

IMMSI Società per Azioni

Share capital 178,464,000 euro fully paid up

Registered office: P.zza Vilfredo Pareto, 3 – 46100 Mantova

Mantova register of companies – Tax-payer's code and VAT number 07918540019

Report of the Directors and Financial statements of Immsi Group at 31 December 2010

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COMPANY BOARDS

The Board of Directors and the Board of Statutory Auditors of Immsi S.p.A. were appointed by a shareholder resolution on 29 April 2009 and their term in office expires on the date of the Shareholders' Meeting called to approve the financial statements for the year ending at 31 December 2011.

BOARD OF DIRECTORS

Roberto Colaninno	Chairman
Carlo d'Urso	Deputy Chairman
Michele Colaninno ⁽¹⁾	Managing Director
Matteo Colaninno	Director
Mauro Gambaro	Director
Giorgio Cirila	Director
Giovanni Sala	Director
Enrico Maria Fagioli Marzocchi	Director
Ruggero Magnoni ⁽²⁾	Director

BOARD OF STATUTORY AUDITORS

Alessandro Lai	Chairman
Leonardo Losi	Standing Auditor
Gianmarco Losi ⁽³⁾	Standing Auditor
Mariapaola Losi	Substitute Auditor

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.	2006 - 2011
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GENERAL MANAGER

Michele Colaninno

(1) Appointed Managing Director, in place of Luciano La Noce, upon the Board's resolution on 27 August 2010.

(2) Co-opted Director, in place of Luciano La Noce, upon the Board's resolution on 27 August 2010.

(3) Auditor that took over the office from the Standing Auditor Giovannimaria Seccamani Mazzoli, who resigned on 8 November 2010.

In accordance with the principles of Corporate Governance recommended by the Self-Regulatory Code of Conduct for Listed Companies, as well as in accordance with Italian Legislative Decree D.Lgs. 231/01, the Board of Directors has established the following organs:

LEAD INDEPENDENT DIRECTOR

Mauro Gambaro

REMUNERATION COMMITTEE

Carlo d'Urso
Mauro Gambaro
Giorgio Ciria

Chairman

INTERNAL AUDIT COMMITTEE

Giovanni Sala
Mauro Gambaro
Giorgio Ciria

Chairman

DIRECTOR APPOINTED

Michele Colaninno ⁽¹⁾

PERSON IN CHARGE OF THE INTERNAL AUDIT

Maurizio Strozzi

SUPERVISORY BOARD

Marco Reboa
Alessandro Lai
Maurizio Strozzi

Chairman

ACCOUNTS AND DOCUMENTS

Andrea Paroli

INVESTOR RELATOR

Andrea Paroli

(1) Appointed, in place of Luciano La Noce, upon the Board's resolution on 27 August 2010.

Directors' Report on operations

This Report, which is prepared in accordance with the provisions of Consob resolution no. 11971 dated 14 May 1999 as subsequently amended, in particular by resolutions no. 14990 dated 14 April 2005 and no. 15519 - 15520 dated 27 July 2006, contains the Group consolidated financial statements, the explanatory and additional notes as well as the Parent company financial statements and related notes, drawn up adopting the IAS/IFRS accounting standards.

Information on operations and Immsi Group activities

During the year 2010 the Immsi Group has achieved altogether positive operational results even against a highly uncertain reference macroeconomic situation.

The results present different trends as regards the various sectors that make up the Group as a consequence of the different business dynamics that characterized the period in question.

Some of the main income and balance sheet figures of the Immsi Group are presented below, divided by business sector and determined, as already stated, in accordance with the international accounting standards. A more detailed description of the figures below may be found later on in this document.

Immsi Group at 31 December 2010

In thousands of euros	<i>Property and holding sector</i>	<i>in %</i>	<i>Industrial sector</i>	<i>in %</i>	<i>Naval sector</i>	<i>in %</i>	<i>Immsi Group</i>	<i>in %</i>
Net revenues	5,736		1,485,351		113,231		1,604,318	
Operating earnings before depreciation and amortisation (EBITDA)	-4,916	-85.7%	197,110	13.3%	-8,449	-7.5%	183,745	11.5%
Operating earnings (EBIT)	-5,602	-97.7%	111,104	7.5%	-11,731	-10.4%	93,771	5.8%
Earnings before taxation	-10,740	-187.2%	83,824	5.6%	-15,301	-13.5%	57,783	3.6%
Earnings for the period including non-controlling interest	-8,286	-144.5%	42,841	2.9%	-12,133	-10.7%	22,422	1.4%
Group earnings for the period (consolidable)	-6,150	-107.2%	23,632	1.6%	-7,666	-6.8%	9,816	0.6%
Net financial position	-174,422		-349,938		-137,285		-661,645	
Personnel (number)	69		7,529		354		7,952	

The "property and holding sector" consolidates the balance sheet and income results of Immsi S.p.A., Immsi Audit S.c.a.r.l., ISM Investimenti S.p.A., Is Molas S.p.A., Apuliae S.p.A., Pietra S.r.l. and RCN Finanziaria S.p.A..

Hereunder we give the same table referring to the preceding year. A comparison between the two periods is made in the specific comment to the single business sectors presented further on:

Immsi Group at 31 December 2009

In thousands of euros	<i>Property and holding sector</i>	<i>in %</i>	<i>Industrial sector</i>	<i>in %</i>	<i>Naval sector</i>	<i>in %</i>	<i>Immsi Group</i>	<i>in %</i>
Net revenues	5,720		1,486,882		121,633		1,614,235	
Operating earnings before depreciation and amortisation (EBITDA)	-4,236	-74.1%	200,799	13.5%	-12,716	-10.5%	183,847	11.4%
Operating earnings (EBIT)	-4,927	-86.1%	104,421	7.0%	-16,062	-13.2%	83,432	5.2%
Earnings before taxation	-8,292	-145.0%	74,093	5.0%	-14,936	-12.3%	50,865	3.2%
Earnings for the period including non-controlling interest	-5,646	-98.7%	47,419	3.2%	-11,583	-9.5%	30,190	1.9%
Group earnings for the period (consolidable)	-2,982	-52.1%	26,511	1.8%	-7,319	-6.0%	16,210	1.0%
Net financial position	-164,085		-351,976		-121,895		-637,956	
Personnel (number)	76		7,300		373		7,749	

The “property and holding sector” consolidates the balance sheet and income results of Immsi S.p.A., Immsi Audit S.c.a.r.l., ISM Investimenti S.p.A., Is Molas S.p.A., Apuliae S.p.A., Pietra S.r.l. and RCN Finanziaria S.p.A..

