Half-year Financial Report
as of 30 June 2010

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PIAGGIO & C. s.p.a.
Gruppo IMMSI

Share capital EUR 205,941,272.16 fully paid up
Registered office: Viale R. Piaggio 25, Pontedera (Pisa)
Pisa Register of Companies and Tax Code 04773200011
Pisa Economic and Administrative Index no. 134077

Contents

COMPANY BOARDS

BOARD OF DIRECTORS	
Chairman and Chief Executive Officer	Roberto Colaninno (1)
Deputy Chairman	Matteo Colaninno
Directors	Michele Colaninno
	Franco Debenedetti (3), (4)
	Daniele Discepolo (2), (5)
	Luciano La Noce (3), (4)
	Giorgio Magnoni
	Livio Corghi
	Luca Paravicini Crespi (3), (5)
	Riccardo Varaldo (4), (5)
	Vito Varvaro
BOARD OF STATUTORY AUDITORS	
Chairman	Giovanni Barbara
Statutory auditors	Attilio Francesco Arietti
	Alessandro Lai
Substitute Auditors	Mauro Girelli
	Elena Fornara
SUPERVISORY BODY	Antonio Parisi
	Giovanni Barbara
	Ulisse Spada
GENERAL MANAGERS	Michele Pallottini
	Maurizio Roman
EXECUTIVE IN CHARGE OF FINANCIAL REPORTING	Alessandra Simonotto
INDEPENDENT AUDITORS	Deloitte & Touche S.p.A.

(1) Director in charge of internal audit
(2) *Lead Independent Director*
(3) Member of the Appointment Proposal Committee
(4) Member of the Remuneration Committee
(5) Member of the Internal Control Committee
(6) In office since 26 February 2010

INTRODUCTION

This Half-year Financial Report as of 30 June 2010 was drafted in compliance with Legislative Decree no. 58/1998 and subsequent amendments, as well as the issuer regulations issued by Consob.

This Half-year Financial Report was drafted in compliance with the International Financial Reporting Standards (« IFRS ») issued by the International Accounting Standards Board (« IASB ») and ratified by the EU, and according to IAS 34 - Interim Financial Reporting, applying the same accounting standards as those adopted when drafting the Consolidated Financial Statements as of 31 December 2009, with the exception of items in the Notes in the section on Accounting standards, amendments and interpretations applied as of 1 January 2010.

Interim Directors' Report

FINANCIAL HIGHLIGHTS

		1st half		2009
In millions of Euro		**2010**	**2009**	**statutory**
Consolidated income statement (reclassified)				
Net revenues		820.8	795.6	1,486.9
Gross industrial margin		265.0	249.4	467.1
Operating expenses		-190.5	-187.8	-362.6
Operating income		74.6	61.6	104.4
Earnings before tax		62.8	45.1	74.1
Net income		33.1	25.7	47.4
Minority interest		0.1	0.1	1.4
Group		33.0	25.7	46.0
Gross margin on net revenues	%	32.3	31.3	31.4
Operating income on net revenues	%	9.1	7.7	7.0
Net income on net revenues	%	4.0	3.2	3.2
EBITDA		117.5	107.5	200.8
EBITDA on Net Revenues	%	14.3	13.5	13.5
Consolidated balance sheet				
Net working capital		20.7	-10.6	17.2
Tangible assets		249.7	250.8	250.4
Intangible assets		648.0	648.2	641.3
Financial assets		0.6	0.4	0.6
Provisions		-138.3	-137.5	-133.7
Net capital employed		**780.7**	**751.3**	**775.8**
Consolidated net debt		341.7	348.9	352.0
Shareholders' equity		439.0	402.4	423.8
Sources of funds		**780.7**	**751.3**	**775.8**
Minority interest capital		1.7	1.5	2.1
Cash flow				
Opening consolidated net debt		**-352.0**	**-359.7**	**-359.7**
Cash flow from operating activities (earnings+amortisation/depreciation)		76.0	71.6	143.8
Change in net working capital		-3.5	6.8	-20.9
Net investments		-48.9	-46.1	-89.4
Change in retirement funds and other provisions		4.6	0.0	-3.8
Other changes in shareholders' equity		-17.9	-21.5	-21.8
Total cash flow		***10.3***	***10.8***	***7.7***
Closing consolidated net debt		**-341.7**	**-348.9**	**-352.0**

CONSOLIDATED INCOME STATEMENT BY OPERATING SEGMENTS

		TWO-WHEELER VEHICLES				COMMERCIAL VEHICLES			
		EUROPE	AMERICAS	ASIA PACIFIC	TOTAL	EUROPE	INDIA	TOTAL	TOTAL
	1st half of 2010	200.2	3.1	29.5	**232.8**	7.6	100.4	108.0	**340.8**
Sales volumes	1st half of 2009	206.5	13.2	7.4	**227.0**	8.6	78.6	87.2	**314.2**
(units/000)	Change	(6.3)	(10.1)	22.2	**5.8**	(1.0)	21.8	20.8	**26.6**
	Change %	-3.1	-76.7	301.9	**2.6**	-11.1	27.7	23.9	**8.5**
	1st half of 2010	502.1	13.0	66.9	**582.0**	62.0	176.8	238.8	**820.8**
Turnover	1st half of 2009	534.8	42.6	18.4	**595.7**	72.2	127.7	199.9	**795.6**
(ML €)	Change	(32.6)	(29.6)	48.5	**(13.7)**	(10.2)	49.1	38.9	**25.2**
	Change %	-6.1	-69.5	263.6	**-2.3**	-14.1	38.4	19.5	**3.2**
	1st half of 2010	168.7	4.6	25.8	**199.1**	15.8	50.2	66.0	**265.0**
Gross industrial margin	1st half of 2009	172.5	15.0	5.3	**192.7**	19.3	37.3	56.6	**249.4**
(ML €)	Change	(3.7)	(10.4)	20.5	**6.3**	(3.5)	12.9	9.4	**15.6**
	Change %	-2.2	-69.6	389.0	**3.3**	-18.2	34.6	16.6	**6.3**
	1st half of 2010								**117.5**
EBITDA	1st half of 2009								**107.5**
(ML €)	Change								**10.0**
	Change %								**9.3**
	1st half of 2010								**62.8**
EBT	1st half of 2009								**45.1**
(ML €)	Change								**17.6**
	Change %								**39.1**
	1st half of 2010								**33.1**
Net income	1st half of 2009								**25.7**
(ML €)	Change								**7.4**
	Change %								**28.6**

KEY FIGURES BY BUSINESS SEGMENT AT 30 JUNE 2010

Business unit		Two-Wheeler Vehicles	Commercial Vehicles	Total
Sales	1st half of 2010	232.8	108.0	**340.8**
volumes	1st half of 2009	227.0	87.2	**314.2**
(units/000)	Change	5.8	20.8	**26.6**
	Change %	2.6	23.9	**8.5**
	1st half of 2010	582.0	238.8	**820.8**
Turnover	1st half of 2009	595.7	199.9	**795.6**
(ML €)	Change	(13.7)	38.9	**25.2**
	Change %	-2.3	19.5	**3.2**
	As of 30 June 2010	5,254	2,487	**7,741**
Employees	As of 31 December 2009	4,783	2,517	**7,300**
(n.)	Change	471	-30	**441**
	Change %	9.8	-1.2	**6.0**
	1st half of 2010	7.4	3.3	**10.7**
Investments *	1st half of 2009	11.2	11.1	**22.3**
(ML €)	Change	(3.8)	(7.8)	**(11.6)**
	Change %	-33.9	-70.3	**-52.0**
	1st half of 2010	15.1	9.1	**24.2**
R&D *	1st half of 2009	17.3	7.2	**24.5**
(ML €)	Change	(2.2)	1.9	**(0.3)**
	Change %	-12.7	26.4	**-1.2**

* Published data for the first half of 2009 have been reprocessed for comparison with data for the first half of 2010.

MAIN DATA BY GEOGRAPHICAL SEGMENT AT 30 JUNE 2010

		ITALY	REST OF EUROPE	AMERI-CAS	INDIA	ASIA PACIFIC	TOTAL
Sales	1st half of 2010	78.8	128.9	3.1	100.4	29.6	**340.8**
volumes	1st half of 2009	88.5	126.3	13.3	78.6	7.5	**314.2**
(units/000)	Change	(9.8)	2.7	(10.2)	21.8	22.1	**26.6**
	Change %	-11.0	2.1	-76.5	27.7	295.5	**8.5**
	1st half of 2010	236.5	327.2	13.3	176.8	67.0	**820.8**
Turnover	1st half of 2009	270.3	335.9	43.0	127.7	18.6	**795.6**
(ML €)	Change	(33.9)	(8.7)	(29.7)	49.1	48.4	**25.2**
	Change %	-12.5	-2.6	-69.0	38.4	260.1	**3.2**
	As of 30 June 2010	4,554	524	59	2,188	416	**7,741**
Employees	As of 31 December 2009	4,131	535	64	2,126	444	**7,300**
(n.)	Change	423	(11)	(5)	62	(28)	**441**
	Change %	10.2	-2.1	-7.8	2.9	-6.3	**6.0**
	1st half of 2010	7.4	0.5		2.2	0.6	**10.7**
Investments *	1st half of 2009	10.3	0.5		9.5	1.9	**22.3**
(ML €)	Change	(2.9)	(0.0)		(7.4)	(1.3)	**(11.6)**
	Change %	-28.1	-8.4		-77.3	-68.8	**-52.0**
	1st half of 2010	18.6	0.0		4.4	1.1	**24.2**
R&D *	1st half of 2009	18.4	0.9		4.1	1.1	**24.5**
(ML €)	Change	0.1	(0.8)		0.3	0.0	**(0.3)**
	Change %	0.8	-98.6		8.4	4.2	**-1.2**

* Published data for the first half of 2009 have been reprocessed for comparison with data for the first half of 2010.

PIAGGIO GROUP FINANCIAL POSITION AND PERFORMANCE

Business results of the Piaggio Group in the first half of 2010

Net revenues

In millions of euro	1st half of 2010	1st half of 2009	Change
Two-Wheeler Vehicles	582.0	595.7	(13.7)
Commercial Vehicles	238.8	199.9	38.9
TOTAL REVENUES	**820.8**	**795.6**	**25.2**

In the first half of 2010, the Piaggio Group sold a total of 340,800 vehicles worldwide, of which 232,800 in the Two-Wheeler business and 108,000 in the Commercial Vehicles business.
With regard to the Two-Wheeler business, this performance was achieved in a particularly difficult market context in the Group's main reference areas. In fact compared to the same period of the previous year, demand in the Two-Wheeler business fell in Europe (including Italy), in both the scooter segment and motorcycle segment (11%).
An analysis of sales by geographical segment shows the growth achieved in the Asian Pacific area, thanks to the success of the Vietnamese subsidiary which had just started operations in the first half of 2009.
Sales of the Group on the European market also increased (+2%) despite the overall market downturn (sell-out). As a result, the Piaggio Group improved its global market share, confirming its position as a leader in the scooter segment.
Performance declined in Italy (-10.5%) and in the Americas (-76.7%), where sales on the Canadian market were temporarily stopped, following a review of the distribution model in the first four months of 2010.

The Commercial Vehicles Division closed the first half of 2010 with 108,000 units sold, up 23.9% compared to the same period in 2009, thanks to the expansion of the Indian subsidiary (+ 27.7%) which had been affected by a downturn in the first half of 2009.

In the first half of 2010, consolidated revenues stood at 820.8 ML €, up 3.2% compared to the same period in 2009. The breakdown of revenues by sub-segments of reference shows that the increase was mostly driven by the successful performance of the Asian market in the Two-Wheeler segment and of the Indian market in the commercial vehicles sector, which more than made up for the downturns on the American and European markets.

The **gross industrial margin**, defined as the difference between "Revenues" and the corresponding "Cost of sales" for the period, was equal to 265.0 ML €, up 6.3% compared to the first six months of 2009. The percentage accounting for turnover continued to increase (32.3% compared to 31.3% in the same period of 2009) due to strict control over production costs. The gross industrial margin included amortisation/depreciation amounting to 16.4 ML € (16.9 ML € in the first six months of 2009).
"Cost of Sales" includes: the cost for materials (direct and consumables), accessory purchase costs (transport of incoming material, customs, movements and warehousing), employee costs for direct and indirect manpower and relative expenses, work carried out by third parties, energy costs, amortisation/depreciation of property, plant, equipment and industrial equipment, external maintenance and cleaning costs net of sundry cost recovery recharged to suppliers.

Operating expenses as of 30 June 2010 were equal to 190.5 ML €, up 2.7 ML € compared to 187.8 ML € of the same period in 2009. This item consists of employee costs, costs for services and use of third parties assets, and additional operational expenditure net of operating income not included in the gross industrial margin. Operating expenses also includes amortisation and depreciation amounting to 26.5 ML € (29.0 ML € in the first six months of 2009).

The above trend in revenues and costs led to a **consolidated EBITDA** equal to 117.5 ML € (+10.0 ML €, + 9.3% of Revenues compared to the first half of 2009). EBITDA is defined as "Operating income" before the amortisation of intangible assets and depreciation of tangible assets as resulting from the consolidated income statement.

Operating income in the first half of 2010 was positive, amounting to 74.6 ML €, up 13.0 ML € compared to 61.6 ML € in the same period in 2009. Profitability (measured as operating income divided by net revenues) also increased and was equal to 9.1%, against 7.7% for the same period in 2009.
Net borrowing costs amounted to 11.8 ML €, com-

pared to 16.6 ML € in the same period in 2009. The improved performance is related to better refinancing conditions for the debenture loan, lower costs of Euribor index-linked loans and a positive effect from currency management.
In the first half of 2010, the Piaggio Group recorded 62.8 ML € in **earnings before tax** (+ 17.6 ML € compared to the same period in 2009). This improvement is related to increased operating income.
In accordance with IAS, taxes for the period account for a cost of 29.7 ML €, (as against a charge of 19.4 ML € in the first quarter of 2009) and were determined based on the average tax rate expected for the entire period.
Net income as of 30 June 2010 was equal to 33.1 ML € (25.7 ML € in the same period in 2009).

Consolidated Cash Flow Statement

The consolidated cash flow statement, prepared in accordance with the schedules envisaged by international financial reporting standards, is presented in the "Consolidated Financial Statements and Notes as of 30 June 2010"; The following is a comment relating to the summary statement shown in the Highlights.
Cash flow generated in the period was 10.3 ML €.
Cash flow from operating activities, i.e. net income plus amortisation/depreciation, was equal to 76.0 ML €. The positive impact of this flow was partly absorbed by the increase in working capital from 17.2 ML € as of 31 December 2009 to 20.7 ML € as of 30 June 2010 as well as by investment activities for 48.9 ML €, distributed dividends totalling 25.8 ML € and the purchase of own shares for 2.9 ML €.

Consolidated balance sheet of the Piaggio Group as of 30 June 2010

Net working capital – defined as the net sum of: Current and non-current trade receivables and other receivables, Inventories, Long-term trade payables and other payables and Current trade payables, Other receivables (Short- and long-term tax receivables, Deferred tax assets) and Other payables (Tax payables and Other short-term payables) – was positive for 20.7 ML €. The growth of 3.5 ML € compared to figures as of 31 December 2009 is in line with seasonal trends of the business.
Tangible assets consist of properties, plant, machinery and industrial equipment, net of accumulated depreciation, and assets held for sale, as set out in more detail in the "Notes" to the Consolidated Financial Statements, in notes 17 and 28. As of 30 June 2010 this item totalled 249.7 ML €, registering a decrease of 0.7 ML € compared to 31 December 2009 and of 1.1 ML € compared to the same period of the previous year. These reductions are basically due to a temporary misalignment between the impact of depreciation and the new capitalisation of works in progress.
Intangible assets consist of capitalised research and development costs and the goodwill arising from the mergers and acquisitions undertaken within the Group since 2000 onwards, as set out in more detail in the notes to the consolidated financial statements in the specific note. As of 30 June 2010, this item amounted to 648.0 ML €, up 6.7 ML € compared to 31 December 2009.
Financial assets, defined by the directors as the total of equity investments and other non-current financial assets (refer to Notes 19 and 20), totalled 0.6 ML €, in line with figures as of 31 December 2009.
Provisions consist of retirement funds and employee benefits (see "Notes" 34), other long-term provisions (see "Notes" 32), the current portion of other long-term provisions (see "Notes" 32), and deferred tax liabilities (see "Notes" 33), and totalled 138.3 ML €, an increase of 4.6 ML € compared to 31 December 2009.
Net financial debt as of 30 June 2010 was 341.7 ML € compared to 352.0 ML € as of 31 December 2009 and compared to 348.9 ML € in the same period in 2009. The reduction of 10.3 ML € compared to 31 December is due to the positive trend of operating cash flow, which allowed for the financing of the investment programme, the distribution of dividends amounting to 25.8 ML € and the purchase of own shares for 2.9 ML €.
The breakdown of consolidated net debt, which is set out in more detail in the specific table in the "notes", may be summarised as follows:

In millions of euro	As of 30/06/2010	As of 31/12/2009	Change
Cash	177.2	200.2	(23.0)
Financial assets	27.2	4.1	23.1
(Medium- and long-term financial payables)	(279.1)	(305.5)	26.4
(Debenture loan)	(138.3)	(137.7)	(0.6)
(Short-term financial payables)	(128.7)	(113.1)	(15.6)
Total financial position	**(341.7)**	**(352.0)**	**10.3**

Shareholders' equity as of 30 June 2010 totalled 439.0 ML €, against 423.8 ML € as of 31 December 2009.

On 16 April 2010 the General Meeting of Shareholders of Piaggio & C, resolved to annul 24,247,007 own shares of the Company (equal to 6.12% of the share capital), with the elimination of the par value of ordinary shares in circulation and without a reduction in the amount of share capital.

As from 10 May 2010, following the filing of the resolution in the Register of Companies, the nominal share capital of Piaggio & C., fully subscribed and paid up, has not changed and amounts to € 205,941,272.16 divided into 371,793,901 ordinary shares.

During the period, following the resolution passed at the General Meeting of Shareholders on 16 April 2009, the Parent Company purchased 1,342,393 own shares. Therefore, as of 30 June 2010 the Parent company holds 4,642,393 own shares, equal to 1.25% of the share capital.

Employees

The Group's **workforce** as of 30 June 2010 accounted for 7,741 employees compared to 7,300 as of 31 December 2009. Employee/staff numbers are in line with seasonal trends of the business, with production and sales focussed on spring and summer months and the use of staff on fixed-term contracts in these periods. Average figures for the two half-years compared are affected by the start up of production activities at the Piaggio Vietnam site in June 2009.

SIGNIFICANT EVENTS IN THE FIRST HALF OF 2010

22 January 2010 An agreement was signed with Enel to study mobility and charging needs for company fleets and hybrid scooters, based on a joint pilot projects to be developed in a number of Italian cities.

1 March 2010 An important agreement for technical collaboration was signed with the Chinese company Dongan Power, which is part of the ChangAn-Hafei Group, one of China's leading manufacturers in the automotive industry. The purpose of the agreement is to develop petrol engines for the light commercial vehicles the Group manufactures in Italy and in India, and to focus in the future on technological developments for low/zero environmental impact hybrid and electric engines.

