interest cost	3,304
Actuarial gain	681
Applications	(14,817)
Balance December 31, 2008	**61,598**

With regard to the 2007-2009 incentive scheme passed by shareholders on 7 May 2007 for the top management of the Company or of its Italian and/or foreign subsidiaries pursuant to art. 2359 of the Italian Civil Code, as well as for managing directors of the aforementioned subsidiaries **("2007-2009 Plan")**, it is pointed out that during the year, 3,260,000 options, as at 31 July 2008, and 300,000 options, as at 3 October 2008 were assigned, while 655,000 options expired. At 31 December 2008, the total number of option rights assigned amounted to 9,415,000, for a corresponding number of shares. We further note that following the close of the year, as at 15 January 2009, a further 390,000 options were assigned at a call price of €1.2218. At the date of assignment of the options, the market price for the underlying financial instruments was €1.1569.

As indicated above in the section on consolidation principles, the cost of compensation, equal to the current value of the options, determined on the basis of the Black-Scholes method, using the average historic volatility of company stock and the average interest rate on loans with a maturity equal to the contract term, is recorded under employee costs on a straight-line basis over the period between the grant date and the vesting date, with a counter entry recognised directly under shareholders' equity.

The table below reports, in compliance with Consob regulations, options assigned to members of the board of directors, general managers and senior management with strategic responsibility:

36. CURRENT AND NON-CURRENT TAX PAYABLES €/.000 19,231

Tax payables included in current liabilities totalled €/000 19,065 compared to €/000 9,683 at 31 December 2007. Tax payables included in non-current liabilities totalled €/000 166, compared to the nil figure recorded at 31 December 2007.

Their breakdown was as follows:

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Due for income tax	1,344	1,462	(118)
Due for non-income tax	-	161	(161)
Tax payables for:			
- VAT	3,962	5,876	(1,914)
- tax withholdings made	6,026	1,468	4,558
- other	7,899	716	7,183
Total	*17,887*	*8,060*	*9,827*
Total	**19,231**	**9,683**	**9,548**

The item includes tax payables recorded in the accounts of the individual companies consolidated, recognised in relation to the tax liability binding on the individual companies under the applicable national legislation in force.

Payables for tax withholdings made refer mainly to withholdings on employees' earnings, on employment termination payments and on self-employed earnings.

	Options held at the start of the year			Options assigned during the year			Options exercised during the year		
Positions held	No. options	Average price of the year	Average expire	No. options	Average price of the year	Average expire	No. options	Average price of the year	Average expire
Daniele Bandiera General Operations Manager	1,365,000	3.55	13/06/2012						
				750,000	1.216	31/07/2013			
Michele Pallottini Finance General Manager	1,365,000	3.55	13/06/2012						
				585,000	1.216	31/07/2013			
Total	**2,730,000**			**1,335,000**					

37. OTHER PAYABLES (CURRENT AND NON-CURRENT) €/.000 76,642

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Non-current portion:			
Amounts due to social security institutions	1,003	1,003	0
Other payables	4,962	19,743	(14,781)
Total non-current portion	**5,965**	**20,746**	**(14,781)**

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Current portion:			
Amounts due to employees	24,563	26,445	(1,882)
Amounts due to social security institutions	9,205	10,784	(1,579)
Sundry payables due to associated companies	226	180	46
Sundry payables due to parent companies	374		374
Others	36,309	22,253	14,056
Total	**70,677**	**59,662**	**11,015**

Other payables included in non-current liabilities totalled €/000 5,965 against €/000 20,746 at 31 December 2007, whereas other payables included in current liabilities total €/000 70,677 compared to €/000 59,662 at 31 December 2007. Amounts due to employees include the amount for holidays accrued but not taken of €/000 12,530 and other payments to be made for €/000 12,033.

Payables due to associated companies refer to various amounts due to the Fondazione Piaggio and Immsi Audit.

	Options expired during the year	Options held at the end of the year		
	No. options	No. options	Average price of the year	Average expire
		1,365,000	3.55	13/06/2012
		750,000	1.216	31/07/2013
		1,365,000	3.55	13/06/2012
		585,000	1.216	31/07/2013
		4,065,000		

38. BREAKDOWN BY GEOGRAPHICAL AREA OF BALANCE SHEET LIABILITIES

With regard to the breakdown by geographical area of balance sheet liabilities, please see the section and information regarding market sectors.

39. LIABILITIES OVER 5 YEARS

The Group does not hold loans falling due beyond five years. For further detail, please see Note 31 Financial Liabilities.

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Milan, 26 February 2009

for the Board of Directors
Chairman and Chief Executive
Roberto Colaninno

E) DEALINGS WITH RELATED PARTIES

The main business and financial dealings that Group companies had with related parties have already been described in the specific paragraph in the Directors' Report to which reference is made here. To supplement information, the following table provides an indication by company of the outstanding items at 31 December 2008, as well as their contribution to the respective items.

		Amounts in €/000	% of accounting item
Dealings with associated companies			
Fondazione Piaggio	other current receivables	172	0.80%
	other current financial assets	45	0.78%
	other non-current receivables	359	2.85%
	current trade receivables	66	0.07%
	current trade payables	19	0.01%
	other current payables	218	0.31%
	other operating income	8	0.01%
Piaggio China	current trade payables	5	0.00%
AWS do Brasil	other non-current receivables	440	3.50%
Zongshen Piaggio Foshan	other current receivables	5	0.02%
	costs for materials	43,854	4.68%
	other operating income	1,957	1.47%
	current trade receivables	394	0.44%
	current trade payables	8,204	2.26%
	financial charges	246	0.37%
	costs for services and use of third party assets	32	0.01%
Rodriquez Cantieri Navali	net sales	58	0.00%
IMMSI Audit	other current payables	8	0.01%
Studio D'Urso	current trade payables	140	0.04%
	costs for services and use of third party assets	140	0.05%
Dealings with parent companies			
IMMSI	costs for services and use of third party assets	1,385	0.47%
	other operating income	70	0.05%
	other operating costs	10	0.03%
	costs for materials	1	0.00%
	other current receivables	1,784	8.34%
	current trade payables	344	0.09%
	other current payables	374	0.53%

F) COMMITMENTS AND RISKS

40. GUARANTEES PROVIDED

The main guarantees provided by lending institutions on behalf of Piaggio & C. S.p.A in favour of third parties are:

TYPE	AMOUNT €/000
Cassa di Risparmio di Pisa bank guarantee issued on our behalf in favour of the provincial administration of Pisa	130
Banca Intesa San Paolo bank guarantee issued on our behalf in favour of the La Spezia Customs Authority	200
Bank guarantee for the credit line of USD 8,100,000 agreed with Banca di Roma for the associated company Zongshen Piaggio Foshan	5,820
Banca Intesa San Paolo bank guarantee issued in favour of AMIAT – Turin to guarantee contractual obligations for the supply of vehicles	230
Banca Intesa San Paolo bank guarantee issued in favour of the Algerian Ministry of the Interior to guarantee contractual obligations for the supply of vehicles	505
Bank guarantee to secure the credit line agreed with Banca Intesa San Paolo to the subsidiary Piaggio Vespa BV for USD 20,000,000	
- *of which drawn*	*3,647*
- *of which given to the subsidiary Zongshen Piaggio Foshan*	*7,042*
- *of which undrawn*	*3,682*
BNL bank guarantee in favour of Poste Italiane (Italian Post) to guarantee contractual obligations for the supply of vehicles	2,040
BNL bank guarantee issued in favour of the Venice Customs Authority	206
MPS bank guarantee in favour of AMA SpA – Rome to guarantee contractual obligations for the supply of vehicles	226
Banca Intesa Madrid bank guarantee in favour of Soc. Estatal De Correos Tel. issued on 13-08-2007 to guarantee supplies	187
Banco di Brescia bank guarantee issued in favour of the local authority of Scorzé to secure the payment of town planning charges	166
Banca di Credito Cooperativo di Fornacette bank guarantee issued on our behalf in favour of Poste Italiane (Italian Post) – Rome to guarantee contractual obligations for the supply of vehicles	204
Banca di Credito Cooperativo di Fornacette bank guarantee issued on our behalf in favour of AMA SpA – Rome to guarantee contractual obligations for the supply of vehicles	500

G) NON-RECURRING TRANSACTIONS

The Group had no non-recurring transactions in 2008 and 2007.

H) INFORMATION ABOUT FINANCIAL INSTRUMENTS

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

At 31 December 2008 and at 31 December 2007 the financial instruments in force were allocated as follows within the Piaggio Group consolidated financial statements:

Securities

The item securities refers to certificates of deposit issued by an Indian public security body and purchased by the subsidiary Piaggio Vehicles in order to make efficient use of temporary liquidity. Such securities, which are intended to hold to maturity, are posted at the amortised cost according to the actual interest rate method.

Current and non-current financial liabilities

The non-current and current financial liabilities are widely commented in the explanatory note in the paragraph dedicated to the financial liabilities.

In this section liabilities are divided by type and detailed by expire date.

In thousand Euros	Notes	At 31/12/2008	At 31/12/2007	Change
ASSETS				
Current assets				
Other financial assets	25	5,787	18,418	(12,631)
of which securities		*1,605*	*17,925*	*(16,320)*
of which financial receivables		*4,182*	*493*	*3,689*
LIABILITIES				
Non-current liabilities				
Financial liabilities falling due beyond one year	31	264,789	322,921	(58,132)
of which Bonds		*120,873*	*145,380*	*(24,507)*
of which bank loans		*117,056*	*147,912*	*(30,856)*
of which leases		*9,019*	*9,746*	*(727)*
of which other lenders		*8,842*	*11,409*	*(2,567)*
of which Aprilia instruments		*8,999*	*8,474*	*525*
Current liabilities				
Financial liabilities falling due within one year	31	140,691	66,614	74,077
of which bank loans		*124,112*	*47,575*	*76,537*
of which leases		*727*	*695*	*32*
of which factoring		*13,020*	*9,332*	*3,688*
of which other lenders		*2,569*	*2,690*	*(121)*
of which Aprilia instruments		*263*	*6,322*	*(6,059)*

Credit lines

At 31 December 2008 the most important credit lines irrevocable until maturity are as follows:

- a €/000 209,500 credit line maturing in four years, consisting of a loan with amortisation and credit opening completely refundable at maturity;
- a framework agreement with a pool of banks for the granting of credit lines for a total amount of €/000 70,300 maturing in three years, usable for opening credit of up to 80% and as advance on credits for up to 60%;
- a €/000 29,000 loan maturing on 31 December 2009;
- a €/000 150,000 loan maturing in seven years;
- a €/000 25,000 loan maturing in five years;

All above-mentioned credit lines were granted to the Company.

Warrants and Financial Instruments

In relation to agreements for the acquisition of Aprilia, in December 2004, the Company issued warrants in favour of Aprilia's creditor banks and financial instruments to seller shareholders. Extensive information on the warrants and financial instruments can be found in the explanatory note, in the paragraph concerning Intangible Assets.

Management of Financial Risks

Cash management functions regulation and financial risks management is centralised. Cash management operations are performed within formalised policies and guidelines, valid for all Group's companies.

Capitals management and liquidity risk

Cash flows and the Group's credit line needs are monitored or managed centrally under the control of the Group's Cash management in order to guarantee an effective and efficient management of the financial resources as well as optimising the debt's maturity standpoint. The parent company funds the temporary cash necessities of the Group's companies by means of current accounts with its subsidiaries, as well as through cash-pooling, in accordance with normal market conditions.

In order to better hedge the cash risk, at 31 December 2008, the Group's Cash management has €/000 296,382 unused credit lines available, irrevocable until maturity, and revocable credit lines for €/000 124,193, as the following table shows:

In thousand Euros	At 31/12/2008	At 31/12/2007
Variable rate with maturity within one year - irrevocable until maturity	1,908	2,500
Variable rate with maturity beyond one year - irrevocable until maturity	294,474	170,114
Variable rate with maturity within one year - cash revocable	89,993	84,500
Variable rate with maturity within one year - revocable through self-liquidation	34,200	42,700
Total unused credit lines available	**420,575**	**299,814**

Exchange rate risk management

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

The Group has adopted a policy for the management of exchange rate risk with the objective of neutralising the possible negative effects of changes in exchange rates on the company's cash flow.

The policy hedges the business risk concerning the changes in company profitability compared to the annual business budget on the basis of a key change (the so-called budget change) for at least 66% of the business exposure by resorting to derived contracts.

The policy also provides the integral hedging of settlement risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment (net between sales and purchases in the same foreign currency) by resorting to the natural offsetting of the exposure, to the underwriting of derivatives sales or purchase contract in foreign currency, besides advances of receivables in foreign currency.

The Group is also exposed to the transfer risk, arising from the conversion into Euros of balance sheets of subsidiaries drawn up in currencies different from Euros performed during the consolidation process.

The policy adopted by the Group does not impose the hedging of such exposure also in relation to its modest entity.

Following is highlighted the net balance of the cash flows in the main currencies, whereas for derivatives contracts based on exchange rates applicable at 31 December 2008, please refer to the list in the explanatory note, in the paragraph about financial liabilities.

	Amounts in ML€	
	Cash Flow 2008	Cash Flow 2007
Pound Sterling	33.7	48.8
Indian Rupee	20.9	19.1
Singapore Dollar	0.6	1.0
Croatian Kuna	17.7	17.1
US Dollar	30.5	26.3
Canadian Dollar	5.2	0
Swiss Franc	14.0	12.3
Japanese Yen	(23.4)	(19.4)
Chinese Yuan*	(55.9)	(47.7)
Vietnamese Dong	(13.0)	(5.0)
Total cash flow in foreign currency	30.3	52.5
*flows settled in Euros		

In consideration of the aforementioned, and on the assumption of a 3% increase in the average Euro exchange rate for the unhedged portion of the balance sheet exposure to the main currencies observed in 2008, the consolidated operating income will decrease by around €/000 179.

Management of the interest rate risk

The exposure to interest rate risk arises from the necessity to fund operating activities, both industrial and financial, besides to use the available cash. Changes in interest rates can affect costs and returns related to financing and investment operations. The Group regularly measures and controls its exposure to interest rates changes and manages such risks also resorting to derivative instruments, mainly Forward Rate Agreement and Interest Rate Swap, according to what established by its own management policies.

At 31 December 2008 variable rate debt, net of financial assets, was equal to €/000 161,032. As a consequence, a 1% increase or decrease of the Euribor above such net exposure would have generated higher or lower interests of €/000 1,610 per year.

Credit risk

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

In thousand Euros	At 31/12/2008	At 31/12/2007
Liquid assets	39,985	101,334
Securities	1,605	17,925
Financial receivables	4,182	493
Trade receivables	90,278	121,412
Total	**136,050**	**241,164**

The Group monitors and manages credit risk at the central level through formalised guidelines and policies. There is no concentration of credit risk in the portfolio of trade receivables thanks to the broad dispersion across the network of out dealers and distributors. In addition to this, the majority of trade receivables are short-term. With a view to optimising credit management, the company has established a revolving programme for the factoring without recourse of trade receivables in Europe and the United States with leading factoring companies.

I) SUBSEQUENT EVENTS

To date, no events have occurred after 31 December 2008 that make additional notes or adjustments to these financial statements necessary.

In this regard, refer to the Directors' Report for significant events after 31 December 2008.

L) SUBSIDIARIES

41. PIAGGIO GROUP COMPANIES

In accordance with CONSOB resolution no. 11971 dated 14 May 1999, and its subsequent amendments and supplements (article 126 of the Regulation), the list of the Group's companies and major equity investments is provided below. The list indicates the companies divided by type of control and method of consolidation. The following are also shown for each company: the company name, the registered office, the country of origin and the share capital in the original currency.

Also indicated is the percentage held by Piaggio & C. S.p.A. or by other subsidiaries. A separate column indicates the

Company name	Registered office
Parent:	
Piaggio & C. S.p.A.	Pontedera (Pisa)
Subsidiaries:	
Aprilia Moto UK Limited *	Stockport - Cheshire
Aprilia Racing S.r.l.	Pontedera (Pisa)
Aprilia World Service B.V.	Amsterdam
Derbi Racing S.L.	Barcelona
Moto Laverda S.r.l. *	Noale (Venice)
Nacional Motor S.A.	Barcelona
P & D S.p.A. *	Pontedera (Pisa)
Piaggio Asia Pacific PTE Ltd.	
Piaggio Benelux B.V.	Oosterhout
Piaggio Deutschland Gmbh	Kerpen
Piaggio Finance S.A.	Luxembourg
Piaggio France S.A.S.	Clichy Cedex
Piaggio Group Americas Inc	New York
Piaggio Group Japan	Yokohama
Piaggio Hellas S.A.	Athens
Piaggio Hrvatska D.o.o.	Split
Piaggio Limited	Bromley Kent
Piaggio Portugal Limitada *	Lisbon
Piaggio Vehicles Private Limited	Maharashtra
Piaggio Vespa B.V.	Amsterdam
Piaggio Vietnam Co Ltd	Hanoi

* Company in liquidation

percentage of voting rights at the ordinary shareholders' meeting should it be different from the equity investment percentage in the share capital.

List of companies included in the consolidation area on a line-by-line basis at 31 December 2008

	Country	Share capital at 31 December 2008	Currency	% Group ownership	Held by	%	% votes
	Italy	205,941,272.16	euro				
	United Kingdom	2,555,325.00	GBP	100%	Aprilia World Service B.V.	100%	
	Italy	21,000.00	Euro	100%	Nacional Motor S.A.	100%	
	Holland	30,000,000 authorised capital (6,657,500 subscribed and paid-up)	Euro	100%	Piaggio & C. S.p.A.	100%	
	Spain	1,263,000.00	Euro	100%	Nacional Motor S.A.	100%	
	Italy	80,000.00	Euro	100%	Piaggio & C. S.p.A.	100%	
	Spain	9,368,904.00	Euro	100%	Piaggio & C. S.p.A.	98.01%	
	Italy	416,000.00	Euro	100%	Piaggio & C. S.p.A.	100%	
	Singapore	100,000.00	Sin$	100%	Piaggio Vespa B.V.	100%	
	Holland	45,378.00	Euro	100%	Piaggio Vespa B.V.	100%	
	Germany	5,113,500.00	Euro	100%	Piaggio Vespa B.V.	100%	
	Luxembourg	31,000.00	Euro	99.99%	Piaggio & C. S.p.A.	99.99%	
	France	1,209,900.00	Euro	100%	Piaggio Vespa B.V.	100%	
	USA	561,000.00	USD	100%	Piaggio Vespa B.V.	100%	
	Japan	3,000,000.00	Yen	100%	Piaggio Vespa B.V	100%	
	Greece	2,704,040.00	Euro	100%	Piaggio Vespa B.V.	100%	
	Croatia	400,000.00	Kuna	75%	Piaggio Vespa B.V.	75%	
	United Kingdom	250,000.00	GBP	100%	Piaggio Vespa B.V.	99.9996%	
	Portugal	5,000.00	Euro	100%	Piaggio Vespa B.V.	100%	
	India	340,000,000.00	Rupee	100%	Piaggio & C. S.p.A.	99.999997%	
	Holland	91,000.00	Euro	100%	Piaggio & C. S.p.A.	100%	
	Vietnam	64,751,000,000.00	Dong	87.5%	Piaggio & C. S.p.A.	51%	

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATION AREA USING THE EQUITY METHOD AT 31 DECEMBER 2008

Company name	Regis-tered office	Country	Share capital at 31/12/2008	Currency	% Group ownership	Held by	%	% votes
Aprilia Brasil S.A.	Manaus	Brazil	2,020,000.00	Real	51%	Aprilia World Service Holding do Brasil Ltda	51%	
Aprilia World Service Holding do Brasil Ltda.	Sao Paulo	Brazil	2,028,780.00	Real	99.99995%	Aprilia World Service B.V.	99.99995%	
Piaggio China Co. LTD	Hong Kong	China	12,500,000 authorised capital (12,100,000 subscribed and paid-up)	USD	99.99999%	Piaggio & C. S.p.A.	99.99999%	
Zongshen Piaggio Foshan Motorcycle Co. LTD.	Foshan City	China	29,800,000.00	USD	45%	Piaggio & C. S.p.A. Piaggio China Co. LTD	32.5% 12.5%	

LIST OF OTHER SIGNIFICANT EQUITY INVESTMENTS AT 31 DECEMBER 2008

Company name	Registered office	Country	Share capital at 31/12/2008	Cur-rency	% Group ownership	Held by	%	% votes
Acciones Depuradora Soc. Coop. Catalana Limitada	Barcelona	Spain	60,101.21	Euro	22%	Nacional Motor S.A.	22%	
Immsi Audit S.c.a.r.l.	Mantova	Italy	40,000.00	Euro	25%	Piaggio & C. S.p.A.	25%	
Mitsuba Italia S.p.A.	Pontedera (Pisa)	Italy	1,000,000.00	Euro	10%	Piaggio & C. S.p.A.	10%	
Pont - Tech, Pontedera & Tecnologia S.c.r.l.	Pontedera (Pisa)	Italy	884,160.00	Euro	20.44%	Piaggio & C. S.p.A.	20.44%	
S.A.T. Societé d'Automobiles et Triporteurs S.A.	Tunis	Tunisia	210,000.00	TND	20%	Piaggio Vespa B.V.	20%	

* Company in liquidation

M) Information pursuant to Article 149-duodecies of the Consob Issuer Regulation

The table below, prepared in compliance with Article 149-duodecies of the Consob Issuer Regulation, discloses fees paid for auditing services and other services provided by the independent auditors and entities belonging to network, accruing to 2007.

(in Euros)	Service provider	Beneficiary	Fees accruing to 2008
Auditing of accounts	Deloitte	Parent company - Piaggio & C.	408,036
	Deloitte	Subsidiaries	342,731
Total			**750,767**
Other services	Deloitte	Parent company - Piaggio & C.	224,000
	Deloitte	Subsidiaries	13,089
Total			**237,089**
General total			**987,856**

N.B. Fees paid by subsidiaries operating in currencies other than the Euro and set in local currencies have been converted at the market exchange rate as at 31 December 2008.

N) Certification of the consolidated financial statements pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999, and its subsequent amendments and supplements

1. We, Roberto Colaninno (Chairman and Chief Executive) and Alessandra Simonotto (Manager in Charge) of Piaggio S.p.A., taking account of the provisions of article 154-bis, paragraphs 3 and 4, of Law 24 February 1998, no: 58, state that:

- the company has suitable characteristics and
- the administrative and accounting procedures for preparing the Consolidated Financial Statements at 31 December 2008 have been properly applied.

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

3. Moreover, it is stated that:

3.1 the Consolidated Financial Statements:

a) have been prepared in compliance with the international accounting standards endorsed by the European Community, pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) corresponds to the books and the accounting entries;

c) it is suitable for providing a true representation of the balance sheet, income, and financial situation of the issuer and of the totality of companies included in the consolidation;

3.2 The operating report includes a reliable analysis of the progress and result of operations, as well as the position of the issuer and the totality of companies included in the consolidation, together with a description of the main risks and uncertainties to which they may be exposed.

Milan, 26 February 2009

Chairman and Chief Executive Officer
Roberto Colaninno

Manager in Charge
Alessandra Simonotto

Piaggio & C. S.p.A.

Financial Statements as at 31 December 2008

FINANCIAL AND ECONOMIC PERFORMANCE OF PIAGGIO & C. S.P.A.

Amounts in ML€		**2008**	**2007**
Income statement (reclassified)			
Net sales		1,276.3	1,330.1
Operating earnings		48.6	105.5
Pre-tax earnings		30.2	91.2
Net earnings		30.0	64.5
Operating earnings on Net Sales	%	3.8	7.9
Net earnings on net sales	%	2.3	4.8
Gross operating margin=EBITDA (from operations)		**135.4**	**177.1**
Gross operating margin on Net Sales	%	10.6	13.3
Balance sheet			
Net working Capital		-10.1	-5.3
Net tangible assets		195.1	179.3
Net intangible assets		523.3	484.7
Financial assets		89.0	124.2
Provisions		-128.7	-125.2
Net capital employed		**668.6**	**657.7**
Net financial position		361.5	268.2
Shareholders' equity		307.1	389.5
Sources of funds		**668.6**	**657.7**
Change in net financial position			
Opening net financial position		**-268.2**	**-299.1**
Initial net financial position w/ incor. of Moto Guzzi		**-37.5**	
Cash flow from operations (earnings+amortisation)		116.8	136.1
Increase/(Decrease) in working capital		25.6	-3.4
(Increase)/Decrease in investments		-72.8	-70.6
Net change in pension provisions and other provisions		-13.0	-6.4
Change in shareholders' equity		-112.4	-24.8
Total Changes		**-55.8**	**30.9**
Closing net financial position		**-361.5**	**-268.2**

Economic results of the parent company Piaggio & C. S.p.A.

Net Sales

Net sales of the parent company in 2008 were equal to 1,276.3 ML€, a 4% decrease compared to 2007.