It should be noted that the data given in the preceding tables refer to the consolidable results, that is in particular net of the intragroup revenues and costs and the dividends from subsidiaries.

Alternative Non-GAAP Performance Measures

In accordance with the CESR/05-178b recommendation on alternative performance measures, this Directors’ Report on operations contains, in addition to IFRS financial measures, a number of parameters derived from the latter, albeit not laid down in the IFRS (“Non-GAAP Measures”).

These are presented in order to measure the trend of the Group's operations to a better extent and should not be considered as an alternative to IFRS measures. It should, furthermore, be borne in mind that the methods for calculating the measures applied therein might not be homogeneous with those adopted by others, as they are not specifically governed by the reference accounting standards, with the result that said measures might not prove sufficiently comparable.

In particular the following alternative performance measures have been used:

- **EBITDA:** defined as operating earnings of amortisation and depreciation;
- **Net financial position:** represented by (current and non-current) financial liabilities, minus cash on hand and other cash and cash equivalents, as well as other financial receivables. Among the schedules contained in this Report, a table indicating the financial items used to determine the measure is also included.

The property and holding sector

In thousands of euros	31.12.2010	in %	31.12.2009	in %	Change	in %
Net revenues	5,736		5,720		16	0.3%
Operating earnings before depreciation and amortisation (EBITDA)	-4,916	-85.7%	-4,236	-74.1%	-680	-16.1%
Operating earnings (EBIT)	-5,602	-97.7%	-4,927	-86.1%	-675	-13.7%
Earnings before taxation	-10,740	-187.2%	-8,292	-145.0%	-2,448	-29.5%
Earnings for the period including non-controlling interest	-8,286	-144.5%	-5,646	-98.7%	-2,640	-46.8%
Group earnings for the period (consolidable)	-6,150	-107.2%	-2,982	-52.1%	-3,168	-106.2%
Net financial position	-174,422		-164,085		-10,337	-6.3%
Personnel (number)	69		76		-7	-9.2%

The “property and holding sector” consolidates the balance sheet and income results of Immsi S.p.A., Immsi Audit S.c.a.r.l., ISM Investimenti S.p.A., Is Molas S.p.A., Apuliae S.p.A., Pietra S.r.l. and RCN Finanziaria S.p.A..

The **Parent company Immsi S.p.A.** records in the separate financial statements (gross of the intragroup annulments) a positive net result for the period equal to 16.9 million euros, compared to 14.5 million euros at 31 December 2009, mainly due to the contribution of the higher positive net financial items of the period.

In the month of January, following the capital increase deliberated by Unicredit (of which Immsi S.p.A. holds in its portfolio approximately 9.3 million shares), the Company sold the related assigned rights on the market (in a ratio of 1 right per share held) collecting gross capital gains of 0.9 million euros.

In the month of March, Banca IMI was sold 10 million Piaggio shares for a total collection of 22.1 million euros and a gain, gross of the relative fiscal effect, equal to approximately 9.6 million euros (remember that during 2009 7,800,990 Piaggio shares were sold with a gross gain equal to 1.2 million euro); the gain achieved on the sale of Piaggio shares produces no effects on the consolidated net result, in accordance with the accounting standards of reference.

The dividends distributed in the month of May by the subsidiary Piaggio & C. S.p.A. and collected by Immsi S.p.A. amount to 14.2 million euros (12.7 million in 2009), as a consequence of a decrease in the number of shares held (from around 212.2 million at the end of May 2009, the dividend payment date, to around 202.2 million at the time of payment at the end of May 2010) with the coupon passed from €0.06 per share in 2009 to €0.07 euro per share in the year 2010.

In the month of May, the Company moreover collected approximately 279 thousand euros related to dividends paid out on the approximately 9.3 million Unicredit shares held in its portfolio, with a coupon equal to €0.03 euros per share. It is also pointed out that the Company had sold 2.5 million Unicredit shares on the market in 2009 for the sum of 6.7 million euros, thereby making a gross gain equal to 3.7 million euros.

Another 5 million Piaggio shares were sold to Banca IMI in November for an overall sum of 12.2 million euros and a gain, gross of the relative fiscal effect equal to approximately 5.5 million euros.

Turning to the negative financial income components, it is reported that, further to the impairment test of the recoverability of the value of the Immsi S.p.A. stake in RCN Finanziaria S.p.A., for the

details of which readers are referred to the account given in the Additional and Explanatory Notes on the Financial Statements, a long-term 10.3 million euros depreciation has emerged, entailing a write-down entry for said sum.

With reference to the non-financial components of income, it should be noted that the net revenues accomplished in 2010 deriving from the real-estate operations and services amount to 4.8 million euros, a slight increase compared to the 4.6 million in the preceding year.

The net financial debt at 31 December 2010 is 53.9 million euros, slightly less (approximately 26.3 million euros) than the figure at 31 December 2009. The improvement highlighted during 2010 is mainly due to the above-mentioned collection related to the sale of Piaggio shares and Unicredit rights (respectively equal to 34.3 and 0.9 million euros) as well as the collections related to the dividends distributed by Piaggio & C. S.p.A. and by Unicredit respectively equal to 14.2 million euros and 279 thousand euros. These positive streams have only partially been compensated for by the disbursement related to the payment by Immsi S.p.A. of the dividends of the Company's shareholders for a total equivalent value of 10.2 million euros as well as the outflow of 6.4 million euros sustained in the month of February and related to undersigning the equity financial instruments issued by the subsidiary ISM Investimenti S.p.A.. The issue of the aforesaid instruments has been finalized at obtaining financial resources for the purchase – for approximately 8.4 million euros – of 25% of the shareholdings of the subsidiary Is Molas S.p.A. from the minority shareholders M.R.S. S.r.l. and G.F.C. S.p.A.. After the above operation therefore ISM Investimenti S.p.A. holds 85% of the share capital of Is Molas S.p.A.. The net cash flow generated from operations of Immsi S.p.A., net of the above operations, has therefore produced further cash absorption equal to about 6.7 million euros.