6 April 2010 A decree approved by the Government Cabinet on 19 March 2010 came into force. This law has allocated a 12 million euro fund for schemes to replace old Euro 0 or Euro 1 mopeds and motorcycles with new Euro 3 models with a maximum engine capacity of 400 cc or maximum power of 70 kW.

	Average number		Number at	
Number of people	*1st half of 2010*	*1st half of 2009*	*30-Jun-10*	*31-Dec-09*
Executives	110	111	110	109
Middle Management	450	428	466	441
Clerical staff	2.079	2.017	2.092	2.063
Manual labour	4.939	4.436	5.073	4.687
Total	**7.578**	**6.992**	**7.741**	**7.300**

16 April 2010 Pursuant to article 2386 of the Italian Civil Code, the General Meeting of Shareholders of Piaggio & C. appointed Livio Corghi as Board Director.

16 April 2010 The General Meeting of Shareholders of Piaggio & C, as motioned by the Board of Directors on 26 February 2010, resolved to amend the 2007-2009 Stock Option Plan, to which a maximum of 3,300,000 own shares (0.83% of the share capital) will be allocated.

16 April 2010 The General Meeting of Shareholders of Piaggio & C, resolved to annul 24,247,007 own shares of the Company (equal to 6.12% of the share capital), with the elimination of the par value of ordinary shares in circulation and without a reduction in the amount of share capital, as motioned by the Board of Directors on 26 February 2010. As from 10 May 2010, following the filing of the resolution in the Register of Companies, the nominal share capital of Piaggio & C., unchanged and equal to € 205,941,272.16, is divided into 371,793,901 ordinary shares.

16 April 2010 The General Meeting of Shareholders of Piaggio & C. resolved to increase share capital, against payment and divisibly, for a total maximum nominal amount of € 2,891,410.20, in addition to € 6,673,309.80 as a premium, excluding option rights pursuant to article 2441, paragraphs 5 and 8 of the Italian Civil Code and article 134 of Legislative Decree 58/1998, through the issue of 5,220,000 ordinary shares to be subscribed by 2007-2009 Stock Option Plan beneficiaries.

5 May 2010, Moody's confirmed its Ba2 corporate rating of the Parent Company, though it upgraded the outlook from "negative" to "stable".

3 June 2010 The Board of Directors of the Piaggio Group approved the industrial project for the construction of a new plant in India to manufacture a Vespa model specifically developed for the Indian market. The new vehicle is expected to go on sale in 2012.

14 June 2010 The Piaggio three-wheeler scooter, the MP3, was officially presented to the Chinese market. Sales will commence in August.

SIGNIFICANT SUBSEQUENT EVENTS AFTER THE FIRST HALF OF 20100

23 July 2010 two medium-term loans were undertaken with IFC-International Finance Corporation, a member of the World Bank, for a total of 30 million euro. The loans are for the subsidiary Piaggio Vehicles (India) and Piaggio Vietnam, that will use the funds for production investments.

OPERATING OUTLOOK: PROSPECTS FOR THE CURRENT FINANCIAL YEAR

During the second half of 2010, the Piaggio Group will continue its industrial and commercial growth strategy on key Asian markets – supported by the new Group worldwide organization structure – in order to strengthen its leadership on the Indian three and four-wheel light commercial vehicle market and win additional market share in the scooter sector in Vietnam.

At corporate level, Piaggio R&D will focus on the renewal of the Group product ranges – scooters, motorcycles and commercial vehicles – with particular attention to development of energy-efficient engines with little or zero environmental impact.

TRANSACTIONS WITH RELATED PARTIES

Net sales, costs, payables and receivables as of 30 June 2010 involving parent, subsidiaries and affiliated companies relate to the sale of goods or services which are a part of normal operations of the Group.

Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.

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

THE MARKET

Two-wheeler

In the first half of 2010, the world market for motorised two-wheelers exceeded 23 million vehicles sold, a +17% increase compared to the same period in 2009.
Asia was the most important geographical segment, in the first half of 2010 as well, selling nearly 21 million units and reporting a growth of 20% compared to 2009.
The People's Republic of China is still the leading global market with more than 9 million vehicles sold and a 12% growth compared to the first six months of 2009.
India ranks second, with 5.3 million vehicles sold, up 33% compared to the previous year, and registering the highest increase in percentage terms, in the first six months of the year.
South East Asian markets also performed well, with more than 6 million vehicles sold (+20% compared to the first half of 2009). Indonesia is still the most important country, in terms of volumes and growth, increasing its sales of vehicles by 31%, with a total of 3.2 million units sold, accounting for 51% of sales in South East Asia. Vietnam ranks second in the area with nearly 1.3 million unit sold (+20%) followed by Thailand with 894 thousand units sold (+19%).

After the huge decline in 2009, sales continued to decrease in the first six months of 2010 on the North American market, with volumes falling below 300 thousand units (-15%). The United States continued to account for approximately 90% of sales in the area.
Sales in Latin America picked up (+10% compared to the first half of 2009) with a positive trend on the Brazilian market (the reference country in this area) which sold approximately 880 thousand units, up 11% compared to the first half of 2009.

Europe, the main reference area for the Piaggio Group, continued to be negatively affected by the global economic recession and reported a decrease in sales of 11% compared to the first half of 2009 (-11% for both the scooter and motorcycle business). Both the over 50cc (-11%) and 50cc (-12%) sectors reported sales decreases. In the over 50cc sector in particular, scooter sales fell by 12%, partly affected by comparisons with 2009 when the sector benefited from state incentives in Italy, while motorcycle sales dropped by 9%. In the 50cc segment, the decrease in scooter sales (-11%) was lower than in the motorcycle segment (-23%).

The scooter market

Italy

The Italian scooter market closed the first half of 2010 with 176 thousand registered vehicles, a 19% decrease compared to 216 thousand registrations in the same period in 2009.

Sales in both the 50cc segment (-6% with 44 thousand units sold) and over 50cc segment dropped. The over 50cc segment, without the state incentives to scrap old vehicles granted in 2009, sold approximately 132,000 thousand units, registering a decrease of 22% compared to the first half of last year.

Europe

In the first half of 2010, sales on the scooter market fell by 11%, from 631 thousand to 559 thousand units.
In particular, performance declined in both the 50cc scooter segment, with sales falling by 11%, from 299 thousand units in the first part of 2009 to 267 thousand in 2010, and in the over 50cc scooter segment, where sales dropped by 12%, with 293 thousand units sold compared to 332 thousand in the same period in 2009.
In geographical terms, Italy was still the most important market with 176 thousand units sold, followed by France with 97 thousand units and Germany with 56 thousand units. Spain ranked fourth, with sales of 53 thousand units, with the market showing clear signs of recovery.
The French market decreased by 8% compared to the previous year, from 106 thousand to 97 thousand units. Unlike the past, the over 50cc scooter segment was affected to a greater extent (sales down 10%), while sales of 50cc scooters fell by 7%.
The German market was affected by a considerable downturn (-24%) with approximately 56 thousand units sold in the first half of 2010. This trend was negative for both the 50cc scooter (-11%) and over 50cc scooter (-18%) segments.
Sales on the UK market also fell, by 12%, compared to the same period in 2009, with just under 12 thousand vehicles sold. The decrease was more accentuated in the 50cc segment, which dropped by 15%, against a 10% decline in the over 50cc segment.
The Spanish market reversed its trend of the last few years and reported an upturn. Sales picked up considerably, with over 53 thousand vehicles sold (+12%), compared to the same period in 2009 when nearly 48 thousand vehicles were registered. This positive trend is due to the good performance of the over 50cc scoo-

ter segment (+23%), which offset a new decline in the 50cc scooter segment (-12%).

North America

The negative trend of the scooter market in North America in the first half of 2010 was less accentuated compared to the downturn in 2009. With 17.5 thousand units sold, sales were down by 12.4%. In particular, the United States (which accounts for nearly 80% of the reference area) reported a 12.2% drop, with the number of units sold falling to approximately 14 thousand.

The motorcycle market

Italy

In the first half of 2010, the motorcycle market (including 50cc motorcycles) in Italy fell 12%, from 74 thousand units in the first half of 2009 to 65 thousand. The decrease was mainly due to the contraction in the 51cc - 125cc motorcycle subsegment (which fell from 5 thousand units in the first half of 2009 to 4 thousand units in the first half of 2010, down 12%) and in the 126 - 750cc motorcycle subsegment (which fell from 36 thousand units in the first half of 2009 to 26 thousand units in the first half of 2010, down 27%). Large engine motorcycles partly offset the negative trend of other segments. Sales in the first half of 2010 went up to 32 thousand units against 30 thousand in 2009 (+6%). The 50cc motorcycle segment was also stable, with just under 3 thousand units sold (-5%).

Europe

On a European level, sales decreased on the motorcycle market (including 50cc motorcycles) in the first half of 2010, from 401 thousand units in the first half of 2009 to 360 thousand units in the same period in 2010 (-10%). The most significant downturn was in the 50cc segment, with sales in 2010 amounting to 26 thousand units (34 thousand units in 2009, -23%). This was followed by the 126 - 750cc segment, with sales dropping from 157 thousand units to 127 thousand units (-19%) and the 51 - 125cc segment, with sales falling by 8% and 48 thousand units in the first half of 2010.
Like the Italian market, aggregate European figures for the over 750cc motorcycle segment went up in the first half of 2010 (+1%), with nearly 160 thousand units sold.
The main European market was France, (75 thousand units) which exceeded Italy in terms of sales volumes in the first half of 2009, followed by Germany (63 thousand units) in third place, Great Britain (40 thousand units) and Spain (35 thousand units). In Europe, large engine motorcycles, which the Group sells under the Aprilia and Moto Guzzi brands, was the best performing subsegment (160 thousand units), followed in the first half of 2010 by medium engine motorcycles (127 thousand units), sold under the Aprilia, Moto Guzzi and Derbi brands. All main markets apart from Spain (+18%) reported a downturn in the first half of 2010. In particular sales decreased considerably on the UK market (-17%) and Italian market (-12%), while on the French and German markets sales fell by 8% and 7% respectively.

North America

The world crisis, which began in the United States, continued to affect the North American motorcycle market, which registered a decline of 15%.
In the first half of 2010, the motorcycle segment in the United States decreased by 15%, due to falling sales in all engine segments, with approximately 240 thousand units sold.
The Canadian market also reported a drop of 13% with volumes down to approximately 33.5 thousand vehicles.

Commercial Vehicles

In the first half of 2010, the European Light Commercial Vehicles market (vehicles with a Total Land Weight of ≤ 3.5 ton) improved its performance compared to the same period in 2009, with sales up 8% (EU countries, source ACEA).
On the Italian domestic market, growth stood at 14.8%, with 101,728 units against 88,623 in 2009 (source: ACEA, deliveries declared by LCV market manufacturers).

The Indian Three-Wheeler market - where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A., operates - went up from 180,853 units in the first half of 2009 to 223,773 in the first half of 2010, registering a 23.7% increase.
Within this market, and in the same reference period, the passenger transport vehicles segment continued its expansive trend, reaching 176,193 units, with a change of 22.5%, while the Cargo sector reported an increase of 28.4%, with sales going up from 37,045 to 47,580 units.

On the four-wheeler Light Commercial Vehicles market in India for goods transport (Cargo), in which Piaggio Vehicles Private Limited is present with the

Apé Truk, sales amounted to 125,021 units in the first half of 2010, up 51.8% compared to the same period in 2009.

THE REGULATORY FRAMEWORK

Two-wheeler

Italy

In the first few months of 2010, the Ministry for Economic Development introduced a number of measures to promote sales of items in different goods' categories, to encourage consumption and boost manufacturing. As from 15 April 2010, a fund of 12 million euros has been allocated for consumers purchasing two-wheeler vehicles. Consumers can benefit from the following discounts:

a) 10% of the cost of the vehicle (a maximum of 750 euros), for new Euro 3 motorcycles up to 400cc or with a power up to 70 kW (with a Euro 0 or Euro 1 motorcycle or scooter being scrapped at the same time);
b) 20% of the cost (a maximum of 1500 euros) for electric or hybrid motorcycles (without having to scrap an old vehicle).

These incentives were used up by consumers purchasing scooters and motorcycles, in just two weeks.

On 30 June 2010 the scheme financed by the Ministry for the Environment based on a programme agreement with the National Association of Manufacturers of Two- and Three-Wheeled Vehicles and of Parts and Accessories, ANCMA, ended. The purpose of the scheme was to encourage the purchase of motorcycles and scooters with a low or zero environmental impact.
The scheme, which started in September 2009, with funds of 5,112,683 euros, granted a discount of 30%, up to a maximum of 1300 euros, for the purchase of Euro 3 electric motorcycles and four-wheeled motor vehicles and hybrid motorcycles, Euro 2 hybrid three-wheeled vehicles and Euro 2 hybrid four-wheeled vehicles. A 30% discount was also granted, up to a maximum of 850 euros, for the purchase of Euro 2 electric or hybrid scooters, and a 20% discount was granted, up to a maximum of 500 euros, for the purchase of conventional four-stroke Euro 2 scooters or Euro 2 mopeds with a lower fuel consumption.

During the first half of 2010, the bill on new safety measures for urban and extraurban mobility went through parliament. The bill was widely debated by parties involved and in the media, as well as by government, parliament and trade associations. As a result, a number of measures which would have heavily penalised manufacturers of two-wheelers and motorcyclists, without ensuring greater traffic safety, were amended or eliminated.
The current version of the bill, which is expected to be approved in a short time, introduces the requirement to take a practical exam and have practical training to ride a moped (article 10 Bill no. 1720). The regulations in the bill will become operative if one or more decrees implementing the regulations are passed. To harmonise industry regulations at a European level, national competent bodies will only issue the decree with new regulations on riding mopeds after the new EU directive on driving licences has come into force (January 2013). The requirement to have practical training prior to riding a moped is expected to become mandatory after this date.

In May, the IX Committee of the Italian Chamber of Deputies invited the Piaggio Group to take part in the audition for key players of Italian industry on the "Action Plan on Urban Mobility" published by the European Commission in September 2009. The EU document proposes actions to assist local, regional and national administrations achieve the common goal of sustainable urban mobility on an environmental level.

Europe

During the first half of 2010 the European Commission continued works to define the draft version of the new Framework Regulation for the type approval of L category vehicles, which should be officially presented in Autumn 2010. The Regulation will include new requirements simplifying existing legislation, new and stricter limits on pollutant emissions (including tests on evaporative emissions and relative limits, new testing cycles for vehicle type approval, specific durability characteristics) and new requirements to improve safety (ABS, anti-tampering).

EU member states continued activities to enact the Directive 2006/126/EC on Driving Licences. Although EU nations have reached different stages of the process (some have already enacted the requirements of the directive, others have presented proposals to implement the directive, while other nations

have set up public or institution-led consultations), the regulations of the directive will be implemented in all EU countries by the end of the year in relation to the starting age for driving licences, test procedures and introductory and advanced training.
In April 2010 the European Commission issued a Communication to the European Parliament, European Council and Economic and Social Committee on the "European strategy on clean and energy efficient vehicles". The document sets out a medium-/long-term strategy to develop and disseminate "green vehicles" and consolidate the leading role of European automotive and motorcycle industry in production based on clean technologies.
Prior to publishing its Communication, the European Commissioner for Industry and Entrepreneurship held consultation talks involving the Piaggio Group and other leading stakeholders in the industry.

At an EU level, the Directive on Intelligent Transport Systems is being drawn up. This directive aims to integrate driver support systems on different categories of vehicles (navigation systems that can provide traffic and journey information in real time). The current version of the directive includes two-wheelers in the categories of vehicles referred to.

In **France** the Comitè Interministériel Sécurité Routière (CISR, Interministerial Committee for Road Safety) outlined a number of measures designed to improve road safety, in the first few months of 2010. These include in particular new conditions for riding motorcycles up to 125 cc and three-wheeler vehicles for holders of a car driving licence only (measure no. 11). Since July 2007, persons holding a car driving licence for at least two years must take a three-hour course to be able to drive this kind of motorcycle. The CISR wants to make the course mandatory for persons who obtained their car driving licence before 2007 and extend training to seven hours, instead of the current three-hour course.

Another new aspect defined by CISR (measure no. 10) is the introduction of regular MOTs for mopeds. This would lead to tighter controls of the safety conditions and pollutant emissions of vehicles on the road in France, as is already the case in Italy.
The Decree which will bring the new requirements into force, which is expected to be signed by 1 July 2010, has not yet been examined by the Council of State and so its enactment will be postponed.

During the first half of 2010 a new vehicle registration tax, calculated based on CO_2 emissions was introduced in **Spain**. As there is no obligation under Spanish law to declare the CO_2 emissions of three-wheelers, a fixed rate of 12% is applied at present, which is just below the threshold rate of 14.75% for vehicles that pollute more. An official request has been submitted to the Ministry of Finance in Spain, to be able to interpret the new law so that the actual CO_2 emissions of three-wheelers can be taken into account.

United States

Competent bodies (the EPA and CARB) are assessing the possibility of introducing a procedure, as part of regulations on the type approval of hybrid vehicles, which promotes hybrid motorcycles with a greater electrical autonomy. This procedure would be based on the new European Directive 2009/108/EC, without affecting US limits and test cycles.

China

As from 10 July 2010, mopeds and motorcycles in **China** will have to conform to new standards on pollutant emissions, defined as part of the XI Five-Year Plan for Environmental Protection (Standard China stage III) which are equivalent to Euro 3 regulations. The new standards concern limits and measurement methods of pollutant emissions and evaporative pollutant emissions of motorcycles and mopeds.

Commercial Vehicles

Europe

The draft version of the regulation setting out new pollutant emission levels for light commercial vehicles was presented to the Environment Committee of the European Parliament in October 2009 and is currently being examined, as part of an integrated EU approach to reduce CO_2 emissions. On the basis of this proposal, CO_2 emission levels of light commercial vehicles will be defined based on their unladen mass, as from 2014. According to the current draft version, manufacturers registering less than 22,000 vehicles a year may depart from this requirement.

In addition, "super credits" will be taken into account when calculating average specific CO_2 emissions, which will favour manufacturers of electric commercial vehicles. The draft version states that the calculation (of the production of light commercial vehicles by each manufacturer and relative pollutant emissions) will consider every new light commercial vehicle with

emissions below 50 g of CO_2/km as 2.5 vehicles in 2014 and as 1.5 vehicles in 2015.
The draft version is expected to be voted on by the Environment Committee of the European Parliament in September and by the Parliamentary Assembly in November.

THE PIAGGIO GROUP

Two-wheeler segment

In the first half of 2010, the Piaggio Group sold a total of 232.8 thousand units in the Two-Wheeler segment (+ 2.6% compared to the same period in 2009), with a net turnover of 582.0 ML € (+ 2.3%) including spare parts and accessories. It should be noted that 'sold' means the number of vehicles sold to dealers (sell-in volumes), which differs from the number of new vehicles registered (sell-out volumes), due to stocks held by the sales network.
As regards the breakdown of sales by geographical segment, growth was achieved in the Asia Pacific area, thanks to the success of the Vietnamese production site which had only started operating at the end of June 2009.
Group sales were also up on the European market (+ 1.9) against the scenario of a very challenging Two-Wheeler segment (sell-out), including Italy, where sales dropped by 11%. As a result, the Piaggio Group improved its global market share, confirming its position as a leader in the scooter segment.