The decrease is due to slowdowns in both the 2-wheeler sector and the light transport sector.

Ebitda - which is defined as "Operating income" gross of the amortization of intangible fixed assets and the depreciation of tangible fixed assets, as reported in the income statement of the financial statement - is equal to 135.4 ML€, a decrease of 41.7 ML€ (23.5%), down compared to 177.1 ML€ of the previous year. In percentage compared to the turnover, the Ebitda in 2008 was equal to 10.6% compared to 13.3% in 2007 (2.7%).

It should be noted that operational expenditures at 31 December 2008 include the write-down of product development project for 2.1 ML€, whereas at 31 December 2007 similar write-downs equal to 1.5 ML€ were included.

With respect to the above-reported net sales and costs dynamic, **operating income** was positive for 2008 for 48.6 ML€, down by 56.9 ML€ compared to 105.5 ML€ in 2007 (-53.9%).

Profitability was also declining (measured as operating earnings in relation to net sales), equal to 3.8%, against 7.9% in 2007.

Net financial charges were equal to 36.5 ML€ compared to 27.4 ML€ in 2007, including 16.1 ML€ for the loan issued by Piaggio Finance Luxembourg following the Bond issued by the latter during the previous financial year.

In 2008, equity investments, with respect to the dividends distributed by Piaggio Vehicles Pvt Ltd and by Piaggio Vespa B.V. (and following the assessment of a dew minor companies under liquidation) generated net income of 18.1 ML€ compared to 13.1 ML€ in 2007.

This latter data also included the negative impact of Moto Guzzi evaluation of 10.6 ML€.

2008 closed with **net profits** equal to 30.0 ML€, with respect to 64.5 ML€ net profits reported in the same period the previous year, discounted of 0.2 ML€ taxes that take also into account the deferred tax assets equal to 17.1 ML€ which were posted during the year.

Cash Flow Statement

The cash flow statement - drafted in accordance with the models provided by the IFRS international accounting standards - is shown on the following pages: the following is commentary relating to the summary statement shown in the Highlights which takes into consideration the effects generated by the incorporation of the subsidiary Moto Guzzi.

Financial liquid assets in the previous year reported an overall negative change of 93.3 ML€ of which 37.5 ML€ are ascribed to the initial net financial position of the incorporated Moto Guzzi and 55.8 ML€ refer to the negative change that occurred during the period.

Cash flow from operations, i.e. net earnings plus amortisation and depreciation, was 116.8 ML€. Such positive flow, which was increased by the positive change of working capital that decreased (taking into account the incorporated Moto Guzzi) from +15.5 ML€ at 31 December 2007 to –10.1 ML€ at 31 December 2008 (+ 25.6 ML€), was over-

all reduced by 198 ML€, of which 72.8 ML€ are ascribed to the increase in investments, 13 ML€ to the decrease of funds, and 112.4 ML€ to negative changes of shareholders' equity, of which 23.3 ML€ regard the distribution of dividends which took place during the year, ML€ 26.1 regard the purchase of own shares, and 63 ML€ regard the negative change of IAS reserves, of which 62.4 ML€ is ascribed to the exercised option by the beneficiaries of the P&C 2004-2009 warrants issued with respect to the acquisition of the Aprilia Group.

The increase of **assets**, which overall equal 72.8 ML€, compared to 70.6 ML€ of the previous year, essentially consists of 26.8 ML€ of investments in tangible assets, 46.5 ML€ of investments in intangible assets, of which 2.5 ML€ for the discounting of financial instruments issued during the acquisition of Aprilia, which are counterbalanced under the heading Goodwill. Investments in financial fixed assets underwent increases by 0.2 ML€ and decreases by 0.7 ML€.

Balance sheet of Piaggio & C S.P.A.

The **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) – was negative for 10.1 ML€, up compared to the values at 31 December 2007 which were equal to + 15.5 ML€ after including the incorporated Moto Guzzi.

Net property, plants and equipment consists of properties, machinery and industrial equipment, net of the accumulated depreciation.

At 31 December 2008, they overall equal 195 ML€, down 5 ML€ compared to the balance at 31 December 2007 that includes the incorporated Moto Guzzi.

Net intangible fixed assets consist of capitalised development costs, of costs for patents and know how, and goodwill arising from acquisition/merger operations carried out inside the Group since 2000 onwards as better specified in the "Explanatory Notes" to the financial statements. At 31 December 2008, they overall equal 523 ML€, down 8.5 ML€ compared to the balance at 31 December 2007 that includes the incorporated Moto Guzzi.

Financial fixed assets, defined by the Directors as the sum of the Equity investment headings and other non current financial assets, overall total 89 ML€.

The net decrease of 35.2 ML€ compared to 31 December 2007 is ascribable to the cancellation of the equity in Moto Guzzi S.p.A. totalling 34.7 ML€, following the incorporation of the subsidiary, and 0.5 ML€ for other net decreases of equity investments.

Reserves consisting of the pension and employee benefits reserves, other long-term reserves, the current portion of other long-term reserves, deferred tax liabilities, totalled overall 128.7 ML€, 13 ML€ down compared to 31 December 2007 including the balance of Moto Guzzi.

Net financial position at 31 December 2008 was negative for 361.5 ML€, compared to 268.2 ML€ at 31 December 2007.

The 93.3 ML€ decrease compared to 31 December 2007 was due to 37.5 ML€ for the initial net financial position of the incorporated Moto Guzzi and 55.8 ML€ for the overall negative variation occurred during the year.

Overall generated cash equalled 142.4 ML€ and is attributable to 116.8 ML€ for the obtained positive income flow and 25.6 ML€ for the decrease of working capital that was positive at 31/12/2007; this figure was determined by taking into account the balance of the incorporated Moto Guzzi. Negative changes refer for 72.8 ML€ to the investments increase, for 13 ML€ to the decrease of funds, and for 112.4 ML€ to negative changes of shareholders' equity.

The breakdown of the net financial position, which is set out in more detail in the specific table in the "Explanatory notes", may be summarised as follows:

Amounts in ML€	At 31/12/2008	At 31/12/2007	Change
(Medium/long-term financial payables)	(144.2)	(168.0)	23.8
(Financial payables vs subsidiary Piaggio Finance)	(146.3)	(145.4)	(0.9)
(Short-term financial payables)	(121.4)	(55.9)	(65.5)
Financial assets	39.1	13.8	25.3
Liquid assets	11.3	87.3	(76.0)
Total financial position	**(361.5)**	**(268.2)**	**(93.3)**

Shareholders' equity at 31 December 2008 totalled 307.1 ML€, against 389.5 ML€ at 31 December 2007. Following the execution of the assembly resolution of 7 May 2008, in the month of May, dividends for a total of 23.3 ML€ were paid out.

In addition to this and in execution of the resolution of the shareholders' meeting of 7 May 2007, during the year 19,186,334 own shares were purchased for an overall cost of 26.1 ML€. At 31 December 2008, a total of 26,526,334 own shares were purchased for an overall 52.9 ML€.

Shareholders' equity at 31/12/2008 was also reduced by 62.4 ML€ following the exercise - in the year - by the beneficiaries of the warrants P&C 2004-2009 issued with respect to the acquisition of the Aprilia Group.

Employees

The company's **employees** at 31 December 2008 were equal to 4,262 units, with an increase of 212 units compared to 31 December 2007, mainly following the incorporation of the subsidiary Moto Guzzi.

	At 31/12/2007	At 31/12/2007 incorporation of Moto Guzzi	Entering	Exiting	Change	At 31/12/2008
Senior Management	87	6	14	(21)	8	94
Middle Management	210	16	17	(26)	2	219
Clerical staff	1,037	72	123	(91)	6	1,147
Workers	2,716	112	1,377	(1,387)	(16)	2,802
Total (*)	**4,050**	**206**	**1,531**	**(1,525)**	**0**	**4,262**
(*) of which fixed/term contracts	18					27

Piaggio & C. S.p.A.

Financial Statements of the Parent Company and Explanatory Notes at 31 December 2008

INCOME STATEMENT

In thousands of Euro	Notes	2008	2007	Change
Net Revenues	**3**	**1,276,332**	**1,330,127**	**(53,795)**
of which with related parties		*159,261*	*152,185*	*7,076*
Cost for materials	4	719,603	750,134	(30,531)
of which with related parties		*67,568*	*75,800*	*(8,232)*
Costs for services and use of third party assets	5	279,661	272,480	7,181
of which with related parties		*38,701*	*36,837*	*1,864*
Cost of employees	6	205,157	182,643	22,514
Depreciation of property, plants and machinery	7	32,170	31,132	1,038
Amortization of intangible assets	7	54,597	40,462	14,135
Other operating income	8	90,510	75,368	15,142
of which with related parties		*17,507*	*15,206*	*2,301*
Other operating costs	9	27,040	23,113	3,927
of which with related parties		*28*	*113*	*(85)*
Operating income		**48,614**	**105,531**	**(56,917)**
Income/(loss) from equity investments	10	18,090	13,100	4,990
Financial proceeds	11	30,598	20,988	9,610
of which with related parties		*646*	*3,672*	*(3,026)*
Financial charges	11	67,077	48,417	18,660
of which with related parties		*16,420*	*16,453*	*(33)*
Pre-tax earnings		**30,225**	**91,202**	**(26,683)**
Taxation for the period	12	241	26,732	(26,491)
Earnings from continuing activities		**29,984**	**64,470**	**(34,486)**
Assets intended for divestment:				
Profits or losses arising from assets intended for divestment	13			0
Net result		**29,984**	**64,470**	**(34,486)**
Earnings per share (figures in €)	**14**	**0.08**	**0.16**	**(0.08)**
Earnings diluted per share (figures in €)	**14**	**0.08**	**0.15**	**(0.07)**

BALANCE SHEET

In thousands of Euro	Notes	At 31/12/2008	At 31/12/2007	Change
ASSETS				
Non-current assets				
Intangible assets	15	523,287	484,744	38,543
Property, plants and machinery	16	195,060	179,282	15,778
Real estate properties	17			0
Equity investment	18	64,673	100,012	(35,339)
Other financial assets	19	24,359	24,225	134
of which with related parties		*24,239*	*24,000*	*239*
Long-term tax receivables	20	1,234	7,425	(6,191)
Deferred tax assets	21	22,493	16,206	6,287
Trade receivables and other receivables	22	4,899	2,664	2,235
of which with related parties		*398*	*390*	*8*
Total non-current assets		**836,005**	**814,558**	**21,447**
Assets allocated for sale	**28**			**0**
Current assets				
Trade receivables and other receivables	23	138,873	181,858	(42,985)
of which with related parties		*64,145*	*98,799*	*(34,654)*
Short-term tax receivables	20	20,694	2,596	18,098
Inventory	24	211,452	154,004	57,448
Other financial assets	25	39,120	13,832	25,288
of which with related parties		*34,937*	*13,455*	*21,482*
Cash and cash equivalents	26	11,312	87,307	(75,995)
Total current assets		**421,451**	**439,597**	**(18,146)**
TOTAL ASSETS		**1,257,456**	**1,254,155**	**3,301**

In thousands of Euro	Notes	At 31/12/2008	At 31/12/2007	Change
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	30	192,148	202,124	(9,976)
Share premium reserve	30	3,493	3,493	0
Legal reserve	30	7,497	4,273	3,224
Other reserves	30	19,583	82,547	(62,964)
Net income (losses) carried forward	30	54,361	32,562	21,799
Earnings (losses) for the period	30	29,984	64,470	(34,486)
Total shareholders' equity		**307,066**	**389,469**	**(82,403)**
Non-current liabilities				
Financial liabilities falling due beyond one year	31	290,505	313,421	(22,916)
of which with related parties		*146,257*	*145,374*	*883*
Other long-term payables	37	5,884	13,712	(7,828)
Retirement fund and employee benefits	35	61,974	57,575	4,399
Other long-term reserves	33	27,084	25,510	1,574
Deferred tax liabilities	34	27,432	30,042	(2,610)
Total non-current liabilities		**412,879**	**440,260**	**(27,381)**
Current liabilities				
Financial liabilities falling due within one year	31	121,410	55,937	65,473
of which with related parties		*247*	*302*	*(55)*
Trade payables	32	325,346	286,349	38,997
of which with related parties		*27,478*	*28,395*	*(917)*
Tax payables	36	15,664	6,445	9,219
Other short-term payables	37	62,840	63,574	(734)
of which with related parties		*8,643*	*14,292*	*(5,649)*
Current portion other long-term reserves	33	12,251	12,121	130
Total current liabilities		**537,511**	**424,426**	**113,085**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,257,456**	**1,254,155**	**3,301**

CASH FLOW STATEMENT

This table shows the causes of the changes in liquid assets net of short-term bank overdrafts in accordance with IAS no. 7.

In thousand Euros	2008	2007
Operating activities		
Earnings (losses) for the period	29,984	64,470
Taxes for the year	241	26,732
Depreciation of property, plants and machinery (including real estate investments)	32,170	31,133
Amortization of intangible assets	54,595	40,462
Non-monetary costs for stock options	1,981	1,749
Provision to reserves for risks and reserves for pensions and employee benefits	28,928	24,270
Write-downs / (Revaluations)	4,622	12,745
Losses / (Gains) on the disposal of property, plants and machinery	(213)	(136)
Losses / (Gains) on the disposal of equity investments	(1)	(20)
Financial proceeds	(30,598)	(20,988)
Dividend income	(17,946)	(23,805)
Financial charges	67,077	48,417
Change in working capital		
(Increase)/Decrease receivables from customers	18,454	11,681
(Increase)/Decrease other receivables	36,693	25,188
(Increase)/Decrease in inventories	(28,151)	17,581
Increase/(Decrease) in trade payables	13,550	(46,405)
Increase/(Decrease) other payables	(17,414)	(45,885)
Increase/(Decrease) in the current portion of reserves for risks	(2,505)	1,194
Increase/(Decrease) in the non-current portion of reserves for risks	(11,595)	(9,934)
Increase/(Decrease) in reserves for risks and pensions, and employee benefits reserves	(13,807)	(25,151)
Other changes	(1,036)	20,483
Cash generating by operating activities	*165,029*	*153,781*
Interest paid	(52,137)	(38,426)
Taxation paid	(5,847)	(9,230)
Cash flow from operating activities	**107,045**	**106,125**

In thousand Euros	2008	2007
Investment activity		
Investment in property, plant and machinery	(27,440)	(21,777)
Sale price, or repayment value, of property, plants and machinery	901	410
Net (Assets) liabilities of incorporated Moto Guzzi S.p.A.	1,949	
Moto Guzzi merger deficit attributable to the brand	(36,705)	
Cancellation of shareholding in incorporated Moto Guzzi S.p.A.	34,756	
Investment in intangible fixed assets	(46,188)	(43,713)
Sale price, or repayment value, of intangible fixed assets	3	30
Investment in financial assets	(157)	(17,940)
Loans provided	(25,244)	0
Repayment of loans	13	22,439
Realizable value of financial fixed assets	694	40
Collected interests	20,189	12,591
Dividends from equity investments	14,142	23,805
Cash flow from investing activities	**(63,087)**	**(24,115)**
Financing activities		
Increase in capital and premium regarding the exercise of stock options		6,264
Purchase of own shares	(26,101)	(26,830)
Initial financial debt of incorporated Moto Guzzi S.p.A.	(37,551)	
Loans received	38,992	9,607
Outflow for repayment of loans	(101,691)	(17,402)
Repayment of finance leases	(695)	(266)
Outflow for dividends paid to shareholders	(23,322)	(11,881)
Cash flow from funding activities	**(150,368)**	**(40,508)**
Increase / (Decrease) in cash	(106,410)	41,502
Opening balance	**77,125**	**35,623**
Final balance	**(29,285)**	**77,125**

The following table provides a breakdown of the balance of the cash flow items at 31 December 2008 and 31 December 2007.

In thousand Euros	At 31/12/2008	At 31/12/2007	Change
Cash and cash equivalents	11,312	87,307	-75,995
Current account overdrafts	-40,597	-10,182	-30,415
Final balance	**-29,285**	**77,125**	**-106,410**

NET FINANCIAL POSITION

In thousand Euros	Notes	At 31/12/2008	At 31/1/2007	Change
Medium/long-term financial payables:				
Medium/long-term bank loans	31	-117,389	-148,291	30,902
Amounts due under leases	31	-9,019		-9,019
Amounts due to other lenders	31	-8,841	-11,283	2,442
Aprilia Instruments	31	-8,999	-8,473	-526
Total		**-144,248**	**-168,047**	**23,799**
Payables due to subsidiary Piaggio Finance	31	-146,257	-145,374	-883
Short-term financial payables:				
Current account overdrafts	31	-40,597	-10,182	-30,415
Current account payables	31	-6,586	0	-6,586
Amounts due to factoring companies	31	-13,020	-8,407	-4,613
Medium-/long-term bank loans - current portion	31	-57,402	-34,413	-22,989
Amounts due under leases	31	-727	-1	-726
Amounts due to other lenders	31	-2,568	-2,631	63
Payables due to subsidiaries	31	-247	-303	56
Aprilia Instruments	31	-263		-263
Total		**-121,410**	**-55,937**	**-65,473**
Other current financial assets				
Financial receivables due from third parties	25	4,137	435	3,702
Financial receivables due from subsidiaries	25	34,937	13,396	21,541
Financial receivables due from affiliated companies	25	45	0	45
Total		**39,119**	**13,832**	**25,287**
Liquid assets	*26*	*11,312*	*87,307*	*-75,995*
Total net financial position		**-361,484**	**-268,219**	**-93,265**

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousand Euros	Share capital	Share premium reserve	Legal reserve
At 1 January 2008	**202,124**	**3,493**	**4,273**
Allocation 2007 profits pursuant to the resolution of the ordinary assembly resolution of 07/05/2008:			
- To the shareholders			
- To shareholders' equity			3,224
Purchase of own shares	(9,976)		
Change in IAS reserves			
Earnings of period			
At 31 December 2008	**192,148**	**3,493**	**7,497**

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousand Euros	Share capital	Share premium reserve	Legal reserve
At 1 January 2007	**203,170**	**32,961**	**723**
Exercising of stock options	2,771	3,493	
Resolution of ordinary assembly of 7 May 2007:			
a) Hedging of losses of previous periods		(32,961)	
b) Allocation of 2006 profit			
- To the shareholders			
- To shareholders' equity			3,550
Purchase of own shares	(3,817)		
Change in IAS reserves			
Result for the period			
At 31 December 2007	**202,124**	**3,493**	**4,273**

AT 1 JANUARY 2008/ 31 DECEMBER 2008

	IAS transition reserve	Stock option reserve	Financial instruments' fair value reserve	Earnings (losses) for previous periods	Earnings (losses) for the period	TOTAL SHAREHOLDERS' EQUITY
	11,435	**6,576**	**64,536**	**32,562**	**64,470**	**389,469**
					(23,322)	(23,322)
				37,924	(41,148)	0
				(16,125)		(26,101)
		1,981	(64,945)			(62,964)
					29,984	29,984
	11,435	**8,557**	**(409)**	**54,361**	**29,984**	**307,066**

AT 1 JANUARY 2007/ 31 DECEMBER 2007

	IAS transition reserve	Stock option reserve	Financial instruments' fair value reserve	Earnings (losses) for previous periods	Earnings (losses) for the period	TOTAL SHAREHOLDERS' EQUITY
	13,181	**4,827**	**58,702**	**(34,707)**	**71,006**	**349,863**
						6,264
	(1,746)			34,707		0
					(11,881)	(11,881)
				55,575	(59,125)	0
				(23,013)		(26,830)
		1,749	5,834			7,583
					64,470	64,470
	11,435	**6,576**	**64,536**	**32,562**	**64,470**	**389,469**

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008

A) GENERAL INFORMATION

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Company Registry Office of Pisa. The addresses of its registered office and the locations where the main operations are conducted are shown in the introduction to the report documents.

The financial statements are expressed in Euro (€) since that is the currency used for the majority of the Company's transactions.

Compliance with international accounting standards

The financial statement at 31 December 2008 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 Law nr. 38/2005 (CONSOB Resolution nr. 15519 dated 27/7/06 regarding "Provisions for the presentation of financial statements", CONSOB Resolution n°. 15520 dated 27/7/06 regarding "Amendments and supplements to the Regulations of Issuers adopted by Resolution n°. 11971/99", CONSOB communication n°. 6064293 dated 28/7/06 regarding "Corporate reporting required in accordance with article 114, paragraph 5 of Legislative Decree. 58/98").

The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC"), were also taken into account.

The financial statements have been prepared on the basis of historical cost, suitably adapted as required for assessing a number of financial instruments and taking account that the company is a going concern.

The Company has assessed that, even given the difficult business and financial climate, no significant uncertainties exist (as defined under section 25 of IAS 1 standard) concerning the company as a going concern, also in consideration of the measures that have been adopted for meeting changed levels of demand and, likewise, the industrial and financial flexibility of the Company itself.

It is also to be noted that, for the sake of greater clarity and comparability of data, the detail of costs of services was revised (with respect to what published in the Explanatory Notes to 2007 Financial Statement) without alteration to the total value of the single item.

1. CONTENT AND FORM OF THE FINANCIAL STATEMENTS

Form of the financial statements

The financial statements consist of the balance sheet, the income statement, the statement of changes to shareholders' equity, the cash flow statement and these explanatory and supplementary notes.

In relation to the form of the financial statements the Company has opted to present the following types of financial reporting statement:

Balance Sheet

The balance sheet is presented in sections with separate specification of assets, liabilities and shareholders' equity. Assets and liabilities are shown in the financial statements on the basis of their classification as current and non-current.

Income statement

The income statement is presented with the items classified by their nature. The overall operating income is shown which includes all the income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under operating income and income before tax. In addition, the income and cost items arising from assets that are intended for divestment or sale, including any capital gains or losses net of the tax element, are recorded in a specific item of the financial statements which precedes the result.

Cash flow statement

The cash flow statement is presented divided into areas generating cash flows. The cash flow statement model adopted by Piaggio & C. S.p.A. has been prepared using the indirect method.

The cash and cash equivalents recorded in the cash flow statement include the balance sheet balances for this item at the reference date.

The financial flows in foreign currency were converted at the exchange rate at the closing of the period. Income and costs related to interest, dividends received and income taxes are included in the cash flow generated from operations.

Changes in shareholders' equity

The statement of changes in the shareholders' equity is shown as required by international accounting standards, with a separate specification of the result for the period and of every individual sale, income, charge and expense that has not been transferred to the income statement, but charged directly to the shareholders' equity on the basis of specific IAS/IFRS accounting standards.

These financial statements have been audited by Deloitte & Touche S.p.A.

2. VALUATION CRITERIA

The most significant valuation criteria which were adopted for drafting the financial statements at 31 December 2008 are reported below.

Intangible fixed assets

An intangible asset which is bought and produced internally is recorded under assets, in accordance with the provisions of IAS 38, only if it is identifiable, verifiable and it is likely to generate future economic benefits and its costs can be reliably determined. Intangible assets with a finite life are recorded at purchase or production cost net of accumulated amortisation and impairment. Amortisation is equated to their expected useful life and starts when the asset is available for use.

Goodwill

In the case of the purchase of businesses, assets, liabilities and contingent liabilities acquired and identifiable are recorded at their fair value at the date of acquisition.

The positive difference between the acquisition cost and the Company's portion in the fair value of the assets and liabilities is classified as goodwill and is recorded in the financial statements as an intangible asset.

Any negative goodwill is recorded on the income statement at the moment of acquisition. Goodwill is not amortised, but is tested for impairment on an annual basis, or more frequently if specific events or changed circumstances indicate the possibility that there has been a loss in value, in accordance with the provisions of IAS 36 Reduction in asset values. After the initial recording, goodwill is valued at cost net of any accumulated impairment. On disposing of a part or the whole company that was previously acquired and from the acquisition of which there emerged goodwill, in determining the capital gain or loss on the disposal, account is taken of the corresponding residual value of goodwill. During first-time adoption of the IFRS, the Company chose not to apply IFRS 3-*Business combinations* retroactively to company acquisitions that took place before 1 January 2005; consequently, the goodwill generated on acquisitions prior to the IFRS transition date has been maintained at the previous value determined in accordance with Italian accounting standards, subject to the verification and recording of any impairment.After 1 January 2006, following the acquisitions made in 2004, a further goodwill was generated as a result of the revaluation of the financial instruments issued during the acquisition.

Development costs

Development costs on projects for the production of vehicles and engines are recorded under assets only if all the following conditions are met: the costs can be reliably determined and the technical feasibility of the product, the forecast volumes and prices indicate that the costs incurred in the development phase will generate future economic benefits. The capitalised development costs include only the expenses incurred which can be directly attributed to the development process. The capitalised development costs are amortised on a straight-line basis, from the commencement of production throughout the estimated life of the product. All other development costs are recorded in the income statement when they are incurred.