Regarding the initiatives in the **property sector**, and particularly with reference to the subsidiary **Is Molas S.p.A.**, which manages a tourist, hotel and sports resort at Pula (Cagliari, Sardinia), 2010 saw a continuation of the work on establishing the procedure of *Valutazione di Impatto Ambientale - V.I.A.* (Environmental Impact Evaluation), which has won approval regarding the environmental compatibility of the "Completion of the Is Molas Land Parcelling and Golf Course project". The administrative procedure was brought to an end by Autonomous Region of Sardinia Regional Government Resolution no.5/22 of 3 February 2011, which was published on the region's site on 4 February 2011.

Turning to the results for the year, net revenues equal to 3 million euros were recorded, down on the previous year (3.3 million euros) and thus impacting on the operating result, which showed a 3.4 million euro loss (-2.9 million in the previous year) and a consolidable net loss for the Group of approximately 2 million euros.

The company's net financial position shows net indebtedness equal to 34 million euros, with a cash absorption of 4.2 million euros compared to the preceding year in relation to the negative contribution of the cash generated internally.

With reference to the **Pietra Ligure Project** (Pietra S.r.l.) the consultants' work with a view to completing the bureaucratic procedures bound up with the change in site use continued throughout the year 2010. In particular, their work involved collating the general plan with the requirements deriving from the Rodriguez group's industrial plan: indeed, the authorities requested a review of the project, and this needed redrafting it with reference, in particular, to the hotel and residential aspects. Said changes involved reducing the buildings' impact on the overall environmental context, virtually halving the hotel's elevation and, hence, reducing the number of rooms envisaged; as far as the residential part is concerned, the height reductions have been offset by an increase in surface area, with the result that there has been no negative impact on total saleable floor space, to which, moreover, the converted floor space, initially intended for RTAs (*Residenze Turistico Alberghiere*, i.e. tourist apartment hotels), has been added. This consultancy work, which also involved meetings with the authorities concerned, was successfully completed in November 2010: since then, the geognostic and marine surveys crucial to the launch of the environmental

impact procedure have been completed, in December 2010. Last but not least, it is to be reported that, in February 2011, Pietra Ligure Town Council called a local authorities' planning conference for 11 March 2011 to examine the application for the grant of state-owned coastal land required to implement the project; said conference has been followed by the continuation of the work performed by the offices concerned and by the consultants appointed with a view to completing the licensing procedure. The company presents a negative net financial position standing at 0.4 million euros, largely unchanged compared with 31 December 2009, and an economic break-even.

With reference to the subsidiary **Apuliae S.p.A.**, the suspension of the work of renovation begun in March 2005 following investigations by the legal authorities continues. At present, there remains the civil dispute between the Province of Lecce and the State Property in relation to the ownership of the property. In said judgment Apuliae appeared with a request for the quantification of damages. With deliberation of the Council on 28 April 2010, the Province of Lecce ordered the annulment of the deliberation of 20 December 2002 with which it started the procedure of the tender for assigning the construction and management of the former Colonia Scarciglia and then the revocation of the entire tender procedure. The dispute with the State Property has made it necessary for the Provincial Administration to recover the use of the property taking account that any intended use of the property must be arranged with the State Property and implemented by means of procedures consistent with the intended use. Therefore meetings finalized in this sense are in progress between the Provincial Administration and the State Property. The company presents a positive net financial position amounting to approximately 0.1 million euros at 31 December 2010 (compared with +0.3 million at 31 December 2009), showing a roughly 0.1 million-euro consolidable loss.

The other major companies falling within the real estate and holding sector also include **RCN Finanziaria S.p.A.** and **ISM Investimenti S.p.A.** RCN Finanziaria S.p.A., in which Immsi S.p.A. holds a 63.18% stake, is sole shareholder of Rodriquez Cantieri Navali S.p.A. and presents a consolidable loss equal to about 0.9 million euros, chiefly on account of financial charges falling due on its net financial position, which amounted to 64.1 million euros at the end of the year (up from 30.7 million euros at 31 December 2009, largely further to the payment of 30 million euros to subscribe a share capital increase in the aforementioned subsidiary). ISM Investimenti S.p.A., in which Immsi S.p.A. holds a 71.43% stake, and which controls 85% of the Is Molas S.p.A. stock, recorded a consolidable loss amounting to approximately 1.4 million euros in 2010, chiefly on account of financial charges falling due on its net financial position, which stood at 44.5 million euros at the end of the year (42.1 million at the end of 2009).

Overall, in 2010, the property and holding company sector produced consolidable negative net earning equal to 6.2 million euros compared to a negative result of 3 million at 31 December 2009 and a negative net financial position equal to approx. 174.4 million euros compared to 164.1 million at the end of the previous year.

The industrial sector: Piaggio group

In thousands of euros	31.12.2010	in %	31.12.2009	in %	Change	in %
Net revenues	1,485,351		1,486,882		-1,531	-0.1%
Operating earnings before depreciation and amortisation (EBITDA)	197,110	13.3%	200,799	13.5%	-3,689	-1.8%
Operating earnings (EBIT)	111,104	7.5%	104,421	7.0%	6,683	6.4%
Earnings before taxation	83,824	5.6%	74,093	5.0%	9,731	13.1%
Earnings for the period including non-controlling interest	42,841	2.9%	47,419	3.2%	-4,578	-9.7%
Group earnings for the period (consolidable)	23,632	1.6%	26,511	1.8%	-2,879	-10.9%
Net financial position	-349,938		-351,976		2,038	0.6%
Personnel (number)	7,529		7,300		229	3.1%

Regarding the **industrial sector**, during 2010, the Piaggio group sold 628,400 vehicles worldwide, registering a growth of 3.4% in volume over the previous year (607,700 units sold). This increase is the result of different business trends in the Two-wheeler and Commercial vehicles segments. The Two-wheeler segment was affected by a downturn compared to 2009, with the total number of vehicles sold equal to 395,000 (-3.7%), while the Commercial vehicles segment performed extremely well compared to the previous year (233,400 units, +18.3 %).