Results in Italy decreased, where performance in the overall market declined by approximately 16.9%. Results obtained by the Group in the Americas were affected by the crisis on the global market (-15%), and by the change in the distribution model for the Canadian market.

The Two-Wheeler product range

The Piaggio Group sells a broad range of products, entrenched in the top sales rankings, ensuring excellent coverage of various market segments. In the first half of 2010, the Vespa LX was the most widely sold model (nearly 51 thousand units sold) and since 2009 it has also been manufactured at the new site in Vietnam for the local market; Piaggio Liberty was in second place: with a new look in 2009, the model was confirmed as a real icon of the scooter market with more than 23 thousand units sold compared to the 22 thousand of the first half of 2009.
The Vespa GTS also performed well, with nearly 17 thousand units sold.

The Beverly ranked fourth, with more than 17 thousand units sold, and featured a restyling in May.
Piaggio's two entry-level products performed well: the Fly and Zip overall sold more than 23 thousand unit.

	1st half of 2010		1st half of 2009		Change %		Change	
	Volumes	Turnover	Volumes	Turnover				
	Sell in (units/000)	(ML€)	Sell in (units/000)	(ML€)	Volumes	Turnover	Volumes	Turnover
Italy	74.0	195.3	82.7	217.9	-10.5%	-10.4%	(8.7)	(22.6)
Europe (Europe + Mea)	126.2	306.9	123.8	316.9	1.9%	-3.2%	2.4	(10.0)
Asia Pacific	29.5	66.9	7.4	18.4	301.9%	263.6%	22.2	48.5
Americas	3.1	13.0	13.2	42.6	-76.7%	-69.5%	(10.1)	(29.6)
TOTAL	**232.8**	**582.0**	**227.0**	**595.7**	**2.6%**	**-2.3%**	**5.8**	**(13.7)**
Scooters	208.5	420.6	201.5	420.3	3.5%	0.1%	7.0	0.3
Motorcycles	24.3	85.9	25.5	99.1	-4.7%	-13.3%	(1.2)	(13.2)
Spare parts and Accessories		72.3		73.9		-2.1%	0.0	(1.6)
Other		3.2		2.5		29.1%	0.0	0.7
TOTAL	**232.8**	**582.0**	**227.0**	**595.7**	**2.6%**	**-2.3%**	**5.8**	**(13.7)**

As mentioned, in the first half of 2010, the Piaggio Group restyled Piaggio's most important scooter in terms of image and sales. Since it was unveiled in 2001, the Beverly has been a market leader, clocking up more than 270,000 units sold.
The aim behind the new Beverly is to retain its market leadership and original concept, while offering a more innovative vehicle that meets customer needs.

The critical factors for the restyling success are **safety**, with a special focus on the braking system; **comfort**, with a new seat compartment for two full jet helmets - making the model a leader in terms of transport in the high wheel scooter segment; **style**, with echoes of the original design, but a leaner look and more sophisticated details; **ergonomics**, with a more spacious riding position to improve riding conditions; **technological content**, with a new 125cc engine with electronic injection and new LED lights.

Numerous new models successfully came onto the market in the first half of the year. At the beginning of 2010, the spotlight was on the Vespa Brand, with four new special series, for each model, unveiled. The best-selling Vespa LX range was added to, with the LX Touring, a vehicle for touring fans, fitted out with exclusive accessories such as the chrome-plated front carriers, the fairing, side kickstand and seat. A special series was also launched for younger riders: the Vespa S College, available in a Red/White or Light blue/White two-tone version. For customers with more sophisticated tastes, the new Vespa GTS Super Sport and GTV Via Montenapoleone were brought out. The Vespa GTS Super Sport is a new version of the GTS Super, the most powerful Vespa thanks to a 300cc engine. The GTV Via Montenapoleone is a celebration of Milan's famous shopping street, featuring chrome-plated details, exclusive materials for the seat and a gloss black look, which sets apart the GTV model for the first time ever.

Two new versions of the Scarabeo brand were also introduced, which along with the Vespa, represents the Group's premium product ranges. The 50cc and 100cc version Scarabeos were given a new look. Plus a special "NET" version, with a 125 and 200cc engine with electronic injection, was unveiled. As the name suggests, the version was specifically designed to appeal to a more technologically-minded customer, keen on the latest in hi-tech. In addition to a number of stylish features such as the seat material and standard pannier, the Scarabeo "NET" lets the rider use a helmet with Bluetooth which connects to various user devices.
The Aprilia range consolidated its flagship model the RSV4 in the first half of 2010, with the arrival of the R version, unveiled at the end of 2009, and the superb results it achieved in the World SBK Championship.
In the first few months of the year, the twin-cylinder 750cc range was also updated, with the Shiver 750 My'10 (an important restyling) and Dorsoduro 750 Factory launched on the market.

During 2010 Moto Guzzi, which is undergoing a major relaunch, had some important changes made to solve quality problems. All products in the range have been restyled though in a way which was not visible to customers.

The Stelvio (basic and NTX) MY'10 was launched with functional changes, the Griso My'10 with a restyled engine and the Nevada Anniversario, with a new look to celebrate the 20 years of the Nevada 750.

As for Derbi motorcycles, with the Senda 50 range to be restyled in the second half of the year, steps were taken to complete the process to modernise and relaunch the 125 range, with restyling of the Senda Baja and Mulhacen.

Commercial Vehicles

The Commercial Vehicles Division ended the first six months of 2010 with 108 thousand units sold, up 23.9% compared to the first half of 2009, while turnover increased from 199.9 ML € in the first six months of 2009 to 238.8 ML € in the first six months of 2010 (+ 19.5%). Turnover generated in India reached 176.8 ML € while in Europe it stood at 62.0 ML €.

On the Indian three-wheeler market, Piaggio Vehicles continued to strengthen its role of reference player and market leader. Sales of Piaggio Vehicles in the three-wheeler market went up from 73,531 units in the first half of 2009 to 90,068 in the first half of 2010, recording an increase of 22.5%.

Detailed analysis of the three-wheeler goods transport segment (Cargo) shows that Piaggio Vehicles consolidated its role as market leader, with a market share of 57.9% in the first half of 2010. Sales in this segment went up from 19,966 in the first half of 2009 to 27,560 in the first half of 2010, thanks in particular to the Piaggio Apé 501.

In the three-wheeler passenger transport segment (Passenger), the introduction of the new Apé City Passenger, available in Petrol, Diesel, CNG and LPG versions, contributed to sales increasing by 16.7%, up from 53,565 vehicles in the first half of 2009 to 62,508 vehicles in the first half of 2010; the market share for this segment is currently 35.5%.

Sales on the four-wheeler Light Commercial Vehicles market also increased. Sales of the Apé Truk went up from 4,013 units in the first half of 2009 to 5,339 units in the first half of 2010.

As regards activities for the product range, the new MultiTech petrol engine, designed for Euro 5 standards, was introduced in the first half of 2010. The new engine will be fitted on the Porter range to replace the current petrol engine, and will deliver a better performance, lower consumption (-34%) and fewer CO2 emissions (-22%) .

Network development was singled out in particular, and starting from 2009, a new strategy was adopted to increase area coverage (sales outlets and service centres) on main European markets and improve the professional standards of the existing network, to forge even better relations with end customers. In the first six months of 2010, more than fifty new Dealers and three Distributors were appointed in Europe.

As regards international non-European markets, new distribution projects were launched in Latin America, a strategically important area, where Piaggio is aiming to seize on new business opportunities stemming from the diverse mobility needs of emerging markets, through its Indian range, and on more developed markets, through its European range.

	1st half of 2010		1st half of 2009		Change %		Change	
	Volumes	Turnover	Volumes	Turnover	Volumes	Turnover	Volumes	Turnover
	Sell in (units/000)	(ML€)	Sell in (units/000)	(ML€)				
India								
Vehicles	100.4	167.0	78.6	120.2	27.7%	38.9%	21.8	46.7
Spare parts and Accessories		9.8		7.5		31.5%		2.4
Total India	**100.4**	**176.8**	**78.6**	**127.7**	**27.7%**	**38.4%**	**21.8**	**49.1**
Europe								
Vehicles	7.6	51.2	8.6	61.5	-11.1%	-16.7%	(1.0)	(10.3)
Spare parts and Accessories		10.8		10.7		1.3%		0.1
Total Europe	**7.6**	**62.0**	**8.6**	**72.2**	**-11.1%**	**-14.1%**	**(1.0)**	**(10.2)**
TOTAL	**108.0**	**238.8**	**87.2**	**199.9**	**23.9%**	**19.5%**	**20.8**	**38.9**
Ape	99.1	163.9	78.5	123.6	26.3%	32.6%	20.6	40.3
Porter	3.1	33.2	4.0	42.8	-24.6%	-22.4%	(1.0)	(9.6)
Quargo/Apé Truk	5.9	21.1	4.7	15.1	25.7%	39.5%	1.2	6.0
Microcars			0.0	0.2	-100.0%	-100.0%	(0.0)	(0.2)
Atv	0.0	0.0	0.0	0.0			0.0	(0.0)
Spare parts and Accessories		20.6		18.1		13.7%		2.5
TOTAL	**108.0**	**238.8**	**87.2**	**199.9**	**23.9%**	**19.5%**	**20.8**	**38.9**

Research and Development

The Piaggio Group implements R&D activities for new products or technologically advanced solutions that can be applied to its vehicles and engines at its production facilities.

In the first half of 2010, the Piaggio Group continued its policy of technological leadership in the industry, allocating total resources of 36.8 ML € to R&D, which accounts for 4.5% of turnover (4.5% in the first half of 2009), of which 24.2 ML € capitalised under intangible assets as development costs.

R&D activities particularly concerned new vehicles and new engines, above all with an environmentally friendly focus.

Production

Pontedera Plants

Engines plant

Processes began to manufacture steel components of the integral driving shaft and cam axles for 1200cc engines and for engines produced for the client John Deere.

All manufacturing stages (steel processes - aluminium processes - assembly and testing) were started for the new 350cc engine, scheduled to be mass produced in 2011.

As part of the manufacturing process and engine assembly and testing, equipment for the 1200cc engine, which will go into production in the second half of 2010, was completed.

Two-wheeler Facilities

As part of two-wheeler welding processes, activities to replace the 2 welding robots for the Vespa body and NRG chassis were completed. In addition, works to upgrade the LX/GT body welding line finished, with the installation of 2 complete automatic units for Vespa GT spot welding, along with transfer lines. Works to modernise the centralised extractor systems and finishing cabins, with the installation of fire prevention systems, were completed.

In the two-wheeler painting process, a new matt version (silver grey) for the Vespa GTS, as part of the new colour range, went into production.

As part of the two-wheeler manufacturing process, the assembly and testing process for the new Beverly was approved, and pre-production stages of the new MP3 Light were launched.

Commercial Vehicles Plant

The Porter multiTEC assembly and testing process with new 1300cc engines, ABS and LPG versions was approved. The MAXI MultiTEC and MAXI LPG models will be mass produced in the second half of 2010.

As part of the welding process, worn robots were replaced with a new latest-generation unit for the APE TM deck. Activities will be completed in the second half of 2010, for the Ape 50 deck and inner sill panel.

As part of painting processes, works commenced to replace worn Ape and Porter painting robots, and are scheduled for completion by the second half of 2010.

Scorzè Plant

Equipment to mass produce the DORSODURO 1200cc was completed. The Dorsoduro 750 factory version with ABS was approved.
The first pre-production of the RSV4 traction control was completed, scheduled for mass production in the second half of 2010.

Research and Development

Company	1st half of 2010			1st half of 2009*		
Amounts in ML €	Capitalised	Costs	Total	Capitalised	Costs	Total
Two-Wheeler Vehicles	15.1	11.0	26.1	17.3	10.8	28.1
Commercial Vehicles	9.1	1.6	10.7	7.2	1.4	8.6
Total	**24.2**	**12.6**	**36.8**	**24.5**	**12.2**	**36.7**

* Published data for the first half of 2009 have been reprocessed for comparison with data for the first half of 2010.

Mandello Del Lario Plant
Initial restructuring works began for the second stage of the ARROCCO project, while requalification planning and design for the entire second stage has been contracted out. The long-term project will complete the plant engineering safety stages with new fire prevention systems by the end of the year.

Baramati Plant
The production process for LEADER engines was approved. Approval of the DIESEL 1200 BTC engine by the end of 2010 is expected.

Hanoi Plant
Building and mechanical works commenced to install the second assembly line for the Liberty 125cc and 150cc, with pre-production scheduled for before the end of 2010.
Building, electrical and mechanical works will be completed in the second half of 2010.

WCM Project
A broad range of activities for continual improvement at all production sites was ongoing, with the number of Word Class Manufacturing sites on the rise. At present, 47 sites have been opened, of which 26 have been closed, for the four areas: L-Logistic, LM-Lean Manufacturing, PQ-Production Quality, S-Safety.
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HUMAN RESOURCES

Organisational Development
In the first six months of 2010, following reorganisation at the end of 2009, the Company optimised the operations of some first-level company structures, defining organisational aspects in detail, also with a view to consolidating the internationalisation process underway.
The following areas were involved:

- The organisational configuration of the Spares Parts Accessories and After Sales Service Business Unit was changed. The main aim of the Unit is to define the spare parts and non-product accessories range, develop licensing and merchandising, ensure distribution logistics for spare parts and accessories, manage technical service for markets and develop the after-sales network.

- The sales structure of the EMEA/CIS unit, in the EMEA and South America Commercial Vehicles Division was redefined. Specific monitoring was set up for sales in Italy, Importers and for the French, German, Spanish, Greek and Benelux markets.

- A new organisational unit, Performance Improvement, was set up in the General Development and Product Strategy Department. The aim of the new unit is to define product development initiatives and projects necessary to achieve business objectives, support functions involved in activities and monitor the effectiveness of actions taken.

- The Piaggio Group in Spain was redefined, with the following structures:
  - the company Nacional Motor S.A.U., based in Barcelona, will continue Production, Purchasing, Quality, Finance, Administration and Control and Personnel activities
  - the company Piaggio Espana, based in Madrid, operates as a selling agency, monitoring sales on the Spanish market
  - Piaggio & C. S.p.A.'s operating unit (Branch), based in Barcelona, monitors activities concerning R&D, technical service, spare parts and vehicles logistics.

- The R&D unit in the Asia Sea 2 Wheeler function was redefined in order to monitor product development. A new function within the unit was set up, New Product Platform and Quality, to oversee the development, testing and manufacture of new products for local markets.

In the first part of the year, a development plan for human resources was devised and launched, geared towards consolidating strategic competencies and the internal growth of key resources. The first two initiatives of this international plan have been launched:
- the Piaggio Way programme dedicated to selecting and developing high-potential employees;
- updating the Group's professional system, to bring the managerial and professional competencies model in line with the strategic plan and provide a framework for all personnel development and training actions.

Training involved all clusters of the company's staff and included specific plans for funded training (e.g. newly graduated staff, managers, workers on temporary redundancy schemes, etc..); in total, 8078 hours of training, including corporate, specialist and occupational safety training took place in 2010, involving 559 individuals.

The programme implementing the new SAP HR computer system was extended to India and Vietnam. The programme was launched in 2008, to align the Group to the best practices of international companies and is already operative in Italy, Europe and America.

Employees

As of 30 June 2010, staff of the Group - including not only employees but also resources working for the company on supply contracts - totalled 7,750 persons against 7,427 in the same period in 2009; of these 4,538 were operating at Italian facilities compared to 4,847 as of 30 June 2009, an increase of 323 persons within the Group and a decrease of 309 in Italy.

Developments in the Far East were particularly important. PVPL was consolidated, with 2188 resources employed as of 30 June 2010 against 1,694 as of 30 June 2009, while the number of employees at Piaggio Vietnam Co. Ltd. increased, with 393 staff as of 30 June 2010 against 193 as of 30 June 2009.

The total number of stable employees of the Group is equal to 6,234 individuals, of which 4,167 work at Italian facilities. The increase was equal to 222 units within the Group, while in Italy there was a slight decrease (36 units) compared to 30 June 2009.

Efforts continued to diversify the work force, with a considerable increase in the number of professional and/or specialist staff dedicated to product and process development and innovation.

Industrial relations

In the first half of 2010, industrial relations focussed on managing various plans of trade union agreements signed at the end of 2009 for the Mandello de Lario site and in January 2010 for the Scorzè site.
In particular, staff reorganisation was completed at the Moto Guzzi production site, with some employees made redundant, and others temporarily laid off on the extraordinary wage guarantee fund. As of 30 June 2010, employees totalled 125, with a reduction of 35 from when the agreement was signed. Specific training has started to retrain some staff who will be transferred to other company functions. In the meantime, works to modernise industrial areas are continuing. In May and June, production was stopped for a total of 19,539 hours.
At the Scorzè plant, which manufactures Aprilia scooters and motorcycles, a Contract to reduce daily working hours for all site employees was adopted, to effectively adjust work to production volumes scheduled month by month, in line with market demand.
In its decree no. 52761 of 22 June 2010, the Ministry of Employment authorised the Extraordinary Wage Guarantee Fund for the Mandello del Lario site, for the period from 11 January 2010 – 10 January 2011 and in its decree no. 52758 of 22 June 2010 it approved the Solidarity Contract for the Scorzè site for the period from 1 February 2010 – 31 January 2011.
As regards the Pontedera site, the company and trade union organisations mainly discussed the application of some parts of the trade union agreement of 6 March 2009 on employment (changing from part-time to full-time contracts and adding new 7-month job share part-time contracts), flexible working hours in order to optimise the use of plants during months when demand is greater and the productivity bonus, for which 2010 targets have been set.
In April, a trade union agreement was signed for a special agreement with the 35 nurseries of the local authorities of the Valdera area. The company will pay a contribution for employees' children who go to these nurseries. The agreement will come into effect from the 2010/2011 academic year, and was welcomed by employees who appreciated the financial help for children aged 0 to three years.
The new branch of Piaggio & C S.p.A, established in Spain from the spin off of Nacional Motor, launched its new staff organisation, in line with agreements made with trade union organisations.
In the first half of 2010, the number of hours lost through strikes continued to decrease, with a drop of 38% compared to figures for the same period in 2009.

OTHER INFORMATION

Corporate

During the first half of 2010, the Group's corporate structure changed as a result of the following events:

- A new company Piaggio Group Canada Inc. was established on 12 March 2010. The company will operate

in Canada as a selling agency of Piaggio Group Americas Inc. to promote sales of Group products on the Canadian market.
- The share capital of Derbi Racing S.L.U. was reduced on 30 June 2010.

Rulings

Leasys–Savarent S.p.A., summoned to appear before the Court of Monza by Europe Assistance in relation to the rental supply of Piaggio vehicles to the Italian Postal System, summoned the party to the Court of Pisa as a guarantee. The trial before the Court of Pisa was suspended while awaiting the resolution of the dispute pending before the Court of Monza, which issued a ruling in the meantime. Leasys, however, did not take up the case pending with the Court of Pisa.
In relation to the same dispute, Leasys–Saverent S.p.A. also filed an appeal for an injunction with the Court of Pisa against the Company, requesting the payment of certain invoices relative to costs sustained by Leasys itself for the servicing of the motorcycles rented by the Italian Postal System. The Company appeared before the court in opposition to the abovementioned injunction, requesting a repeal given that the supply contract did not charge the Company with these expenses. After turning down the request to temporarily enforce the injunction filed by Leasys during the proceedings, the Judge ruled in favour of the Company, revoking the injunction. The term for Leasys to appeal against the ruling is pending.