Other intangible assets

Other intangible assets acquired or produced internally are recorded under assets, in accordance with the provisions of IAS 38 – *Intangible assets*, when it is likely that their use will generate future economic benefits and when the cost of the asset can be reliably determined.
These assets are measured at purchase or production cost and are amortised on a straight-line basis over their estimated useful lives, if they have a finite useful life. Intangible assets with an indefinite useful life are not amortised but are tested for impairment on an annual basis, or more frequently, if there is an indication that the asset may be impaired. Other intangible assets recorded following the acquisition of a company are recorded separately from goodwill, if their current value can be determined reliably.
Below is a summary of the amortisation periods for the various headings under Intangible assets:

Development costs	3 years
Industrial patent rights and intellectual property rights	3-5 years
Other	5 years
Trademarks	max. 15 years

Property, plants and machinery

The Company has decided to adopt the cost method on first-time application of the IAS/IFRS to the financial statements, as allowed by IFRS 1. For the evaluation of property, plant and machinery, therefore, the preference was not to use accounting with the fair value method.
Property, plant and machinery are, therefore, recorded at purchase or production cost and are not reassessed.
For an asset whose capitalisation is justified, the cost also includes the financial charges which are directly attributable to the acquisition, construction or production of the asset.
The costs incurred following acquisition are capitalised only if they increase the future economic benefits inherent in the asset to which they refer. All the other costs are recorded in the income statement when they are incurred.
Construction in progress is valued at cost and is depreciated from the period in which it comes into operation.
Depreciation is determined on a straight-line basis on the cost of the assets net of the related residual values, depending on their estimated useful life by applying the percentage rates shown in the comment to the heading.
Land is not depreciated.
Assets owned through finance leases, by means of which all the risks and benefits linked to ownership are largely transferred to the Company, are recognised as Company's assets at their fair value, or, if lower, at the present value of the minimum payments due under the lease. The corresponding liability due to the lessor is recorded in the financial statements under financial payables. The assets are depreciated by applying the criteria and the rates used for

assets owned by the company. Leases in which the lessor essentially keeps all the risks and benefits linked to ownership of the assets are classified as operating leases. The costs of operating leases are recorded on a straight-line basis in the income statement over the duration of the lease.

Earnings and losses arising from the disposal or sale of assets are determined as the difference between the sale income and the net book value of the asset and are charged to the income statement for the period.

Equity investments

Shareholdings (equity investments) in subsidiaries and affiliated companies were posted at their adjusted cost in the presence of impairment.

Shareholdings in subsidiaries and affiliated companies are assessed on a yearly basis for possible impairment.

If there is evidence that such shareholdings underwent impairment, this is reported in the income statement as amortization.

In case the possible portion pertaining to the company of the investee company's losses, exceeds the book value of the shareholding and the company is accountable for it, the value of the shareholding is cancelled and the portion of further losses is reported as reserve in the liabilities. If, subsequently, the impairment disappears or is reduced, a revaluation is posted to the income statement within the limits of the cost.

Impairment

At every date of the financial statements, the Company reviews the book value of its tangible and intangible assets and its stakes to determine if there are indications that these assets have suffered a loss in value (an impairment test). Should such indications exist, the recoverable amount of the assets is estimated in order to determine the size of the write-down.

Where it is not possible to estimate the recoverable value of an asset individually, the Company estimates the recoverable value of the cash flow generating unit to which the asset belongs.

The recoverable amount is the higher between the net sale price and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value by using a rate gross of tax which reflects current market valuations of the present value of money and the specific risks of the asset concerned.

If the recoverable amount of an asset (or of a cash flow generating unit) is estimated to be lower than the current book value, then the book value of the asset is reduced to the lower recoverable value. An impairment is recorded in the income statement immediately, unless the asset is land or buildings other than property investments recorded at reassessed values, in which case the loss is charged to the respective revaluation reserve.

When the continuation of a write-down is no longer justified, the book value of the asset (or of the cash flow generating unit) is increased to the new value arising from the estimate of its recoverable value, but to no more than the net book value which the asset would have had if the write-down for impairment had not been applied.

The recovery in value is immediately recorded in the income statement.

An intangible asset with an indefinite useful life is tested for impairment annually, or more frequently, if there is an indication that the asset may be impaired.

Real estate investments

International accounting standards have regulated real estate assets used for production or administration purposes (IAS 16) separately from real estate investments (IAS 40). As allowed by IAS 40, non-instrumental property and buildings that are not allocated for operations and are held in order to earn rent and/or to increase the value of assets are measured at cost, net of accumulated depreciation and impairment losses.

Property investments are eliminated from the financial statements when they are sold or when the property investment is unusable in the long term and no future economic benefits are expected from its possible disposal.

Non-current assets held for sale

Non-current assets (and groups of assets being divested) classified as held for sale are measured at the lower of their previous book value and the market value net of selling costs.

Non-current assets (and groups of assets being divested) are classified as held for sale when it is expected that their book value will be recovered through a disposal rather than through using them as an operating asset for the company. This condition is met only when the sale is highly likely, the asset (or group of assets) is available for immediate sale in its current condition and management has made a commitment to sell, which should take place within twelve months of the classification under this heading.

Financial fixed assets

Financial assets are recorded and cancelled from the financial statements on the basis of their trade date and are initially measured at cost, including the charges directly associated with the acquisition.

At subsequent financial statement dates, the financial assets which the Company intends and has the ability to maintain to maturity (securities held to maturity) are recorded at amortised cost using the effective interest rate method, net of write-downs made to reflect impairment.

Financial assets other than those held to maturity are classified as held for trading or available for sale, and are measured at the end of each period at their fair value. When financial assets are held for trading, the earnings and losses arising from changes in the fair value are charged to the income statement for the period; for financial assets available for sale, the earnings and losses arising from changes in the fair value are charged directly to equity until they are sold or have been impaired; at that moment, overall earnings or losses previously charged to equity are charged to the income statement of the period.

Inventories

Inventories are recorded at the lower of the purchase or production cost, determined by allocating to products the directly incurred costs as well as the portion of indirect costs that may reasonably be ascribed to the use of productive assets under normal production capacity conditions, and the market value at the closing date of the financial statements.

The purchase or production cost is determined in accordance with the weighted average cost method.

For raw materials and work in progress, the market value is represented by the presumed net sale value of the corresponding finished products after deducting finishing costs; as for finished goods it is determined by the presumed sale price (sale price lists).

The lesser value that may be determined on the basis of market trends is eliminated in subsequent periods if the reasons for that valuation cease to exist.

Inventories that are obsolete, slow moving and/or excess to normal requirements are written down in relation to the possibility of their being used or their possible future sale through the creation of a provision for stock write-downs.

Receivables

Receivables are recorded at their nominal adjusted value, in order to align them to their estimated realisable value, through the recording of an allowance for doubtful accounts.
This reserve is calculated on the basis of the recovery assessments carried out by analysis of the individual positions and of the overall risk of all the receivables, taking account of any guarantees.
When the payment of the sum due is postponed beyond normal credit terms offered to customers, the receivable needs to be discounted. In order to determine the effect, estimates have been made of the time before payment by applying a discount rate that corresponds to the 20-year Euribor swap rate plus a spread of AA rated Government securities to the various forecast cash flows.

Factoring transactions

The Company sells a significant portion of its trade receivables by factoring them. The sales can be without recourse, and in this case there are no recourse or liquidity risks, leading to the reversal of the corresponding amounts from the balances of receivables due from customers at the moment of payment by the factor.
For with recourse sales, since neither the risk of non-payment nor the liquidity risk is transferred, the related receivables are maintained on the balance sheet until the receivable sold is paid by the debtor. In this case the advance payments received from the factor are recorded under payables due to other lenders.

Cash and cash equivalents

The heading relating to cash and cash equivalents includes cash, bank current accounts, demand deposit accounts and other highly-liquid short-term financial investments, which are readily convertible into cash and have an insignificant risk of losing value.

Financial liabilities

Financial liabilities are recognised at the value of the sums received net of accessory charges.
After initial recognition, loans are recorded using the amortised cost method, calculated using the effective interest rate.
Financial liabilities hedged by derivative instruments are valued at fair value, in accordance with the approach established for hedge accounting, applicable to the fair value hedge: earnings and losses arising from the subsequent measurement at fair value, due to variations in interest rates, are recorded in the income statement and are offset with the actual portion of the loss and the gain arising from subsequent measurements at fair value of the hedged instrument.

Derivative instruments and hedge accounting

The Company's activities are mainly exposed to financial risks through changes in exchange and interest rates.
The Company uses derivative instruments (mainly forward currency contracts) to hedge the risks arising from changes of foreign currencies in certain irrevocable commitments and in forecasted future transactions.
The use of such instruments is regulated by written procedures regarding the use of derivatives coherently with the Company's risk management policies.
Derivative instruments are initially recorded at cost, and adjusted to fair value at subsequent period end dates.
Financial derivative instruments are used solely with the intent of hedging, in order to reduce the risk from exchange and interest rate variations and changes in market prices.
In line with the provisions of IAS 39, financial derivative instruments can be recorded in accordance with the methods established for hedge accounting only when, at the start of the hedge, there is the formal designation and documentation of the hedge itself, when it is presumed that

the hedge is highly effective, when the effectiveness can be reliably measured and when the hedge itself is highly effective during the various accounting periods for which it is designed.

When the financial instruments have the necessary features to be recorded under hedge accounting, the following accounting treatments apply:

- *Fair value hedge* If a financial derivative is designated as a hedge for the exposure to variations in the fair value of an asset or a liability, attributable to a particular risk which can have an impact on the income statement, gains or losses arising from subsequent assessments of the fair value of the hedge are recorded on the income statement. The earning or loss on the hedged item, attributable to the risk hedged, changes the book value of that item and is recorded in the income statement.
- *Cash flow hedge* If a derivative is designated as a hedge of the exposure to changes in the cash flows of an asset or liability recorded in the financial statements or of a transaction that is considered highly likely and which could have an impact on the income statement, the effective portion of earnings or losses on the financial instrument is recorded under shareholders' equity. The accumulated gain or loss is cancelled from shareholders' equity and booked in the income statement in the same period in which the hedged transaction is recorded. The gain or loss associated with the hedge or that part of the hedge that is ineffective, is immediately recorded in the income statement. If a hedging instrument or a hedge are closed, but the hedged transaction has not yet taken place, the accumulated earnings and losses, which until that moment had been recorded under shareholders' equity, are recorded in the income statement when the related transaction occurs. If the hedged transaction is no longer considered likely to occur, then the unrealised earnings or losses held under shareholders' equity are immediately recorded on the income statement.

If hedge accounting cannot be applied, the earnings or losses arising from the measurement at fair value of the financial derivative instrument are immediately recorded booked in the income statement.

Long-term provisions

The Company records provisions for risks and charges when it has a legal or implicit obligation towards third parties and it is likely that the use of Company's resources will be necessary to fulfil the obligation and when a reliable estimate of the amount of the obligation itself can be made. Changes in the estimate are reflected in the income statement for the period in which the change occurred.

Should the impact be significant, the provisions are calculated by discounting the estimated future financial cash flows at a discount rate that is estimated gross of taxes so as to reflect the current market assessments of the present value of money and the specific risks connected to the liabilities.

Retirement fund and employee benefits

With the adoption of the IFRS, employee termination indemnities are considered a defined benefit obligation to be recorded in accordance with IAS 19 - Employee Benefits. Consequently, it must be recalculated using the "Projected Unit Credit Method", by undertaking actuarial valuations at the end of each period. Payments for plans to definite contribution are posted to the financial statement in the period when they are due. Liabilities for benefits following the end of the work relationship and reported in the financial statements represent the actual value of the liabilities for plans and definite benefits which were amended in order to take into account the actuarial earnings and losses related to past work services which were not recorded, subsequently reduced by the fair value of the plan's assets. The possible

net assets resulting from such calculation are limited to the value of the actuarial losses and to the cost related to past work services which were not recorded, plus the actual value of the possible refunds and reductions in the future contributions to the plan. The Company has decided not to use the so-called "corridor method", which would allow it not to record the cost component calculated in accordance with the method described represented by actuarial earnings or losses, where it does not exceed 10 percent. Finally, it should be noted that the Group has decided to show the interest element of the charge relating to employee plans under the financial charges heading.

Stock option plan

In accordance with the provisions of IFRS 2 – Share-based payments, the overall amount of the fair value of the stock options at the grant date is recorded entirely in the income statement under employee costs with a counter entry recognised directly in shareholders' equity should the assignees of the equity instruments become rights holders at the grant date. In the case in which a "vesting period" is envisaged in which certain conditions must apply before the assignees can become rights holders, the cost of compensation, determined on the basis of the fair value of the portions at the grant date, is recorded under employee costs on a straight-line basis over the period between the grant date and the vesting date, with a counter entry recognised directly under shareholders' equity. Fair value is determined using the Black Scholes method. Changes in the fair value of the options subsequent to the grant date have no impact on the initial valuation.

Deferred taxation

Deferred taxation is determined on the basis of the temporary taxable differences between the value of the assets and liabilities and their tax value.

Deferred tax assets are accounted for only to the extent that the existence of adequate future taxable incomes against which to use this positive balance is considered likely.

The book value of deferred tax assets is subject to review at every period end and is reduced to the extent to which the existence of sufficient taxable income to allow the whole or partial recovery of such assets is no longer probable.

Deferred taxation is determined on the basis of the tax rates which are expected to be applied in the period in which such deferments will occur, considering the rates in force or those known to be issued.

Deferred taxation is charged directly to the income statement, except when it relates to items that are directly recorded under shareholders' equity, in which case the related deferred taxation is also charged to shareholders' equity.

Deferred taxation is offset when there is a legal right to offset current tax assets and liabilities and when it refers to taxes due to the same tax authority and the Company intends to liquidate the current tax assets and liabilities on a net basis.

Payables

Payables are recorded at their nominal value, which is considered representative of their settlement value.

Recognition of revenues

In accordance with the IFRS, sales of assets are recognised when the assets are despatched and the company has transferred to the buyer the significant risks and benefits connected to ownership of the assets. Net sales are recorded net of returns, discounts, rebates and allowances, as well as of tax directly connected to the sale of goods and the provision of services. Net sales of a financial nature are recorded on an accrual basis.

Grants

Grants related to plant are recorded in the financial statements provided that the right to receive them is certain and they are charged to the income statement in relation to the useful life of the asset against which they are provided.
Operating grants are recorded in the financial statements provided that the right to receive them is certain and they are charged to the income statement in relation to the costs against which they are provided.

Financial proceeds

Financial income is recorded on an accrual basis. It includes interest income on invested funds, exchange rate gains and income arising from financial instruments, when it is not offset as part of hedging transactions. Interest income is charged to the income statement as it accrues, considering the effective yield.

Financial charges

Financial charges are recorded on an accrual basis.
They include interest due on financial payables calculated by using the effective interest rate method, exchange rate losses, and losses on financial derivative instruments.
The portion of interest charges for finance lease payments is charged to the income statement using the effective interest rate method.

Dividends

Dividends recorded in the income statement have been recorded on an accrual basis, i.e. when, following the resolution is passed by the investee company to pay a dividend, the related tax credit right arises.

Income taxes

Taxation is the sum total of current and deferred taxes.
Taxes, which have been allocated on the basis of the estimate of the taxable income (determined in compliance with the national legislation in force at the close of the financial year), were recorded in the financial statement taking into account the applicable exemptions and the due tax receivables. Income taxes are recorded in the income statement, except for those relating to items directly charged or credited to shareholders' equity, in which case the tax effect is recognised directly under shareholders' equity.
They are recorded under the heading "Tax payables" net of the advances and of any withholdings.
With validity commencing from fiscal year 2007 and for a three-year period, the Company has opted for the National Tax Consolidation regime pursuant to articles 117 through to 129 of the Consolidated Income Tax Law (T.U.I.R in Italian), whose consolidating entity is IMMSI S.p.A. and, of which other companies in the IMMSI Group form part. The consolidating entity establishes a single taxable basis for the group of companies that have opted for the National Consolidated Tax regime, in that, it may set off taxable income against tax losses in a single tax return. Each company opting for the Consolidated Tax regime transfers its taxable income (taxable income or tax losses) to the consolidating entity. The latter will report a receivable due to the consolidated company corresponding to the corporate income tax to be paid. On the other hand, in respect of the companies that report tax losses, the consolidating entity will post a payable corresponding to corporate income tax on the portion of losses that have been actually been set off at Group level.

Earnings per share

Earnings per share are calculated by dividing the income or loss attributable to the shareholders by the weighted average number of ordinary shares in circulation during the period. Diluted earnings per share is calculated by dividing the income or loss attributable to the shareholders by the weighted average number of shares in circulation, taking account of the effects of all the potential ordinary shares with a diluting effect. The potential shares considered are those connected to the stock option plan and those connected to Aprilia warrants. The adjustment to be made to the number of stock options in order to calculate the adjusted number of shares is determined by multiplying the number of stock options by the underwriting cost and dividing it by the market price of the share.

Use of estimates

The preparation of the financial statements and the related notes in application of the IFRS requires management to make estimates and assumptions that have an impact on the values of assets and liabilities in the financial statements and on the information relating to contingent assets and liabilities at the financial statement date.
The results which will be achieved could differ from the estimates.
Estimates are used to evaluate intangible assets subject to the impairment test (see § Asset Impairment) as well as to value the provisions for risks of doubtful accounts, inventory obsolescence, amortisation, write-downs of assets, benefits to employees, taxes, restructuring reserves, and other provisions and reserves. These estimates and assumptions are periodically reviewed and the impact of each change is immediately reflected in the income statement.
It is to be noted that in this global economic and financial crisis, the assumptions made about the future performance are marked by significant uncertainties. Results different from those forecast can therefore be ruled out in the next period. Indeed their occurrence could require also significant adjustments which are obviously not foreseeable or assessable.

Relations with related parties

Dealings with related parties are shown in the Directors' Report which is to be referred to for this heading as well.

New accounting standards

On 30th November 2006, IASB issued the IFRS 8 accounting standard – *Operating Sectors*, effective from 1st January 2009, replacing IAS 14 – *Sector Reporting*. The new accounting standard requires the company to base their sector reporting on the elements used by management for making operating decisions. As a result, this requires the identification of operating sectors on the basis of internal reporting statements which are regularly reviewed by management in order to allocate the reserves to the different sectors for performance analysis purposes.

On 29 March 2007, IASB issued a revision of the IAS 23 – *Financial Charges* which shall be applicable as of 1 January 2009. In the new version of the principle it was removed the option according to which companies can immediately post - to the income statement - the financial charges incurred due to assets for which usually a determinate period of time is required to prepare the said asset ready for use or sale. The standard will be applicable prospectively to the financial charges relative to capitalised goods as of 1st January 2009.

On 6 September 2007, IASB issued a revised version of IAS 1 – *Presentation of the financial statement* which shall be applicable as of 1 January 2009. The new version of the principle requires that the company presents in a statement of changes of shareholders' equity all changes, as derived from transactions with shareholders. All transactions generated with minority interest ("comprehensive income") should instead be reported in a "comprehensive income" schedule or in two schedules (income statement and "comprehensive income" schedule). In any case, the changes generated by transactions with minority interest cannot be reported in the schedule of changes to shareholders' equity.

On 10th January 2008, IASB issued an updated version of IFRS 3 – *Company groups*. The main changes to IFRS 3 regard in particular the elimination of the obligation to evaluate the single assets and liabilities of the subsidiary at the fair value in each subsequent acquisition, in case of acquisition by degrees of subsidiaries. In such cases, the goodwill will be determined as the difference between the value of the equity immediately before the acquisition, the equivalent of the transaction, and the value of the acquired net assets. Moreover, in case the company does not acquire 100% of the equity, the portion of the shareholders' equity pertaining to minority interest could evaluated both at its fair value and by using the method already provided by IFRS 3. The revised version of the standard also provides the recording in the income statement of all costs connected to the business combination and the posting at the date of the acquisition of the payments subject the acceptance to condition.

On the same date, IAS 27 – The *consolidated and separate financial statements* were also amended establishing that modifications to the share that do not result in loss of control should be accounted for as equity transaction and with the item therefore recognised under shareholders' equity. Moreover, it was also established that when a company disposes of the control of its own subsidiary, but continues to retain a portion of capital in the company, this should be accounted for at the fair value and possible earnings or losses due to the loss of control should be posted to the income statement. Finally, the amendment to IAS 27 requires that all losses attributable to minority interest should be allocated to the portion of third parties' shareholders' equity, also when these exceed their own share of capital in the subsidiary. The new regulations will be applicable for the future starting as of 1st January 2010.
At the time of issuing these financial statements, the decision-making bodies of the European Union had still to conclude the approval process required for applying this amendment.

On 17 January 2008, IASB issued an amendment to IFRS 2 – *Share-based payment* - vesting conditions and cancellations according to which, for the purpose of evaluating the share-based transactions, only service conditions and performance conditions can be considered vesting conditions. The amendment also specifies that the same accounting treatment should be applied, also in case an entity cancels a grant of equity instruments.

On 14 February 2008, IASB issued an amendment to IAS 32 – *Financial instruments: presentation* and to IAS 1 – *Presentation of financial statements – Puttable instruments and obligations arising on liquidation*. In particular, the standard requires companies to classify the puttable instruments and financial instruments that impose an obligation on the company to hand over to a minority interest a share of the equity investment in the company's assets as equity instruments. Such amendment should be applied as of the 1st January 2009.

On 22 May 2008, IASB issued a set of amendments to the IFRS; following are reported exclusively those indicated by IASB as modifications that will result in a change to the presentation, recognition, and evaluation of balance entries, omitting those regarding only terminology changes.

- IFRS 5 – *Non-current assets held for sale and discontinued operations*. The amendment, which is effective as of 1st January 2010, establishes that if an enterprise is engaged in a disposal plan entailing the loss of control over a subsidiary, all assets and liabilities of the subsidiary should be reclassified as held for sale, also if after the disposal the company will still retain a minority equity in the subsidiary.

- IAS 1 – *Presentation of the financial statements*. The change, which should be applied as of 1 January 2009 for the future starting, establishes that assets and liabilities resulting from derivative financial instruments (which were obtained for the purposes of the negotiation) be reported in the financial statement by distinguishing the current from the non current portion.
- IAS 16 – *Property, plants and machinery*. The amendment, which is effective as of 1st January 2009, establishes that enterprises whose typical business is renting, should reclassify in the inventory goods that needs to be located and are held for sales. Subsequently, gains or losses arising from their disposal, should be recorded as net sales. The amounts paid to build or purchase goods to be allocated to others, as well as the amounts collected from the subsequent sale of such goods, form, for the purpose of the cash flow statement, cash flows arising from operating activities (and not from investment activities).
- IAS 19 – *Employee benefit*. The amendment is to be applied prospectively as of 1st January 2009 to the changes to benefits made following such date. It clarifies the definition of cost/income relative to past service rendered by employees and it establishes that in case of reduction of a plan, the effect to be immediately posted to the income statement should only include the reduction of benefits relative to future periods, whereas the effect arising from possible reductions due to past service periods, should be held as a negative cost relative to past services rendered by the employees.
- IAS 20 – *Accounting for government grants and disclosure of government assistance*. The amendment, which is to be applied prospectively as of 1st January 2009, establishes that benefits arising from government grants at an interest rate much lower than the market one, should be considered as government assistance and should therefore follow the recognition rules established by IAS 20.
- IAS 23 – *Financial charges*. The definition of financial charges has been reassessed. The amendment should be applied as of the 1st January 2009.
- IAS 28 – *Investments in affiliated companies*. The amendment, which should be also applied only prospectively as of 1st January 2009, establishes that in case of equity investment evaluated with the shareholders' equity method, a possible impairment should not be allocated to single assets (and in particular to the possible goodwill) that form the equity's book value, but to the value of the equity as a whole. Therefore, in the presence of conditions for a subsequent revaluation, such revaluation should be recognised in full.
- IAS 28 – *Investments in affiliated companies* and IAS 31 *Investments in joint ventures*. Such amendments, which should be applied as of 1st January 2009, provide that additional information be supplied also for equity investments in affiliated companies and joint ventures evaluated at fair value according to IAS 39. Consistently IFRS 7 – *Financial instruments: disclosures* and IAS 32 - *Financial instruments: Reporting were modified.*
- IAS 29 – *Financial reporting in hyperinflationary economies*. The previous version of the standard did not explain that some assets and liabilities could be recorded in the financial statement according to the current value, rather than according to the historical cost. In order to take into consideration such possibility, the amendment should be applied as of 1 January 2009.
- IAS 36 – *Impairment of assets*. The amendment, which is to be applied as of 1 January 2009, provides that additional information be provided in case the company

determines the recoverable amount of the cash-generating units by using the discounted cash flow method.