The performance of the Two-wheeler segment took place in a particularly complex market context and competitive scenario, at least as concerns the European and American markets. In particular, the EMEA two-wheeler market declined by approximately 12.8% (13.2% for scooters and 12.1% for motorcycles), while the US market registered a decrease of approximately 15.8% (9.6% for scooters and 16.1% for motorcycles). The negative trend of the EMEA reference market was accentuated in 2010 by the fact that the government funds provided for most of 2009 in Italy were no longer available. Within the EMEA area, the Piaggio group maintained its 20% share, in line with the previous year, while in the USA, its share fell, particularly on the scooter market (from 30.9% to 27.1%). On the two-wheeler market, its share remained at 2.1%, in line with 2009. On the Asian market, the group's performance was positive (59,500 units, +60.4% compared to 2009), due in particular to the success of the Vietnamese subsidiary, where production got underway at its site in June 2009.

The Commercial vehicles business performed particularly well on the Indian market, where the subsidiary Piaggio Vehicles Private Limited sold more than 200,000 units, and with a total of 219,600 units it increased its excellent sales figure of the previous year by 20.9%.

In terms of consolidated turnover, the group ended 2010 with net revenues basically in line with 2009 figures, equal to 1,485.4 million euro (-0.1% compared to the previous year). In particular, the Two-wheeler segment was affected by a downturn compared to the previous year, with a total turnover of 988.1 million euro (-7.3%), while the Commercial vehicles business performed excellently compared to the previous year, with a turnover of 497.3 million euro (+18%). Although turnover was substantially in line with 2009, the composition changed considerably. In particular, sales in the Two-wheeler segment fell from 71.7% of total turnover in 2009 to 66.5% of total turnover in 2010, whereas, the same parameter in the Commercial Vehicles segment rose from 28.3% in 2009 to 33.5% in 2010.

Turnover from the Two-wheeler segment basically reflects the trend for volumes: turnover from the EMEA and America markets fell due to a market downturn, while the growth in turnover from the Asia market reflects the increase in sales thanks to the steady rise in sales on the Vietnamese market. Likewise, the trend for turnover from the Commercial vehicles business reflects the trend for volumes: the European market basically remained stable, while the excellent performance of the subsidiary Piaggio Vehicles Private Limited in terms of units sold (+20.9% compared to 2009) was reflected in turnover, thanks also to price increases and rupee/euro exchange rates. As a result, the increase in turnover in India was equal to 35.6%.

The operating earnings before depreciation and amortisation of intangible and tangible assets (EBITDA) in 2010 totals 197.1 million euros, equal to 13.3% of net revenues, a 1.8% decrease compared to 200.8 million euros (equal to 13.5% of net revenues) in the previous year.

Operating Income (EBIT) performance in 2010 totals 111.1 million euros compared to 104.4 million euros in 2009 (+6.7 million euro, or +6.4% compared to the previous year), with depreciation for 86 million euros (-10.4 million euros, or -10.8% compared to the previous year).

In 2010 the earnings before taxes of the Piaggio group are positive for 83.8 million euros (+13.1% compared to 2009) and the earnings for the period including non-controlling interest is equal to 42.8 million euros (-9.7% compared to the previous year). Total tax for the period amounts to 41 million euros (26.7 million euros at 31 December 2009). The tax burden significantly increased compared to 2009, as a consequence of a better result before taxes and lower deferred tax asset entries compared to 2009.

The net financial debt of the group at 31 December 2010 was 349.9 million euros compared to 352 million at 31 December 2009. The decrease of 2 million euros is mainly due to the positive trend of the operational cash flow, as well as the good net working capital management that allowed the self-financing of the investments, and also the distribution of dividends for 25.8 million euros and the purchase of treasury stock for approximately 3.3 million euros.

Two-wheeler business

The Two-wheeler business mainly comprises two product segments: scooters and motorcycles, in addition to the related spare parts and accessories business, the sale of engines to third parties, involvement in main two-wheeler sports championships and technical service. The world two-wheeler market comprises two macro areas, which clearly differ in terms of characteristics and scale of demand: economically advanced countries (Europe, United States, Japan) and emerging nations (Pacific Asia, China, India, Latin America). In the first macro area, which is a minority segment in terms of volumes, the Piaggio group has a historical presence, with scooters meeting the need for mobility in urban areas and motorcycles for recreational purposes. In the second macro area, which in terms of sales, accounts for most of the world market and is the group's target for expanding operations, two-wheelers are the primary mode of transport.

In 2010, volumes on the world two-wheeler market (scooters and motorcycles) were just under 47 million units.

The People's Republic of China remains the leading market with 16 million units sold, followed by the Indian market, which exceeded the 10 million mark for the first time ever (11.3 million units sold). Asian countries made a significant contribution to the world market in terms of units sold. The most important included the Indonesian market with total volumes of more than 7.6 million items, and leader in South East Asia, followed by Vietnam, recording a steady growth and 2.7 million units sold, and Thailand with more than 1.8 million units sold. In these areas (China, India, rest of Asia) the market is generally characterised by low-cost, small engine, compact vehicles, designed for primary mobility requirements, while the premium market is slowly yet steadily gaining ground.

The negative trend on developed markets (Europe and America first and foremost) of 2009 continued in 2010. Europe accounted for 1.6 million units sold in 2010, with a 13% decrease in sales on the two-wheeler market compared to 2009 (-12% in the motorcycle segment and -13% in

the scooter segment). In the Americas, the decline in North America continued, with under 500,000 units sold, while the South American market picked up after a negative year in 2009, driven by the area's main market, Brazil, which sold 1.8 million vehicles in 2010.

In this international scenario, the Piaggio group retained its leadership position on the European market in 2010, with a market share of approximately 20%, which is the same as 2009, thanks also to its continued leadership in the scooter segment, and increased share of the motorcycle segment. With production at its own site in Vinh Phuc, the group also consolidated its position on the premium market in Vietnam with successful sales of its Vespa model, and laid the foundations for future growth in other Asian area countries by forging business relations with local importers. The group held on to its strong position on the North American scooter market, where it has consolidated its leadership with a market share of just under 30%, and where it is committed to increasing its profile in the motorcycle segment, through the Aprilia and Moto Guzzi brands.

During 2010, the Piaggio group sold a total of 395,000 units in the two-wheeler segment, worldwide, accounting for a net turnover equal to approximately 988.1 million euro (-7.3%), including spare parts and accessories (138.4 million euro, -4.5%). In 2010, the Piaggio group reconfirmed its leadership position on the European scooter market. As discussed in previous sections of this report, the trend of Piaggio group operations in 2010 was strongly penalised by a falling demand on the Italian, European and North American markets. This downturn concerned both the scooter and motorcycle segments. On the other hand, growth in the Asian area was strong compared to the previous year, with sales and turnover increasing by 60.5% and 58.1% respectively, mainly due to the success of the new production site in Vietnam.