By means of the deed notified on 25 May 2006, the Company summoned some companies of the Case New Holland Group (Italy, Holland and USA) before the Court of Pisa in order to recover damages under contractual and non-contractual liability relating to the execution of a supply and development contract of a new family of utility vehicles. CNH appeared before the court requesting the dismissal of the action taken by Piaggio, objecting to the lack of jurisdiction of the court as the contract had an arbitration clause. The Court of Pisa, in a ruling of 5 March 2010, declared its lack of jurisdiction to rule on the case. The Company, with the term to appeal pending, appointed an arbitration board to rule on the dispute.

In a writ received on 29 May 2007, Gammamoto S.r.l. in liquidation, a former Aprilia licensee in Rome, brought a case against the Company before the Court of Rome for contractual and non-contractual liability. The Company has opposed the injunction fully disputing the validity of Gammamoto's claims and objecting to the incompetence of the Judge in charge. The Judge, accepting the petition formulated by the Company, declared its lack of jurisdiction with regards to the dispute. Gammamoto appealed against the ruling, referring the case to the Court of Cassation, for which a ruling is ongoing.

Da Lio S.p.A., by means of a writ received on 15 April 2009 - summoned the Company before the Court of Pisa to claim compensation for the alleged damages sustained for various reasons as a result of the termination of supply relationships. The Company appeared in court requesting the rejection of all opposing requests. Da Lio requested a joinder with the opposition concerning the injunction obtained by Piaggio to return the moulds retained by the supplier at the end of the supply agreement. The hearing of 24 March 2010, convened to rule on the joinder, was postponed to 18 November 2010.

The Canadian Scooter Corp. (CSC), sole distributor of Piaggio for Canada, summoned Piaggio & C. S.p.A., Piaggio Group Americas Inc. and Nacional Motor S.A to appear before the Court of Toronto (Canada) to obtain compensation for damages sustained due to the alleged infringement of regulations established by Canadian law on franchising (the Arthur Wishart Act). Proceedings are in the investigation stage. Piaggio also took independent legal action against the Bank of Nova Scotia in relation to the non-payment of three letters of credit issued by the bank as a guarantee of supplies made by Piaggio in favour of CSC.

Following the appeal made by the Company pursuant to article 700 of the Code of Civil Proceedings, the Court of Naples, as a precautionary measure, issued an injunction against LML Italia S.r.l., a company distributing models of scooters in Italy manufactured by LML India Ltd, preventing it from using the "Piaggio", "Vespa" and "Vespa PX" brands on its sales information, advertising and promotional materials, stating that the continual matching of LML products with the Vespa manufactured by Piaggio constituted grounds for unfair competition. LML Italia appealed against the ruling and a hearing was set for 24 September 2010. Piaggio also took action against LML Italia to claim damages. LML India, in turn, referring to the arbitration clause in settlement agreements signed with Piaggio in 1999 to end the joint venture established in India, summoned the Company to appear before an arbitration board in Singapore to obtain compensation for alleged damages sustained by LML India due to the effect of legal action taken by Piaggio against LML Italia.

The amounts allocated by the Company for the potential risks deriving from the current dispute appear to be consistent with the predictable outcome of the disputes.

As regards tax claim cases involving the Parent Company Piaggio & C S.p.A., three appeals are ongoing against three tax assessments notified to the Company and relative to the 2002 and 2003 tax years. These assessments originate from an audit conducted by the Inland Revenue Office in 2007 at the Company's offices, following information filed in the Formal Notice of Assessment issued in 2002 following a general audit. A ruling in favour of the Company was made in the first instance for the 2002 tax year. The Inland Revenue Office appealed against this ruling. The Company appeared before the tax tribunal. At present, the date of the relative hearing has not been set. As regards the two appeals concerning the 2003 tax year, the company is awaiting a ruling in the first instance to be issued by the Provincial Tax Commission of Pisa. The Company has not considered allocating provisions necessary, in view of the positive opinions expressed by consultants appointed as counsel.

The main tax disputes of other Group companies concern P&D S.p.A. in liquidation, Piaggio Vehicles PVT Ltd and Piaggio France S.A.

More specifically, and in reference to P&D SpA in Liquidation, a dispute arose in relation to the tax assessments issued by the Inland Revenue Office for the 2000, 2001 and 2002 tax years and based on an audit conducted in 1999, with the issue of a Formal Notice of Assessment. In relation to these assessments, P&D S.p.A. obtained a ruling in its favour in the first instance. The Financial Administration appealed, partially objecting to the ruling of the Provincial Tax Commission of Pisa. The dispute regards the undue VAT deduction relative to the 2002 tax year. As a result the Company appeared before the tribunal and a date for the hearing still has to be set. The Company has not considered allocating provisions necessary, in view of the positive opinions expressed by consultants appointed as counsel.

As regards Piaggio Vehicles PVT Ltd, several disputes concerning different tax years from 1998 to 2008 are ongoing relative to direct and indirect tax assessments. As regards disputes concerning direct taxes, the Indian company has already paid the amounts in question, which will be reimbursed if the claim is settled in its favour. As regards the disputes concerning indirect taxes, no amount has been paid and considering the opinions of consultants appointed, no provisions have been allocated.

Following a general audit of the 2006 and 2007 tax years, conducted this year by the French tax authorities, Piaggio France S.A., received a notice of assessment (Proposition de Rectification).

This notice includes assessments of income tax and VAT. The company is assessing the suitability of appealing against the notice.

In this case as well, in view of the positive opinions of appointed consultants, the Company has not allocated any relative provisions.

Corporate Governance

No items in addition to information published in the 2009 Financial Statements are reported.

Stock Option Plan

With regard to the 2007-2009 incentive plan approved by the General Meeting of Shareholders on 7 May 2007 for executives of the Company or of its Italian and/or foreign subsidiaries, in compliance with article 2359 of the Italian Civil Code, as well as for directors having powers in the aforesaid subsidiaries ("2007-2009 Plan"), the following transactions took place during the period:

- on 4 January 2010, 500,000 options were assigned at an exercise price of EUR 1.892. On the date of assignment of the options, the market price of the underlying financial instruments was EUR 2.004;
- on 6 February 2010 75,000 option rights expired.

As of 30 June 2010, 8,520,000 option rights had been assigned for a corresponding number of shares.

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

Rights	No. options	Average exercise price (Euros)	Market price (Euro)
Rights existing as of 31/12/2009 ° of which exercisable in 2009	8,095,000		
New rights assigned in the 1st half of 2010	500,000	1.892	2.004
Rights exercised in the 1st half of 2010			
Rights terminated in the 1st half of 2010	75,000		
Rights existing as of 30/06/2010 ° of which exercisable as of 30/06/2010	8,520,000		

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

Milan, 29 July 2010

for the Board of Directors

Chairman and Chief Executive Officer
Roberto Colaninno

Piaggio Group

Abbreviated Half-Year Financial Statements
Consolidated financial statements
and Notes as of 30 June 2010

CONSOLIDATED INCOME STATEMENT

In thousands of Euro	Notes	1st half of 2010	1st half of 2009	Change
Net revenues	4	820,819	795,626	25,193
of which with related parties		*215*		*215*
Cost for materials	5	474,888	461,402	13,486
of which with related parties		*21,490*	*23,157*	*(1,667)*
Cost for services and leases and rental	6	137,645	147,773	(10,128)
of which with related parties		*3,256*	*1,292*	*1,964*
Employee costs	7	132,451	129,663	2,788
Amortisation/depreciation of property, plant and equipment	8	18,721	18,995	(274)
Amortisation/depreciation of intangible assets	8	24,230	26,917	(2,687)
Other operating income	9	59,113	64,088	(4,975)
of which with related parties		*953*	*900*	*53*
Other operating costs	10	17,420	13,388	4,032
of which with related parties		*26*	*0*	*26*
Operating income		**74,577**	**61,576**	**13,001**
Income/(loss) from equity investments	11		171	(171)
Financial income	12	1,220	1,828	(608)
Borrowing Costs	12	14,582	18,105	(3,523)
of which with related parties		*43*	*0*	*43*
Net exchange gains/(losses)	12	1,556	(332)	1,888
Earnings before tax		**62,771**	**45,138**	**17,633**
Taxation for the period	**13**	**29,691**	**19,409**	**10,282**
Earnings from continuing activities		**33,080**	**25,729**	**7,351**
Assets held for disposal:				
Profits or losses arising from assets held for disposal	**14**			**0**
Consolidated net income		**33,080**	**25,729**	**7,351**
Attributable to:				
Shareholders of the Parent Company		**33,033**	**25,655**	**7,378**
Minority Shareholders		**47**	**74**	**(27)**
Earnings per share (figures in €)	**15**	**0.085**	**0.066**	**0.019**
Diluted earnings per share (figures in €)	**15**	**0.085**	**0.066**	**0.019**

* Following the cancellation of 24,247,007 shares on 10 May 2010, the average number of shares in circulation in the 1st half of 2009 was recalculated as indicated in IAS 33

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Amounts in €/000	Notes	1st half of 2010	1st half of 2009	Change
Profit (loss) for the period (A)		**33,080**	**25,729**	**7,351**
Effective part of profits (losses) on cash flow hedges	29	126	514	(388)
Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency		9,287	65	9,222
Total Other Profits (and losses) for the period (B)		**9,413**	**579**	**8,834**
Total Profit (loss) for the period (A + B)		**42,493**	**26,308**	**16,185**
Attributable to:				
Shareholders of the Parent Company		**42,490**	**26,258**	**16,232**
Minority Shareholders		**3**	**50**	**(47)**

CONSOLIDATED BALANCE SHEET

In thousands of Euro	Notes	As of 30 June 2010	As of 31 December 2009	Change
ASSETS				
Non-current assets				
Intangible assets	16	648,016	641,254	6,762
Property, plant and equipment	17	249,650	250,415	(765)
Investment Property	18			0
Equity investments	19	239	239	0
Other financial assets	20	344	343	1
of which with related parties		*11*	*9*	*2*
Long-term tax receivables	21	5,779	4,990	789
Deferred tax assets	22	46,417	46,462	(45)
Trade receivables	23			
Other receivables	24	13,935	12,914	1,021
of which with related parties		*459*	*459*	*0*
Total non-current assets		**964,380**	**956,617**	**7,763**
Assets held for sale	**28**			
Current assets				
Trade receivables	23	212,856	103,164	109,692
of which with related parties		*1,015*	*477*	*538*
Other receivables	24	25,104	24,198	906
of which with related parties		*4,055*	*4,066*	*(11)*
Short-term tax receivables	21	30,448	23,979	6,469
Inventories	25	277,660	252,496	25,164
Other financial assets	26	27,224	4,127	23,097
of which with related parties				*0*
Cash and cash equivalents	27	177,165	200,239	(23,074)
Total current assets		**750,457**	**608,203**	**142,254**
TOTAL ASSETS		**1,714,837**	**1,564,820**	**150,017**

CONSOLIDATED BALANCE SHEET

In thousands of Euro	Notes	As of 30 June 2010	As of 31 December 2009	Change
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital and reserves attributable to the shareholders of the Parent Company	29	437,351	421,661	15,690
Share capital and reserves attributable to minority shareholders	29	1,663	2,141	(478)
Total shareholders' equity		**439,014**	**423,802**	**15,212**
Non-current liabilities				
Financial liabilities falling due after one year	30	417,394	443,164	(25,770)
of which with related parties		*2,900*	*16,000*	*(13,100)*
Retirement funds and employee benefits	34	61,894	61,859	35
Other long-term provisions	32	23,522	22,965	557
Tax payables	35			0
Other long-term payables	36	5,989	6,485	(496)
Deferred tax liabilities	33	29,208	29,694	(486)
Total non-current liabilities		**538,007**	**564,167**	**(26,160)**
Current liabilities				
Financial liabilities falling due within one year	30	128,651	113,178	15,473
Trade payables	31	463,881	345,987	117,894
of which with related parties		*14,252*	*13,242*	*1,010*
Tax payables	35	39,850	18,952	20,898
Other short-term payables	36	81,757	79,567	2,190
of which with related parties		*646*	*607*	*39*
Current portion other long-term provisions	32	23,677	19,167	4,510
Total current liabilities		737,816	576,851	160,965
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,714,837**	**1,564,820**	**150,017**

CONSOLIDATED CASH FLOW STATEMENT

This statement shows the factors behind changes in liquid funds, net of short-term bank overdrafts, as required by IAS 7.

Amounts in €/000	1st half of 2010	1st half of 2009
Operating activities		
Consolidated net income	33,033	25,655
Minority shareholders	47	74
Taxation for the period	29,691	19,409
Amortisation/depreciation of property, plant and equipment	18,721	18,995
Amortisation/depreciation of intangible assets	24,230	26,917
Non-monetary costs for stock options	1,381	1,015
Allocations for risks and retirement funds and employee benefits	19,090	13,748
Write-downs / (Revaluations)	1,226	615
Losses / (Gains) on the disposal of property, plants and equipment	(1,919)	6
Losses / (Gains) on the disposal of intangible assets		
Financial income	(1,220)	(1,828)
Dividend income		(177)
Borrowing Costs	11,887	17,861
Income from public grants	(1,604)	(4,298)
Change in working capital:		
(Increase)/Decrease in trade receivables	(109,692)	(130,047)
(Increase)/Decrease other receivables	(906)	3,267
(Increase)/Decrease in inventories	(25,164)	(23,251)
Increase/(Decrease) in trade payables	117,894	114,615
(Increase)/Decrease other payables	2,190	21,121
Increase/(Decrease) in provisions for risks	(6,914)	(8,124)
Increase/(Decrease) in retirement funds and employee benefits	(7,074)	(4,572)
Other changes	(36,416)	10,904
Cash generating by operating activities	**68,481**	**101,905**
Interest paid	(5,981)	(12,139)
Taxation paid	(1,009)	(9,898)
Cash flow from operating activities (A)	**61,491**	**79,868**

CONSOLIDATED CASH FLOW STATEMENT

Investment activity		
Investment in property, plant and equipment	(8,558)	(20,361)
Sale price, or repayment value, of property, plant and equipment	3,340	165
Investment in intangible assets	(26,287)	(26,477)
Sale price, or repayment value, of intangible assets	181	9
Sale price of investments/financial assets		
Loans provided		
Repayment of loans provided		
Purchase of financial assets	(23,097)	(18,128)
Sale price of financial assets		
Collected interests	510	846
Cash flow from investment activities (B)	**(53,911)**	**(63,946)**
Financing activities		
Purchase of own shares	(2,897)	(1,024)
Outflow for dividends paid	(25,765)	(22,117)
Loans received	22,487	172,897
Outflow for repayment of loans	(45,325)	(49,706)
Financing received for leases		
Repayment of finance leases	(377)	(360)
Cash flow from funding activities (C)	**(51,877)**	**99,690**
Increase / (Decrease) in liquid funds (A+B+C)	(44,297)	115,612
Opening balance	**198,281**	**25,976**
Exchange differences	9,287	65
Closing balance	**163,271**	**141,653**

The following table shows details of cash and cash equivalents as of 30 June 2010 and as of 30 June 2009.

In thousands of Euro	**As of 30 June 2010**	**As of 30 June 2009**	**Change**
Liquid funds	177,165	146,546	30,619
Current account overdrafts	(13,894)	(4,893)	(9,001)
Final balance	**163,271**	**141,653**	**21,618**

NET DEBT/(NET FINANCIAL DEBT)

In thousands of Euro	Notes	As of 30 June 2010	As of 31 December 2009	Change
Liquidity	**27**	**177,165**	**200,239**	**(23,074)**
Securities	26	27,224	4,127	23,097
Current financial receivables		**27,224**	**4,127**	**23,097**
Payables due to banks	30	(48,382)	(24,473)	(23,909)
Current portion of bank financing	30	(41,930)	(58,812)	16,882
Amounts due to factoring companies	30	(34,563)	(26,599)	(7,964)
Amounts due under leases	30	(773)	(758)	(15)
Current portion of payables due to other financiers	30	(3,003)	(2,536)	(467)
Current financial debt		**(128,651)**	**(113,178)**	**(15,473)**
Net current financial debt		**75,738**	**91,188**	**(15,450)**
Payables due to banks and financing institutions	30	(262,266)	(289,872)	27,606
Bonds	30	(138,321)	(137,665)	(656)
Amounts due under leases	30	(7,870)	(8,262)	392
Amounts due to other lenders	30	(8,937)	(7,365)	(1,572)
Non-current financial debt		**(417,394)**	**(443,164)**	**25,770**
NET FINANCIAL DEBT*		**(341,656)**	**(351,976)**	**10,320**

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

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

In thousands of Euro	
Increase/decrease in liquid funds from the consolidated cash flow statement	**(44,297)**
Outflow for repayment of loans	45,325
Repayment of finance leases	377
Loans received	(22,487)
Amortised cost on M-L term financing	(982)
Loans on leases received	0
Repayment of loans provided	0
Purchase of financial assets	23,097
Sale of financial assets	0
Exchange differences	9,287
Change in consolidated net debt	**10,320**

CHANGE IN SHAREHOLDERS' EQUITY

In thousands of Euro	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
As of 1 January 2010	**191,616**	**3,493**	**8,996**	**127**	**(5,859)**
Charges for the period for stock option plans					
Allocation of profits			2,303		
Distribution of dividends					
Cancellation of own shares	12,608				
Purchase of own shares	(743)				
Total overall profit (loss)				126	
As of 30 June 2010	**203,481**	**3,493**	**11,299**	**253**	**(5,859)**

CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

Amounts in €/000	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
As of 1 January 2009	**192,147**	**3,493**	**7,497**	**(405)**	**(5,859)**
Charges for the period for stock option plans					
Allocation of profits			1,499		
Distribution of dividends					
Purchase of own shares	(471)				
Total overall Profit (loss)				514	
As of 30 June 2009	**191,676**	**3,493**	**8,996**	**109**	**(5,859)**

1 JANUARY 2010 / 30 JUNE 2010

Group consolidation reserve	Group conversion reserve	Stock option reserve	Performance reserve	Consolidated Group shareholders' equity	Minority interest capital and reserves	TOTAL SHARE-HOLDERS' EQUITY
993	**(5,468)**	**9,279**	**218,484**	**421,661**	**2,141**	**423,802**
		1,381		1,381		1,381
			(2,303)	0		0
			(25,765)	(25,765)		(25,765)
			(12,608)	0		0
			(2,154)	(2,897)		(2,897)
	9,331		33,514	42,971	(478)	42,493
993	**3,863**	**10,660**	**209,168**	**437,351**	**1,663**	**439,014**

1 JANUARY 2009 / 30 JUNE 2009

Group consolidation reserve	Group conversion reserve	Stock option reserve	Performance reserve	Consolidated Group shareholders' equity	Minority interest capital and reserves	TOTAL SHARE-HOLDERS' EQUITY
993	**(6,372)**	**8,556**	**196,717**	**396,767**	**1,454**	**398,221**
		1,015		1,015		1,015
			(1,499)	0		0
			(22,117)	(22,117)		(22,117)
			(553)	(1,024)		(1,024)
	89		25,655	26,258	50	26,308
993	**(6,283)**	**9,571**	**198,203**	**400,899**	**1,504**	**402,403**

NOTES TO THE ABBREVIATED HALF-YEAR FINANCIAL STATEMENTS AT 30 JUNE 2010

Chapter	Note No.	DESCRIPTION
A		*GENERAL ASPECTS*
	1	Scope of consolidation
	2	Compliance with international accounting standards
	3	Form and content of the financial statements
B		*INFORMATION FOR OPERATING SEGMENTS*
C		*INFORMATION ON THE CONSOLIDATED INCOME STATEMENT*
	4	Net revenues
	5	Costs for materials
	6	Costs for services and lease and rental costs
	7	Employee costs
	8	Amortisation/depreciation and impairment costs
	9	Other operating income
	10	Other operating costs
	11	Net income from equity investments
	12	Net financial proceeds/(charges)
	13	Taxation
	14	Gain / (loss) on assets held for disposal or sale
	15	Earnings per share
D		*INFORMATION ON THE CONSOLIDATED BALANCE SHEET:*
D1		*ASSETS*
	16	Intangible assets
	17	Property, plant and equipment
	18	Investment Property
	19	Equity investments
	20	Other non-current financial assets
	21	Current and non-current tax receivables
	22	Deferred tax assets
	23	Current and non-current trade receivables
	24	Other current and non-current receivables
	25	Inventories
	26	Other current financial assets
	27	Cash and cash equivalents
	28	Assets held for sale
D2		*LIABILITIES*
	29	Share capital and reserves
	30	Current and non-current financial liabilities
	31	*Current and non-current trade payables*
	32	*Current and non-current portions of provisions*
	33	Deferred tax liabilities
	34	Retirement funds and employee benefits
	35	Current and non-current tax payables
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E		*TRANSACTIONS WITH RELATED PARTIES*
F		*INFORMATION ABOUT FINANCIAL INSTRUMENTS*
G		*SUBSEQUENT EVENTS*
H		*SUBSIDIARIES*
	37	*Piaggio Group companies*
I		*CERTIFICATION OF THE ABBREVIATED HALF-YEAR FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 bis OF LEGISLATIVE DECREE 58/98*

A) GENERAL ASPECTS

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

1. *Scope of consolidation*

The scope of consolidation has changed compared to the Consolidated Financial Statements as of 31 December 2009 and as of 30 June 2009, following the establishment of a new selling agency in Canada on 12 March 2010. As the change is of a limited extent, comparability with data from previous periods has not been affected.