- IAS 38 – *Intangible fixed assets*. The amendment, which should be applied as of 1 January 2009, establishes the posting to income statement of promotional and advertising costs. It also establishes that in case the enterprise incurs charges from which future economic benefits are expected without being recorded as intangible assets, these should be posted to the income statement when the enterprise itself has the right to access the good, if it is the purchase of goods, or when the service is rendered, if it is the purchase of services. Finally, the standard was modified to enable the enterprises to adopt the method of the produced units to determine the amortisation of finite life intangible assets.
- IAS 39 – *Financial instruments: recognition and measurement*. The amendment, which is to be applied as of 1st January 2009, clarifies how to calculate the new effective interest rate of a financial instrument at the end of a fair value hedge accounting. Moreover, it clarifies that the prohibition to reclassify as financial instrument with adaptation of the fair value to income statement, should not be applied to the derivative financial instruments that can no longer be qualified as hedging instruments or that become hedging instruments. Finally, to avoid conflicts with the new IFRS 8 – *Operating sectors*, it eliminates references to a sector's hedging instrument designation.
- IAS 40 – *Real estate investments*. The amendment, which is to be applied prospectively as of 1st January 2009, establishes that the investment properties under construction should fall within the scope of IAS 40, rather than IAS 16.

On 3 July 2008 IFRIC issued the interpretation to IFRIC 16 – *Hedges of a net investment in a foreign operation* through which the possibility to apply the hedge accounting for operations hedging exchange rate differences - arising between the functional currency of the foreign subsidiary and the currency of the consolidated financial statement - was eliminated. The interpretation clarifies, moreover, that in case of operations hedging an equity in a foreign company, the hedging instrument can be held by every company part of the Group, and that, in case of disposal of the equity, for the determination of the value to be reclassified from the shareholders' equity to the income statement, IAS 21 – *The effects of changes in foreign exchange rates* should be applied. The interpretation should be applied as of 1st January 2009.

At the date of issue of these financial statements, the competent bodies of the European Union have not yet concluded the process of approval which is necessary for its application.

On 31 July 2008, IASB issued an amendment to IAS 39 – *Financial instruments: Recording and valuation* which should be applied retrospectively from 1 January 2010. The amendment specifies the application of the principle for the definition of the underlying hedged asset in particular situations.

At the date of issue of these financial statements, the competent bodies of the European Union had not yet completed the process of approval necessary for the application of this principle.

Finally, it is pointed out that the following interpretations relative to facts and cases not present within the Group, were issued during 2007:

- IFRIC 12 – *Service Concession Arrangements* (applicable from 1st January 2008);
- IFRIC 13 – *Customer loyalty programmes* (applicable from 1st January 2009);
- IFRIC 15 – *Agreements for the construction of real estate* (applicable from 1 January 2009).

OTHER INFORMATION

Derogation pursuant to article 2423, 4th paragraph of the Italian Civil Code.

No exceptional cases occurred requiring derogation to the legislative regulations regarding the Financial Statements pursuant to article 2423, 4th paragraph of the Italian Civil Code.

Information note on the Company's management and coordination activities

Pursuant to article 2497-*bis*, paragraph 4, of the Italian Civil Code, a summary statement of the essential data of the last financial statements of the parent company IMMSI S.p.A. with legal offices in Mantova, Piazza Vilfredo Pareto, 3 – tax code 07918540019, and closed on 31 December 2007, is reported below:

INCOME STATEMENT

Values in Euro	2007 financial period	2006 financial period
Financial proceeds	14,421,335	41,503,832
of which related parties and intragroup	*7,349,275*	*38,606,312*
Financial charges	(4,058,299)	(5,911,118)
of which related parties and intragroup	*(32,813)*	*(30,801)*
Result from equity investments	0	0
Operating income	4,254,653	6,304,532
of which related parties and intragroup	*1,812,306*	*4,289,147*
Costs for materials	(60,428)	(98,346)
Costs for services and use of third party assets	(3,638,256)	(5,011,455)
of which vs related parties and intragroup	*(418,293)*	*(1,589,432)*
Cost of personnel	(1,403,062)	(1,762,009)
Depreciation of tangible assets	(366,866)	(421,057)
Amortization of goodwill	0	0
Amortization of intangible assets with a finite life	(187)	(28,708)
Other operating income	636,776	740,591
of which related parties and intragroup	*93,630*	*60,333*
Other operating costs	(338,387)	(697,275)
of which related parties and intragroup	*(14,354)*	*0*
Result before taxation	**9,447,279**	**34,618,988**
Taxation	2,103,290	(6,647,306)
of which related parties and intragroup	*183,782*	*0*
AFTER TAX RESULT FROM CONTINUING ACTIVITIES	**11,550,569**	**27,971,682**
Earnings or losses resulting from activities to be divested or sold	0	0
NET INCOME OF THE PERIOD	**11,550,569**	**27,971,682**

BALANCE SHEET

Values in Euro	At 31/12/2007	At 31/12/2006
NON CURRENT ASSETS		
Intangible assets	0	187
Tangible assets	11,631,058	11,598,877
- of which related parties and intragroup	*91,810*	*112,875*
Real estate investments	0	0
Equity investments	366,752,717	340,801,249
Other financial assets	12,000,000	91,865,117
- of which related parties and intragroup	*12,000,000*	*12,000,000*
Tax receivables	4,315,360	0
Advance taxes	0	0
Trade receivables and other receivables	1,384,774	684,157
- of which related parties and intragroup	*1,380,937*	*678,677*
TOTAL NON CURRENT ACTIVITIES	**396,083,909**	**444,949,587**
ASSETS INTENDED FOR DIVESTMENT	**0**	**0**
CURRENT ASSETS		
Trade receivables and other receivables	1,314,264	1,107,841
- of which related parties and intragroup	*1,154,394*	*675,608*
Tax receivables	216,305	97,256
Other financial assets	79,881,794	1,100,278
- of which related parties and intragroup	*14,701,278*	*1,100,278*
Cash and cash equivalents	8,219,899	4,443,689
TOTAL CURRENT ASSETS	**89,632,262**	**6,749,064**
TOTAL ASSETS	**485,716,171**	**451,698,651**

Next

Values in Euro	At 31/12/2007	At 31/12/2006
SHAREHOLDERS' EQUITY		
Share capital	178,464,000	178,464,000
Reserves and retained earnings	176,721,015	169,695,772
Result for the period	11,550,569	27,971,682
TOTAL SHAREHOLDERS' EQUITY	**366,735,584**	**376,131,454**
NON CURRENT LIABILITIES		
Financial liabilities	45,862,758	45,814,288
Trade payables and other payables	0	0
Retirement funds and similar obligations	158,278	188,209
Other long-term provisions	0	0
Deferred taxes	5,574,184	12,470,429
TOTAL NON CURRENT LIABILITIES	**51,595,220**	**58,472,926**
LIABILITIES CONNECTED TO ASSETS ALLOCATED FOR DIVESTMENT	**0**	**0**
CURRENT LIABILITIES		
Financial liabilities	62,698,000	4,607,719
- of which related parties and intragroup	*540,000*	*720,000*
Trade payables	1,059,018	1,725,982
- of which related parties and intragroup	*238,191*	*527,424*
Current taxes	310,079	388,400
Other payables	3,197,812	10,251,713
- of which related parties and intragroup	*2,324,678*	*9,279,028*
Current portion other long-term reserves	120,458	120,458
TOTAL CURRENT LIABILITIES	**67,385,367**	**17,094,271**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**485,716,171**	**451,698,651**

B) INFORMATION ON THE INCOME STATEMENT

Before proceeding to analysing individual items, it should be noted that the comments on the general performance of costs and net sales are reported in compliance with paragraph 1 of Article 2428 of the Italian Civil Code, within the Report on Operations.

Moreover, the analytical reporting of assets and liabilities in the income statement and the previous comments to the headings of the balance sheet make it possible to restrict the comments reported below to the individual items.

3. NET REVENUES €/000 1,276,332

Net revenues for disposals of the Company's core business assets essentially refer to the marketing of vehicles and spare parts in European and non-European markets.

They are posted net of the bonuses acknowledged to customers and gross of transports costs charged to customers.

A breakdown by categories of activity is illustrated below.

Net revenues per categories of assets

In thousands of Euro	2008	2007	Change
2-wheeler	1,101,091	1,150,538	-49,447
Commercial vehicles	149,956	149,273	683
Other	25,285	30,316	-5,031
Total	**1,276,332**	**1,330,127**	**-53,795**

Net revenues by geographic area

In thousands of Euro	2008	2007	Change
Italy	511,650	545,055	-33,405
Rest of Europe	641,248	669,942	-28,694
Rest of the world	123,434	115,130	8,304
Total	**1,276,332**	**1,330,127**	**-53,795**

4. COSTS FOR MATERIALS €/,000 719,603

These totalled €/000 719,603 compared to €/000 750,134 at 31 December 2007.

The decrease of costs for materials compared to the previous year (4%) is essentially connected to the decrease in production and sale volumes.

The percentage incidence on net sales of costs for raw materials, consumables and goods is equal to 56.4%, which is unchanged compared to 2007.

The following table details the content of this financial statement heading:

In thousands of Euro	2008	2007	Change
Raw materials, consumables, and goods	747,642	732,508	15,134
Purchase of second-hand vehicles and trials	111	49	62
Changes in the inventories of raw materials, consumables and goods	-15,780	13,012	-28,792
Change in work in progress of semifinished and finished products	-12,370	4,565	-16,935
Total costs for purchases	**719,603**	**750,134**	**-30,531**

The change in inventories of raw materials, consumables and goods, which is overall positive, is as follows:

Goods

Positive change of €/000 13,678

The allocation to the goods' obsolescence fund, net of the use of €/000 1,209, was equal to €/000 270.

Raw materials

Positive change of €/000 2,079

The allocation to the raw materials' obsolescence fund, net of the use of €/000 1,820, was equal to €/000 1,498.

Consumables

Positive change for €/000 23.

Work in progress, semifinished and finished products

The overall positive change of work in progress, semifinished and finished products was determined as follows:

- Finished products: positive change for €/000 9,991.
- Semifinished: positive change for €/000 2,193.
- Work in progress: positive change for €/000 186.

5. COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS €/,000 279,661

These totalled €/000 279,661 compared to €/000 272,480 at 31st December 2007.

Below is a breakdown of this heading:

In thousands of Euro	2008	2007	Change
Employee costs	10,373	9,278	1,095
Maintenance and cleaning	5,577	5,485	92
Energy, telephone and telex	13,558	11,789	1,769
Commissions paid	28,307	28,007	300
Advertising and promotion	27,907	27,486	421
Technical, legal and tax consultancy and services	10,149	8,838	1,311
Company boards operating costs	1,991	1,897	94
Insurance	2,791	2,614	177
Third party work	32,374	35,136	(2,762)
Transport expenses	65,801	66,997	(1,196)
Sundry commercial expenses	18,079	15,840	2,239
Product warranty costs	14,572	12,173	2,399
Factoring costs and commissions	4,564	4,361	203
Banking costs and commissions	773	812	(39)
Various services during the period	32,141	31,039	1,102
Other services	4,134	4,271	(137)
Costs for use of third party assets	6,570	6,457	113
Total costs for services	**279,661**	**272,480**	**7,181**

The increase of €/000 7,181 is essentially attributable to the increase of the costs regarding the guarantee expenses on assisted products, to the expenses for the personnel, to the expenses for energy and utilities, to commercial expenses and to expenses for technical, legal, and fiscal services which is partially balanced by a lower expenditure on services on account for manufacture.

The costs for use of third-party assets include lease rentals for business properties of €/000 1,800, as well as lease payments for car hire, computers and photocopiers. Third-party work, which was equal to €/000 32,374, refer to work carried out on production components by our suppliers on account for manufacture.

Transport expenses regarding the sale of products, overall totalled €/000 47,088. Transport expenses on purchases totalled €/000 18,713.

The heading "Other services" includes costs for temporary work of €/000 1,647.

Expenses for the functioning of the company boards regard the activities of the Board of Directors and directors who were assigned particular offices, as well as of the Board of Statutory Auditors and of the Supervisory Body, they include compensations and compensations for expenses for €/000 1,557, €/000 301 and €/000 133.

Performances for the period include outsourced services for €/000 10,917, warehouse management services for € /000 1,515, expenses for the auditing of accounts totalling €/000 408, services provided by the subsidiary AWS for administration and back office services for €/000 3,002, and direction services provided by the parent company IMMSI S.p.A. for € /000 1,097.

6. COST OF PERSONNEL €/000 205,157

The breakdown of the costs incurred for employees is as follows:

In thousands of Euro	2008	2007	Change
Salaries and wages	143,176	136,057	7,119
Social security charges	45,571	44,809	762
Termination indemnities	12,389	-4,342	16,731
Other costs	4,021	6,119	-2,098
Total	**205,157**	**182,643**	**22,514**

The increase of costs for salaries, wages, and contributions is mainly attributable to the incorporation of Moto Guzzi during the period. With regard to employee termination indemnities, the increase results from lower costs in 2007 by virtue of the regulations amendments introduced by the 2007 Financial Act. The amendments regard the allocation of relative accruing amounts, which modified the nature of the institute from definite benefits programme to definite contributes programme.

It should be noted that the employee costs include €/000 1,981 relating to stock option costs, as required by the international accounting standards.

The headcount at 31 December 2008 was 4,262 units.

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

	Average number		
Position	**2008**	**2007**	**Change**
Senior Management	92	90	2
Middle Management	223	213	10
Clerical staff	1,138	1,043	95
Manual labour	3,238	3,174	64
Total	**4,691**	**4,520**	**171**

	Number at		
Position	**31/12/2008**	**31/12/2007**	**Change**
Senior Management	94	87	7
Middle Management	219	210	9
Clerical staff	1,147	1,037	110
Manual labour	2,802	2,716	86
Total	**4,262**	**4,050**	**212**

The changes in the headcount between the two periods under comparison is as follows:

	At 31/12/2007	At 31/12/2007 Moto Guzzi	Entering	Exiting	Change	At 31/12/2008
Senior Management	87	6	14	-21	8	94
Middle Management	210	16	17	-26	2	219
Clerical staff	1,037	72	123	-91	6	1,147
Workers	2,716	112	1,377	-1,387	(16)	2,802
Total (*)	**4,050**	**206**	**1,531**	**-1,525**	**0**	**4,262**
(*) of which fixed/term contracts	18					27

7. AMORTIZATION, DEPRECIATION AND IMPAIRMENT COSTS €/000 86,767

Below is a summary of the amortization and depreciation for the period, divided into the different categories:

In thousands of Euro	2008	2007	Change
Tangible fixed assets			
Buildings	3,455	3,239	216
Plant and machinery	9,617	9,344	273
Industrial and commercial equipment	17,628	16,953	675
Other assets	1,470	1,596	-126
Total amortisation tangible assets	**32,170**	**31,132**	**1,038**

In thousands of Euro	2008	2007	Change
Intangible fixed assets			
Development costs	32,062	21,733	10,329
Industrial patent rights and intellectual property rights	13,641	13,052	589
Concessions, licences, trademarks and similar rights	8,894	5,677	3,217
Total amortisation intangible assets	**54,597**	**40,462**	**14,135**

As set out in more detail in the paragraph on intangible assets, as of 1 January 2005, goodwill is no longer amortised, but is tested annually for impairment. The impairment test carried out at 31 December 2008 confirmed the full recoverability of the amounts recorded in the financial statements.

The amortization of the heading “Concessions, licences and trademarks” refers to the amortization of the Aprilia brand for €/000 5,467, of the Guzzi brand for €/000 3,252, and of other brands resulting from the incorporated Aprilia S.p.A. for €/000 175. The heading “Industrial patent rights and intellectual property right” includes amortisation regarding the software which is equal to €/000 6,180.

8. OTHER OPERATING INCOME €/000 90,510

This heading consists (see table 1 on next page).

The increase overall equals €/000 15,142.

The main changes compared to the previous period regard the granting of contributions on the research expenses and costs recovery. Contributions to research expenses mainly refer to benefits established by Law 296/2006 (Financial Act 2007), subsequently amended by Law 244/2007 (2008 Financial Act), which established a subsidy for companies carrying out pre-competitive R&D programmes, starting from 01/01/2007 and within 31/12/2009, and consists in a tax credit that can be used as a compensation for tax expenses. Expenses which are subject to the subsidy were

Table 1

In thousands of Euro	2008	2007	Change
Contributions to R&D	7,327	1,420	5,907
Increases in fixed assets from internal work	29,244	28,590	654
Sundry sales and income:			
- Rent receipts	10,665	9,562	1,103
- Contingent assets from valuation	900	23	877
- Capital gains on assets disposal	220	151	69
- Capital gains on equity investment disposal	1	20	-19
- Recovery of transport costs	72	2	70
- Recovery of commercial costs	856	141	715
- Recovery of registration costs	78	125	-47
- Recovery of promotional costs	813	801	12
- Recovery of duty stamp	2,356	2,663	-307
- Recovery of labour cost	468	601	-133
- Recovery of duty on exported products	118	120	-2
- Recovery of costs from suppliers	1,496	2,826	-1,330
- Recovery of guarantee costs	73	209	-136
- Recovery of taxes from customers	612	391	221
- Recovery of sundry costs	18,681	12,549	6,132
- Licence rights and know-how	6,133	6,215	-82
- Receivable commissions	810	915	-105
- Sale of miscellaneous materials	867	682	185
- Compensation damages from third parties	419	150	269
- Receivable sponsorships	4,167	4,008	159
- Cancellation of liability entries	0	122	-122
- Other income	4,134	3,082	1,052
Total other operational gains	**90,510**	**75,368**	**15,142**

incurred in the years 2007/2008. For those capitalised, the contributions were posted to the income statement in relation with the amortisation. During the reference period, internal costs on product development projects totalling €/000 29,149 and the cost regarding the building of tangible assets totalling €/000 95 were capitalized. The rent receipts refer mainly to income for the rent of racing bikes to the teams which compete in the World Motorcycling Championship. The recovery of different costs includes charges to the subsidiaries Piaggio Vietnam and Piaggio Vehicles - respectively for €/000 2,755 and €/000 6,795 - as well as to the associated company Zongshen Piaggio Foshan for €/000 1,924 €/000 with regard to the supply of services, components, equipment, and various materials sold for the assembly and production of vehicles. Licence rights which are equal to €/000 6,133 are mainly linked to the Indian subsidiary Piaggio Vehicles (€/000 5,345) and to some third-party companies: JINCHENG GROUP (€/000 259), ENI (€/000 193), FORME SRL (€/000 84), PEG PEREGO (€/000 30), MATTEL Inc. (€/000 29). Proceeds from labour costs recovery mainly consists of the charges made to group companies for the use of employees. The recoveries from suppliers consists of charges for the recovery of materials and final controls to be charged due to lack of supply of material to the assembly lines. The recovery of the duty stamp is essentially related too the charges to dealers of the duty stamp on vehicles compliance certificates, due as of 01/01/2005.

9. OTHER OPERATING COSTS €/000 27,040

This heading consists of:

In thousand Euros	2008	2007	Change
Allocations for disputes	0	150	-150
Total allocations for risks	**0**	**150**	**-150**
Allocation for products guarantee	10,857	10,519	338
Total other allocations	**10,857**	**10,519**	**338**
Duty stamp	2,597	2,801	-204
Non-income tax and duties	863	611	252
Municipal real estate tax (ICI)	798	687	111
Various subscriptions	861	890	-29
Social charges	257	111	146
Capital losses from disposal of assets	7	15	-8
Miscellaneous expenses	5,915	4,616	1,299
Losses on receivables	120	0	120
Total different management charges	**11,418**	**9,731**	**1,687**
Write-down development costs	2,137	1,510	627
Write-downs of receivables in working capital	2,628	1,203	1,425
Total write-downs	**4,765**	**2,713**	**2,052**
Total other operating costs	**27,040**	**23,113**	**3,927**

Overall the other operating costs highlight an increase of €/000 3,927. Such change is mainly due to the depreciation of credits and development costs which are no longer recoverable, as well as to the increase of different expenses including ordinary contingent liabilities, costs/net sales adjustments posted in previous periods and refunds of damages. The duty stamp of €/000 2,597 was essentially due on vehicle compliance certificates. Such duty is debited to dealers and its recovery is recorded under the heading "Other operating income".

10. NET INCOME FROM EQUITY INVESTMENTS €/000 18,090

This heading consists of:

In thousands of Euro	2008	2007	Change
Dividends from subsidiaries	17,934	23,790	-5,856
Value re-instatements on equity investments in subsidiaries	294		294
Dividends from minority equity investments	12	15	-3
Write-down of equity investments in subsidiaries	-150	-10,696	10,546
Write-down of equity investments in affiliated companies		-9	9
Total	**18,090**	**13,100**	**4,990**

Dividends were distributed by the subsidiary Piaggio Vehicles Ltd – India for €/000 14,130 and by Piaggio Vespa B.V. for €/000 3,804. The devaluation of equity investment in subsidiaries reflects the losses of some companies under liquidation. Proceeds for value re-instatements arose from the equity in Motoride.com against the breakdown of assets due on the basis of the approved final liquidation statements.

11. NET FINANCIAL PROCEEDS/(CHARGES) €/000 (36,479)

Below is the breakdown of financial charges and income (see table 2 on next page). The amount of €/000 2,390 recorded under the heading financial proceeds from subsidiaries refers to:

- €/000 471 and €/000 337 for interests accrued during the financial activity towards the incorporated Moto Guzzi and the subsidiary Piaggio Vespa BV respectively.
- €/000 1,272 and €/000 310 for the cash pooling activity carried out by Piaggio always towards the incorporated Moto Guzzi and with some European subsidiaries.

The other proceeds refer €/000 1,070 for the interest share of the period with regard to the consideration paid by the underwriters of the Piaggio & C Warrants.

Table 2

In thousands of Euro	2008	2007	Change
Financial income:			
- from subsidiaries	2,390	3,672	-1,282
Financial income from third parties:			
- Interest from securities	98		98
- Interest received from customers	194	5	189
- Interest on bank and postal accounts	748	1,413	-665
- Interest on financial receivables	533	216	317
- Financial proceeds from the discounting of receivables	19	-	19
- Other	1,072	1,188	-116
Total financial proceeds from third parties	*2,664*	*2,822*	*-158*
TOTAL	**5,054**	**6,494**	**-1,440**
Exchange rate gains:			
- Exchange rate gains	13,112	11,081	2,031
- Exchange rate gains on hedging operations	500	324	176
- Exchange rates gains from subsidiaries and affiliated companies	11,932	3,089	8,843
Total exchange rate gains	*25,544*	*14,494*	*11,050*
Total financial proceeds	**30,598**	**20,988**	**9,610**

Financial charges

The subheading "due to subsidiaries" of €/000 16,175 refers to:

- interest payments on loans totalling €/000 16,127 of which €/000 16,124 towards the subsidiary Piaggio Finance Luxembourg and €/000 3 towards the subsidiary P&D.
- €/000 48 for financial charges resulting from cash pooling.

The interest payments towards other lenders mainly include interests due to factoring companies.

In thousand Euros	2008	2007	Change
Financial charges:			
- due to subsidiaries	16,175	16,453	-278
- due to parent companies	1,743	-	1,743
Total financial charges due to the Group	*17,918*	*16,453*	*1,465*
Financial charges paid to others:			
- Interest on bank accounts	1,694	566	1,128
- Interest on bank loans	9,754	9,651	103
- Interest on import/export advances	387	332	55
- Interest paid to other lenders	6,197	4,072	2,125
- Charges on hedging of interest rates			0
- Cash discounts for customers	1,164	1,215	-51
- Capital losses on disposal of securities recorded under working capital			0
- Bank charges on loans	333	378	-45
- Interest paid on leases	666	5	661
- Financial charges from discounting of reserves for severance indemnities	3,304	2,929	375
- Other	255	183	72
Total financial charges vs third parties	*23,754*	*19,331*	*4,423*
TOTAL	**41,672**	**35,784**	**5,888**
Exchange rate losses:			
- Charges on swap contracts	758	398	360
- Exchange rate losses vs subsidiaries	9,222	5,889	3,333
- Exchange rate losses vs affiliated companies	3	267	-264
- Exchange rate losses due to third parties	15,422	6,079	9,343
Total exchange rate losses:	*25,405*	*12,633*	*12,772*
Total financial charges	**67,077**	**48,417**	**18,660**
Total financial gains (charges)	**-36,479**	**-27,429**	**-9,050**

The heading "others" mainly include the implicit interest payments of €/000 177 broken up from the guaranteed minimum payable according to the regulation of the EMH

04-09 financial instrument and they represent the interest share of the period.