The MP3 range and its various models (125cc, 250cc, 300cc, 400cc and 500cc) continued to be a success story in 2010 (guaranteeing the Piaggio group an overall turnover of approximately 95 million euro, with 20,000 units sold. Likewise, the Vespa - the Piaggio group's iconic brand in the two-wheeler sector, performed extremely well on the world market, with a turnover equal to 275 million euro, with approximately 132,000 units sold. Turnover from the motorcycle segment was given a strong boost by the Aprilia RSV4 and thanks to the excellent results achieved in the Superbike World Championships, its different versions produced a very satisfactory turnover for the group.

Commercial Vehicles business

The Commercial Vehicles business includes three- and four-wheelers with a maximum mass below 3.5 tons (category N1 in Europe) designed for commercial and private use, and related spare parts and accessories. The Piaggio group operates in Europe and India on the light commercial vehicles market, with vehicles designed for short range mobility in urban areas (European urban centres) and suburban areas (the product range for India).

The N1 category European market accounted for 1.5 million units in 2010, up on 2009, of which 180,000 units were sold in Italy. In Europe, the group distributes its products mainly in Italy (which accounted for 63.9% of the group's volumes in Europe in 2010), as well as in Germany (18%), Spain (3.9%) and France (3.9%). The group acts as operator on these markets in a niche segment (urban mobility), thanks to its range of low environmental impact products.

Sales on the Indian three-wheeler market went up from 411,000 units in 2009 to 502,000 in 2010, registering an increase of 22%. Within this market, the passenger transport vehicles subsegment continued its growth trend, selling 408,000 units, up 23.8%, while the cargo segment reported an increase of 14.8%, with sales increasing from 82,000 to 94,000 units. Piaggio currently holds a leadership position on this market, with a share in the three-wheeler sector of 39%, consolidated during 2010 thanks to its own position in the cargo and passenger subsegment. The traditional three-wheeler market in India is flanked by the four-wheeler light commercial vehicles (LCV)

market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates with the Apé Truk and - since 2010 - with the Apé Mini. The LCV cargo market accounted for sales of 259,000 units in 2010, up 39.2% over the same period in 2009.

In 2010, the Commercial Vehicles business generated a turnover of approximately 497.3 million euro, including approximately 41.7 million euro relative to spare parts and accessories, registering an 18% increase over the previous year. The same trend also applies to units sold in the year, which amounted to 233,400 items, and an increase of 18.3%.

On the European market, the Piaggio group sold 13,300 units in 2010, generating a net total turnover of 107.1 million euro, including spare parts and accessories for 20.6 million euro. The decrease over the previous year, equal to approximately 2,200 units and a turnover of 27 million euro, is mainly due to the fact that government incentives for sales of “eco-solution” vehicles were no longer available. Piaggio has focused on the development of eco-friendly vehicles since 2009 and today, these account for a large part of the Porter range. The end of the government incentives was the main cause behind the fall in turnover. On the other hand, the Ape increased the number of units sold and turnover generated, compared to 2009.

On the Indian three-wheeler market, which grew by around 22% compared to the previous year, Piaggio Vehicles Private Limited continued to strengthen its role as reference player and market leader, with a share of 39%. Sales of three-wheelers went up from 171,700 units in 2009 to 210,100 units in 2010, recording an increase of 22.4%, in line with the above mentioned market growth. Detailed analysis of the market shows that Piaggio Vehicles Private Limited consolidated its role as market leader in the cargo segment. Piaggio Vehicles Private Limited reached a 61.9% share (55.9% in 2009), due above all to the Piaggio Apé 501 and numerous possibilities for customisation. Its market share also remained steady in the passenger segment, standing at 33.8% (37.3% in 2009). On the four-wheeler market, Piaggio Vehicles Private Limited sales volumes were basically the same as the previous year, with 10,000 units sold. Export performance was particularly significant, with the number of units going up from approximately 3,000 in 2009 to approximately 14,100 in 2010.

The naval sector: Rodriquez group

In thousands of euros	31.12.2010	in %	31.12.2009	in %	Change	in %
Net revenues	113,231		121,633		-8,402	-6.9%
Operating earnings before depreciation and amortisation (EBITDA)	-8,449	-7.5%	-12,716	-10.5%	4,267	33.6%
Operating earnings (EBIT)	-11,731	-10.4%	-16,062	-13.2%	4,331	27.0%
Earnings before taxation	-15,301	-13.5%	-14,936	-12.3%	-365	-2.4%
Earnings for the period including non-controlling interest	-12,133	-10.7%	-11,583	-9.5%	-550	-4.7%
Group earnings for the period (consolidable)	-7,666	-6.8%	-7,319	-6.0%	-347	-4.7%
Net financial position	-137,285		-121,895		-15,390	-12.6%
Personnel (number)	354		373		-19	-5.1%

With reference to the **naval sector**, in which Immsi Group is present via the group controlled by Rodriquez Cantieri Navali S.p.A., the year 2010 recorded a 6.9% decrease in net revenues (consisting of sales and change in contract work in progress) compared to the preceding year, reaching 113.2 million euros. The decrease is mainly due to the parent company Rodriquez and to the subsidiary Conam and in addition it suffers from delays in the progress of production in the yard of Sarzana, following the flood of the river Magra in the month of December 2009.

The progress in production, including the activities of research and development, and the completion of the constructions and deliveries have concerned particularly:

- the Fast Ferries division with 7.3 million euros (compared with 13 million euros in the previous year) for the advances in the construction of three 52-metre catamarans for the Sultanate of Oman (one of which was delivered in December 2010), for the progress in the activities of research and development related to the projects, the building of two submerged-foil hydrofoil prototypes and an aliswath, and repair and maintenance work;
- the Yacht division with 5 million euros (compared with 5.5 million euros in the previous year), including 4 million euros for the mega-yacht sector related to the advances in the construction of two 38-metre Mega Yachts, one 40-metre Mega Yacht and two 41-metre Mega Yachts delivered (Yacht Plus) and 1 million euros for advances for contract work in progress and deliveries of yachts up to 25 meters made by Conam S.p.A.;
- the Intermarine division with 100.9 million euros, slightly down compared with the previous year, chiefly on account of the repercussions of the flooding suffered by the Sarzana shipyard in December 2009, which, in the first few months of 2010, forced Intermarine to focus on remedying the damage, in terms both of the property and of the advances in construction. 2010 saw progress in the construction of minesweepers for the Finnish Navy for 57.1 million euros, in the construction of and logistics packages for the *Guardia di Finanza* (i.e., Tax Revenue Corps) vessels for 21.5 million euros and in the modernisation of the Italian Navy's Gaeta class minesweepers for 22.1 million euros.