2. *Compliance with INTERNATIONAL ACCOUNTING STANDARDS*

These Abbreviated Half-Year Financial Statements have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in Article 9 of Legislative Decree no. 38/2005 (CONSOB Resolution no. 15519 dated 27 July 2006 containing the "Provisions for the presentation of financial statements", CONSOB Resolution no. 15520 dated 27 July 2006 containing the "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", CONSOB communication no. 6064293 dated 28 July 2006 containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Leg. Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.

During the drafting of these Abbreviated Half-Year Financial Statements, prepared in compliance with IAS 34 - *Interim Financial Reporting*, the same accounting standards adopted in the drafting of the Consolidated Financial Statements as of 31 December 2009 were applied, with the exception of items in section 2.1 "Accounting standards, amendments and interpretations applied as from 1 January 2010".

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

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

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

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

These Abbreviated Half-Year Financial Statements have been subject to a limited audit by Deloitte & Touche S.p.A..

Other information

A specific paragraph in this document provides information on any significant events occurring after the end of the first half and on the foreseeable operating outlook.

3. *Form and content of the financial statements*

Form of the consolidated financial statements

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

Consolidated Income Statement

The consolidated income statement is presented with the items classified by nature. The overall Operating Income are shown, which include 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 pre-tax income. In addition, the income and cost items arising from assets that are held for disposal or sale, including any capital gains or losses net of the tax element, are recorded in a specific consolidated balance sheet item which precedes Group net income and minority interest.

Consolidated Comprehensive Income Statement

The consolidated comprehensive income statement is presented as provided for in IAS 1 revised. This amended version of the standard requires income attributable to parent company owners and to non-controlling interests to be recorded.

Consolidated Statement of Financial Position

The consolidated balance sheet is presented in opposite sections with separated indication of assets, liabilities, and shareholders' equity.
In turn, assets and liabilities are reported in the consolidated financial statements on the basis of their classification as current and non-current.

Consolidated cash flow statement

The consolidated cash flow statement is divided into cash-flow generating areas. The consolidated cash flow statement model adopted by the Piaggio Group has been prepared using the indirect method. The cash and cash equivalents recorded in the consolidated cash flow statement include the consolidated 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

As from 1 January 2009, the statement of changes in consolidated shareholders' equity has been revised, as required by IAS 1 revised. The statement includes the consolidated comprehensive income statement separately indicating amounts attributable to owners of the parent and non-controlling interests, amounts of owner-generated transactions and any effects of retroactive application or retroactive determination pursuant to IAS 8. Reconciliation between the opening and closing balance of each item for the period is presented.

3.1. *Accounting standards, amendments and interpretations applied as from 1 January 2010*

The following accounting standards, amendments and interpretations have been applied for the first time by the Group as from 1 January 2010.

- Amendment to IAS 27 – *Consolidated and Separate Financial Statements*. The amendment establishes that changes to the share that do not result in a loss of control should be accounted for as equity transactions and with the counter entry recognised under shareholders' equity. Moreover, it also establishes 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 consolidated income statement. Finally, the amendment requires all losses attributable to minority interest to be allocated to the portion of minority interest in shareholders' equity, also when said exceeds the own share of capital in the subsidiary. The Group has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Group have arisen since the application.

- Amendment to IAS 39 – *Financial instruments: Recognition and Measurement*. The amendment clarifies application of the standard to define its scope in particular situations. The Group has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Group have arisen since the application.

- Interpretation of IFRIC 17 – *Distribution of non-cash assets*. Under this interpretation, a payable for dividends must be recognised when dividends are appropriately authorised and this payable must be valued at the fair value of the net assets which will be utilised for payment. The Group has applied the interpretation with a forward-looking approach as from 1 January 2010, however no accounting effects for the Group have arisen since its application.

- IFRS 8 – *Operating Segments*: the amendment requires companies to provide the total value of assets for each reporting segment, if this value is provided at the highest level of operational decision-making. This information was previously requested even in the absence of this condition. The Group has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Group have arisen since the application.

- IAS 1 – *Presentation of Financial Statements:* the amendment requires a company to classify a liability as current if it does not retain an unconditional right to postpone its settlement for at least 12 months after the closing of the year, even in the presence of an option on the part of the counterparty which could result in a settlement by means of the issue of equity instruments. The Group has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Group have arisen since the application.

- IAS 7 – *Statement of Cash Flows*: the amendment clarifies that only cash flows deriving from expenses resulting in the booking of assets within the consolidated balance sheet can be classified in the Statement of Cash Flows as deriving from investment activities. Cash flows deriving from expenses which do not result in the booking of an asset must be classified instead as deriving from operating activities. The Group has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Group have arisen since the application.

- IAS 17 – *Leases*: the amendment requires that - during the valuation of a lease contract that includes both land and buildings - the part relative to the land be considered, as customary, to be a finance lease if the land in question has an indefinite useful life given that, in this case, the risks associated with its use for the whole duration of the contract can be considered transferred to the lessee. On the date of adoption, all lands subject to the lease contracts which were previously effective and not yet expired must be separately valued with the potential retroactive recognition of a new finance lease. The Group has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Group have arisen since the application.

- IAS 36 – *Impairment of Assets*: This amendment requires each operational unit or group of operational units for which goodwill is allocated for the purposes of impairment tests to be no greater in size than the operating segment defined in section 5 of IFRS 8, prior to the combination allowed as per section 12 of the IFRS on the basis of similar economic conditions or other similar elements. The Group has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Group have arisen since the application.

- IAS 39 – *Financial instruments*: Recognition and Measurement: the amendment restricts the exception of non-applicability contained within paragraph 2g of IAS 39 to forward contracts between a buyer and a selling shareholder - for the purposes of the sale of a company in a company grouping on future date of acquisition - if the completion of the company grouping only depends on the elapsing of a suitable amount of time. The amendment decrees that option rights (currently exercisable or not) which allow one of the two parties to retain control over the realisation or non-realisation of future events - and whose exercising involving the control of a company - fall within the realm of applicability of IAS 39. The amendment also clarifies that the implicit penalties for the advance redemption of loans - whose price compensates the lender with the loss of additional interest - must be considered strictly correlated to the financing contract and may therefore not be booked separately. Finally, the amendment provides that net income or losses on one hedged financial instrument must be reclassified from the shareholders' equity to the consolidated income statement in the period in which the expected and hedged cash flow has an effect on the consolidated income statement. The Group has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Group have arisen since the application.

3.2 *Amendments and interpretations applied as from 1 January 2010 and not relevant for the Group*

The following amendments and interpretations, applicable as from 1 January 2010, regulate specific cases and case histories which are not present within the Group at the date of these Abbreviated Half-Year Financial Statements:

- Interpretation of IFRIC 18 – *Transfer of assets from customers*. The interpretation clarifies the accounting treatment to adopt if the company stipulates an agreement in which it receives a material asset from a customer to be used to connect the customer to a network or to provide him with specific access to the supply of goods and services.

- Amendment to IFRIC 9 – *Reassessment of embedded derivatives* and to IAS 39 - *Financial instruments: recognition and measurement*. This amendment allows for certain financial instruments in particular circumstances to be reclassified outside of the accounting category which is "booked at fair value and offset in the income statement". This amendment clarifies that when reclassifying a financial instrument outside the above mentioned category - all implicit derivatives must be valued and, if necessary, booked separately in the financial statements.

- IFRS 2 – *Share-based payment*. The amendment clarifies that the transfer of a company branch for the purposes of forming a joint venture or business combination or company branches under joint control is not covered by the scope of IFRS 2.

- IFRS 5 – *Non-current assets held for sale and discontinued operations*. This amendment, with a forward-looking application, has clarified that IFRS 5 and the other IFRS which specifically refer to non-current assets classified as available for sale or as discontinued operations provide all required information for this type of assets or operations.

- IFRIC 9 – *Redetermination of the values of implicit derivatives*: The amendment excludes implicit derivatives in contracts acquired during business combinations when joint control companies or joint ventures are formed from the scope of IFRIC 9.

- Amendment to IFRS 2 – *Share-based payment*: Share-based payment of the Group in cash. The amendment defines its realm of application and its relationship with other accounting principles. In particular, the amendment clarifies that the company which receives the goods and services as part of the payment plans based on shares must book these goods and services independently of the company of the Group which settles the transaction and independently of the fact that the settlement is in cash or shares. In addition, it states that the term "group" is to be interpreted as in IAS 27 - Consolidated and Separate Financial Statements, including the parent company and its subsidiaries. Finally, the amendment specifies that a company must recognise the goods and services which are received as part of a transaction settled in cash or shares from its own perspective and which could potentially not coincide with that of the group and with the relative amount recognised within the consolidated financial statements. The amendment incorporates the guidelines which were previously included in IFRIC 8 and IFRIC 2; as a result, the latter were removed.

3.3 *Accounting standards, amendments and interpretations which are not yet applicable and adopted in advance by the Group*

On 8 October 2009, IASB issued an amendment to IAS 32 – *Financial instruments*: Presentation - Classification of rights issues, to regulate the accounting of rights issues (rights, options or warrants) in a currency other than the operating currency of the issuer. These rights were previously accounted for as liabilities from derivative financial instruments. The amendment requires these rights, in certain conditions, to be classified as Shareholders' equity regardless of the currency in which the exercise price is denominated.
The amendment is applicable in a retrospective manner as of 1 January 2011.

On 4 November 2009, the IASB issued a revised version of IAS 24 – *Related Party Disclosures* – which simplifies the type of information required in the case of transactions with related parties controlled by the

State and gives a clear definition of related parties.
The amendment is applicable as of 1 January 2011.
At the date of issue of these Abbreviated Half-year Financial Statements, the competent bodies of the European Union had not yet completed the process of approval necessary for its application.

On 12 November 2009 the IASB published IFRS 9 – *Financial Instruments* - on classifying and measuring financial assets as from 1 January 2013. This is the first step in a project which will entirely replace IAS 39 in stages. The new standard uses a single approach based on procedures for financial instrument management and on contract cash flows of financial assets to determine valuation criteria replacing different regulations in IAS 39. The new standard will also have a single method to determine impairment losses from financial assets.

At the date of issue of these Abbreviated Half-year Financial Statements, the competent bodies of the European Union had not yet completed the process of approval necessary for its application.

On 26 November 2009 the IASB issued a minor amendment to IFRIC 14 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – which allows companies to prepay minimum funding contributions and recognise them as an asset.
The amendment is applicable as of 1 January 2011.
At the date of issue of these Abbreviated Half-Year Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for application of the amendment.

On 26 November 2009 the IFRIC issued an amendment to IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments* – which provides guidelines on recording the extinguishing of a financial liability with equity instruments. The interpretation establishes that if a business renegotiates extinguishing conditions of a financial liability and the creditor accepts extinguishing through the issue of the company's shares, the shares issued by the company will become a part of the price paid for extinguishing the financial liability and shall be valued at fair value; the difference between the book value of the extinguished financial liability and opening value of equity instruments shall be recorded in the consolidated income statement of the period.

The amendment is applicable as of 1 January 2011.
At the date of issue of these Abbreviated Half-Year Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for application of the amendment.

On 6 May 2010 the IASB issued revised versions of IFRSs applicable as from 1 January 2011. Only revisions changing the way that financial statement items are presented, recognised and valued are indicated below:

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

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

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

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

At the date of issue of these Abbreviated Half-Year Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for application of the amendment.

B) INFORMATION FOR OPERATING SEGMENTS

The application of the IFRS 8 - Operating Segments - is mandatory as of 1 January 2009. This principle requires operating segments to be identified on the basis of an internal reporting system which top company management utilises to allocate resources and to assess performance.

The information for operating segments presented below reflects the internal reporting utilised by management for making strategic decisions.
This information is based on functional areas divided into the following geographical segments.

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

The functional areas - within the reports provided to management - are further detailed by geographical segments; in particular for the "Two-Wheeler" sectors, the values are presented in reference to "Europe", the "Americas" and "Asia Pacific"; with regards to "Commercial Vehicles" the identified geographical segments are "Europe" and "India".

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

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

CONSOLIDATED INCOME STATEMENT BY OPERATING SEGMENTS

		TWO-WHEELER VEHICLES				COMMERCIAL VEHICLES			
		EUROPE	AMERICAS	ASIA PACIFIC	TOTAL	EUROPE	INDIA	TOTAL	TOTAL
	1st half of 2010	200.2	3.1	29.5	**232.8**	7.6	100.4	108.0	**340.8**
Sales volumes	1st half of 2009	206.5	13.2	7.4	**227.0**	8.6	78.6	87.2	**314.2**
(units/000)	Change	(6.3)	(10.1)	22.2	**5.8**	(1.0)	21.8	20.8	**26.6**
	Change %	-3.1	-76.7	301.9	**2.6**	-11.1	27.7	23.9	**8.5**
	1st half of 2010	502.1	13.0	66.9	**582.0**	62.0	176.8	238.8	**820.8**
Turnover	1st half of 2009	534.8	42.6	18.4	**595.7**	72.2	127.7	199.9	**795.6**
(ML €)	Change	(32.6)	(29.6)	48.5	**(13.7)**	(10.2)	49.1	38.9	**25.2**
	Change %	-6.1	-69.5	263.6	**-2.3**	-14.1	38.4	19.5	**3.2**
	1st half of 2010	168.7	4.6	25.8	**199.1**	15.8	50.2	66.0	**265.0**
Gross industrial margin	1st half of 2009	172.5	15.0	5.3	**192.7**	19.3	37.3	56.6	**249.4**
(ML €)	Change	(3.7)	(10.4)	20.5	**6.3**	(3.5)	12.9	9.4	**15.6**
	Change %	-2.2	-69.6	389.0	**3.3**	-18.2	34.6	16.6	**6.3**

CONSOLIDATED INCOME STATEMENT BY OPERATING SEGMENTS

	1st half of 2010								**117.5**
EBITDA	1st half of 2009								**107.5**
(ML €)	Change								**10.0**
	Change %								**9.3**
	1st half of 2010								**62.8**
EBT	1st half of 2009								**45.1**
(ML €)	Change								**17.6**
	Change %								**39.1**
	1st half of 2010								**33.1**
Net income	1st half of 2009								**25.7**
(ML €)	Change								**7.4**
	Change %								**28.6**

C) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

4. Net revenues €/000 820,819

Revenues are shown net of premiums recognised to customers (dealers).

This item does not include transport costs, which are recharged to customers (€/000 14,749) and invoiced advertising cost recoveries (€/000 3,487), which are posted under other operating income.

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

Revenues by business segment

The breakdown of revenues by business segment is shown in the following table 1.

Revenues by geographical segment

The division of revenues by geographical segment is shown in the following table2.

Table 1

Amounts in €/000	1st half of 2010		1st half of 2009		Changes	
	Amount	%	Amount	%	Amount	%
Two-Wheeler Vehicles	581,996	70.90	595,742	74.88	(13,746)	-2.31
Commercial Vehicles	238,823	29.10	199,884	25.12	38,939	19.48
TOTAL	**820,819**	**100.00**	**795,626**	**100.00**	**25,193**	**3.17**

Table 2

Amounts in €/000	1st half of 2010		1st half of 2009		Changes	
	Amount	%	Amount	%	Amount	%
Italy	236,450	28.81	270,335	33.98	(33,885)	-12.53
Rest of Europe	327,224	39.87	335,935	42.22	(8,711)	-2.59
Americas	13,322	1.62	43,030	5.41	(29,708)	-69.04
India	176,791	21.54	127,702	16.05	49,089	38.44
Asia Pacific	67,032	8.17	18,624	2.34	48,408	259.92
TOTAL	**820,819**	**100.00**	**795,626**	**100.00**	**25,193**	**3.17**

In the first half of 2010, net sales revenues increased by €/000 25,193. The excellent results achieved on the two-wheeler market in Vietnam and on the commercial vehicles market in India more than offset the downturns reported in other parts of the world. As regards performance in the Pacific Asia area, it should be noted that the Vietnamese subsidiary had only just started production and sales activities in the first half of 2009.

5. *Costs for materials* *€/000 474,888*

These totalled €/000 474,888, against €/000 461,402 as of 30 June 2009. The increase of 2.9% is related to the increase in production volumes (+8.5%). Improved efficiency levels meant that the percentage accounting for net revenues went down from 58.0% in the first half of 2009 to 57.9% in the current period.
The following table 3 details the content of this financial statement item.
This item includes €/000 21,488 for costs relative to purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan, which are sold on European and Asian markets.

6. *Costs for services and lease and rental costs* *€/000 137,645*

A total of €/000 137,645, in the first half, showing a saving of €/000 10,128 compared to 30 June 2009.
Below is a breakdown of this item (see table 4).