12. TAXES €/000 241

Following is the breakdown of the heading Income Tax:

In thousand Euros	2008	2007	Change
Current taxes	17,048	29,996	-12,948
Deferred taxes	268	4,773	-4,505
Advance taxes	-17,075	-8,037	-9,038
Total taxes	**241**	**26,732**	**-26,491**

Current taxes consist of the following:

- €/000 1,547 are taxes on foreign income, mainly resulting from royalties from the Indian subsidiary Piaggio Vehicles Ltd.
- €/000 13,810 are taxes resulting from the set-off of advance taxes (IRES-IRAP) allocated in previous periods of which €/000 6,965 regarding temporary changes which were cancelled during the period, €/000 6,817 regarding the compensation of the foreseen taxable income with the previous tax losses, €/000 28 regarding the set-off during the period of temporary changes on IAS effects.
- €/000 50 are taxes due on the income produced by a foreign subsidiary which was taxed in Italy in accordance with transparency.
- €/000 6,900 from the IRAP (Regional Income Tax) due for the period.
- €/000 10,314 are substitute taxes on income provided by the 2008 Financial bill with regard to the realignment of non-accounting deductions and to the fiscal acknowledgement of the value of some assets.
- €/000 14,252, on the decrease, from the release of portions of deferred tax reserves allocated in previous periods and, €/000 906, on the decrease, from the cancellation of tax payables calculated on the income of the previous period.
- €/000 415, on the decrease, from proceeds resulting from the consolidated tax.

The deferred and advance taxes were reported with the balances of €/000 268 and €/000 17,075, respectively. 2008 taxes, which were equal to €/000 241 had a negative incidence on the pre-tax result of 0.8%. In 2007 taxes were equal to €/000 26,732, with a negative incidence on the pre-tax result of 29.3%.

The table below reconcilies taxation with the theorical rate:

In thousand Euros	2008
Pre-tax earnings	30,225
theoretical tax rate	27.50%
Theoretical income tax	**8,312**
Fiscal effect resulting from permanent changes	-2,273
Fiscal effect resulting from foreign tax rates different from the Italian theoretical ones	1,547
Taxes on income generated by foreign companies as CFC (Controlled Foreign Companies)	50
Fiscal effect resulting from timing differences	2,647
Fiscal effect resulting from allocated deferred tax assets	-15,160
Income from consolidated tax regime	-415
Regional Income Tax (it includes IRAP liabilities €/000 6,900 gross of the use of deferred tax)	5,533
Income tax posted to the financial statement	**241**

Theoretical taxes were determined by applying to the pre-tax result the IRES tax rate in force in Italy (27.5%).

The impact resulting from the IRAP tax rate was determined separately as such tax is not calculated on the basis of the pre-tax result. In 2008, with regard to the National Consolidated Tax Regime where IMMSI acts as Consolidating Company, Piaggio & C S.p.A. did not transfer any result to the Consolidating Company as Piaggio & C S.p.A. IRES taxable income is completely compensated by its own previous fiscal losses.

13. EARNINGS/(LOSSES) FROM ASSETS INTENDED FOR DIVESTMENT OR SALE €/000 0

At the end date of the report, there were no earnings or losses from assets intended for divestment or sale.

14. RESULT PER SHARE

Earnings per share are calculated as follows:

In thousands of Euro		2008	2007
Net earnings	€/000	29.984	64.470
Earnings attributable to ordinary shares	€/000	29.984	64.470
Number of ordinary shares in circulation at 1/1	n	396.040.908	390.712.148
Number of shares issued in the period	n	-	5.328.760
Average number of ordinary shares in circulation during the period	n	396.040.908	395.602.928
Potential dilution of ordinary shares	n	158.676.7	20.447.222.0
Adjusted average number of ordinary shares	n	396.199.585	416.050.150
Diluted earnings per ordinary share	**€**	**0.076**	**0.15**

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

C) INFORMATION ON THE BALANCE SHEET - ASSETS

Fixed assets

15. INTANGIBLE FIXED ASSETS €/000 523,287

The table 3 below details the breakdown of intangible assets at 31 December 2008 and at 31 December 2007, as well as the changes for the period.

They increase overall by €/000 48,647 following the investments for the period net of the depreciation for the period. The increases mainly relate to the capitalization of start-up costs for new products and engines, as well as the purchase of software. With regard to the item "goodwill", the increases reflect the content of the financial instruments, which are commented hereafter, issued against the acquisition of the Aprilia Group.

The write-downs were directly booked within the income statement under the other operating costs and with respect to projects which did not have an industrial development.

Start-up costs €/000 66,231

Start-up costs include costs for products and engines in projects for which there is an expectation, for the period of the useful life of the asset, to see net sales at such a level in order to allow the recovery of the costs incurred. It also includes assets under construction for €/000 34,766 which

Table 3

In thousands of Euro	Net value at 31/12/2007	Value at 31/12/2007 Incorp. MG	Increases	Depreciation	Disposals	Write-downs	Reclas.	Net value at 31/12/2008
Start-up costs	51,178	9,407	39,847	-32,061	-3	-2,137	0	66,231
Patent rights	24,755	457	6,341	-13,641	0	0	0	17,912
Authorisations, licences, trademarks	65,974	62	0	-8,893	0	0	36,705	93,848
Goodwill	342,837	0	2,459	0	0	0	0	345,296
Other	0	0	0	0	0	0	0	0
Total	**484,744**	**9,926**	**48,647**	**-54,595**	**-3**	**-2,137**	**36,705**	**523,287**

represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.

With regard to the development expenses, the new projects capitalised during 2008 mainly refer to the new products for the 4-cylinder 1000 and 1200 motorbikes, to the new Dorsoduro, Stelvio Guzzi, V7 Guzzi, Norge 1200 Moto Guzzi and RSV 1000 motorbikes, to the new Carnaby, GP800, Scarabeo, Vespa, and X7 scooters and respective engines, Mp3 Ibrido with respective engines, as well as to 3 and 4-wheeler vehicles such as Calessino, Porter GPL, and Porter Maxi.

Start-up costs included under this item are amortized on a straight-line basis over 3 years, in consideration of their residual usefulness.

During 2008, some 22.5 million Euros of development costs were charged directly to the income statement.

Write-downs for the period of €/000 2,137 refer to vehicles and engines that will no longer be produced and for which the necessary conditions for capitalization therefore cease to exist.

Pursuant to art. 2426 of the Italian Civil Code, point nr. 5, it should be noted that shareholders' equity is not available for the value of the research and development costs which are still to be amortized equal to €/000 66,231.

Industrial patents and intellectual property rights €/000 17,912

This heading comprises patents for €/000 852, know-how for €/000 6,100 and software for €/000 10,958.

With regard to software, instead, the increase for the period refers to the purchase of various licences, to the project "Suppliers Portal", to the SAP HR project, as well as to the implementation of other projects related to the commercial, production, personnel, and administrative areas.

Industrial patent rights and intellectual property right costs are amortised over three years.

Authorizations, licences and trademarks €/000 93,847

The item *Authorizations, licences and trademarks* equal to €/000 65,974, consists of:

In thousands of Euro	Net value at 31/12/2008	Net value at 31/12/2007
Guzzi	33,515	0
Aprilia	60,136	65,603
Laverda	116	284
Suzuki licence	0	0
Minor brands	80	87
Total Trademarks	**93,847**	**65,974**

The increase is connected to the allocation to the Guzzi brand of the merger deficit resulting from the incorporation of the company itself (which was already owned at 100% of the capital) which tool place on 01/12/2008, but with accounting and fiscal effects starting as of 01/01/2008. The merger deficit, which corresponds to the cancellation difference between the cost of the equity and the corresponding portion of shareholders' equity of the incorporated, was recorded under this asset, as it appears in the Consolidated Financial Statements, as it can be ascribed to the higher price paid during the acquisition of the incorporated company.

During the year, the value of the Guzzi brand decreased due to the amortization of €/000 3,252 posted to the income statement, and which was determined on the basis of the estimated useful life until 2019.

During the period, the value of the Aprilia brand decreased due to the amortization of €/000 5,467 posted to the income statement, and which was determined on the basis of the estimated useful life until 2019.

The Laverda brand was amortised during the period by €/000 169 on the basis of a residual useful life equal to the one already used for the amortisation of the brand in the consolidated financial statements.

The other brands received during the merger with Aprilia S.p.A. were decreased during the period by €/000 6 following the amortisation calculated on the basis of the corresponding useful life.

The Suzuki licence was completely amortized in a five-year period.

Goodwill €/000 345,296

The heading "Goodwill" refers to €/000 265,135 for the paid portion of the merger deficit which originated from the incorporation of Piaggio & C. S.p.A. (€/000 250,569) and of Vipifin S.p.A. (€/000 14,566) into Piaggio & C. S.p.A. (already MOD S.p.A.) which took place in 2000 in addition to €/000 456 from the goodwill generated in previous periods from mergers made by the incorporated Aprilia as well as €/000 79,705 for the amount booked in connection with the incorporation of Aprilia in 2005.

In relation to the acquisition of the Aprilia Group, in December 2004 the company issued warrants and financial instruments in favour of Aprilia and selling shareholders' creditor banks, exercisable in the periods determined by the respective regulations starting from the approval of the consolidated balance sheet at 31 December 2007, and whose commitments can be summed up as follows:

- Piaggio 2004/2009 warrants for an overall issue price of €/000 5,350.5, which envisages a realisable amount proportionate to the differential between the Group's economic value at the exercise date and a grid of threshold values variable depending on the different exercise periods. The maximum realisable value can never exceed the overall issue price by twelve times, equal to €/000 64,206; this amount may be settled, with reserved faculty by the issuer, both by cash and by means of a handover of the Company's shares, provided that they are listed on the MTA of the Italian Stock Exchange. The Company - as of the 2005 financial statements - has recorded the fair value of such a commitment in a special equity reserve on the assumption that the realisable value could be settled by handing over shares given that, at the same time, the process for an IPO of the Company was initiated and a the resolution by the Shareholders Extraordinary Assembly has approved to increase the reserved capital through the issue of up to a maximum of 25 million shares. In 2008 almost all warrant holders exercised their own rights and the Company reckoned it was appropriate to pay in cash the determined value. This entailed the reduction of the shareholders' equity reserve by €/000 62,450 which corresponds to the balance of the same at 31/12/2007.
- EMH 2004/2009 financial instruments for a global nominal value of €/000 10,000, which will provide the right- following the approval of the financial statements at 31st December 2009 – to the payment of a minimum guaranteed sum of €/000 3,500 in addition to a maximum realisable value of €/000 6,500 proportional to the differential between the Group's economic value at the exercise date and a grid of threshold values higher than those established for the Piaggio 2004/2009 warrants and variable in relation to the different exercise periods. In 2008, this higher value was achieved and it was also paid in cash by the company.
- Aprilia shareholder 2004/2009 financial instruments which envisage a realisable value that can never exceed €/000 10,000 proportionate to the differential between the Group's economic value at the exercise date and a grid of threshold values and dependent on the total payment by the Company of the maximum amount of the value envisaged for the Piaggio 2004/2009 warrants and for the EMH 2004/2009 financial instruments.

In compliance with the main content of the aforementioned contractual agreements, by virtue of which, among other things, the final purchase cost is dependent on the achievement of specific income statement and balance sheet parameters - and in the light of the final results and forecasts of the 2007-2009 Business Plan - the adjustment of the initial purchase cost, which at 31/12/2008 equals €/000 79,705 was charged to goodwill. With regard to the April shareholders' financial instruments, such consideration is deferred and as such, the cost is represented by the actual value of the same and which is determined according to the following parameters (see table 4).

The counter entry for the adjustment to the purchase cost for €/000 8,999, taking into account the peculiarity of the below-mentioned financial instruments, was charged to the medium and long-term financial payables. As specified in setting out the accounting principles, from 1st January 2005 goodwill is no longer amortized, but is annually, or more frequently if specific events or changed circumstances indicate the possibility of it having been impaired, tested for impairment, in accordance with the provisions of IAS 36.

Reduction in assets values (impairment test)

The recoverability of the recorded values can be verified by comparing the net book value with the recoverable value (value in use). Such recoverable value consists of the actual value of the future financial flows which are estimated to be generated by the continuative use of the assets and by the final value attributable to the Company.

The recoverability of the goodwill (345,296 thousands of Euro at 31.12.2008) is verified at least once a year also in absence of signs indicating a loss of value.

The primary assumptions utilized by the Group for the calculation of the recoverable value (use value) refer to:

- the utilization of values derived from the budget and the plan;
- the discount rate;
- the utilization of the growth rate.

With regards to the values described in point a), the Piaggio Group - in light of the current economic/financial crisis - has taken into consideration, on a precautionary basis, a hypothesis that is only valid for the purposes of impairment tests and which refers to the 2009-2013 forecast of the Plan. With regards to growth rates of revenues relating to the period covered by the plan, reference was also made to external sources representing the forecasted growth rate of the market of reference. With regard to the discounted cash flow, the Company has adopted a discount rate which reflects the market evaluations of the cost of borrowing and takes into account specific risks of the business: The average estimated discount rate of the Company net of tax is equal to 7.4%. With regard to the turnover growth rates related to the period covered by the plan, reference was also made to external source which are representative of the expected growth in the reference market. During the preparation of impairment test the terminal value was determined by using a growth rate (g rate) of 1.5%. The analysis carried out did not highlight impairments. Therefore no write-downs were incorporated within the figures at 31 December 2008. Considering that the recoverable value is determined on the basis of estimates, the Company cannot guarantee that a goodwill impairment in future

Table 4

		at 31/12/2008			at 31/12/2007	Change (A-B)
Values in €/000	**Value**	**Actual Value (A)**	**Duration**	**Discount rate**	**Actual Value (B)**	
Aprilia shareholder instrument	10,000	8,999	1.60	6.81%	8,473	526
Total	**10,000**	**8,999**			**8,473**	**526**

period will not occur. In consideration of the market crisis, the different factors used in preparing the estimates could be revised. Piaggio shall constantly monitor such factors as well as the possibility of impairment.

16. PROPERTY, PLANTS AND MACHINERY €/000 195,060

The table 5 below details the breakdown of tangible fixed assets at 31 December 2008 and at 31 December 2007, as well as the changes for the period. The increases are mainly related to the casts for new vehicles and engines that were launched during the year, to the engine shafts working lines, engine test benches, and the experimental workshop.

Land and buildings €/000 106,299

Compared to the previous period, the net decrease of the heading is €/000 1,915.

The increases for the period were related to:

- Restructuring of Scorzè plant workshops for €/000 186
- Various works in the Pontedera plant for €/000 844
- Planning and building of the new Piaggio Museum for €/000 910
- Restructuring of the Moto Guzzi plant for €/000 150
- Decreases for €/000 3,455 concerning the depreciation for the period and for €/000 660 concerning the disposal of the former Aprilia building located in VENAS

Plants and machinery €/000 39,475

The changes of the heading occurred during the period were due to increases equal to €/000 7,385 and decreases from the period depreciation equal to €/000 9,617 and disposals occurred during the period equal to €/000 1.

The €/000 7,385 capitalization of the period mainly concerned the following acquisitions:

- Adaptation of the 2- and 3-wheeler plant engineering €/000 456
- Adaptation of the Scorzè plant engineering €/000 386
- Investments for engine assembly lines: €/000 760
- Investments for vehicles assembly lines: €/000 601
- Investments paintwork area: €/000 299
- New thermal plant for the Pontedera plant €/000 1,170
- Investments for nr. 2 test cells for Commercial Vehicles Diesel Engines €/000 1,027
- Investments for experimental workshop and laboratories: €/000 763
- Purchase of nr. 2 Machining equipment €/000 1,053
- Investments for HYBRID and INJECTION engines €/000 734

Equipment €/000 45,860

The changes to the heading during the period were due to increases for €/000 17,309 and decreases in depreciation for the period equal to €/000 17,627 and residual cost of worn equipment (discontinued from the production proc-

Table 5

In thousands of Euro	Net value at 31/12/2007	Value at 31/12/2007 incorporated MG	Increases	Amortization	Divestment	Reclassifi-cations	Net value at 31/12/2008
Lands and buildings	93,219	15,104	2,091	-3,455	-660	0	106,299
Plants and machinery	40,805	902	7,385	-9,617	-1	1	39,475
Equipment	41,060	5,121	17,310	-17,628	-3		45,860
Other	4,198	69	654	-1,470	-24	-1	3,426
Total	**179,282**	**21,196**	**27,440**	**-32,170**	**-688**	**0**	**195,060**

ess and sold) equal to €/000 3. Capitalization for the period was equal to €/000 17,309 and mainly consists of:

- Renewal of casts due to wear and safety €/000 2,000
- Equipment for laboratories €/000 600
- Equipment for assembly lines in the Pontedera plant €/000 1,100
- Equipment for assembly lines in the Scorzè plant €/000 200
- Equipment for vehicles quality improvement €/000 480
- Purchase of casts for Vespa (PX, GT, GS, ET, S) €/000 128
- Purchase of casts for various vehicles (Liberty, Beverly, Nexus, X8, etc.) €/000 966
- Purchase of casts for various Aprilia brand vehicles (Sportcity, Scarabeo, RS, etc.) €/000 922
- Purchase of casts for MP3 Ibrido vehicle €/000 270
- Purchase of casts for CARNABY RST €/000 587
- Purchase of casts for X 7 €/000 330
- Purchase of casts for PORTER, and APE €/000 483
- Purchase of casts for Gilera GP800 €/000 283
- Purchase of casts for Moto Derbi Mulhacen €/000 1,054
- Purchase of casts for Aprilia “MANA” €/000 225
- Purchase of casts for Dorsoduro Aprilia €/000 1,092
- Purchase of casts for Moto Guzzi 1200 4 v (former Monza) €/000 207
- Purchase of casts for Moto Guzzi V 7 €/000 320
- Purchase of casts for Moto Guzzi Stelvio €/000 135
- Purchase of casts for Moto Guzzi US versions (Gris, Stelvio, etc.) €/000 212
- Purchase of casts for production increase €/000 40
- Renewal of casts at external suppliers €/000 48
- Purchase new equipment for new Moto Guzzi products €/000 33
- Purchase new equipment for maintenance Moto Guzzi projects €/000 380
- Purchase new equipment for Moto Guzzi quality control €/000 143
- Purchase of casts for RSV4 1000 cc engines €/000 2,195
- Purchase of casts for the 850 cc twin engines €/000 555
- Purchase of casts for the 750 cc twin engine for motorbikes €/000 166
- Purchase of casts for 125 injection engines €/000 500
- Purchase of casts for 1200 twin engines €/000 390
- Purchase of casts for hybrid engines €/000 370
- Purchase of casts for 300 cc engines €/000 365

Other tangible fixed assets €/000 3,425

At 31 December 2008 the heading “Other goods” consisted of:

In thousands of Euro	At 31/12/2008	At 31/12/2007	Change
EDP systems	1,720	2,113	(393)
Office furniture and equipment	701	712	(11)
Vehicles	199	259	(60)
Automobiles	805	1,114	(309)
Total	**3,425**	**4,198**	**(773)**

Revaluations of fixed assets

The company still owns assets that underwent revaluations in accordance with specific regulations or on the occasion of merging operations. The following schedule (table 6) reports the detailed values by financial statement heading with reference to the legislative provision or merger operation.

17. REAL ESTATE INVESTMENTS €/000 0

At 31 December 2008 there are no investments in real estate.

18. EQUITY INVESTMENTS €/000 64,673

Equity investments consist of:

In thousands of Euro	31/12/2008	31/12/2007	Change
Equity investments in subsidiaries	64,483	99,336	-34,853
Equity investments in associated companies	190	676	-486
Total	**64,673**	**100,012**	**-35,339**

Changes for the period are shown in the following table 7 on next page.

Equity investments in subsidiaries

€/000 64,482

With reference to Motoride under liquidation on 28 October 2008, 23.39% of the company's capital was acquired. Due to this acquisition, the equity in the company was increased to 51.68% of the capital which resulted in the majority control of the company itself. On 19/12/2008 the company was fold up following the approval of the final liquidation statement by the Shareholders. From the final allocation of shares, residual assets for €/000 874 resulted to be due. Such amount has already been paid by the liquidator for €/000 680. The residual part will be refunded as soon as the Inland Revenue will pay the tax receivables requested as a refund. On 01/12/2008 the subsidiary Moto Guzzi S.p.A. was incorporated, with accounting and fiscal effects becoming effective from 01/01/2008. With respect

Tab 6

In thousands of Euro	Revaluation Law 623/73	Revaluation Law 575/65 and 72/83	Revaluation due to merger 1986	Economic Revaluation 1988	Revaluation Law 413/91	Revaluation departing from code previously in force Art. 2425	Revaluation due to merger 1990	Revaluation due to merger 1996	Revaluation Law 242/2000	Total revaluation
Tangible assets										
Industrial buildings	16	2,950	0	584	3,201	1,018	1,668	1,549	0	10,986
Plants and machinery	0	1,004	263	0	0	0	42	0	1,930	3,239
Industrial and commercial equipment	0	0	331	0	0	0	2,484	0	3,438	6,253
Office furniture and ordinary machinery	0	5	58	0	0	0	101	0	0	164
Office electrical machinery	0	0	0	0	0	0	27	0	0	27
Internal means of transport	0	0	0	0	0	0	13	0	0	13
Total assets Materials	*16*	*3,959*	*652*	*584*	*3,201*	*1,018*	*4,335*	*1,549*	*5,368*	*20,682*
Intangible assets										
Aprilia	0	0	0	0	0	0	21,691	0	25,823	47,514
Guzzi brand		103				258				361
Total assets Intangible	*0*	*103*	*0*	*0*	*0*	*258*	*21,691*	*0*	*25,823*	*47,875*
Total overall	**16**	**4,062**	**652**	**584**	**3,201**	**1,276**	**26,026**	**1,549**	**31,191**	**68,557**

Table 7

In thousands of Euro	Book value at 31/12/2007	Incr.	Reclas.	Value re-instatements	Write-downs	Disposals	Book value at 31/12/2008
Subsidiaries							
Piaggio Vespa B.V.	11,927						11,927
Piaggio Vehicles Pvt Ltd	15,793						15,793
Nacional Motor	35,040						35,040
Moto Guzzi	34,756		-34,756				0
Piaggio Vietnam Co Ltd	1,440						1,440
Piaggio Finance	31						31
Piaggio China Ltd	0						0
AWS B.V.	0						0
P&D S.p.a. under liquidation	322				-144		178
Motoride S.p.a. under liquidation		84	496	294		-874	0
Moto Laverda S.r.l. under liquidation	26	54			-7		73
Total subsidiaries	**99,335**	**138**	**-34,260**	**294**	**-151**	**-874**	**64,482**
Affiliated companies							
Zongshen Piaggio Foshan	0						0
Pontech Soc. Cons. a.r.l.	181						181
Motoride under liquidation	496		-496				0
IMMSI Audit S.C. R.L.	0	10					10
Fondazione Piaggio Onlus	0						0
Total affiliated companies	**677**	**10**	**-496**	**0**	**0**	**0**	**191**
Total equity investments	***100,012***	***148***	***-34,756***	***294***	***-151***	***-874***	***64,673***

to the incorporation, the cost of the equity was reclassified in the incorporated assets and existing liabilities at 01/01/2008 and, due to the negative difference, the value of the Guzzi brand was increased by €/000 36,706 with a booking of deferred taxes totalling €/000 10,625. The useful life of the asset was established to be until 2019, as previously applied in the Group's financial statements. The value of the Nacional Motor equity underwent the impairment test. The main hypothesis used by the Company for the calculation of the recoverable value (value in use) regard the discount rate, the use of the most recent budgets/forecasts and the use of the growth rate. With regard to the discounted cash flow, the Company has adopted a discount rate which reflects the market evaluations of the cost of borrowing and takes into account specific risks of the business.

Finally, it is pointed out that the estimates and the figures used for the development of the impairment test are based on the management's past experience and on the expectations concerning the development of markets where Piaggio operates. In particular, considering the pessimistic forecast for 2009, the management has revised the expected development rates and marginality of net rates; the latter were incorporated in the corporate plan prepared in the previous period and entail a more cautionary revision of the plan itself. Such revision, on the other hand, does not determine impairment situations on the book value of the equity recorded in the financial statements. Such control has confirmed the consistency of the recorded value. During the period, equities in P&D S.p.A. and Moto Laverda S.r.l. (both under liquidation) were also written down for €/000 144 and €/000 7 respectively, following losses by the same companies in the period.

Equity investments in affiliated companies €/000 191

The changes recorded in the period are only due to the underwriting of 25% of the capital of IMMSI Audit - a limited liability consortium company - and the reclassification of the company Motoride, among the subsidiaries as a consequence of the acquisition of the majority of the capital.

19. OTHER NON-CURRENT FINANCIAL ASSETS €/000 24,359

In thousands of Euro	At 31/12/2008	At 31/12/2007	Change
Receivables due from subsidiaries	24,194	24,000	194
Financial receivables due from affiliated companies		58	-58
Equity investments in other companies	165	167	-2
Total	**24,359**	**24,225**	**134**

This item includes the equity loan of €/000 24,000 which was granted to the subsidiary Nacional Motor S.A., and whose repayment is expected by 31/12/2009, and the credit of €/000 194 due for Motoride liquidation procedure for the residual assets which is still to be paid by the liquidator.