The production has been characterized, particularly in the Fast Ferries and Mega Yacht sector, by altogether still insufficient marginality to absorb the direct costs of production and those of the fixed

structures; furthermore, the lack of new sales contracts for both new and second-hand vessels persisted in the small yacht business. The results for the 2010 year have highlighted shortfalls compared with the forecasts, due chiefly to the significant increase in the final costs of Rodriquez Cantieri Navali S.p.A.'s Oman contract, which was already on the verge of making a loss, as a result of the further significant variations in the contract estimates to take account of the measures required to solve the technical construction problems with the two catamarans still to be delivered, the additional costs incurred in the year in connection with the delivery of the third boat (delivered in December 2010) and the allocation of funds for the retrofits on the two already delivered. There were also delays in progress on the various orders on which Intermarine was working as a consequence of the December 2009 flooding at the Sarzana yard, and an increase in a number of Intermarine's cost estimates, both for the *Guardia di Finanza* order and for the Finnish Navy minesweeper order.

In the light of the extremely negative results, and pending a market recovery and developments on the sales front, which are crucial for absorbing indirect costs and overheads to an adequate degree, the group exploited to the full every opportunity to contain structural costs in 2010 so as to minimise losses; the 2010 managerial incentives schemes, worth about 1 million euros overall in annual terms, were cancelled, and the sales drive in the Yacht and Fast Ferries divisions were stepped up in a bid to grasp every possible opportunity.

Given the foregoing, an operating loss of 11.7 million euros (16.1 million euros in 2009) was recorded in 2010, whereas the before taxes operating loss amounted to 15.3 million euros (14.9 million euros in 2009). The last year's net financial revenues included the allocation of the positive interest on arrears with the customer *Guardia di Finanza* for 4.5 million euros.

The negative net consolidable result amounted at 31 December 2010 to 7.7 million euros compared with the previous year's loss of 7.3 million.

At 31 December 2010, the overall order book amounts to approximately 273 million euros, of which that related to Intermarine division represents the most significant component, and it mainly includes the contract with the Italian Navy for a total value of 176 million euros related to the activities of modernization of 8 minesweepers of the Gaeta class. Other significant orders related to said division concern the *Guardia di Finanza* construction and logistics packages programme worth 55 million euros and the programme for the construction of three Finnish minesweepers worth 36 million euros.

The order books show a growth in the naval building sector up to 2012 with the Finnish minesweeper contract and up to 2018 with the Italian Navy minesweeper refitting.

The Fast Ferries division's order books amount to approximately 6 million euros, with a residual value of about 2 million euros for the 52-metre catamaran order for the Sultanate of Oman, repair work worth approximately 2 million euros and a residual value of 2 million euros for the share in the RTI order to build 22-metre patrol boats.

The net financial debt, equal to 137.3 million euros has increased compared to the balance at the end of 2009, equal to 121.9 million euros, mainly because of the negative change in the working capital (47 million euros), partially offset by the receipt of 30 million euros as a share capital increase and loss cover from the shareholder RCN Finanziaria S.p.A..

Among the main causes of the aforesaid variation in the net working capital we should note the 61.1 million-euro growth in contract work in progress (net of the advances received), partially offset by the 28.1 million rise in trade payables.

Financial situation and financial performance of the Group

In the year just ended, the Immsi Group presents operating results that are altogether positive even against a highly uncertain reference macroeconomic situation.

The variation recorded in the perimeter of consolidation related to the establishment, on 12 March 2010, of a new selling agency in Canada by the Piaggio group does not alter the comparability of the balance sheet and income results between the two periods of reference.

Moreover, it is pointed out that the consolidated share of the Piaggio group, that at 31 December 2009 amounted to 57.59% was equal to 53.75% at 31 December 2010. This change is the consequence of the combined effect of i) the sale by Immsi S.p.A. of 15 million shares of Piaggio & C. S.p.A. to Banca Imi in the months of March and November 2010; ii) the cancellation of 24,247,007 treasury stock held in portfolio by Piaggio & C. S.p.A. (equal to approximately 6.12% of the total shares prior to cancellation) as deliberated by the company Shareholders' Meeting held on 16 April 2010 and iii) the further purchases of Piaggio shares on the "MTA-Mercato Telematico Azionario" (Electronic Share Market) by Piaggio & C. S.p.A..

Lastly, it is reminded that further to the purchase by ISM Investimenti S.p.A. of the 25% of the shareholding of the subsidiary Is Molas S.p.A. from the minority shareholders M.R.S. S.r.l. and G.F.C. S.p.A., ISM Investimenti S.p.A. holds 85% of the share capital of Is Molas S.p.A. as of February 2010.

The net revenues made during 2010, equal to 1,604.3 million euros, basically in line with the previous year (-0,6%), are largely due to the contribution of the industrial sector, equal to 1,485.4 million euros, for 113.2 million from the naval sector and for the remaining part from the property sector.

Operating earnings before amortisation and depreciation (EBITDA) at 31 December 2010 were 183.7 million euros, 11.5% of net revenues (the value is basically unchanged both in terms of absolute value and of percentage on the previous year), while Operating earnings (EBIT) were 93.8 million euros, 5.8% of net revenues (10.3 million euros increase or +12.4% compared to the previous year).

Moreover, it is pointed out that consolidated operating earnings do not include goodwill amortizations in that, on the basis of the results expected in the multi-year development Plans prepared by the Group companies when used for testing for impairment no write-downs were deemed to be necessary in that such goodwill is considered to be recoverable with future cash flows.

The earnings before taxes for the period on 31 December 2010 amounted to 57.8 million euros, equal to 3.6% of net revenues compared to 50.9 million euros (3.2% of net revenues) at 31 December 2009.