Table 3

Amounts in €/000	1st half of 2010	1st half of 2009	Change
Purchase of raw materials, consumables and goods	491,552	485,997	5,555
Change in inventories of raw materials, consumables and goods	(17,673)	(29,219)	11,546
Change in work in progress of semifinished and finished products	1,009	4,624	(3,615)
Total cost for materials	**474,888**	**461,402**	**13,486**

Table 4

Amounts in €/000	1st half of 2010	1st half of 2009	Change
Employee costs	9,467	8,838	629
Maintenance and cleaning	3,505	3,375	130
Energy, telephone and telex	9,184	9,084	100
Postal expenses	353	383	(30)
Commissions paid	516	1,919	(1,403)
Advertising and promotion	19,298	21,972	(2,674)
Technical, legal and tax consultancy and services	17,132	15,839	1,293
Company boards operating costs	1,259	1,138	121
Insurance	1,813	1,615	198
Third party work	11,867	14,264	(2,397)
Transport costs and spare parts	24,898	26,699	(1,801)
Sundry commercial expenses	9,123	9,839	(716)
Expenses for public relations	2,173	2,345	(172)
Product warranty costs	6,656	6,768	(112)
Bank costs and factoring charges	2,707	3,079	(372)
Costs for use of leases and rentals	7,196	6,909	287
Other	7,562	12,731	(5,169)
Services from companies of the Group	2,936	976	1,960
Total costs for services	**137,645**	**147,773**	**(10,128)**

Costs for the use of third party assets include lease rentals for business properties of €/000 2,917, as well as lease payments for car hire, computers and photocopiers.
Third party work of €/000 11,867 refers to production parts.
The item "Other" includes costs for temporary work of €/000 110.

7. *Employee costs* *€/000 132,451*

Employee costs for the first half of 2010 totalled €/000 132,451, against €/000 129,663 for the same period the year before.

The change in absolute terms of €/000 2,788 is due to the increase in the average number of employees. This increase is related to the fact that production activities at the Vietnamese site began in June 2009.

The average unit cost of personnel decreased by 5.7% compared to the first half of the previous year.
It should be noted that employee costs include €/000 1,381 relating to stock option costs which were recorded in accordance with international financial reporting standards.
Below is a breakdown of the headcount by actual number and average number:

	Average number		
Level	**1st half of 2010**	**1st half of 2009**	**Change**
Executives	110	111	(1)
Middle Management	450	428	22
Clerical staff	2,079	2,017	62
Manual labour	4,939	4,436	503
Total	**7,578**	**6,992**	**586**

	Number at		
Level	**30/06/10**	**31/12/09**	**Change**
Executives	110	109	1
Middle Management	466	441	25
Clerical staff	2,092	2,063	29
Manual labour	5,073	4,687	386
Total	**7,741**	**7,300**	**441**

8. *Amortisation, depreciation and impairment costs* *€/000 42,951*

Below is a summary of the amortisation and depreciation for the first half of 2010, divided by category (see table 5 and 6).

Table 5

Amounts in €/000	**1st half of 2010**	**1st half of 2009**	**Change**
Property, plant and machinery			
Buildings	2,000	1,877	123
Plant and equipment	6,702	6,108	594
Industrial and commercial equipment	8,963	9,852	(889)
Other assets	1,056	1,158	(102)
Total amortisation/depreciation of tangible fixed assets	**18,721**	**18,995**	**(274)**

Table 6

Amounts in €/000	**1st half of 2010**	**1st half of 2009**	**Change**
Intangible assets:			
Development costs	13,287	16,750	(3,463)
Industrial patent rights and intellectual property rights	6,075	5,150	925
Concessions, licences, trademarks and similar rights	4,519	4,597	(78)
Other	349	420	(71)
Total amortisation/depreciation of intangible fixed assets	**24,230**	**26,917**	**(2,687)**

As set out in more detail in the paragraph on intangible assets, as of 1 January 2004, goodwill is no longer amortised, but tested annually for impairment.
The impairment test carried out as of 31 December 2009 confirmed the full recoverability of the amounts recorded in the financial statements.
Amortisation/depreciation under the item "Concessions, licences, trademarks and similar rights" includes €/000 2,994 of amortisation of the Aprilia brand and €/000 1,523 for the Guzzi brand.

9. *Other operating income €/000 59,113*

This item is detailed in table 7.
Other operating income decreased overall by €/000 4,975 compared to the first half of 2009. This was partially offset by a reduction in rents payable for the hire of racing bikes as the Group did not compete in the 2010 Moto2 World Championships.
Operating grants represent the benefit arising from the Tax Credit for Research and Development activities pursuant to article 1 sections 280 -284 of Law no. 296/2006.
The item recovery of transport costs refers to costs recharged to customers, the charges for which are classified under "services".
Capital gains on asset mainly refer to the sale of property in Corso Sempione, Milan.

10. *Other operating costs €/000 17,420*

This item is detailed in table 8.

Table 7

Amounts in €/000	1st half of 2010	1st half of 2009	Change
Operating grants	1,604	4,298	(2,694)
Increases in fixed assets from internal work	18,591	20,436	(1,845)
Sundry sales and income:			
- Rent receipts	290	2,976	(2,686)
- Capital gains on assets	1,932	20	1,912
- Sale of miscellaneous materials	452	180	272
- Recovery of transport costs	14,749	18,107	(3,358)
- Recovery of advertising costs	3,487	3,977	(490)
- Recovery of sundry costs	7,678	5,547	2,131
- Compensation	676	147	529
- Contingent assets	25	38	(13)
- Licence rights and know-how	2,083	869	1,214
- Sponsorship	2,489	2,528	(39)
- Other income	5,057	4,965	92
Total other operating income	**59,113**	**64,088**	**(4,975)**

Table 8

Amounts in €/000	1st half of 2010	1st half of 2009	Change
Non-income tax and duties	2,460	2,611	(151)
Capital losses from disposal of assets	13	26	(13)
Various subscriptions	530	436	94
Write-downs of receivables in working capital	1,226	615	611
Allocation of provisions	11,981	8,665	3,316
Other operating costs	1,210	1,035	175
Total	**17,420**	**13,388**	**4,032**

Overall, other operating costs increased by €/000 4,032. This change is mainly due to more provisions for risks allocated in the half-year period.

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

No income or expenses from investments were recorded in the half-year period.

12. *Net financial income/(charges) €/000 11,806*

The negative balance of financial income (charges) in the first six months of 2010 was €/000 11,806, a decrease compared to €/000 16,609 for the same period in 2009.
The improved performance of €/000 4,803 is related to better refinancing conditions for the debenture loan, lower costs of Euribor index-linked loans and a positive effect from currency management.

13. *Taxation €/000 29,691*

Income tax for the first half of 2010, calculated in accordance with IAS 34, is estimated at €/000 29,691, equivalent to 47.3% of earnings before tax, and is equal to the best estimate of the average weighted rate expected for the entire financial period.

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

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

15. *Earnings per share*

Earnings per share are calculated as shown in table 9.
The potential effects deriving from stock option plans were considered when calculating diluted earnings per share.

D) INFORMATION ON THE CONSOLIDATED BALANCE SHEET

D1) *ASSETS*

16. *Intangible assets €/000 648,016*

The table 10 details the breakdown of intangible assets as of 30 June 2010 and as of 31 December 2009, as well as changes for the period.

Table 9

		1st half of 2010	1st half of 2009
Net income	€/000	33,080	25,729
Earnings attributable to ordinary shares	€/000	33,080	25,729
Average number of ordinary shares in circulation during the period		389,074,917	389,074,917
Earnings per ordinary share	€	0.085	0.066
Adjusted average number of ordinary shares	n	391,358,969	389,074,917
Diluted earnings per ordinary share	**€**	**0.085**	**0.066**

* Following the cancellation of 24,247,007 shares on 10 May 2010, the average number of shares in circulation in the 1st half of 2009 was recalculated as indicated in IAS 33

Table 10

Importi in €/000	Book value as of 31/12/2009	Increases	Amortisa-tion/ deprecia-tion	Disposals	Reclassifi-cations	Exchange differences	Book value as of 30/06/2010
R&D costs	76,472	24,156	(13,287)	(181)	755	5,140	93,055
Patent rights	24,707	1,929	(6,075)		14	390	20,965
Concessions, licences and trademarks	90,412		(4,519)				85,893
Goodwill	446,940						446,940
Other	2,723	202	(349)		(1,691)	278	1,163
Total	**641,254**	**26,287**	**(24,230)**	**(181)**	**(922)**	**5,808**	**648,016**

The increases for the period recorded under development costs and patent rights, respectively, relate to the capitalisation of costs incurred to develop new products and new engines, and for the purchase of software. The increase in goodwill is connected with the revaluation of the financial instruments issued upon acquiring Aprilia.

Development costs €/000 93,055

Development costs include costs for products and engines in projects for which there is an expectation, for the period of the useful life of the asset, to see net sales at such a level in order to allow the recovery of the costs incurred. This item also includes assets under construction for €/000 57,351 that represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.

As regards development costs, new projects capitalised in the first half of 2010 mainly refer to the new Piaggio Beverly, MP3 hybrid models and new engines for scooters (350cc) and commercial vehicles (petrol and diesel engines).
Development costs included under this item are amortised on a straight-line basis over 3 years, in consideration of their remaining useful life.

During the first half of 2010, development costs of approximately 12.6 million euro were charged directly to the consolidated income statement.

Industrial patents and intellectual property rights €/000 20,965

This heading mainly comprises software and patents and know-how (€/000 10,178 and €/000 10,782, respectively) mostly relating to Vespas, the MP3 and GP800. It includes assets under construction for €/000 1,888.
Increases in the period mainly refer to software to implement the new SAP release for the Parent Company, the SRM platform and sales applications.

Industrial patent and intellectual property rights costs are amortised over three years.

Concessions, licences and trademarks €/000 85,893

The heading Concessions, licences, trademarks and similar rights equal to €/000 85,893, consists:

Amounts in €/000	Net Value as of 30/06/2010	Net Value as of 31/12/2009
Guzzi brand	28,945	30,468
Aprilia brand	56,875	59,869
Minor brands	73	75
Total Trademarks	**85,893**	**90,412**

The gross value of the Aprilia brand is €/000 89,803, while that of Guzzi is €/000 36,559.

The values of the Aprilia and Guzzi trademarks are based on an assessment report of an independent third party which was specifically drafted during 2005. The above mentioned trademarks are amortised over a period of 15 years.

Goodwill €/000 446,940

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

	TWO-WHEELER VEHICLES				COMMERCIAL VEHICLES			
In thousands of Euro	EUROPE	AMERICAS	ASIA PACIFIC	TOTAL	EUROPE	INDIA	TOTAL	TOTAL
30 06 2010	197,337	42,847	31,934	272,118	65,127	109,695	174,822	**446,940**
31 12 2009	197,337	42,847	31,934	272,118	65,127	109,695	174,822	**446,940**

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

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

The recoverability of goodwill is verified at least once per year (as of 31 December), even in the absence of indicators of impairment losses.
As of 30 June 2010, there were no indications of impairment losses for this asset.

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

Goodwill derives from the greater value paid compared to the corresponding portion of the subsidiaries shareholders' equity at the time of purchase, less the related accumulated amortisation/depreciation until 31 December 2003. During first-time adoption of the IFRS, the Group opted not to retroactively apply IFRS 3 - *Business Combinations* to acquisitions of companies that took place before 1st January 2004. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRS was maintained at the 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 as of 1st January 2004: €/000 330,590)
- the acquisition, which was completed in 2001, by Piaggio & C. S.p.A. of 49% of the company Piaggio Vehicles Pvt. Ltd from the partner Greaves Ltd (net value as of 1 January 2004: €/000 5,192). This is in addition to the subsequent acquisition by Simest S.p.A. of a 14.66% stake in the share capital of Piaggio Vehicles Pvt. Ltd; 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/depreciation of €/000 31,237 as of 1 January 2004.
- the acquisition, by Piaggio & C. S.p.A. of 100% of Aprilia S.p.A. in December 2004.

As part of the agreements for the acquisition of Aprilia, the company issued warrants and financial instruments in favour of Banks acting as creditors with respect to Aprilia and the selling shareholders; these could be exercised in periods determined by the respective regulations as of the date of approval of the consolidated financial statements as of 31 December 2007.

The initial purchase cost adjustment relating to the payment of Warrants and EMH Financial Instruments equal to €/000 70,706 was entered as goodwill.

Other intangible assets €/000 1,163

These overall totalled €/000 1,163 and are primarily composed of charges sustained by Piaggio Vietnam.

17. *Property, plant and equipment €/000 249,650*

The table 11 details the breakdown of tangible fixed assets as of 30 June 2010 and as of 31 December 2009, as well as the changes for the period.

The increases mainly relate to the construction of moulds for new vehicles launched during the period. Disposals mainly refer to the sale of property in Corso Sempione, Milan.

Land *€/000 32,150*

Land refers to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco) and Barcelona (Spain).
Land is not depreciated.

Buildings *€/000 89,181*

The *Buildings* item, net of accumulated amortisation/depreciation, is detailed in table 12.
Industrial buildings refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India) and Hanoi (Vietnam). As of 30 June 2010, the net values of assets held under leases were as follows.

Amounts in €/000	As of 30/06/2010
Mandello del Lario facility (land and building)	13,533
Total	**13,533**

Future lease rental commitments are detailed in note 30.

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

Plant and machinery *€/000 82,265*

Plant and equipment, net of the accumulated amortisation/depreciation, is detailed in table 13.

Table 11

Amounts in €/000	Value as of 31/12/2009	Increases	Depreciation	Disposals	Reclassifications	Exchange differences	Value as of 30/06/2010
Land	32,150						32,150
Buildings	89,756	191	(2,000)	(1,292)	(62)	2,588	89,181
Plants and machinery	78,113	3,119	(6,702)	(116)	913	6,938	82,265
Equipment	43,863	3,835	(8,963)	(3)		18	38,750
Other	6,533	1,413	(1,056)	(10)	58	366	7,304
Total	**250,415**	**8,558**	**(18,721)**	**(1,421)**	**909**	**9,910**	**249,650**

Table 12

Amounts in €/000	As of 30/06/2010	As of 31/12/2009	Change
Industrial buildings	86,419	84,415	2,004
Ancillary buildings	878	821	57
Lightweight constructions	324	361	(37)
Assets under construction	1,560	4,159	(2,599)
Total	**89,181**	**89,756**	**(575)**

Table 13

Amounts in €/000	As of 30/06/2010	As of 31/12/2009	Change
Non-specific plants	47,797	37,022	10,775
Automatic equipment	5,125	6,246	(1,121)
Ovens and sundry equipment	611	661	(50)
Other	11,892	13,174	(1,282)
Assets under construction	16,840	21,010	(4,170)
Total	**82,265**	**78,113**	**4,152**

Plants and machinery refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India) and Hanoi (Vietnam).
The "Other" item mainly includes non-automatic machinery and robotic centres.
Plant and equipment are depreciated using the following rates:

- non-specific plants: 10%;
- specific plant and non-automatic machinery: 10%;
- specific plant and automatic machinery: 17.5%;
- electrolytic cells: 20%;
- ovens and sundry equipment: 15%;
- robotic work centres: 22%.

Industrial and commercial equipment €/000 38,750

The item *Industrial and commercial equipment* mainly comprises production equipment of Piaggio & C. S.p.A., Nacional Motor S.A., Piaggio Vietnam Co Ltd and Piaggio Vehicles Pvt. Ltd. and includes assets under construction for €/000 9,682.
The main investment in equipment concerned moulds for new vehicles launched during the half year or scheduled to be launched in the second half of the year, moulds for new engines and specific equipment for 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 7,304

Other tangible assets, net of accumulated amortisation/depreciation, is detailed in table 14.

Guarantees

As of 30 June 2010, the Group had land and buildings encumbered by mortgage liens or privileges in favour of Interbanca to secure a €/000 615 loan provided in accordance with Law 346/88 regarding subsidies for applied research received in previous years.

18. Investment Property €/000 0

At the close of the interim financial statements, no real estate investments were held.

19. Equity investments €/000 239

The Equity investments heading is detailed in table 15.

Table 14

Amounts in €/000	As of 30/06/2010	As of 31/12/2009	Change
EDP systems	1,799	2,031	(232)
Office furniture and equipment	2,630	2,205	425
Vehicles	1,219	1,255	(36)
Other	293	386	(93)
Assets under construction	1,363	656	707
Total	**7,304**	**6,533**	**771**

Table 15

Amounts in €/000	As of 30/06/2010	As of 31/12/2009	Change
Equity investments in subsidiaries			
Interests in joint ventures			
Equity investments in affiliated companies	239	239	0
Total	**239**	**239**	**0**

20. *Other non-current financial assets* *€/000 344*

Amounts in €/000	As of 30/06/2010	As of 31/12/2009	Change
Financial receivables due from affiliated companies	11	9	2
Financial receivables due from third parties	168	169	(1)
Equity investments in other companies	165	165	0
Total	**344**	**343**	**1**

21. *Current and non-current tax receivables* *€/000 36,227*

Tax receivables of €/000 36,227 consist of:

Amounts in €/000	As of 30/06/2010	As of 31/12/2009	Change
VAT receivables	28,831	22,792	6,039
Income tax receivables	2,571	1,865	706
Other receivables due from the public authorities	4,825	4,312	513
Total tax receivables	**36,227**	**28,969**	**7,258**

Receivables due from Tax authorities included under non-current assets totalled €/000 5,779, compared to €/000 4,990 as of 31 December 2009, while receivables due from Tax authorities included under current assets totalled €/000 30,448 compared to €/000 23,979 as of 31 December 2009.

22. *Deferred tax assets* *€/000 46,417*

These totalled €/000 46,417 compared to €/000 46,462 as of 31 December 2009. The item "deferred tax assets" primarily includes deferred tax assets, largely referring to the cancellation of unrealised intercompany capital gains with third parties, deferred tax assets on the tax losses of the Parent Company and Nacional Motor S.A. as well as prepaid taxes on temporary differences of the Parent.

23. *Current and non-current trade receivables* *€/000 212,856*

As of 30 June 2010 and as of December 2009, there were no long-term trade receivables.
Current trade receivables total €/000 212,856 compared to €/000 103,164 as of 31 December 2009. They are detailed in table 16.

The €/000 109,692 increase is linked to the seasonal nature of sales, which are concentrated in the spring and summer months.

Trade receivables due from Group companies valued at equity are amounts due from Zongshen Piaggio Foshan relating to the sale of raw and semi-finished materials.

Table 16

Amounts in €/000	As of 30/06/2010	As of 31/12/2009	Change
Current trade receivables:			
- due from customers	211,841	102,687	109,154
- due from Group companies valued at equity	997	460	537
- due from the parent company		12	(12)
- due from affiliated companies	18	5	13
Total	**212,856**	**103,164**	**109,692**

Trade receivables due from affiliated companies are amounts due from the Fondazione Piaggio and Immsi Audit.

The item "Trade receivables" comprises receivables referring to normal sale transactions, recorded net of provisions for risks of €/000 26,475.

The Piaggio Group sells a large part of its trade receivables with and without recourse. The Piaggio Group has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its clients an instrument for funding their own inventories.

As of 30 June 2010 trade receivables still due sold without recourse totalled €/000 149,935, of which the Group received payment prior to the natural maturity of the receivables for €/000 94,796. As of 30 June 2010 receivables sold with recourse totalled €/000 34,563, with a counter entry in current liabilities.

24. *Other current and non-current receivables* *€/000 39,039*

Other receivables included in non-current assets totalled €/000 13,935 against €/000 12,914 as of 31 December 2009, whereas other receivables included in current assets totalled €/000 25,104 compared to €/000 24,198 as of 31 December 2009. They comprise is detailed in tables 17 and 18.