The equity loan was granted to the subsidiary so that the equity covenants of the loan contract signed by Nacional Motor, could be observed. This loan could also be repaid early in case the minimum capitalisation index required by the Spanish regulations is observed. The annual interest rate is equal to the Euribor plus a 4% spread subordinated to the achievement of a positive after-tax result of 5,000 ML€. With regard to the equities in other companies, the table below shows the breakdown:

In thousands of Euro	Book value at 31/12/2008
Other companies	
Valued using the cost method:	
Sviluppo Italia Liguria S.c.p.a. (formerly Bic Liguria S.p.A.)	5
Consorzio Pisa Ricerche	76
Innovation Centre - Pisa	
A.N.C.M.A. – Rome	2
GEOFOR S.p.a.	47
E.CO.FOR. Service S.p.a.	2
FGM & CC S.p.A. (formerly Consorzio Fiat Media Center)	3
Mitsuba FN Europe S.p.a.	0
IVM GMBH	9
S.C.P.S.T.V.	21
Total other companies	**165**

Following the incorporation of Moto Guzzi, the equity in ANCMA S.c.p.a.r.l. was increased for a value of €/000 1.
During the period, a €/000 1 portion of capital was underwritten in IVM-Industrie Verband Motorrad GMBH (German Motorcycle Industry Association) and a further €/000 8 portion was acquired by the subsidiary Piaggio Deutschland.
In addition to this, the equity in GEOFOR Patrimonio S.p.A., recorded for €/000 12, was sold to the Pisa Municipality, with a consequent residual value of €/000 1.

20. CURRENT AND NON-CURRENT TAX RECEIVABLES €/000 21,928

Tax receivables, which are equal to overall €/000 21,928, consists of:

In thousands of Euro	At 31/12/2008	At 31/12/2007	Change
VAT receivables	13,798	1,848	11,950
Tax receivables for tax requested as refund	1,616	7,689	(6,073)
Other tax receivables	6,514	484	6,030
Total	**21,928**	**10,021**	**11,907**

Tax receivables included in current activities total €/000 1,234 compared to €/000 7,425 at 31 December 2007.

The decrease is related to the refund in the period of the IRPEG 2000 receivables concerning the incorporated Aprilia, whose balance at 31/12/2007, including interest, totalled €/000 6,062.

Tax receivables included in current activities total €/000 20,694 compared to €/000 2,596 at 31 December 2007. The increase is essentially attributable to the VAT receivables which increased from €/000 1,848 to €/000 13,798 (€/000 4,319 of which is from the incorporated Moto Guzzi), to the tax credit of €/000 5,414 granted by the government for innovative research expenses, and to the IRAP receivables of €/000 653 which is left after the offsetting with the expected debt charged to the period for the same tax.

21. DEFERRED TAX ASSETS €/000 22,493

These totalled €/000 22,493 compared to €/000 16,206 at 31 December 2007.

The change of €/000 6,287 was generated as follows: €/000 13,809 for the use of deferred tax assets recorded in the previous periods, €/000 17,075 from the recording of new deferred tax assets, and €/000 3,021 from deferred tax assets deriving from the incorporated Moto Guzzi.

This latter amount is related to the 2007 fiscal loss which was declared by the incorporated and transferred to the parent company IMMSI with regard to the consolidated tax, and it refers to what IMMSI needs to pay against the above-said portion fiscal loss not yet drawn.

The booking of further deferred tax assets for €/000 17,075 was made in the light of the forecasted results of Piaggio & C. S.p.A. and given their respective utilization in subsequent years while taking into consideration the different dynamic between use and due date of the respective tax allowances.

The table below reports the breakdown of the headings which are subject to allocation of deferred tax assets, as well as the amount of the advance taxes already recorded and of those to be recorded.

In thousands of Euro	Amount	Fiscal effect 27.5%	Fiscal effect 3.9%
Risk provisions	12,162	3,344	220
Product warranty reserve	15,196	4,179	593
Allowance for doubtful accounts	16,593	4,563	
Provisions for obsolete inventories	22,289	6,130	869
Other changes	7,620	2,095	233
Total provisions and other changes	**73,860**	**20,311**	**1,915**
Fiscal losses 2004	75,195	20,679	
Fiscal losses 2005	21,334	5,867	
Fiscal losses 2006	7,749	2,131	
Total fiscal losses	**104,278**	**28,677**	**0**
IAS effects	**109**	**30**	**4**
Advance taxes already booked		**17,552**	**1,919**
Advance taxes not booked		**31,466**	

22. TRADE RECEIVABLES AND OTHER NON CURRENT RECEIVABLES €/000 4,899

Trade receivables and other receivables included in non current activities totalled €/000 4,899 compared to €/000 2,664 at 31 December 2007.

Their breakdown was as follows:

In thousands of Euro	At 31/12/2008	At 31/12/2007	Change
Receivables due from associated companies	359	390	-31
Other	4,540	2,274	2,266
Total	**4,899**	**2,664**	**2,235**

The heading "Others" includes guarantee deposits for €/000 154 and Deferred charges for €/000 3,864. These latter are on the increase compared to the previous period by €/000 2,272.

23. TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES €/000 138,873

Trade receivables and other receivables included in current activities total €/000 138,873 compared to €/000 181,858 at 31 December 2007. The decrease by €/000 42,985 is not only due to the decrease in volume and turnover in the last months of the years, but also to the cancellation of various receivables due from the incorporated Moto Guzzi. Trade receivables and other receivables included in the current assets consist of:

In thousands of Euro	At 31/12/2008	At 31/12/2007	Change
Receivables due from customers	61,403	67,452	-6,049
Trade receivables due from subsidiaries	48,073	71,652	-23,579
Trade receivables due from affiliated companies	460	1,122	-662
Trade receivables due from parent companies	-	124	-124
Other receivables due from third parties	13,324	15,608	-2,284
Other receivables due from subsidiaries	13,653	25,533	-11,880
Other receivables due from associated companies	176	141	35
Other receivables due from parent companies	1,784	226	1,558
Total	**138,873**	**181,858**	**-42,985**

Receivables due from customers are recorded net of a risk reserve on credits that is equal to €/000 13,803. The item Trade Receivables consists of receivables refers to normal sales operations. The heading includes foreign currency receivables, which include CAD/000 2,355, CHF/000 163, DKK/000 801, GBP/000 7,038, INR/000 3,213, JPY/000 000 467, NOK/000 971, SEK/000 22, SGD/000 831, and USD/000 31,112, for an overall value of, calculated on the exchange rate at 31 December 2008, of €/000 35,607.

The item also includes invoices to be issued for €/000 2,257, which relate to normal commercial operation and credit notes to be issued for €/000 14,185, which in turn mainly relate to bonuses for the achievement of targets to be acknowledged to the sales network in Italy and abroad, as well as bills subject to collection and commercial papers (Ri.Ba.) presented to banks and not yet due for €/000 2,482. Receivables due from national customers are usually sold to factoring companies and mainly with a without recourse clause with advance payment. Piaggio normally sells its receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its clients an instrument for funding their own inventories. At 31 December 2008, undue trade receivables which were sold without recourse total €/000 86,811. On such receivables Piaggio has received the payment before the natural due date for €/000 80,426. At 31 December 2008 the advances received for receivables sold with recourse totalled €/000 13,020 and have a counter entry in the current liabilities.

The changes in the allowance for doubtful trade accounts were as follows:

In thousands of Euro	
Initial balance at 31 December 2007	**8,636**
Initial balance at 31 December 2007 incorporated Moto Guzzi	2,857
Decreases for use	-197
Increases for allocations	2,484
Reclassifications from reserve for depreciation Different receivables	23
At 31 December 2008	**13,803**

During the reference period, the receivables depreciation reserve was used for hedging losses for €/000 197. Allocations of the reserve was made against risks that emerged during the credits assessment at 31 December 2008. Trade receivables due from subsidiaries refer to supplies of products made at normal market conditions. The other receivables due from subsidiaries consists of costs recovery and various charges. The other "Other Receivables due from third parties" consists of the following:

In thousands of Euro	At 31/12/2008	At 31/12/2007	Change
Receivables due from employees	616	516	100
Different receivables due from third parties:			
Advances on service supplies	123	123	0
Suppliers account debit balance and other creditors	5,446	4,435	1,011
Invoices and credits to be issued	629	277	352
Different receivables due from national and foreign third parties	3,469	3,788	-319
Receivables for real estate sales	508	573	-65
Other receivables	2,533	5,896	-3,363
Total	**13,324**	**15,608**	**-2,284**

Receivables due from employees regard advances paid for travelling allowances, sickness and accidents, contractual advances, cash in hand, etc. Different receivables of €/000 3,469 mainly refer to receivables due from national and foreign parties originated from relationships not connected to the main activity.

24. INVENTORIES €/000 211,452

At 31 December 2008, this item totalled €/000 211,452, compared to €/000 154,004 at the end of 2007, and comprised:

In thousands of Euro	At 31/12/2008	At 31/12/2007	Change
Raw materials	89,277	69,526	19,751
Provisions for write-downs	-7,648	-5,974	-1,674
Net value	81,629	63,552	18,077
Consumables	2,739	2,716	23
Work in progress of semifinished and	23,203	20,823	2,380
Provisions for write-downs	-852	-852	0
Net value	22,351	19,971	2,380
Finished products and goods	121,342	81,253	40,089
Provisions for write-downs	-16,626	-13,505	-3,121
Net value	104,716	67,748	36,968
Advances	17	17	0
Total	**211,452**	**154,004**	**57,448**

The changes of the obsolescence fund are summarised in the schedule below (see table 8 on next page).

25. OTHER CURRENT FINANCIAL ASSETS €/000 39,120

This item comprises:

In thousands of Euro	At 31/12/2008	At 31/12/2007	Change
Financial receivables due from subsidiaries	34,937	13,396	21,541
Financial receivables due from affiliated companies	45	-	45
Financial receivables due from third parties	4,138	436	3,702
Total	**39,120**	**13,832**	**25,288**

The breakdown of the item "Financial receivables due from subsidiaries" is as follows: €/000 4,676 for the loan in favour of Aprilia World Service BV and €/000 30,261 for a loan in favour of Piaggio Vespa BV. The item "Financial receivables due from third parties" refers to receivables due from some factors for amounts due to be credited with 2008 bank dates.

26. CASH AND CASH EQUIVALENTS €/,000 11,312

This item mainly includes short-term and on demand bank deposits. Cash and cash equivalents totalled €/000 11,312 against €/000 87,307 at 31st December 2007, as detailed below:

In thousands of Euro	31/12/2008	31/12/2007	Change
Bank and post office deposits	11,294	87,275	-75,981
Cash and assets in hand	18	32	-14
Total	**11,312**	**87,307**	**-75,995**

27. ASSETS INTENDED FOR SALE €/000 0

At 31 December 2008, there were no assets intended for sale.

28. BREAKDOWN BY GEOGRAPHICAL AREA OF RECEIVABLES POSTED AS ASSETS IN THE BALANCE SHEET

The following table 9 reports the details of the subdivision by geographic area of the Receivables recorded as assets in the balance sheet at 31 December 2008.

Table 8

In thousands of Euro	At 31/12/2007	At 31/12/2007 incorporated Moto Guzzi	Use	Allocation	At 31/12/2008
Raw materials	5,974	177	-1,820	3,318	7,649
Work in progress of semifinished and	852				852
Goods	6,516		-1,209	1,479	6,786
Finished products and goods	6,989	1,215	-1,450	3,085	9,839
TOTAL	**20,331**	**1,392**	**-4,479**	**7,882**	**25,126**

Table 9

In thousands of Euro	Italy	Europe	India	United States	Asia	Other countries	Total
Receivables other non current financial assets	359	24,000					24,359
Medium and long-term tax receivables	1,099	135					1,234
Trade receivables and other non current receivables	4,899						4,899
Total non-current assets	*6,357*	*24,135*	*0*	*0*	*0*	*0*	*30,492*
Trade receivables and other current receivables	34,805	59,062	8,764	21,350	9,943	4,949	138,873
Short-term tax receivables	20,571	123					20,694
Current financial assets	4,182	34,938					39,120
Total current assets	*59,558*	*94,123*	*8,764*	*21,350*	*9,943*	*4,949*	*198,687*
Total	**65,915**	**118,258**	**8,764**	**21,350**	**9,943**	**4,949**	**229,179**

29. RECEIVABLES DUE AFTER 5 YEARS €/000 0

At 31 December 2008 there were no receivables due after 5 years.

INFORMATION ON THE BALANCE SHEET - LIABILITIES

30. SHARE CAPITAL AND RESERVES €/000 307,066

Share capital €/000 192,148

The change in share capital during the period was as follows:

In thousands of Euro	
At 1 January 2008	**202,124**
Purchase of own shares	-9,976
At 31 December 2008	**192,148**

At 31 December 2008 the fully subscribed and paid-up share capital consisted of 396,040,908 ordinary shares with a nominal value of € 0.52 each, totalling € 205,941,272.16.

In execution of the resolutions of the Shareholder's meeting of 7 May 2007, during the period nr. 19.186.334 own shares were acquired in order to allow the implementation of the new 2007-2009 stock option plan. The overall cost was 26,1 ML€.

At 31 December 2008, a total of nr. 26.526.334 own shares were purchased for an overall 52,9 ML€.

In accordance with the provisions of international accounting standards, these purchases were recorded as a reduction in shareholders' equity.

At 31 December 2008, according to the shareholder ledger and available information, no shareholder holds an equity investment of more than 2% of the share capital other than the following: IMMSI S.p.A. (with 54.915% of the share capital), Diego Della Valle & C. S.a.p.a. (with 5.01% of the share capital), G.G.G. S.p.A. (with 2.103% of the share capital), and the State of New Jersey Common Pension Fund (with 2.14% of the share capital).

Share premium reserve €/000 3,493

The sharers premium reserve at 31 December 2008 was equal to €/000 3,493, with unchanged balance compared to the previous period.

Legal reserve €/000 7,497

The legal reserve increased by €/000 3,224 as a result of the allocation of the earnings for the last period.

Other reserves and retained earnings €/000 73,944

This heading consists of:

In thousands of Euro	At 31/12/2008	At 31/12/2007	Change
Stock option reserve	8,557	6,576	1,981
Financial instruments' fair value reserve	-409	64,536	-64,945
IFRS transition reserve	11,435	11,435	0
Total other reserves	*19,583*	*82,547*	*-62,964*
Retained earnings	54,361	32,562	21,799
Total	**73,944**	**115,109**	**-41,165**

The fair value financial instruments reserve is negative and it exclusively refers to the effect of the cash flow hedge accounting. At 31 December 2007 this assessment was

positive for €/000 2,086. At 31/12/2008 the same reserve was also reduced by 000 62,450 ML€ following the exercising of the warrants P&C 2004-2009 - issued with respect to the acquisition of the Aprilia Group - by the beneficiaries in the year.

Distributed dividends €/000 23,322

During the month of May 2008, dividends for €/000 23,322 were paid. During 2007, dividends for €/000 11,881 were paid.

Earnings (losses) for the period €/000 29,984

Following is reported a table with the analytic indication of the single headings of the shareholders' equity which are differentiated according to the origin, the availability and, finally, to whether they have been used during the three previous periods.

Nature/description	Value in thousands of Euro	Possibility of use	Available portion	Uses 2007 for hedging losses
Nominal value of capital	205,941			
Nominal value of acquired own shares	-13,794			
Capital reserves:				
Share premium	3,493	A,B,C (*)	3,493	32,961
Financial instruments' fair value reserve	-409		---	
Gains reserves:				
Legal reserve	7,497	B	---	
IAS transition reserve	11,435	A,B,C	11,435	1,746
Stock option reserve	8,557	A,B,C	8,557	
Total Reserves	30,573		23,485	34,707
Retained (losses) earnings	93,499			
Increased cost own acquisitions	-39,138			
	54,361	A,B,C		
Earnings (losses) for the period	29,984			
Total shareholders' equity	**307,065**			

LEGEND:
A: increase in share capital
B: for hedging losses
C: for distribution to shareholders
(*) entirely available for capital increase and losses hedging. For the other uses it is necessary to adapt in advance (also through transfer of the same share premium reserve) the legal reserve to 20% of the share capital. At 31 December 2008 such adaptation was equal to €/000 33,691.

Pursuant to art. 2426 of the Italian Civil Code, point 5, it is noted that the shareholders' equity is not available for the value of the development costs still to be amortised and which at 31 December 2008 are equal to €/000 66,231.

31. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES €/000 411,915

Payables included in non-current liabilities totalled €/000 290,505 against €/000 313,421 at 31 December 2007, whereas other payables included in current liabilities totalled €/000 121,410 compared to €/000 55,937 at 31 December 2007.

As reported in the statement on the net financial position within the financial statements, the overall net debt increased from €/000 268,219 at 31 December 2007 to €/000 361,483 at 31 December 2008, with a €/000 93,264 increase.

The attached tables summarise the breakdown of financial debt at 31 December 2008 and at 31 December 2007, as

In thousands of Euro	At 31/12/2007	At 31/12/07 incorporated Moto Guzzi	Ref	Incr.	Reclass. to current portion	Other changes	At 31/12/2008
Non-current portion:							
Medium/long-term loans from banks	148,291			26,500	(57,402)		117,389
of which EMH instrument	*3,500*						*3,500*
Other medium-/long-term loans							
of which Simest	*357*				*(357)*		*0*
of which payables due to M.I.C.A. lenders	*10,926*	*126*			*(2,211)*		*8,841*
of which Aprilia shareholders instruments	*8,473*					*526*	*8,999*
of which amounts due under leases	*0*	*9,746*			*(727)*		*9,019*
of which payables due to subsidiaries	*145,374*			*883*			*146,257*
Total other loans beyond 12 months	**165,130**	**9,872**		**883**	**(3,295)**	**526**	**173,116**
Total	**313,421**	**9,872**	**0**	**27,383**	**(60,697)**	**526**	**290,505**

In thousands of Euro	At 31/12/2007	At 31/12/07 Incorp. Moto Guzzi	Repay-ments	Incr.	Reclass. from non current	Other changes	At 31/12/2008
Current portion:							
Current account overdrafts	10,182	2,044		28,371			40,597
Current account payables	0			6,586			6,586
Payables due to factoring companies	8,407			4,613			13,020
Payables due to subsidiaries	303		(56)				247
Current portion of medium-/long-term loans:							
of which leasing	*1*	*694*	*(695)*		*727*		*727*
of which vs banks	*28,091*		*(28,501)*	*410*	*57,402*		*57,402*
of which EMH instrument	*6,322*		*(6,500)*			*178*	*0*
of which Aprilia shareholders instruments	*0*		*(63,943)*			*64,206*	*263*
of which payables due to M.I.C.A. lenders	*2,274*	*60*	*(2,334)*		*2,211*		*2,211*
of which due to other lenders Simest	*357*		*(357)*		*357*		*357*
Total loans within the year	**37,045**	**754**	**(102,330)**	**410**	**60,697**	**64,384**	**60,960**
Total	**55,937**	**2,798**	**(102,386)**	**39,980**	**60,697**	**64,384**	**121,410**

well as the changes for the period. The increase of financial debt is mainly due to the issue of new medium and long-term loans for €/000 26,500 as well as debts for leasing totalling €/000 10,440 and which were acquired following the incorporation of the subsidiary Moto Guzzi SpA. The following table analyses financial debt by currency and interest rate:

	Book value	Book value	Notional value	Applicable interest rate
In thousands of Euro	at 31.12.2007	at 31.12.2008		
USD	0	1,186	1,186	1.331%
Euro	369,358	410,729	416,299	6.178%
Total	**369,358**	**411,915**	**417,485**	**6.164%**

The breakdown of the debt is as follows:

	Book value	Book value	Nominal value	Nominal value
Amounts in €/000	at 31.12.2008	at 31.12.2007	at 31.12.2008	at 31.12.2007
Bank loans	218,474	183,064	219,300	184,300
Other medium-/long-term loans:				
of which leasing	*9,746*	*1*	*9,746*	*1*
of which payables due to other lenders	*24,429*	*22,321*	*24,429*	*22,321*
of which Aprilia instruments	*12,762*	*18,295*	*13,763*	*20,000*
of which payables due to subsidiaries	*146,504*	*145,677*	*150,247*	*150,303*
Total other loans	**193,441**	**186,294**	**198,185**	**192,625**
Total	**411,915**	**369,358**	**417,485**	**376,055**

The table below shows the debt servicing schedule at 31 December 2008:

	Nominal value	Amounts falling due within 12 months	Amounts falling due beyond 12 months	Amounts falling due in				
In thousands of Euro	at 31.12.2008			2010	2011	2012	2013	Beyond
Bank loans	219,300	104,917	114,383	33,954	36,645	35,754	7,130	900
Bonds								
Other medium-/long-term loans:								
of which leasing	*9,746*	*727*	*9,019*	*758*	*791*	*827*	*865*	*5,778*
of which payables due to other lenders	*24,429*	*15,588*	*8,841*	*2,361*	*2,324*	*2,214*	*271*	*1,671*
of which Aprilia instruments	*13,763*	*263*	*13,500*	*13,500*				
of which payables due to subsidiaries	*150,247*	*247*	*150,000*			*150,000*		
Total other loans	**198,185**	**16,825**	**181,360**	**16,619**	**3,115**	**153,041**	**1,136**	**7,449**
Total	**417,485**	**121,742**	**295,743**	**50,573**	**39,760**	**188,795**	**8,266**	**8,349**

The medium/long-term banking debt overall totals €/000 174,790, (of which €/000 117,388 non current and €/000 57,402 current), consists of the following loans:

- €/000 108,673 (nominal value €/000 109,500) loan provided by Mediobanca and Banca Intesa San Paolo. This loan, which in April 2006 was syndicated to a restricted pool of banks, is structured as a portion of €/000 150,000 (nominal value) fully drawn and a portion of €/000 100,000 to be used as a credit line, which at 31 December 2008 was completely undrawn. The structure envisages a 7-year term, with a grace period of 18 months and 11 semi-annual instalments with the last maturity on 23rd December 2012 for the loan portion, a variable interest rate linked to the 6-month Euribor rate to which a variable margin of between a maximum of 2.10% and a minimum of 0.65% is added depending on the Net Financial Debt/EBITDA ratio. As a confirmation of the excellent correspondence between these indexes, the margin in 2008 was stable at 0.90% as in the second term of 2007. For the portion relating to the credit line there is a commitment fee of 0.25%. The agreement does not envisage the issue of guarantees, while, in line with market practice, it does require meeting some financial parameters. It should be noted that, in reference to the 2008 period, these parameters were comfortably met;
- a €/000 29,000 loan granted by a pool of 14 banks at the time of the Aprilia acquisition for the purchase of an amount of 34 million Euros in non self-liquidating financial receivables claimed by the same lenders from Aprilia S.p.A. The economic conditions envisage a fixed 3.69% interest rate with annual capitalization and repayment in one single capital instalment and interests at the final due date, fixed at 31 December 2009. This date is aligned with the date of exercise of the Piaggio 2004-2009 warrants which were underwritten by the same credit institutions when closing Aprilia's financial statements;
- a €/000 1,106 loan provided by Interbanca in accordance with Law 346/88 regarding subsidies for applied research, secured by a mortgage lien on property;
- €/000 2,690 interest-free loan granted by Banca Antonveneta originally to a subsidiary of the Aprilia Group and which, following the acquisition, was taken upon by the Company with a single repayment date in 2011. The conditions entails a market interest rate in the last two years depending on the performance of the Piaggio 2004-2009 warrants;
- €/000 2,290 subsidised loan issued on 29/01/2007 by Intesa San Paolo pursuant to Law 346/88 for the implementation of a research project about "innovative vehicles with high characteristics in terms on performance, safety, and drivability", with due date on 1 July 2013;
- €/000 1,030 variable rate loan granted by Efibanca with due date on 28 December 2009;
- €/000 3,500 payables due to Interbanca in its capacity of provider of the EMH financial instruments;
- €/000 25,000 loan granted by Interbanca, underwritten in September 2008 for five years and not guaranteed;
- €/000 1,500 loan granted by ICCREA BANCA S.p.A. on 04/12/2008 to be allocated to financial needs connected to the capitalisation of the company Piaggio Vietnam Co. Ltd., which was formed in 2007, in which SIMEST S.p.A. (Società Italiana per le Imprese all Estero) has a 12.5% stake in its share capital, for the construction of a plant in Vietnam. SIMEST S.p.A. decided to grant a subsidy for the interest, which is valid for said loan, pursuant to Law 100/90 – art. 4 and subsequent amendments.

In December 2008 the company signed a medium-term loan agreement of €/000 150,000 with the European Investment Bank with the purpose of financing the Research & Development investments plan that was planned in the period

2009-2012. The 7-year term loan, which can be used in one or more portions, with envisaged financial covenants and without guarantees.