The taxes for the period, amount to 35.4 million euros compared to 20.7 million at 31 December 2009, with a tax rate of respectively 61.2% and 40.6%.

Group earnings for the period stand at 9.8 million euros (0.6% of net revenues) compared to 16.2 million euros (1% of net revenues) at 31 December 2009.

Group net financial debt at 31 December 2010 totals 661.6 million euros, increasing 23.7 million euros compared to the negative balance of 638 million euros at 31 December 2009, mainly due to the total net investment of the year, equal to 74 million euros and to the dividends distributed to third parties by Immsi and Piaggio (10.2 and 11.6 million euros, respectively) partially offset by the net cash flow, equal to 70.1 million euros.

Group investments in the year are as follows:

- 59.1 million euros in intangible assets, almost fully referring to the Piaggio group;
- 39.2 million euros in tangible assets (excluding disposals of 1.8 million euros), of which 37.1 million euros referring to the Piaggio group, 0.8 million euros to the Rodriguez group and the rest to the property and holding sector;
- 8.4 million euros for purchasing 25% of the shares of the subsidiary Is Molas S.p.A. from the minority shareholders M.R.S. S.r.l. and G.F.C. S.p.A.. made by ISM Investimenti S.p.A..

Besides the aforesaid cash flows in the period at issue there have been purchases on the market of treasury stock by Piaggio & C. S.p.A. for around 3.3 million euros.

It should be noted that Immsi has sold to Banca IMI 15 million of Piaggio shares for total 34.3 million of euros receipt.

The total shareholders' equity of the Immsi Group at 30 December 2010 is equal to 643.9 million euros; excluding the portion for the non-controlling shareholders, the Group shareholders' equity is equal to 422.8 million euros.

Financial performance of the Group

The Group prepares reclassified figures as well as the financial statement schedules required by law.

A short description of the main balance sheet and income statement items is provided below the reclassified schedules. Further information on these items may be found in the explanatory and additional notes. Specific notes referring to the mandatory schedule items are omitted since the main aggregates coincide.

The reclassified consolidated income statement of Immsi Group shown below is classified by the nature of the income components and is in line with the IAS/IFRS guidelines which consider them entirely arising from ordinary activities, except for those of a financial nature.

In thousands of euros	Year 2010		Year 2009	
Net revenues	1,604,318	100%	1,614,235	100%
Costs for materials	935,393	58.3%	933,661	57.8%
Costs for services and the use of third party assets	308,808	19.2%	325,878	20.2%
Personnel costs	260,045	16.2%	263,118	16.3%
Other operating income	136,458	8.5%	151,064	9.4%
Other operating costs	52,785	3.3%	58,795	3.6%
OPERATING EARNINGS BEFORE DEPRECIATION AND AMORTISATION (EBITDA)	183,745	11.5%	183,847	11.4%
Depreciation of tangible assets	39,509	2.5%	40,890	2.5%
Impairment of goodwill	0	-	0	-
Amortisation of finite life intangible assets	50,465	3.1%	59,525	3.7%
OPERATING EARNINGS (EBIT)	93,771	5.8%	83,432	5.2%
Earnings on equity investments	5,240	0.3%	-151	0.0%
Financial income	24,363	1.5%	24,312	1.5%
Financial charges	65,591	4.1%	56,728	3.5%
EARNINGS BEFORE TAXATION	57,783	3.6%	50,865	3.2%
Taxation	35,361	2.2%	20,675	1.3%
EARNINGS AFTER TAXATION FROM CONTINUING ASSETS	22,422	1.4%	30,190	1.9%
Profit (loss) from assets for disposal or sale	0	-	0	-
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTEREST	22,422	1.4%	30,190	1.9%
Non-controlling interest earnings for the period	12,606	0.8%	13,980	0.9%
GROUP EARNINGS FOR THE PERIOD	9,816	0.6%	16,210	1.0%

Consolidated Group net revenues in 2010 is 1,604.3 million euros, of which 1,485.4 million euros from the Piaggio group, 113.2 million euros from Rodriguez group and 5.7 million euros from the property and holding sector.

The net revenues of the industrial sector are largely in line with 2009 and amount to 1,485.4 million euros (down 0.1% on the previous year). As far as their composition is concerned, the Two-Wheeler business shows a downturn compared with the previous year, with overall sales of 988.1 million euros (-7.3%), whereas the Commercial Vehicles business performed excellently compared with 2009, with sales amounting to 497.3 million euros (+18%). Albeit largely unchanged compared with 2009, turnover showed a marked change in its breakdown; in particular, the Two-Wheeler business accounted for only 66.5% of total sales for 2010, whereas it accounted for 71.7% of total sales for 2009; conversely, the Commercial Vehicles business rose from 28.3% in 2009 to 33.5% of the total in 2010.

The sales trend in the two-wheeler business largely reflects the trend on the EMEA and American markets, which present a downturn in sales due to market shrinkage, whereas the growth in sales

on the Asian market mirrors the upward sales curve due to the constant growth in sales on the Vietnamese market.

In parallel, the sales curve in the commercial vehicles business, too, mirrors the trend on the European market, which is largely stationary, whereas the excellent performance put up by subsidiary Piaggio Vehicles Private Limited in terms of numbers of vehicles sold (+20,9% on 2009) was even greater in sales terms, thanks not least to the rise in prices and the rupee/euro exchange rate trend: as a result, the aforementioned increase in sales in India stood at 35.6%.

In terms of volumes, in 2010 the Piaggio group altogether throughout the world sold 628,400 vehicles, of which 395,000 in the Two Wheeler business (-3.7% compared to 2009) and 233,400 in the Commercial Vehicle business (+18.3% compared to 2009).

With reference to the naval sector, the consolidated revenues recorded a decrease (-6.9%) compared to the preceding year at 113.2 million euros.

Lastly, with reference to the property and holding sector the revenues of the period, equal to 5.7 million euros are substantially unchanged compared to the figure of 2009.

Operating costs and other consolidated Group net costs in 2010 total 1,420.6 million euros (equal to 88.5% of net revenues), 1,288.2 million euros relating to the Piaggio group (86.7% of net revenues).

Costs for materials total 935.4 million euros, 58.3% of net revenues. The part relating to the industrial sector amounts to 881.1 million euros, 59.3% of the net revenues.