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

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

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

Table 17

Amounts in €/000	**As of 30/06/2010**	**As of 31/12/2009**	**Change**
Other non-current receivables:			
- due from Group companies valued at equity	138	138	0
- due from affiliated companies	321	321	0
- due from others	13,476	12,455	1,021
Total non-current portion	**13,935**	**12,914**	**1,021**

Table 18

Amounts in €/000	**As of 30/06/2010**	**As of 31/12/2009**	**Change**
Other current receivables:			
Receivables due from Parent Company	3,965	3,960	5
Receivables due from Group companies valued at equity	61	57	4
Receivables due from affiliated companies	29	49	(20)
Receivables due from others	21,049	20,132	917
Total current portion	**25,104**	**24,198**	**906**

25. *Inventories* *€/000 277,660*

As of 30 June 2010, this item totalled €/000 277,660, compared to €/000 252,496 at the end of 2009, is detailed in tables 19.

The overall growth of €/000 25,164 was related to the seasonal nature of the production cycle.

26. *Other current financial assets* *€/000 27,224*

This item is detailed in table 20.
The item securities refers to €/000 23,697 for Italian government securities purchased by Piaggio & C. S.p.A., and €/000 3,527 for portions of a liquidity fund acquired by the subsidiary Piaggio Vehicles Private Ltd.

27. *Cash and cash equivalents* *€/000 177,165*

Liquid funds totalled €/000 177,165 against €/000 200,239 as of 31 December 2009, as are detailed in table 21.

This item mainly includes short-term and on demand bank deposits.
As of 31 December 2009, the item securities referred to the undersigning of deposit certificates issued by an Indian public welfare institute, by the Indian subsidiary, to effectively use temporary liquid funds.

28. *Assets held for sale* *€/000 0*

As of 30 June 2010, there were no assets held for sale.

Table 19

Amounts in €/000	**As of 30/06/2010**	**As of 31/12/2009**	**Change**
Raw materials and consumables	121,613	107,450	14,163
Provisions for write-downs	(12,556)	(12,900)	344
	109,057	*94,550*	*14,507*
Work in progress	18,190	21,475	(3,285)
Provisions for write-downs	(852)	(852)	0
	17,338	*20,623*	*(3,285)*
Finished products and goods	175,483	160,861	14,622
Provisions for write-downs	(24,218)	(23,736)	(482)
	151,265	*137,125*	*14,140*
Advances		198	(198)
Total	**277,660**	**252,496**	**25,164**

Table 20

Amounts in €/000	**As of 30/06/2010**	**As of 31/12/2009**	**Change**
Financial receivables due from affiliated companies			
Securities	27,224	4,127	23,097
Other			
Total	**27,224**	**4,127**	**23,097**

Table 21

Amounts in €/000	**As of 30/06/2010**	**As of 31/12/2009**	**Change**
Bank and post office deposits	177,119	190,796	(13,677)
Cash and assets in hand	46	336	(290)
Securities		9,107	(9,107)
Total	**177,165**	**200,239**	**(23,074)**

D2) *LIABILITIES*

29. *Share capital and reserves* *€/000 439,014*

Share capital *€/000 203,481*

The change in share capital during the period was as follows:

Amounts in €/000	
Subscribed and paid up capital	205,941
Own shares purchased as of 31 December 2009	(14,325)
Share capital as of 1 January 2010	191,616
Cancellation of own shares	12,608
Own shares purchased in the period 1-1 / 30-6 2010	(743)
Share capital as of 30 June 2010	203,481

On 16 April 2010 the General Meeting of Shareholders of Piaggio & C, resolved to cancel 24,247,007 own shares of the Company (equal to 6.12% of the share capital), with the elimination of the par value of ordinary shares in circulation and without a reduction in the amount of share capital. As from 10 May 2010, following the filing of the resolution in the Register of Companies, the nominal share capital of Piaggio & C., fully subscribed and paid up, has not changed and amounts to € 205,941,272.16 divided into 371,793,901 ordinary shares.

During the period, following the resolution passed at the General Meeting of Shareholders on 16 April 2009, the Parent Company purchased 1,342,393 own shares. Therefore, as of 30 June 2010 the Parent Company holds 4,642,393 own shares, equal to 1.25% of the share capital.

As of 30 June 2010, according to the shareholder ledger, notifications received pursuant to article 120 of Legislative Decree no. 58/1998 and other information available, the following shareholders hold voting rights, either directly or indirectly, exceeding 2% of the share capital, see table 22.

Share premium reserve *€/000 3,493*

The share premium reserve as of 30 June 2010 was unchanged and amounted to €/000 3,493.

Legal reserve *€/000 11,299*

The legal reserve increased by €/000 2,303 as a result of the allocation of earnings for the last period.

Table 22

Declarer	Direct shareholder		% of ordinary share capital	% of shares with voting rights
	Name	Title		
Omniaholding S.p.A.	IMMSI S.p.A.	Ownership	54.39	54.39
	Omniaholding S.p.A.	Ownership	0.03	0.03
	Total		**54.42**	**54.42**
Diego della Valle	Diego della Valle & C. S.a.p.a.	Ownership	5.34	5.34
	Total		**5.34**	**5.34**
State of New Jersey Common Pension Fund D	State of New Jersey Common Pension Fund D	Ownership	2.99	2.99
	Total		**2.99**	**2.99**
Giorgio Girondi	G.G.G. S.p.a.	Ownership	2.14	2.14
	Doutdes S.p.a.	Ownership	0.35	0.35
	Total		**2.49**	**2.49**

Other provisions *€/000 9,910*

This item consists is detailed in table 23.
The financial instruments' *fair value* reserve includes €/000 253 relating to the effect of recording the *cash flow* hedge.

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

Distributed dividends *€/000 25,765*

The unit dividend per share distributed based on profit for the year was equal to € 0.06 in 2007 and 2008, and € 0.07 in 2009. In May 2010, dividends totalling €/000 25,765 were paid. During the month of May 2009, dividends totalling €/000 22,117 were paid.

Performance reserve *€/000 209,168*

Minority interest capital and reserves *€/000 1,663*

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

Other net income (losses) *€/000 126*

The value of Other net income (losses) is detailed in table 24.

30. *Current and non-current financial liabilities* *€/000 546,045*

In the first half of 2010, the Group's overall debt decreased by €/000 10,297, dropping from €/000 556,342 to €/000 546,045.
This decrease is mainly attributable to the combined effect of the repayment, using available resources, of portions of loans due and the payment of a portion of a loan from the Ministry of Education for a subsidised research project.

The Group's net debt fell to €/000 341,656 at 30 June 2010 from €/ 000 351,976 at 31 December 2009, as can be seen in the table on the net financial debt included in the financial statements.

Financial liabilities included in non-current liabilities totalled €/000 417,394 against €/000 443,164 at 31 December 2009, whereas other payables included in current liabilities totalled €/000 128,651 compared to €/000 113,178 at 31 December 2009.

Table 23

Amounts in €/000	As of 30/06/2010	As of 31/12/2009	Change
Conversion reserve	3,863	(5,468)	9,331
Stock option reserve	10,660	9,279	1,381
Financial instruments' fair value reserve	253	127	126
IFRS transition reserve	(5,859)	(5,859)	0
Total other provisions	*8,917*	*(1,921)*	*10,838*
Consolidation reserve	993	993	0
Total	**9,910**	**(928)**	**10,838**

Table 24

Amounts in €/000	1st half of 2010	1st half of 2009	Change
The effective part of net income (losses) on cash flow hedging instruments generated in the period	198	311	(113)
The effective part of net income (losses) on cash flow hedging instruments re-classified in the consolidated income statement	(72)	203	(275)
Effective part of profits (losses) on cash flow hedges	**126**	**514**	**(388)**

The attached tables summarise the breakdown of financial debt as of 30 June 2010 and as of 31 December 2009, as well as the changes for the period.

In thousands of Euro	As of 31/12/2009	Repay-ments	New issues	Reclass. to current portion	Other changes	As of 30/06/2010
Non-current portion:						
Medium-/long-term loans	289,872			(27,874)	268	262,266
Bonds falling due over 12 months	137,665				656	138,321
Other medium-/long-term loans:						
- of which leases	8,262			(392)		7,870
- of which due to other lenders	7,365		2,550	(978)		8,937
Total other loans beyond 12 months	15,627		2,550	(1,370)	0	16,807
Total	**443,164**	**0**	**2,550**	**(29,244)**	**924**	**417,394**

In thousands of Euro	As of 31/12/2009	Repay-ments	New issues	Reclass. from non current portion	Other changes	As of 30/06/2010
Current portion:						
Current account overdrafts	1,958		11,936			13,894
Current account payables	22,515		11,973			34,488
Payables due to factoring companies	26,599		7,964			34,563
Current portion of medium-/long-term loans:						
- of which leases	758	(377)		392		773
- due to banks	58,812	(44,814)		27,874	58	41,930
- due to others	2,536	(511)		978		3,003
Total current portion of medium-/long-term loans	62,106	(45,702)	0	29,244	58	45,706
Total	**113,178**	**(45,702)**	**31,873**	**29,244**	**58**	**128,651**

The breakdown of the debt is as follows:

Amounts in €/000	Book value as of 30/06/2010	Book value as of 31/12/2009	Par value as of 30/06/2010	Par value as of 31/12/2009
Bank financing	352,578	373,157	353,714	374,618
Bonds	138,321	137,665	150,000	150,000
Other medium-/long-term loans:				
of which leasing	8,643	9,020	8,643	9,020
of which amounts due to other lenders	46,503	36,500	46,503	36,500
Total other loans	55,146	45,520	55,146	45,520
Total	**546,045**	**556,342**	**558,860**	**570,138**

The table below shows the debt servicing schedule as of 30 June 2010:

Amounts in €/000	Par value as of 30/06/2010	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in				
				2nd half of 2010	2011	2012	2013	Beyond
Bank financing	353,714		263,207	55,566	122,551	28,930	22,100	34,060
- including opening of credit lines and bank overdrafts	48,382	48,382	0					
- of which medium/long-term bank loans	305,332	42,125	263,207	55,566	122,551	28,930	22,100	34,060
Bonds	150,000	0	150,000	0	0	0	0	150,000
Other medium-/long-term loans:								
of which leasing	8,643	773	7,870	399	827	866	5,778	0
of which amounts due to other lenders	46,503	37,566	8,937	2,210	2,852	912	917	2,046
Total other loans	55,146	38,339	16,807	2,609	3,679	1,778	6,695	2,046
Total	**558,860**	**38,339**	**430,014**	**58,175**	**126,230**	**30,708**	**28,795**	**186,106**

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

Amounts in €/000	Book value as of 31/12/2009	Book value	Notional value	Applicable interest rate
		as of 30/06/2010		
Euro	532,874	505,953	524,373	3.92%
Indian Rupee	876	5,529	-	
US Dollar	18,998	27,539	27,463	1.10%
Dong Vietnam	3,594	7,024	7,024	12.90%
Total currencies other than Euro	23,468	40,092	34,487	
Total	**556,342**	**546,045**	**558,860**	**3.68%**

Medium and long-term bank debt amounts to €/000 304,196 (of which €/000 262,266 non-current and €/000 41,930 current) and consists of the following loans:

- a €/000 128,571 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the period 2009-2012.
  The loan will fall due in February 2016 and has an amortisation quota of 14 six-monthly instalments to be repaid at a variable rate equal to the six-month Euribor plus a spread of 1.323%. The contractual terms envisage loan covenants but exclude guarantees. It should be noted that, in reference to the 2009 period, these parameters were comfortably met;
- a €/000 89,212 (par value €/000 90,000) medium-term loan from a pool of banks granted in July 2009 to the Parent Company by Banca Nazionale del Lavoro as banking agent and paid in August 2009. This loan falls due in August 2012, with a grace period of 18 months and three six-monthly instalments. The financial terms provide for a variable interest rate linked to the six-month Euribor plus an initial margin of 1.90%.
  This margin may vary from a minimum of 1.65% to a maximum of 2.20% in accordance with changes in the Net Financial Debt / Ebitda ratio. Guarantees are not issued. However in line with market practice, some financial parameters must be complied with. It should be noted that, in reference to the first half of 2010, these parameters were comfortably met;

- €/000 55,152 (par value €/000 55,500) loan to the Parent company from Mediobanca and Banca Intesa San Paolo. In April 2006, this loan was syndicated to a restricted pool of banks and it is part of a more articulated loan package. The loan package consisted of an initial *instalment* of €/000 150,000 (par value) which has been fully drawn on (as of 30 June 2010 €/000 55,500 was still due) and a second *instalment* of €/000 100,000 to be used as a credit line (still unused as of 30 June 2010). The structure envisages an initial 7-year term, with a grace period of 18 months and 11 six-monthly instalments with the last maturity on 23 December 2012 for the loan *instalment*, a variable interest rate linked to the 6 month Euribor to which a variable spread between a maximum of 2.10% and a minimum of 0.65% is added depending on the Net Financial Debt/EBITDA ratio. For the tranche relating to the credit line there is a commitment fee of 0.25%. Guarantees are not issued. However in line with market practice, some financial parameters must be complied with. It should be noted that, in reference to the first half of 2010, these parameters were comfortably met;

- a €/000 21,875 initial five-year unsecured loan from Interbanca entered into in September 2008;

- a €/000 2,976 subsidised loan from Banca Intesa San Paolo under Law 346/88 regarding applied research;

- €/000 2,691 as a non-interest bearing loan originally granted by Banca Antonveneta to a subsidiary of the Aprilia Group following the acquisition charged to the Parent Company; the lump sum due date is in 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 1,604 subsidised loan from Banca Intesa San Paolo under Law 346/88 regarding applied research;

- a €/000 1,500 eight-year subsidised loan from ICCREA in December 2008 granted under Law 100/90 and linked to the SIMEST equity investment in the Vietnamese company;

- a €/000 615 loan from Interbanca in accordance with Law 346/88 regarding subsidies for applied research, secured by a mortgage lien on property;

The item Bonds amounting to €/000 138,321 (net book value) refers to the high yield debenture loan issued on 4 December 2009, for a par value of €/000 150,000, maturing on 1 December 2016 with a semi-annual coupon with fixed annual nominal rate of 7%. Standard & Poor's and Moody's had both assigned a BB and BA2 rating with a negative outlook for the issue. On 5 May Moody's revised its outlook from negative to stable.

Medium-/long-term payables due to other lenders amount to €/000 20,583 of which €/000 16,807 due after twelve months; (€/000 3,776 is the current portion of other loans).
These break down as follows:

- finance leases amounting to €/000 8,643 granted by Unicredit Leasing to the merged Moto Guzzi S.p.A.;
- subsidised loans for a total of €/000 11,940 provided by the Ministry of Economic Development using regulations to encourage exports and investment in research and development (non-current portion of €/000 8,937).

Advances from factoring operations with recourse relative to trade receivables are equal to €/000 34,563.

Financial instruments

Risk management

In the first half of 2010, the exchange rate risk was managed in line with the *policy* introduced in 2006, which aims to neutralise the possible negative effects of exchange rate changes on company *cash-flow*, by hedging the business risk which concerns changes in company profitability compared to the annual business budget on the basis of a key change (the so-called "budget change") and of the transaction risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.
The exposure to business risk consists of the envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.
The exposure to transaction risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment.
The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency.

As regards contracts in place to hedge the risk management on receivables and payables in foreign currency (transaction risk), as of 30 June 2010 Piaggio & C. S.p.A. had in place forward sales contracts:

- for a value of CAD/000 8,610 equal to €/000 6,680 (valued at the forward exchange rate);
- for a value of CHF/000 12,460 equal to €/000 8,837 (valued at the forward exchange rate);
- for a value of GBP/000 7,620 equal to €/000 8,883 (valued at the forward exchange rate);
- for a value of JPY/000,000 315 equal to €/000 2,840 (valued at the forward exchange rate);
- for a value of SEK/000 15,050 equal to €/000 1,563 (valued at the forward exchange rate);
- for a value of SGD/000 1,440 corresponding to €/000 840 (valued at the forward exchange rate);
- for a value of USD/000 7,710 corresponding to €/000 6,185 (valued at the forward exchange rate);

and forward purchase contracts:

- for a value of CHF/000 4,200 equal to €/000 3,097 (valued at the forward exchange rate);
- for a value of GBP/000 1,340 equal to €/000 1,624 (valued at the forward exchange rate);
- for a value of JPY/000,000 525 equal to €/000 4,472 (valued at the forward exchange rate);
- for a value of SEK/000 6,200 equal to €/000 651 (valued at the forward exchange rate);
- for a value of USD/000 7,700 equal to €/000 6,263 (valued at the forward exchange rate).

As regards contracts in place to hedge risk management on *forecast transactions* (business risk), as of 30 June 2010 the Parent Company had in place:

- forward purchase contracts for a value of CNY/000,000 145 equal to €/000 15,374;
- forward sales contracts for a value of CHF/000 8,100 corresponding to a total of €/000 5,386 (at the forward exchange rate) and of GBP/000 8,800 equal to €/000 9,773 (at the forward exchange rate).

31. *Current and non-current trade payables €/000 463,881*

As of 30 June 2010 and as of 31 December 2009 no trade payables were recorded under non-current liabilities. As of 30 June 2010, current trade payables included under current liabilities totalled €/000 463,881, compared to €/000 345,987 as of 31 December 2009. The item is detailed in table 25. The overall increase in trade payables of €/000 117,894 is linked to the previously mentioned seasonal nature of the production cycle.

32. *Reserves (current and non-current portion) €/000 47,199*

The breakdown and changes in provisions for risks during the period is detailed in table 26.

Table 25

Amounts in €/000	**As of 30/06/2010**	**As of 31/12/2009**	**Change**
Current liabilities:			
Amounts due to suppliers	449,629	332,745	116,884
Trade payables due to companies valued at equity	13,193	12,408	785
Amounts due to affiliated companies	70	393	(323)
Amounts due to parent companies	989	441	548
Total current portion	**463,881**	**345,987**	**117,894**

Table 26

Amounts in €/000	**Balance as of 31/12/2009**	**Provisions**	**Applications**	**Reclassification**	**Exchange differences**	**Balance as of 30/06/2010**
Product warranty provision	17,529	7,148	(6,261)	(25)	207	18,598
Risk provisions on equity investments	5,480					5,480
Provisions for contractual risks	9,521		(1,288)			8,233
Other provisions for risks and charges	9,602	4,854	(84)	(33)	549	14,888
Total	**42,132**	**12,002**	**(7,633)**	**(58)**	**756**	**47,199**

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

Amounts in €/000	As of 30/06/2010	As of 31/12/2009	Change
Non-current portion:			
Product warranty provision	5,563	5,025	538
Risk provisions on equity investments	5,480	5,480	0
Provision for contractual risks	6,438	6,438	0
Other provisions for risks and charges	6,041	6,022	19
Total non-current portion	**23,522**	**22,965**	**557**

Amounts in €/000	As of 30/06/2010	As of 31/12/2009	Change
Current portion:			
Product warranty provision	13,035	12,504	531
Risk provisions on equity investments			0
Provisions for contractual risks	1,795	3,083	(1,288)
Other provisions for risks and charges	8,847	3,580	5,267
Total current portion	**23,677**	**19,167**	**4,510**

The product warranty provision 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 to commit to a scheduled maintenance plan. The provision increased during the period by €/000 7,148 and was used for €/000 6,261 in relation to charges incurred during the period.
The reserve for risks on equity investments includes the portion of negative shareholders' equity in the subsidiary Piaggio China Co Ltd, as well as charges that may arise from the interest in the joint venture Zongshen Piaggio Foshan.
The provision of contractual risks refers mainly to charges which may arise from the ongoing negotiation of a supply contract. "Other provisions" include provisions for legal risks for €/000 6,111.