At 31/12/2008 the company had not requested the outpayment.

The heading Medium/long-term financial payables due to subsidiaries falling due after 12 months (€/000 146,257 net book value) refers to the loan granted by Piaggio Finance S.A. against the high-yield bond issued on 27 April 2005, for a nominal amount of €/000 150,000.

Medium/long-term payables due to other lenders equal to €/000 30,419, of which €/000 26,860 falling due after 12 months and €/000 3,559 as current portion, are organised as follows:

- €/000 9,262 Aprilia ex-shareholders financial instrument;
- subsidised loans for a total of €/000 11,410 provided by Simest and by the Ministry of Economic Development using regulations to encourage exports and investment in research and development (non-current portion of €/000 8,840);
- finance leases totalling €/000 9,746 acquired following the merger with Moto Guzzi S.p.A.

Financial instruments

Exchange rate risk

In 2008 the exchange rate risk was managed in line with the existing policy introduced in 2005; the aim of the latter is to neutralise the possible negative effects of the changes in exchange rates on company cash-flow by hedging business risk - relative the changes in company profitability compared to the annual business budget on the basis of a key exchange rate (the so-called "exchange rate") - and the settlement risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.

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.

The hedges must be equal to at least 66% of the economic exposure of each reference term.

Exposure to transaction risk consists of receivables and payables in foreign currency which were 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.

With reference to contracts which are made to hedge exchange rate risk on receivables and payables in foreign currency (settlement risk), at 31 December 2008 Piaggio & C. S.p.A. had the following forward purchase contracts outstanding:

- for a value of JPY/000 99,000 corresponding to €/000 795 (valued at the forward exchange rate);
- for a value of CHF/000 2,870 corresponding to €/000 1,930 (valued at the forward exchange rate);
- for a value of GBP/000 850 corresponding to €/000 938 (valued at the forward exchange rate);
- for a value of CAD/000 260 corresponding to €/000 149 (valued at the forward exchange rate);
- for a value of SEK/000 390 corresponding to €/000 37 (valued at the forward exchange rate).

At 31 December 2008 the following forward sale transactions were in effect:

- for a value of USD/000 23,540 equal to €/000 17,652 (valued at the forward exchange rate);
- for a value of SGD/000 540 corresponding to €/000 268 (valued at the forward exchange rate);
- for a value of NOK/000 1,160 corresponding to €/000 131 (valued at the forward exchange rate);
- for a value of JPY/000 80,000 corresponding to €/000 682 (valued at the forward exchange rate);

- for a value of GBP/000 2,050 corresponding to €/000 2,235 (valued at the forward exchange rate);
- for a value of DKK/000 1,290 corresponding to €/000 173 (valued at the forward exchange rate);
- for a value of CHF/000 2,930 corresponding to €/000 1,931 (valued at the forward exchange rate);
- for a value of CAD/000 2,775 corresponding to €/000 1,745 (valued at the forward exchange rate).

With reference to agreements in place to hedge exchange rate risks on forecast transactions (business risk), at 31 December 2008 the Parent company had forward purchase transactions for a value of JPY/000,000 610 and RMB/000,000 346, as well as forward sale transactions for a value of CHF/000 10,500. The said hedges were evaluated at their fair value and the overall negative bills of €/000 409 were posted directly to the shareholders' equity.

32. TRADE PAYABLES (CURRENT) €/000 325,346

Trade payables are all included in the current liabilities and total €/000 325,346 against €/000 286,349 at 31 December 2007.

In thousands of Euros	At 31/12/2008	At 31/12/2007	Change
Current liabilities:			
Liabilities due to suppliers	300,338	258,054	42,284
Liabilities due to subsidiaries	17,773	24,850	-7,077
Liabilities due to affiliated companies	6,891	3,122	3,769
Liabilities due to parent companies	344	323	21
Total current portion	**325,346**	**286,349**	**38,997**

This item consists of trade payables arising for €/000 313,744 from the purchase of goods and services for the running of the business and from the purchase of assets for €/000 11,602. The heading includes foreign currency payables, which include AUD/000 10, CHF/000 129, DKK/000 31, GBP/000 5,570, HKD/000 131, INR/000 4,453, JPY/000 537, NOK/000 265, RMB/000 8, SEK/000 2,028, SGD/000 1,594, USD/000 5,929, for an overall value of, calculated on the exchange rate at December 31/12/2008 of €/000 15,551. For the amount of €/000 4,405 the payment of payables recorded under this item is guaranteed by bank guarantees.

33. RESERVES (CURRENT AND NON-CURRENT PORTION) €/000 39,335

The breakdown and the changes of the provisions for risks and charges during the period is reported in table 10 on next page. The breakdown between current and non-current portion of reserves is as follows:

In thousands of Euro	At 31/12/2008	At 31/12/2007	Change
Non current portion			
Risk provisions on equity investments	11,977	11,977	0
Provisions for contractual risks	8,480	7,003	1,477
Risk provisions for legal disputes	2,656	2,656	0
Risk provisions on guarantees provided	138	138	0
Risk provisions on equities	888	888	0
Other risks provisions		68	-68
Product warranty provisions	2,945	2,780	165
Total non current portion	**27,084**	**25,510**	**1,574**

In thousands of Euro	At 31/12/2008	At 31/12/2007	Change
Current portion			
Product warranty provisions	12,251	11,121	1,130
Restructuring provisions		1,000	-1,000
Total current portion	**12,251**	**12,121**	**130**

The risks provisions on existing equity investments at 31 December 2008 refers to:

Table 10

In thousands of Euro	At 31/12/2007	At 31/12/2007 incorp. Moto Guzzi	Allocations	Applica-tions	Adjust.	Reclas.	At 31/12/2008
Risk provisions							
Risk provisions on equity investments	11,977						11,977
Provisions for contractual risks	7,003	239	2,312	-242	-900	68	8,480
Risk provisions for legal disputes	2,656						2,656
Risk provisions on guarantees provided	138						138
Risk provisions on equities	888						888
Other risk provisions	68	237				-305	0
Total risk provisions	**22,730**	**476**	**2,312**	**-242**	**-900**	**-237**	**24,139**
Expense provisions							
Product warranty provisions	13,901	2,102	10,857	-11,664			15,196
Restructuring provisions	1,000	13		-1,250		237	0
Total expense provisions	**14,901**	**2,115**	**10,857**	**-12,914**	**0**	**237**	**15,196**
Total provisions for risks and charges	**37,631**	**2,591**	**13,169**	**-13,156**	**-900**	**0**	**39,335**

- For €/000 5,286 to charges that might arise from the equity in the affiliated company Zongshen Piaggio Foshan Motorcycles Co. Ltd. The accounts "Commitments and risks" highlight the guarantees against loans granted by banking institutions to the affiliated company Zongshen Piaggio Foshan Motorcycle Co. Ltd. both directly (USD/000 8,100 equivalent to €/000 5,820 at the exchange rate at 31/12/2008) and through subsidiaries (USD/000 9,800 equivalent to €/000 7,042 at the exchange rate at 31/12/2008).
- For €/000 194 to the subsidiary China Co. Ltd and for €/000 6,497 to the subsidiary Aprilia World Service B.V in consideration of the foreseeable future charges to be incurred with respect to the equity in the two companies.

The provisions for contractual risks refers to:

- For €/000 4,217 to charges that might arise from renegotiating a supply contract.
- For €/000 4,263 to the charges forecast with regard to the three-year managerial plan. With respect to such risk, €/000 2,312 were allocated during the period.

The risk provisions for legal disputes consists of €/000 1,233 for disputed relating to labour and the difference of €/000 1,423 for other legal actions. The risk provisions for guarantees provided refers to charges that might be incurred with respect to guarantees provided during disposal of company equity investments. The risk provisions on receivables of €/000 888 refers to possible charges connected with failure to acknowledge paid receivables due from suppliers. The guarantee reserve of €/000 15,196 refers to potential liabilities connected to the sale of products. The product guarantee provisions regards the allocations for technical guarantee interventions on products under assistance which are estimated to be carried out during the guaranteed period envisaged by the contract. This period varies depending on the type of sold good, and it is also depends on the client signing a planned maintenance agreement. The provisions increased during the period by €/000 10,857 because of new allocations and it were used for €/000 11,664 with reference to guarantee charges incurred during the period. The provisions for restructuring charges, which were allocated during previous period, was completely used in the period with regard to charges incurred for the employees.

34. DEFERRED TAX LIABILITIES €/000 27,432

Reserves for deferred tax recorded in the financial statements refer to:

- For €/000 4,483 to the surplus value recorded by the incorporated Aprilia in 2005 on buildings (already owned in leasing) that were reacquired by Aprilia Leasing S.p.A.
- For €/000 52 to the dividends approved by Piaggio Vespa BV on 11/12/2008 with due payment on the coming 11 March.
- For €/000 24 to the cancellation of the fiscal interference which took place in 2004 on advance amortisation.
- For €/000 1,167 to the amortization portions on the fiscally acknowledged goodwill values.
- For €/000 3,364 to the fiscally deducted costs off-balance sheets connected to the application of the IAS/IFRS accounting standards.
- For €/000 7,836 to the allocation to the Aprilia brand of the merger deficit arising from the incorporation of the same company in 2005.
- For €/000 10,506 to the allocation to the Guzzi brand of the merger deficit arising from the incorporation of the same company during the period. The aforementioned surplus value was recorded under said asset as it can be ascribed to the higher price paid during the acquisition of the incorporated company. The deferred tax at issue, which are connected to the failure to fiscally acknowledged the aforementioned surplus value, were included in the shareholders' equity of the incorporated.

The provisions for deferred taxes were reduced for the period by €/000 14,252 following the release of the interest share, which is mainly related to the substitute tax provided by the 2008 Financial Act with reference to the realignment of the off-balance sheets deductions and to the fiscal acknowledgement of the value of certain assets, and which were overall increased by €/000 11,642, of which €/000 268 for new allocations posted to the income statement, €/000 749 due to IAS effects on the shareholders' equity of the incorporated Moto Guzzi, related to the different representation of the assets under leasing and to the discounting of the reserve for severance indemnities, and €/000 10,625 for the allocation of the merger deficit on the Guzzi brand.

35. RETIREMENT FUNDS AND EMPLOYEE BENEFITS €/000 61,974

In thousands of Euro	At 31/12/2008	At 31/12/2007	Change
Retirement funds	408	434	-26
Termination indemnities	61,566	57,141	4,425
Total	**61,974**	**57,575**	**4,399**

Table 11

		Options owned at the beginning of the period			Options granted during the period		
	Position	Nr. options	Average price for the period	Average expiration date	Nr. options	Average price for the period	Average expiration date
Bandiera Daniele	Operations General Manager	1,365,000	3.55	13/06/2012			
					750,000	1.216	31/07/2013
Pallottini Michele	Finance General Manager	1,365,000	3.55	13/06/2012			
					585,000	1.216	31/07/2013
Total		**2,730,000**			**1,335,000**		

The retirement fund essentially consists of the supplementary customer indemnity reserve, which represents the indemnities due to agents in the case of the agency contract being terminated for reasons beyond their control. As a result of the incorporation of Moto Guzzi, the initial balance was increased by €/000 44. During the period this reserve was used for €/000 129 with respect to the liquidation of indemnities already allocated in previous period and was increased by €/000 59 for indemnities accrued in the period. The change in termination indemnities is as follows:

	In thousands of Euro
Balance 31 December 2007	**57,141**
Balance at 31 December 2007 incorporated Moto Guzzi	2,565
Cost of the period	12,396
Interest cost	3,304
Uses and transfers to reserves for pension	-14,603
Other changes	763
Balance at 31 December 2008	**61,566**

With reference to the Incentive Scheme 2007-2009 approved by the Company's shareholders' meeting on 7 May 2007 and reserved to the Directors of the Company or of Italian and/or foreign subsidiary companies pursuant to art. 2359 of the Italian Civil Code, as well as to the Managing Directors of the aforementioned subsidiaries (**"2007-2009 Scheme"**), it should be noted that during the period nr. 3,260,000 options were granted on 31 July 2008, nr. 300,000 options on 3 October 2008, and nr. 655,000 ceased to exist. At 31 December 2008 a total of nr. 9,415,000 option rights were granted for a respective number of shares.

During the period, the Company completed the acquisition plan of a total of nr. 10,000,000 own ordinary shares, which are equal to 2.52% of the share capital, servicing the 2007-2009 Scheme.

As previously noted in the section on the consolidation principles, the cost of compensation, which corresponds to the current value of the options that the company determined through the application of the Black-Scholes (an assessment model which uses the average historic volatility of the company's security and the average interest rate on loans with due date equal to the duration of the contract) was recorded under employee costs on a straight-line basis over the period between the grant date and the vesting date, with a counter entry recognised directly under shareholders' equity.

Pursuant to Consob Resolution nr. 11971/99 and its subsequent amendments, the following table 11 reports the options granted to Directors, Managing Directors and senior managers with strategic responsibilities.

Options exercised during the period			Options expired during the period	Options owned at the end of the period		
Nr. options	Average price for the period	Average expiration date	Nr. options	Nr. options	Average price for the period	Average expiration date
				1,365,000	3.55	13/06/2012
				750,000	1.216	31/07/2013
				1,365,000	3.55	13/06/2012
				585,000	1.216	31/07/2013
				4,065,000		

36. TAX PAYABLES (CURRENT AND NON CURRENT PORTION) €/000 15,664

The item "Tax payables" amounts to €/000 15,664 against €/000 6,445 at 31 December 2007.

In thousands of Euro	At 31/12/2008	At 31/12/2007	Change
Income tax payables for the period	8,533	910	7,623
Other tax payables for:			
- VAT	2,620	4,901	-2,281
- Tax withholdings at source	4,507	598	3,909
- Dutch tax for vehicles registration		18	-18
- Tax records and tax payables	4	18	-14
Total other tax payables	7,131	5,535	1,596
Total	**15,664**	**6,445**	**9,219**

Current tax payables consist of €/000 50 for Corporate Income Tax (IRES) to be paid on the income generated by a foreign subsidiary and which is subject to separate taxation in Italy, €/000 1,006 for foreign tax on income therein generated (royalties and know how), and €/000 7,477 for substitute tax provided by the 2008 Financial Act with regard to the realignment of the off-balance sheets deductions and to the fiscal acknowledgement of certain assets.
The VAT to be paid in EU countries represents the debt arising at the end of the period for VAT due in the European States where the direct identification was obtained with regard to such tax.
Payables for tax withholdings made refer to employees' and self-employed earnings and those related to commissions.

37. OTHER PAYABLES (CURRENT AND NON CURRENT PORTION) €/000 68,724

In thousands of Euro	At 31/12/2008	At 31/12/2007	Change
Non-current portion:			
Accrued expenses	-	3,213	-3,213
Deferred income	4,176	2,956	1,220
Amounts due to social security institutions	1,003	1,003	0
Other payables	705	6,540	-5,835
Total	**5,884**	**13,712**	**-7,828**

In thousands of Euro	At 31/12/2008	At 31/12/2007	Change
Current portion:			
Payables due to subsidiaries	7,724	11,478	-3,754
Payables due to affiliated companies	226	179	47
Payables due to parent companies	374	-	374
Amounts due to employees	25,469	28,544	-3,075
Amounts due to social security institutions	8,413	9,509	-1,096
Payables due to company boards	352	247	105
Payables for non definitive grants	948	1,421	-473
Payables for financial statement auditing	119	82	37
Credit balance other debtors	-	34	-34
Credit balance of customers	5,314	3,387	1,927
Accrued expenses	7,538	3,012	4,526
Deferred income	3,002	2,413	589
Other payables	3,361	3,268	93
Total	**62,840**	**63,574**	**-734**

Other payables included in non-current liabilities totalled €/000 5,884 against €/000 13,712 at 31 December 2007, whereas other payables included in current liabilities total €/000 62,840 compared to €/000 63,574 at 31 December 2007.

With regard to the non current portion:

- Deferred income consists of €/000 3,286 for capital grants to be posted to the income statement in connection with the amortisation, of €/000 890 for gains received but pertaining to other periods arising from licence agreements.
- Other payables consists of €/000 705 for the guarantee deposits paid in 1997 by T.N.T. Automotive Logistics S.p.A. as a guarantee for the payment of the reserve for severance indemnities accrued by the employees who were part of the sold company division regarding the reception, packaging, warehousing, and physical distribution of spare parts and accessories.
- The item "payables due to social security institutions" essentially includes the amounts due to these institutions for the portions at the company's expenses and at the employees' expenses for salaries and wages of December and the amounts allocated for the so-called "long mobility" which Piaggio & C. employees, who were dismissed as part of the restructuring plans, benefit from.

Payables due beyond 12 months refer to payables due to INPS (National Social Security Institute) for said mobility.

Other payables due to subsidiaries consists of €/000 5,345 for the acquisition from Piaggio Limited of the respective trade receivables due from the respective dealers following an organisational restructuring of the markets commercial leadership, and of €/000 2,329 for zero-balance cash pooling contracts whose purpose is to offset the banking balances of some of the subsidiaries in order to optimise the Group's cash management. Amounts due to employees include the amount for holidays accrued but not taken of €/000 12,101 and other payments to be made for €/000 13,368. Contributions of €/000 948 refer to contributions not definitively received for subsidising research activities.

The credit balances mainly relate to bonuses for the achievements of objectives liquidated to clients and which will be paid at the close of the period, as well as to credit notes for returned goods. The deferred income include the short-term portion related to the Warrant bonus (€/000 1,070), to the aforementioned licence agreements (€/000 201), to the contributions for systems (€/000 1,731), as well as other income of different nature whose proceeds will be posted to the income statement in the next period. Accrued expenses refer for €/000 7,372 to interests on loans, of which €/000 2,649 due to the subsidiary Piaggio Finance Luxembourg and €/000 166 for costs and various expenses.

38. BREAKDOWN BY GEOGRAPHICAL AREA OF PAYABLES POSTED AS LIABILITIES WITHIN THE BALANCE SHEET

The following table reports the details of the subdivision by geographic area of the payables booked as balance sheet liabilities at 31 December 2008.

In thousands of Euro	Italy	Europe	India	United States	Asia	Other countries	Total
Non current financial liabilities	144,248	146,257					290,505
Trade payables and other non current payables	5,884						5,884
Total non-current liabilities	*150,132*	*146,257*	*0*	*0*	*0*	*0*	*296,389*
Current financial liabilities	121,195	215					121,410
Current trade payables	267,753	29,936	4,954	2,038	20,503	162	325,346
Current tax payables	13,010	2,654					15,664
Other current payables	55,080	7,226	5	1	248	280	62,840
Total current liabilities	*457,038*	*40,031*	*4,959*	*2,039*	*20,751*	*442*	*525,260*
Total	**607,170**	**186,288**	**4,959**	**2,039**	**20,751**	**442**	**821,649**

39. PAYABLES DUE AFTER 5 YEARS €/000 0

At 31 December 2008 there were no payables due after 5 years.

D) RELATIONS WITH RELATED PARTIES

The main business and financial relations that Group companies had with related parties have already been described in the specific paragraph in the Report on Operation to which reference is made here.

To supplement that information, the following table provides an indication by company of the outstanding items at 31 December 2008, as well as their contribution to the respective items.

		Values in €/000	% of accounting item	Balance heading
Relations with subsidiaries				
P & D Spa	trade receivables and other current receivables	4.0	0.00%	138,873
	current financial liabilities	217.4	0.18%	121,410
	current trade payables	0.2	0.00%	325,346
	other current payables	40.7	0.06%	62,840
	other operating income	4.0	0.00%	90,510
	financial charges	2.6	0.00%	67,077
Nacional Motor	other non current financial assets	24,000.0	98.52%	24,359
	trade receivables and other current receivables	4,670.1	3.36%	138,873
	current trade payables	5,089.5	1.56%	325,346
	net sales	17,802.2	1.39%	1,276,332
	costs for materials	21,945.0	3.05%	719,603
	costs for services and use of third party assets	4,760.7	1.70%	279,661
	other operating income	630.5	0.70%	90,510
	financial proceeds	55.7	0.18%	30,598
	financial charges	47.3	0.07%	67,077
Piaggio Hrvatska	trade receivables and other current receivables	341.4	0.25%	138,873
	current trade payables	0.6	0.00%	325,346
	net sales	15,736.8	1.23%	1,276,332
	costs for services and use of third party assets	0.6	0.00%	279,661
	other operating income	16.1	0.02%	90,510
Piaggio France S.A.	trade receivables and other current receivables	308.6	0.22%	138,873
	current trade payables	1,501.9	0.46%	325,346
	costs for services and use of third party assets	8,407.1	3.01%	279,661
	financial proceeds	36.2	0.12%	30,598

		Values in €/000	% of accounting item	Balance heading
Piaggio Deutschland GMBH	trade receivables and other current receivables	417.0	0.30%	138,873
	current trade payables	3,050.0	0.94%	325,346
	other current payables	8.4	0.01%	62,840
	costs for services and use of third party assets	9,405.9	3.36%	279,661
	other operating income	1.6	0.00%	90,510
	Financial proceeds	1.1	0.00%	30,598
Piaggio Limited	trade receivables and other current receivables	5,425.2	3.91%	138,873
	current trade payables	1,718.1	0.53%	325,346
	other current payables	5,345.0	8.51%	62,840
	costs for services and use of third party assets	5,102.9	1.82%	279,661
	other operating income	0.7	0.00%	90,510
Piaggio Benelux BV	current trade payables	506.2	0.00%	325,346
	costs for services and use of third party assets	1,943.5	0.69%	279,661
Piaggio Portugal Ltda	trade receivables and other current receivables	195.0	0.14%	138,873
	current trade payables	0.6	0.00%	325,346
Motoride S.p.A.	other non current financial assets	193.9	0.80%	24,359
Aprilia Racing SL	trade receivables and other current receivables	104.3	0.08%	138,873
	other operating income	15.5	0.02%	90,510
Derbi Racing SL	current trade payables	2,446.0	0.75%	325,346
	costs for materials	2,446.0	0.34%	719,603
Piaggio Hellas Epe	trade receivables and other current receivables	10,342.7	7.45%	138,873
	current trade payables	16.0	0.00%	325,346
	net sales	55,247.1	4.33%	1,276,332
	costs for services and use of third party assets	33.4	0.01%	279,661
	other operating income	16.7	0.02%	90,510
Piaggio Vehicles Pvt Ltd	trade receivables and other current receivables	8,512.2	6.13%	138,873
	current trade payables	2,342.3	0.72%	325,346
	net sales	15.6	0.00%	1,276,332
	costs for materials	3,803.7	0.53%	719,603
	costs for services and use of third party assets	64.4	0.02%	279,661
	other operating income	12,165.5	13.44%	90,510
Piaggio Group Americas	trade receivables and other current receivables	21,329.1	15.36%	138,873
	current trade payables	1,979.3	0.61%	325,346
	net sales	54,414.7	4.26%	1,276,332
	costs for services and use of third party assets	2,240.8	0.80%	279,661
	other operating income	88.8	0.10%	90,510

		Values in €/000	% of accounting item	Balance heading
Piaggio Vietnam	trade receivables and other current receivables	2,763.4	1.99%	138,873
	net sales	3.2	0.00%	1,276,332
	other operating income	2,427.3	2.68%	90,510
Piaggio Asia Pacific	trade receivables and other current receivables	491.5	0.35%	138,873
	current trade payables	795.5	0.24%	325,346
	net sales	12,682.8	0.99%	1,276,332
	costs for services and use of third party assets	1,356.3	0.48%	279,661
	other operating income	0.2	0.00%	90,510
Piaggio Vespa BV	other current financial assets	30,260.7	77.35%	39,120
	trade receivables and other current receivables	3,844.5	2.77%	138,873
	Financial proceeds	336.9	1.10%	30,598
Piaggio China	current trade payables	5.1	0.00%	325,346
Aprilia World Service	other current financial assets	4,676.7	11.95%	39,120
	Current financial liabilities	29.5	0.02%	121,410
	current trade payables	575.1	0.18%	325,346
	costs for services and use of third party assets	3,845.8	1.38%	279,661
	Financial proceeds	216.5	0.71%	30,598
	Financial charges	0.7	0.00%	67,077
Piaggio Group Japan	trade receivables and other current receivables	3,013.7	2.17%	138,873
	current trade payables	56.8	0.02%	325,346
	net sales	3,298.1	0.26%	1,276,332
	costs for services and use of third party assets	0.1	0.00%	279,661
	other operating income	103.3	0.11%	90,510
Aprilia Moto UK	current trade payables	7.0	0.00%	325,346
Piaggio Finance	non current financial liabilities	146,257.0	50.35%	290,505
	other current payables	2,649.1	4.22%	62,840
	financial charges	16,123.9	24.04%	67,077
Relations with affiliated companies				
Fondazione Piaggio	other non current financial assets	44.8	0.18%	24,359
	trade receivables and other non current receivables	398.3	8.13%	4,899
	trade receivables and other current receivables	198.8	0.14%	138,873
	current trade payables	19.3	0.01%	325,346
	other current payables	218.4	0.35%	62,840
	other operating income	8.4	0.01%	90,510
IMMSI AUDIT S.r.l	other current payables	7.5	0.01%	62,840

		Values in €/000	% of accounting item	Balance heading
Zongshen Piaggio Foshan	trade receivables and other current receivables	398.8	0.29%	138,873
	current trade payables	6,884.5	2.12%	325,346
	net sales	1.3	0.00%	1,276,332
	costs for materials	39,372.2	5.47%	719,603
	costs for services and use of third party assets	31.6	0.01%	279,661
	other operating income	1,957.0	2.16%	90,510
	Financial charges	245.8	0.37%	67,077
Relations with parent companies				
IMMSI	trade receivables and other current receivables	1,783.8	1.28%	138,873
	current trade payables	343.8	0.11%	325,346
	other current payables	373.8	0.59%	62,840
	costs for materials	0.7	0.00%	719,603
	costs for services and use of third party assets	1,367.6	0.49%	279,661
	other operating income	70.1	0.08%	90,510
	other operating costs	28.1	0.10%	27,040
Other related parties				
Studio D'urso	current trade payables	140.0	0.04%	325,346
	costs for services and use of third party assets	140.0	0.05%	279,661
Rodriquez Cantieri Navali	trade receivables and other current receivables	0.9	0.00%	138,873
	net sales	59.5	0.00%	1,276,332
	other operating income	1.6	0.00%	90,510

E) REMUNERATION PAID TO MEMBERS OF COMPANY BOARDS, CONTROL COMMITTEES, TO GENERAL MANAGERS AND DIRECTORS WITH STRATEGIC RESPONSIBILITIES

Name	Emoluments for the office	Non-monetary benefits	Bonuses and other incentives	Other remunera-tion	Total
Roberto Colaninno	1,040,000 (1)				1,040,000
Matteo Colaninno	100,000 (2)				100,000
Gianclaudio Neri	40,000				40,000
Michele Colaninno	40,000			3,333	43,333 (3)
Luciano Pietro La Noce	40,000				40,000
Giorgio Magnoni	40,000				40,000
Daniele Discepolo	60,000 (4)				60,000
Franco Debenedetti	40,000				40,000
Riccardo Varaldo	50,000(5)				50,000
Luca Paravicini Crespi	50,000 (5)				50,000
Gianclaudio Attolico Trivulzio	40,000				40,000
Daniele Bandiera			9,923	505,186	515,109
Michele Pallottini			10,474	903,045	913,519

(1) This amount includes 600,000 Euro as emoluments for the office of Chairman and 400,000 Euro as emoluments for the office of Chief Executive Officer.
(2) This amount includes 60,000 Euro as emoluments for the office of Deputy Chairman.
(3) The emoluments are paid to the company of employment.
(4) This amount includes 20,000 Euro as emoluments for the office of Chairman of the Internal Control Committee.
(5) This amount includes 10,000 Euro as emoluments for the office of member of the Internal Control Committee.

F) COMMITMENTS AND RISKS

40. GUARANTEES PROVIDED

The main guarantees provided by lending institutions on behalf of Piaggio & C. S.p.A in favour of third parties are:

TYPE	AMOUNT €/000
Bank guarantee from the Cassa di Risparmio of Pisa issued on our behalf In favour of the Administration of the Province of Pisa	130
Bank guarantee from Banca Intesa San Paolo issued on our behalf in favour of the La Spezia Customs Authority	200
Bank guarantee for a credit line of USD 8,100,000 agreed with Banca di Roma for the associated company Zongshen Piaggio Foshan	5,820
Banca Intesa San Paolo bank guarantee issued in favour of AMIAT – Turin to guarantee contractual obligations for the supply of vehicles	230
Banca Intesa San Paolo bank guarantee issued in favour of the Algerian Ministry of Interior to guarantee contractual obligations for the supply of vehicles	505
Bank guarantee to secure a credit line agreed with Banca Intesa San Paolo to the subsidiary Piaggio Vespa BV for USD 20,000,000	
- of which drawn	3,647
- of which given to the subsidiary Zongshen Piaggio Foshan	7,042
- of which undrawn	3,682
BNL bank guarantee in favour of Poste Italiane (Italian Post) to guarantee contractual obligations for the supply of vehicles	2,040
BNL bank guarantee issued in favour of the Venice Customs Authority	206
Bank guarantee MPS in favour of AMA SpA – Roma as a guarantee for the contractual obligations for the supply of vehicles	226
Banca Intesa Madrid bank guarantee in favour of Soc. Estatal De Correos Tel. issued on 13-08-2007 to guarantee supplies	187
Banco di Brescia bank guarantee issued in favour of the local authority of Scorzè to secure the payment of town planning charges	166
Bank guarantee Banca di Credito Cooperativo of Fornacette issued on our behalf in favour of Poste Italiane (Italian Post) – Roma as a guarantee for the contractual obligations for the supply of vehicles	204
Bank guarantee Banca di Credito Cooperativo of Fornacette issued on our behalf in favour of AMA SpA – Roma as a guarantee for the contractual obligations for the supply of vehicles	500

41. OPERATING LEASING AGREEMENTS

Piaggio & C. S.p.A. signed operating leasing contracts for the use of tangible assets. This contract has an average duration of 6.7 years. At 31 December 2088 and 2007 the amount of the operating lease payments still due and which cannot be cancelled were as follows:

In thousands of Euro	At 31/12/2008	At 31/12/2007	Change
Due within the year	106	147	-41
Between 1 and 5 years	85	216	-131
Beyond 5 years			
TOTAL	**191**	**363**	**-172**

Commitments for the Aprilia operation

With respect to the acquisition of the Aprilia Group, financial instruments were issued whose time obligations are summed up below:

- Aprilia Shareholders 2004/2009 financial instruments, which only provide the underwriter right with to exercise to the instruments on the condition of, payment of the maximum amount provided by the Warrants and by the EMH financial instruments. These instruments, which are linked to the Group's economic-financial performance, envisage the payment of a break-up value which can never exceed €/000 10,000.

The valuation of the aforementioned financial instruments is carried out periodically and in case conditions for the recording arose, the respective value will be used to increase the merger deficit that was determined during the incorporation of the company.

G) NON RECURRENT OPERATIONS

The Company had no non-recurring transactions in 2008 and 2007.

H) INFORMATION ABOUT FINANCIAL INSTRUMENTS

This attachment provides information about financial instruments, their risks, as well as the sensitivity analysis, in accordance with the requirements of IFRS 7, effective as of 1 January 2007. At 31 December 2008 and at 31 December 2007 the existing financial instruments were allocated in the financial statement of Piaggio & C. S.p.A. as follows:

In thousands of Euro	Notes	At 31/12/2008	At 31/12/2007	Change
ASSETS				
Current assets				
Other financial assets	26	39,120	13,832	25,288
LIABILITIES				
Non-current liabilities				
Financial liabilities falling due beyond one year	31	290,505	313,421	-22,916
of which vs Piaggio Finance		*146,257*	*145,374*	*883*
of which bank loans		*117,389*	*148,291*	*-30,902*
of which leasing		*9,019*		*9,019*
of which other lenders		*8,841*	*11,283*	*-2,442*
of which Aprilia instruments		*8,999*	*8,473*	*526*
Current liabilities				
Financial liabilities falling due within one year	31	80,813	45,755	35,058
of which bank loans		*57,402*	*34,413*	*22,989*
of which leasing		*727*	*1*	*726*
of which current account payables		*6,586*		*6,586*
of which factoring		*13,020*	*8,407*	*4,613*
of which other lenders		*2,568*	*2,631*	*-63*
of which vs subsidiaries		*247*	*303*	*-56*
of which vs Aprilia instruments		*263*		*263*

Other financial assets

The other financial assets are widely commented in the explanatory notes under paragraph no. 26.

Current and non-current financial liabilities

The non-current and current financial liabilities are widely commented in the explanatory notes under paragraph dedicated to financial liabilities.

In this section liabilities are divided by type and detailed by due date.

Credit lines

At 31 December 2008 the most important credit lines - irrevocable until maturity - are as follows:

- a €/000 209,500 credit line maturing in 4 years, consisting of a loan with amortization and credit opening completely refundable at maturity;
- a framework agreement with a pool of banks for the granting of credit lines for a total amount of €/000 70,300 maturing in 3 years, usable for opening a credit up to 80% and as advance on credits up to 60%;
- a loan of €/000 29,000 with a due date on 31 December 2009;
- a loan of €/000 150,000 with a due date in 7 years;
- a loan of €/000 25,000 with a due date in 5 years.

All the above-mentioned credit lines were granted to the Company.

Warrants and Financial Instruments

As part of the agreements sign in December 2004 during the acquisition of Aprilia, the Company issued warrants in favour of Aprilia's creditor banks and financial instruments in favour of the selling shareholders; these are extensively commented in the explanatory notes in the paragraph regarding Intangible fixed assets.

Management of Financial Risks

Cash management functions regulation and financial risks management is centralised. Cash management operations are performed within formalised policies and guidelines, valid for all Group's companies.

Capital management and liquidity risk

Cash flows and the Company's credit line needs are monitored or managed centrally under the control of the Group's Cash management in order to guarantee effective and efficient management of financial resources as well as to optimize the debt's maturity standpoint. The Company funds the temporary cash necessities of the Group's companies by means of current accounts with its subsidiaries, also through cash-pooling, in accordance with normal market conditions.

In order to better hedge the cash risk, at 31 December 2008 the Cash management has €/000 294,474 undrawn credit lines available, irrevocable until maturity, and revocable credit lines for €/000 108,891, as the following table shows:

In thousands of Euro	At 31/12/2008	At 31/12/2007
Variable rate with maturity within one year - irrevocable until maturity		2,500
Variable rate with maturity beyond one year - irrevocable until maturity	294,474	170,114
Variable rate with maturity within one year - cash revocable	81,691	75,549
Variable rate with maturity within one year - revocable through self-liquidation	27,200	28,200
Total of undrawn available credit lines	**403,365**	**276,363**

Exchange rate risk management

The Company operates in an international context where transactions are conducted in currencies different from the Euro.

This exposes the Group to risks arising from exchange rate fluctuations. The Company adopts a policy for the


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management of exchange rate risk with the objective of neutralising the possible negative effects of the changes in exchange rates and on company's cash flow.

The policy hedges the business risk concerning the changes in company profitability compared to the annual business budget on the basis of a key exchange rate (the so-called financial statement exchange rate) for at least 66% of the business exposure by resorting to derived contracts.

The policy also provides integral hedging of settlement risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment (net between sales and purchases in the same foreign currency) by resorting to the natural offsetting of the exposure to the underwriting of forward derivative sales or purchase contract in foreign currency in addition to advances of receivables in foreign currency.

Highlighted below is the net balance of the cash flows in the main currencies, whereas for derivatives contracts based on exchange rates applicable at 31 December 2008 please refer to the list in the explanatory note, in the paragraph about financial liabilities.

	Amounts in €/ML	
	Cash Flow 2008	Cash Flow 2007
Pound Sterling	33.7	48.8
Singapore Dollar	0.6	1.0
US Dollar	27.9	12.7
Canadian Dollar	5.2	0
Swiss Franc	14.0	12.3
Japanese Yen	(23.4)	(19.4)
Chinese Yuan*	(55.9)	(47.7)
Total cash flow in foreign currency	**2.1**	**7.7**

*flow regulated in Euros

Considering the aforementioned, on the assumption of a 3% increase of the Euro average exchange rate on the portion not hedged of the economic exposure on the main currencies observed in 2008, then the consolidated operative income would increase by around €/000 878.

Management of the interest rate risk

The exposure to interest rate risk arises from the necessity to fund operating activities, both industrial and financial, besides to use the available cash. The change in interest

rates can have an influence on costs and yielding of funding and investment operations.

The Company regularly measures and controls its exposure to interest rates changes and manages such risks by also resorting to derivative instruments; these mainly include Forward Rate Agreement and Interest Rate Swap, according to that established by its own management policies.

At 31 December 2008, the variable rate debt, net of financial assets, was equal to €/000 139,647.

As a consequence, a 1% increase or decrease of the Euribor above such net exposure would have generated higher or lower interests of €/000 1,396 per year.

Credit risk

The company centrally monitors or manages credit with formal policy guidelines.

The trade receivables portfolio does not show credit risk concentrations in relation to the positive degree of dispersion of our dealers or distributors with respect to the network. In addition to this, most of trade receivables are short-term.

In order to optimise management, the Company has signed revolving programs of sales without recourse with some major factoring companies both in Italy and in Europe.

I) SUBSEQUENT EVENTS

To date, no events have occurred after 31 December 2008 that make additional notes or adjustments to these financial statements necessary.

In this regard, refer to the Directors' Report for significant events after 31 December 2008.

L) INVESTEE COMPANIES

Reference is made to the attachments of the consolidated financial statements.

M) Information pursuant to article 149 duodecies of the Consob Issuer Regulations

The following statement, drafted in compliance with Art. 149 duodecies of the Consob Issuers Regulations, highlights the amounts due for the period 2008 for auditing services and for those services different from auditing which were provided by the Company itself and by bodies belonging to its network.

(in Euros)	Subject issuing the service	Addressee	Amounts due for the 2008 period
Auditing of accounts	Deloitte	Piaggio & C	408,036
Other consulting services	Deloitte	Piaggio & C	224,000
Total			**632,036**

N) Certification of the Financial Statements of the year, in compliance with Article 81-ter of *Consob Regulations 11971 of 14 May 1999 and its subsequent amendments and supplements*

1. The undersigned, Roberto Colaninno (Chairman and Chief Executive) and Alessandra Simonotto (Manager in Charge) of Piaggio S.p.A., taking account of the provisions of article 154-bis, paragraphs 3 and 4, of Law 24 February 1998, nr. 58, hereby declare that:

- the company has suitable characteristics and
- the administrative and accounting procedures for preparing the Financial Statements at 31 December 2008 have been properly applied.

2. In this respect, no items of particular note emerged.

3. In addition, we hereby state that:

3.1 the financial statements for the period:

a) have been prepared in compliance with international accounting standards recognised within the European Community, pursuant to EC Regulations 1606/2002 issued by the European Parliament and Council on 19 July 2002;

b) are consistent with the corporate books and accounting entries;

c) are suitable for providing a true representation of the economic and financial situation of the issuer.

3.2 The Report on Operations includes a reliable analysis of the progress and result of operations, as well as the position of the issuer, together with a description of the main risks and uncertainties to which they may be exposed.

26 February 2009

Chairman and Chief Executive Officer

Roberto Colaninno

Manager in Charge

Alessandra Simonotto

* * *

Translation from the Italian original, which remains the definitive version

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

To the Shareholders,

In the course of the financial year ending 31 December 2008 the Board of Statutory Auditors of Piaggio & C. S.p.A. (the "Company") carried out its statutory duties, also taking into account the Consob circulars about company checks and the activities of boards of statutory auditors, and the "Principi di comportamento del Collegio Sindacale di società quotate nei mercati regolamentati" [Principles of Conduct for the Board of Statutory Auditors of Companies listed on Regulated Markets] recommended by the Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri [National Council of Professional Accountants].

In the course of the financial year ending 31 December 2008, the Board of Statutory Auditors therefore checked (i) that the law and the memorandum of association were observed, (ii) that the principles of correct administration were respected, (iii) that those aspects of the Company's organisational structure that fall within its remit, as well as the internal audit system and the administrative and accounting system were adequate, and that this last could be relied upon to give a true picture of operational items, (iv) how the rules on corporate governance specified in the Codice di Autodisciplina del Comitato per la Corporate Governance delle società quotate [Self-regulating Code of Practice of the Committee for the Corporate Governance of Listed Companies], adopted by the Company, were actually implemented, and (v) that the directives issued to controlled companies as per Article 114, paragraph 2, of the T.U.F were adequate.

More particularly the Board can report as follows:

1. The Board has verified that the Company operations having the greatest impact on its profits, cash flow and assets – which it learnt about by attending board of directors' meetings and shareholders' meetings and by talking to top management – were in compliance with the law and memorandum of association.
2. The Board did not discover, in the course of the financial year 2008, any atypical and/or unusual inter-company, third-party or related-party transactions.

   The ordinary inter-company and related-party transactions, described in the Directors' Report and in the Notes to the Financial Statements, to which we refer you as appropriate, appear to be fair and in the interests of the Company.
3. With regard to the transactions indicated in point 2 above, the Board considers the information provided in the Directors' Report and Notes to the Financial Statements to be adequate.
4. The reports on the financial statements and consolidated financial statements by the audit firm Deloitte & Touche S.p.A., issued pursuant to Article 156 of the T.U.F. on 5 March 2009, are unqualified and do not include any emphasis of matter paragraphs; and they certify that the financial statements and consolidated financial statements have been drawn up clearly and give a true and fair view of the Company's

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profitability, assets and liabilities and financial position, of changes in shareholders' equity, and of cash flow in the financial year ending 31 December 2008. These reports also certify that the directors' report is consistent with the financial statements and consolidated financial statements.

5. In the course of the financial year 2008 and to date the Board has not received any complaints from shareholders as per Article 2408 of the Civil Code.

6. The Board is not aware of any other complaints which it should report here.

7. In the course of the financial year 2008 Deloitte & Touche S.p.A. (the "Audit Firm") was not entrusted, either by the Company or its affiliates, with duties additional to auditing.

8. In the course of the same year, the Company and its affiliates appointed parties belonging to the network of the Audit Firm to provide audit services and tax advisory services amounting to a total of € 566,006.00 (€ 328,917.00 for audit services and € 237,089.00 for tax advisory services).

In consideration of the above and the declaration issued by the Audit Firm on 5 March 2009, stating that there were no grounds for incompatibility, the Board of Statutory Auditors believes that no critical issues emerged with regard to the independence of the Audit Firm.

9. During the financial year 2008 the Board of Statutory Auditors issued statutory legal opinions and made the required statements and observations. The content of these opinions was not at variance with the resolutions subsequently adopted by the Board of Directors.

The Board of Statutory Auditors, in compliance with the Self-regulating Code, also verified:

a) that the criteria and procedures adopted by the Board of Directors when vetting the independence of its members had been correctly applied, in accordance with the criteria established by law and the Self-regulating Code;

b) the independence of its own members, using the criteria established by law and the Self-regulating Code.

10. In the course of 2008 the Company's Board of Directors met eight times; the Remuneration Committee met once; and the Internal Audit Committee four times. During the same year the Board of Statutory Auditors met ten times; it also attended all the meetings of the Board of Directors and shareholders' meetings held during the year.

The Chairman of the Board also attended three of the Internal Audit Committee meetings.

11. The Board of Statutory Auditors has learnt and checked, to the extent of its remit, that the principles of correct administration have been observed and that the Company's administrative structure is adequate for the purposes of complying with these principles.

In particular, as regards the decision-making processes of the Board of Directors, the Board has checked that the management decisions taken by the directors complied with the law and articles of association, and that their resolutions were not contrary to the interests of the Company.

The Board of Statutory Auditors therefore believes that the principles of sound administration have been observed.

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12. The Board of Statutory Auditors has checked the Company's organisational structure; and believes, in light of these checks and to the extent of its own responsibility, that the structure as a whole is adequate.

13. The Board of Statutory Auditors – also by liasing and coordinating with the Internal Audit Committee and the Managing Director in his capacity as the director appointed to oversee that the internal audit system is functioning – has checked the Company's internal audit system and the activities of the Soggetto Preposto al Controllo Interno [person who oversees that the internal audit system is functioning]; and believes, in light of these checks and to the extent of its own responsibility, that the system as a whole is adequate.

The Board also acknowledges that the auditing activities indicated in the Audit Plan for 2006-2008 will be completed in 2009, in accordance with the Audit Plan for 2009-2011 approved by the Company's Board of Directors at its meeting of 26 February 2009.

During this meeting the Board of Directors appointed, as the new Soggetto Preposto al Controllo Interno and Internal Audit Manager, Mr. Maurizio Strozzi, the Managing Director of the consortium Immsi Audit a r.l., which, as of 1 January 2009, carries out all the internal auditing of Piaggio & C. S.p.A.

14. The Board of Statutory Auditors has checked – by collecting information from the relevant department managers, examining company documentation, and analysing the results of the Audit Firm's work – the Company's administrative and accounting system and its reliability to give a true picture of operational items; and believes, in light of these checks and to the extent of its own responsibility, that the system is essentially adequate and reliable for the purpose of correctly representing the operational items.

The Board of Statutory Auditors has also evaluated the results of the checks and tests which the Company carried out on the administrative and accounting systems of the foreign subsidiaries, Piaggio Vehicles Pvt. Ltd and Piaggio Group Americas Inc.; and believes, in light of these checks and to the extent of its own responsibility, that there are no facts or circumstances rendering the administrative and accounting systems unsuitable for regularly sending the management of Piaggio & C. S.p.A. and the Audit Firm the data on profits, assets and cash flow necessary for drawing up the consolidated financial statements.

15. The Board has checked that the directives given by the Company to its controlled companies as per Article 114, paragraph 2, of the T.U.F. were adequate, and that there was a proper flow of information between them, and it believes that the Company is able to fulfil the communication obligations laid down by law.

16. During the financial year the Board of Statutory Auditors met managers from the Audit Firm in order to exchange relevant data and information with them in accordance with Article 150, paragraph 3, of the T.U.F.

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

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The fact that the Auditor Alessandro Lai is also the Chairman of the Board of Statutory Auditors of the controlling company IMMSI S.p.A. has also facilitated a constant exchange of information with that controlling company's Board of Statutory Auditors.

In turn, the exchange of information with the Board of Statutory Auditors of the subsidiary Moto Guzzi S.p.A., before it was merged by absorption into Piaggio & C. S.p.A., took place through the Chairman of the Board of Statutory Auditors, Giovanni Barbara, who at the time was a Statutory Auditor of Moto Guzzi S.p.A.

17. The Company has adopted the Self-regulating Code of Practice for Listed Companies, approved in March 2006 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A.

The system of corporate governance adopted by the Company is detailed in the Corporate Governance Report for 2008, approved by the Board of Directors on 26 February 2009.

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

19. The Board of Statutory Auditors remarks that, as far as it is aware, there has been no derogation from the law in the preparation of the consolidated financial statements and separate financial statements.

The Board, also in view of the results of the work carried out by the body responsible for accounting control, has found no reason – as far as its own remit goes – not to approve the financial statements as at 31 December 2008 as drafted and approved by the Board of Directors at its meeting of 26 February 2009, and agrees with the Board of Directors about the proposed allocation of the year's profits.

Milan, 23 March 2009

The Board of Statutory Auditors
Mr. Giovanni Barbara (Chairman)
Mr. Attilio Francesco Arietti (Statutory Auditor)
Mr. Alessandro Lai (Statutory Auditor)

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AUDITORS' REPORT PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998

To the Shareholders of
PIAGGIO & C. S.p.A.

1. We have audited the financial statements of Piaggio & C. S.p.A., which comprise the balance sheet as at December 31, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, the balances of which are presented for comparative purposes, reference should be made to our auditors' report issued on March 27, 2008.

3. In our opinion, the financial statements present fairly the financial position of Piaggio & C. S.p.A. as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/2005.

4. The Directors of Piaggio S.p.A. are responsible for the preparation of the Directors' Report in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' Report with the financial statements, as required by art. 156, paragraph 4-bis, letter d), of the Legislative Decree 58/98. For this purpose, we have performed the procedures required under Auditing Standard n. PR 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Directors' Report is consistent with the consolidated financial statements of Piaggio S.p.A. as of December 31, 2008.

DELOITTE & TOUCHE S.p.A.
Signed by
Paolo Guglielmetti
Partner

Florence, Italy
March 5, 2009

This report has been translated into the English language solely for the convenience of international readers.

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AUDITORS' REPORT PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998

To the Shareholders of
PIAGGIO & C. S.p.A.

1. We have audited the consolidated financial statements of Piaggio S.p.A. and subsidiaries (the "Piaggio Group"), which comprise the balance sheet as of December 31, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, the balances of which are presented for comparative purposes, reference should be made to our auditors' report issued on March 27, 2008.

3. In our opinion, the consolidated financial statements present fairly the financial position of Piaggio S.p.A. (the Piaggio Group) as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of Piaggio S.p.A. are responsible for the preparation of the Directors' Report in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' Report with the financial statements, as required by art. 156, paragraph 4-bis, letter d), of the Legislative Decree 58/98. For this purpose, we have performed the procedures required under Auditing Standard n. PR 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Directors' Report is consistent with the consolidated financial statements of Piaggio Group as of December 31, 2008.

DELOITTE & TOUCHE S.p.A.
Signed by
Paolo Guglielmetti
Partner

Florence, Italy
March 5, 2009

This report has been translated into the English language solely for the convenience of international readers.

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