33. *Deferred tax liabilities €/000 29,208*

Deferred tax liabilities totalled €/000 29,208, compared to €/000 29,694 as of 31 December 2009.
This change is primarily due to the re-absorption of timing differences.

34. *Retirement funds and employee benefits €/000 61,894*

Retirement funds comprise provisions for employees allocated by foreign companies and additional customer indemnity provisions, which represent the compensation due to agents in the case of the agency contract being terminated for reasons beyond their control (table 27).

35. *Current and non-current tax payables €/000 39,850*

As of 30 June 2010 and as of 31 December 2009 no tax payables were recorded under non-current liabilities.

Table 27

Amounts in €/000	As of 30/06/2010	As of 31/12/2009	Change
Retirement funds	2,302	2,510	(208)
Post-employment benefits	59,592	59,349	243
Total	**61,894**	**61,859**	**35**

"Tax payables" included in current liabilities totalled €/000 39,850, against €/000 18,952 as of 31 December 2009. Their breakdown was as follows:

Amounts in €/000	As of 30/06/2010	As of 31/12/2009	Change
Due for income taxes	19,298	1,646	17,652
Due for non-income tax		1,724	(1,724)
Tax payables for:			
- VAT	11,562	3,260	8,302
- withheld taxes made	4,007	8,342	(4,335)
- other	4,983	3,980	1,003
Total	20,552	15,582	4,970
Total	**39,850**	**18,952**	**20,898**

The item includes tax payables recorded in the financial statements of the individual consolidated companies, set aside in relation to tax charges for the individual companies on the basis of the applicable national laws.
Payables for income taxes include the allocation of taxes implemented in the half-year for the adjustment of the fiscal charges of the Group, utilising the forecasted tax rate for the year.
Payables for tax withholdings made refer mainly to withholdings on employees' earnings, on employment termination payments and on self-employed earnings.

36. *Other payables (current and non-current) €/000 87,746*

Other payables included in non-current liabilities totalled €/000 5,989 against €/000 6,485 as of 31 December 2009, whereas other payables included in current liabilities totalled €/000 81,757 compared to €/000 79,567 as of 31 December 2009.
Amounts due to employees include the amount for holidays accrued but not taken of €/000 16,580 and other payments to be made for €/000 23,239.
Payables due to affiliated companies refer to various amounts due to the Fondazione Piaggio (table 28).

Table 28

Amounts in €/000	As of 30/06/2010	As of 31/12/2009	Change
Non-current portion:			
Amounts due to social security institutions	1,003	1,003	0
Other payables	4,986	5,482	(496)
Total non-current portion	**5,989**	**6,485**	**(496)**

Amounts in €/000	As of 30/06/2010	As of 31/12/2009	Change
Current portion:			
Amounts due to employees	39,819	34,192	5,627
Amounts due to social security institutions	5,342	10,120	(4,778)
Sundry payables due to affiliated companies	43	34	9
Sundry payables due to parent companies	603	573	30
Other	35,950	34,648	1,302
Total current portion	**81,757**	**79,567**	**2,190**

Milan, 29 July 2010

for the Board of Directors
Chairman and Chief Executive Officer

Roberto Colaninno

E) TRANSACTIONS WITH RELATED PARTIES

The main business and financial relations of Group companies with related parties have already been described in the specific paragraph in the Report on Operations to which reference is made here. To supplement this information, the following table provides information by company of outstanding items as of 30 June 2010, as well as their contribution to the respective headings.

		In thousands of Euro	% of accounting item
Relations with affiliated companies			
Fondazione Piaggio	other current receivables	22	0.09%
	other non-current receivables	321	2.30%
	current trade receivables	5	0.00%
	other current payables	28	0.03%
Piaggio China	Other non-current financial assets	11	3.20%
	current trade payables	16	0.00%
AWS do Brasil	other non-current receivables	138	0.99%
Zongshen Piaggio Foshan	other current receivables	61	0.24%
	costs for materials	21,488	4.52%
	other operating income	892	1.51%
	current trade receivables	997	0.47%
	current trade payables	13,177	2.84%
	net sales	215	0.02%
	Borrowing Costs	43	0.29%
	Costs for services and lease and rental costs	118	0.09%
IMMSI Audit	other current receivables	7	0.03%
	other current payables	15	0.02%
	Costs for services and lease and rental costs	375	0.27%
	other operating income	30	0.05%
	current trade receivables	13	0.01%
Studio D'Urso	current trade payables	70	0.02%
	Costs for services and lease and rental costs	70	0.05%
Relations with parent companies			
IMMSI	Costs for services and lease and rental costs	2,693	1.96%
	other operating income	31	0.05%
	other operating costs	26	0.15%
	other current receivables	3,965	15.79%
	current trade payables	989	0.21%
	other current payables	603	0.74%
	Costs for materials	2	0.00%
Omniaholding	financial liabilities falling due after one year	2,900	0.69%

F) INFORMATION ON FINANCIAL INSTRUMENTS

This attachment provides information about financial instruments, their risks, as well as the sensitivity analysis in accordance with the requirements of IFRS 7, effective as of 1 January 2009.

As of 30 June 2010 and as of 31 December 2009 the financial instruments in force were allocated as follows within the Piaggio Group's Consolidated Financial Statements (table 29).

Securities

The item securities refers to €/000 23,697 for Italian government securities purchased by the Parent Company Piaggio & C. S.p.A., and to portions of a liquidity fund acquired by the subsidiary Piaggio Vehicles Private Ltd. for €/000 3,527).

These securities, which are assumed to be held for at least 12 months, are recorded at amortised cost based on the effective interest rate method.

Current and non-current financial liabilities

Current and non-current liabilities are covered in detail in the section on financial liabilities of the notes, where liabilities are divided by type and detailed by expiry date.

Credit lines

As of 30 June 2010 the most important credit lines irrevocable until maturity were as follows:

- a €/000 155,500 credit line maturing on December 2012, consisting of a loan with amortisation/depreciation 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 on December 2011, usable for opening a credit up to 80% and as advance on credits up to 60%;
- a pooled loan of €/000 90,000 maturing in August 2012;
- a loan of €/128,571 maturing in February 2016;

Table 29

Amounts in €/000	Notes	As of 30/06/2010	As of 31/12/2009	Change
ASSETS				
Current assets				
Other financial assets	26	**27,224**	**4,127**	**23,097**
of which securities		27,224	4,127	23,097
LIABILITIES				
Non-current liabilities				
Financial liabilities falling due after one year	30	**417,394**	**443,164**	**(25,770)**
of which Bonds		138,321	137,665	656
of which medium/long-term bank financing		262,266	289,872	(27,606)
of which amounts due under leases		7,870	8,262	(392)
of which amounts due to other lenders		8,937	7,365	1,572
Current liabilities				
Financial liabilities falling due within one year	30	**128,651**	**113,178**	**15,473**
of which bank financing		90,312	83,285	7,027
of which amounts due under leases		773	758	15
of which amounts due to other lenders		37,566	29,135	8,431

- a loan of €/21,875 maturing in September 2013.

All the above mentioned credit lines have been granted to the parent company.

Management of Financial Risks

Cash management functions and financial risks management are regulated on a central level. 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 finances the temporary cash requirements of Group companies by providing short-term loans regulated in market conditions.

To better hedge the liquidity risk, as of 30 June 2010, the Group's Treasury had available €/000 148,485 of undrawn irrevocable credit lines and €/000 132,217 of revocable credit lines, as detailed below, as detailed below in table 30.

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. In 2005, the Group adopted an exchange rate risk management policy which aims to neutralise the possible negative effects of the changes in exchange rates on company *cash-flows*. The policy envisages 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") - for at least 66% of the exposure by recourse to derivative contracts. The policy also provides the integral hedging of transaction risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment (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 consolidated balance sheets of subsidiaries drawn up in currencies different from Euros performed during the consolidation process. The policy adopted by the Group does not require this type of exposure to be covered. The net balance of cash flows in the main currencies is shown below, whereas for derivatives contracts based on exchange rates applicable as of 30 June 2010, reference is made to the list in the notes, in the section on financial liabilities.

	Amounts in ML €	
	Cash Flow 1st Half of 2010	Cash Flow 1st Half of 2009
Pound Sterling	5.7	5.6
Indian Rupee	16.4	19.8
Croatian Kuna	1.3	6.3
US Dollar	(28.3)	8.3
Canadian Dollar	0.4	3.4
Swiss Franc	5.6	3.7
Chinese Yuan*	(29.8)	(25.4)
Vietnamese Dong	25.3	-
Japanese Yen	(10.6)	(15.8)
Total cash flow in foreign currency	**(14.0)**	**5.9**

* cash flow in Euro

Table 30

In thousands of Euro	As of 30/06/2010	As of 31/12/2009
Variable rate with maturity beyond one year - irrevocable until maturity	148,485	160,129
Variable rate with maturity within one year - cash revocable	96,317	89,325
Variable rate with maturity within one year - with revocation for self-liquidating typologies	35,900	35,900
Total undrawn credit lines	**280,702**	**285,354**

Considering the above and assuming a 3% increase in the average exchange rate of the Euro on cash flows in currencies other than the Euro (net of financial cover) in the first half of 2010 consolidated operating income would have increased by approximately €/000 186.

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 may affect the costs and the returns of investment and financing 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.

As of 30 June 2010, variable rate debt, net of financial assets, was equal to €/000 185,727. Consequently a 1% increase or decrease in the Euribor above this net exposure would have generated higher or lower interest of €/000 1,857 per year.

Credit risk

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

In thousands of Euro	As of 30/06/2010	As of 31/12/2009
Liquid assets	177,165	200,239
Securities	27,224	4,127
Financial receivables	-	-
Trade receivables	212,856	103,164
Total	**417,245**	**307,530**

The Group monitors or manages credit centrally by using established policies and guidelines.

The portfolio of trade receivables shows no signs of concentrated credit risk in light of the broad distribution of our licensee or distributor network.

In addition, most trade receivables are short-term.

In order to optimise credit management, the Company has established *revolving* programmes with some primary factoring companies for selling its trade receivables without recourse in Europe and the United States.

Hierarchical fair value valuation levels

As regards financial instruments recorded in the statement of consolidated balance sheet at fair value, IFRS 7 requires these values to be classified on the basis of hierarchical levels which reflect the significance of the inputs used in determining fair value. These levels are as follows:

- level 1 - quoted prices for similar instruments;
- level 2 - directly observable market inputs other than Level 1 inputs;
- level 3 - inputs not based on observable market data.

The table below shows the assets and liabilities valued at fair value as of 30 June 2010.

In thousands of Euro	Level 1	Level 2	Level 3
Assets valued at fair value			
Other assets	-	1,938	-
Total assets	**-**	**1,938**	**-**
Liabilities valued at fair value			
Other liabilities	-	(1,685)	-
Total liabilities	**-**	**(1,685)**	**-**

During the first half of 2010, no transfers between levels took place.

The table below shows Level 2 changes occurring in the first half of 2010:

In thousands of Euro	Hedging operations
Balance as of 31 December 2009	127
Profit (loss) recognised in the consolidated income statement	(72)
Increases/(Decreases)	198
Balance as of 30 June 2010	**253**

G) SUBSEQUENT EVENTS

To date, no events have occurred after 30 June 2010 that make additional notes or adjustments to these interim financial statements necessary.
In this regard, reference is made to the Report on Operations for significant events after 30 June 2010.

H) SUBSIDIARIES

37. *Piaggio Group companies*

In accordance with Consob resolution no. 11971 dated 14 May 1999, and subsequent amendments (article 126 of the Regulation), the list of the Group's companies and major equity investments is provided below. The list presents the companies divided by type of control and method of consolidation.
The following are also shown for each company: the company name, the registered office, the country of origin and the share capital in the original currency, in addition to the percentage held by Piaggio & C. S.p.A. or by other subsidiaries.
In a separate column there is an indication of the percentage of voting rights at the ordinary general meeting should it be different from the equity investment percentage in the share capital.

LIST OF COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION ON A LINE-BY-LINE BASIS AS OF 30 JUNE 2010

Company name	Registered office	Country	Share capital	Currency	% Group ownership	Held by	%	% votes
Parent company								
PIAGGIO & C. S.P.A.	Pontedera (Pisa)	Italy	205,941,272.16	euro				
Subsidiaries								
Aprilia Racing S.r.l.	Pontedera (Pisa)	Italy	250,000.00	euro	100%	PIAGGIO & C. S.P.A.	100%	
Aprilia World Service B.V.	Amsterdam	Holland	30,000,000 auth. capital (6,657,500 subscribed and paid up)	euro	100%	PIAGGIO & C. S.P.A.	100%	
Atlantic 12-Property investment fund	Milan	Italy	19,500,000.00	euro	100%	PIAGGIO & C. S.P.A.	100%	
Derbi Racing S.L.	Barcelona	Spain	3,006.00	euro	100%	Nacional Motor S.A.	100%	
Moto Laverda S.r.l. *	Noale (Venice)	Italy	80,000.00	euro	100%	PIAGGIO & C. S.P.A.	100%	
Nacional Motor S.A.	Barcelona	Spain	1,588,422.00	euro	100%	PIAGGIO & C. S.P.A.	100%	
P & D S.p.A. *	Pontedera (Pisa)	Italy	416,000.00	euro	100%	PIAGGIO & C. S.P.A.	100%	
Piaggio Asia Pacific PTE Ltd.		Singapore	100,000.00	sin$	100%	Piaggio Vespa B.V.	100%	
Piaggio Deutschland Gmbh	Kerpen	Germany	250,000.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Espana S.L.U.	Madrid	Spain	426,642.00	euro	100%	PIAGGIO & C. S.P.A.	100%	
Piaggio Finance S.A.	Luxembourg	Luxembourg	31,000.00	euro	99.99%	PIAGGIO & C. S.P.A.	99.99%	
Piaggio France S.A.S.	Clichy Cedex	France	1,209,900.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Group Americas Inc	New York	USA	561,000.00	USD	100%	Piaggio Vespa B.V.	100%	
Piaggio Group Canada Inc.	Toronto	Canada	10,000	CAD$	100%	Piaggio Group Americas Inc	100%	
Piaggio Group Japan	Yokohama	Japan	3,000,000.00	yen	100%	Piaggio Vespa B.V	100%	

Company name	Registered office	Country	Share capital	Cur-rency	% Group owner-ship	Held by	%	% votes
Piaggio Hellas S.A.	Athens	Greece	2,704,040.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Hrvatska D.o.o.	Split	Croatia	400,000.00	kuna	75%	Piaggio Vespa B.V.	75%	
Piaggio Limited	Bromley Kent	United Kingdom	250,000.00	gbp	100%	Piaggio Vespa B.V.	99.9996%	
						PIAGGIO & C. S.P.A.	0.0004%	
Piaggio Portugal Limitada *	Lisbon	Portugal	5,000.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Vehicles Private Limited	Maharashtra	India	340,000,000.00	rupees	100%	PIAGGIO & C. S.P.A.	99.999997%	
						Piaggio Vespa B.V.	0.000003%	
Piaggio Vespa B.V.	Oosterhout	Holland	91,000.00	euro	100%	PIAGGIO & C. S.P.A.	100%	
Piaggio Vietnam Co Ltd	Hanoi	Vietnam	64,751,000,000.00	Dong	87.5%	PIAGGIO & C. S.P.A.	51%	
						Piaggio Vespa B.V.	36.5%	

* Company in liquidation

LIST OF COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION WITH THE EQUITY METHOD AS OF 30 JUNE 2010

Company name	Registered office	Country	Share capital	Cur-rency	% Group owner-ship	Held by	%	% votes
Aprilia Brasil S.A.	Manaus	Brazil	2,020,000.00	reais	51%	Aprilia World Service Holding do Brasil Ltda	51%	
Aprilia World Service Holding do Brasil Ltda.	São Paulo	Brazil	2,028,780.00	reais	99.99995%	Piaggio Group Americas Inc	99.99995%	
Piaggio China Co. LTD	Hong Kong	China	12,500,000 auth. capital (12,100,000 subscribed and paid up)	USD	99.99999%	PIAGGIO & C. 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.	32.5%	
						Piaggio China Co. LTD	12.5%	

LIST OF OTHER SIGNIFICANT SHAREHOLDINGS AS OF 30 JUNE 2010, VALUED AT COST

Company name	Registered office	Country	Share capital	Currency	% 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%	

I) CERTIFICATION OF THE ABBREVIATED HALF-YEAR FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS OF LEGISLATIVE DECREE 58/98

1. The undersigned Roberto Colaninno in his capacity as Chairman and Chief Executive Officer and Alessandra Simonotto in her capacity as Executive in charge of financial reporting of Piaggio & C. S.p.A. hereby certify, taking into consideration article 154-bis, subsections 3 and 4, of legislative decree no. 58 of 24 February 1998:

- the appropriateness with regard to the company's characteristics and
- the effective application

of the administrative and accounting procedures for the preparation of the Abbreviated Half-year Financial Statement in the course of the first half of 2010.

2. With regard to the above, no relevant aspects are to be reported.

3. Moreover, it is stated that

3.1 the Abbreviated Half-year Financial Statements

- have been drafted in compliance with the international financial reporting standards recognised by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;
- correspond to accounting records;
- give a true and fair view of the consolidated balance sheet and results of operations of the issuer and of all companies included in the consolidation;

3.2 the Interim Directors' Report contains references to important events occurring in the first six months of the financial year and to their incidence on the Abbreviated Half-year Financial Statements, together with a description of the main risks and uncertainties for the remaining six months of the financial year, as well as information on significant transactions with related parties.

Milan, 29 July 2010

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

Manager in charge
Alessandra Simonotto

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50123 Firenze
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AUDITORS' REVIEW REPORT ON THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
PIAGGIO & C. S.p.A.

1. We have reviewed the half-yearly condensed consolidated financial statements of PIAGGIO & C. S.p.A. and subsidiaries (the "PIAGGIO Group"), which comprise the consolidated balance sheet as of June 30, 2010, and the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in shareholders' equity and the consolidated cash flow statement for the six-month period then ended, and the related selected explanatory notes. The Company's Directors are responsible for the preparation and presentation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue a report on these half-yearly condensed consolidated financial statements based on our review.

2. We conducted our review in accordance with the standards recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the underlying consolidated financial data, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and substantive procedures of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike our report on the year-end consolidated financial statements, we do not express an audit opinion on the half-yearly condensed consolidated financial statements.

3. As far as comparative figures related to the year ended December 31, 2009 and the six-month period ended June 30, 2009 are concerned, reference should be made to our auditors' report issued on March 10, 2010 and our auditors' review report issued on July 31, 2009, respectively.

4. Based on our review, nothing has come to our attention that causes us to believe that the half-yearly condensed consolidated financial statements of PIAGGIO & C. Group as of June 30, 2010 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.
Signed by
Paolo Guglielmetti
Partner

Florence, Italy
July 30, 2010

This report has been translated into the English language solely for the convenience of international readers.