Personnel costs total 260 million euros, or 16.2% of net revenues. The largest part, 240.1 million euros (16.2% of net revenues), refers to the Piaggio group.

Operating earnings before depreciation and amortisation (EBITDA) total 183.7 million euros, equal to 11.5% of net revenues, of which 197.1 million euros referred to the industrial sector.

Depreciation and amortisation for the period stand at 90 million euros (of which 86 million euros related to the industrial sector), with an incidence of 5.6% on net revenues. Depreciation of tangible assets accounts for 39.5 million euros, while amortised intangibles excluding goodwill total 50.5 million euros.

Operating earnings (EBIT) stood at 93.8 positive million euros, 5.8% of net revenues, of which 111.1 million euros referring to the industrial sector.

The negative net financial balance totals 36 million euros, 2.2% of net revenues, the result of a net negative balance of 27.3 million euros relating to the industrial sector, 3.6 million euros negative balance from the naval sector, while the property and holding sector totals 5.1 million euros negative balance.

Profit before taxation stands at 57.8 million euros, or 3.6% of net revenues, of which 83.8 million euros from the industrial sector, while the naval sector shows a loss of 15.3 million euros, and the property and holding sector a loss of 10.7 million euros.

Net earnings for the period, after taxation and net of non-controlling interest, totals 9.8 million euros (0.6% of net revenues).

Reclassified financial situation of the Group

In thousands of euros	31.12.2010	in %	31.12.2009	in %
Current assets:				
Cash and cash equivalent	190,604	8.2%	206,508	9.2%
Financial assets	23,273	1.0%	4,462	0.2%
Operating assets	692,148	30.0%	650,411	28.9%
Total current assets	906,025	39.2%	861,381	38.3%
Non-current assets:				
Financial assets	0	0.0%	0	0.0%
Intangible assets	831,386	36.0%	820,265	36.5%
Tangible assets	302,010	13.1%	298,375	13.3%
Other assets	271,479	11.7%	269,100	12.0%
Total non-current assets	1,404,875	60.8%	1,387,740	61.7%
TOTAL ASSETS	2,310,900	100.0%	2,249,121	100.0%
Current liabilities:				
Financial liabilities	399,357	17.3%	364,719	16.2%
Operating liabilities	648,503	28.1%	616,539	27.4%
Total current liabilities	1,047,860	45.3%	981,258	43.6%
Non-current liabilities:				
Financial liabilities	476,165	20.6%	484,207	21.5%
Other non-current liabilities	142,955	6.2%	163,047	7.2%
Total non-current liabilities	619,120	26.8%	647,254	28.8%
TOTAL LIABILITIES	1,666,980	72.1%	1,628,512	72.4%
TOTAL SHAREHOLDERS' EQUITY	643,920	27.9%	620,609	27.6%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,310,900	100.0%	2,249,121	100.0%

Current assets at 31 December 2010 amounted to 906 million euros, an increase over 31 December 2009 of 44.6 million euros. This increase is mainly referable to the change in the operating assets, equal to 41.7 million euros and the financial assets, for 18.8 million euros, partially compensated for by the drop in cash and cash equivalents (-15.9 million euros).

Non-current assets at 31 December 2010 stand at 1,404.9 million euros against 1,387.7 million at 31 December 2009, with a 17.1 million euros increase.

Specifically, among the non-current assets, intangible assets total 831.4 million euros, a 11.1 million euros increase compared to 31 December 2009, tangible assets stand at 302 million euros (298.4 at the end of year 2009) and other assets of 271.5 million euros (against 269.1 million at the end of 2009).

Current liabilities at 31 December 2010 total 1,047.9 million euros, 66.6 million euros increase compared to 31 December 2009, against the increase both in current financial liabilities (34.6 million euros), and in the current operating liabilities (32 million euros).

Non-current liabilities at 31 December 2010 stand at 619.1 million euros compared to 647.3 million euros at 31 December 2009. The decrease is attributable both to financial liabilities for 8 million euros and to operating liabilities for 20.1 million euros.

The consolidated Group and non-controlling interest shareholders' equity at 31 December 2010 is 643.9 million euros, of which 221.1 million euros attributable to non-controlling interest.

An analysis of **invested capital** and its financial cover is presented below:

In thousands of euros	31.12.2010	<i>in %</i>	31.12.2009	<i>in %</i>
Current operating assets	692,148	47.8%	650,411	45.8%
Current operating liabilities	-648,503	-44.8%	-616,539	-43.4%
Net operating working capital	43,645	3.0%	33,872	2.4%
Intangible assets	831,386	57.4%	820,265	57.7%
Tangible assets	302,010	20.8%	298,375	21.0%
Other assets	271,479	18.7%	269,100	18.9%
Invested capital	1,448,520	100.0%	1,421,612	100.0%
Non-current non-financial liabilities	142,955	9.9%	163,047	11.5%
Non-controlling interest capital and reserves	221,127	15.3%	203,012	14.3%
Consolidated shareholders' equity of the Group	422,793	29.2%	417,597	29.4%
Total non-financial sources	786,875	54.3%	783,656	55.1%
Net financial debt	661,645	45.7%	637,956	44.9%

The schedule below illustrates the **cash flow statement** for the period:

In thousands of euros	31.12.2010	31.12.2009
Cash generated internally	162,597	148,522
Change in net working capital	-92,507	-86,796
Net cash flow generated from operations	70,090	61,726
Payment of dividends by Parent company	-10,216	0
Payment of dividends to non-controlling interest by Group companies	-11,609	-9,799
Increase in share capital of subsidiaries underwritten by non-controlling interest	2,000	0
Purchase of treasury shares by the companies of the Group	-3,344	-1,023
Purchase of intangible assets	-59,140	-54,603
Purchase of tangible assets	-39,167	-42,652
Sale price of tangible assets	1,825	1,725
Acquisition of non-controlling equity investments, net of disposal	0	8,332
Acquisition of controlling equity investments, net of disposals	25,872	6,616
Other net movements	0	601
Change in net financial position	-23,689	-29,077
Initial net financial position	-637,956	-608,879
Closing net financial position	-661,645	-637,956

As shown above, net cash flow generated from operations totalling 70.1 million euros for the year 2010, together with the incomes from disposal of 15 million of Piaggio shares for 34.3 million euros by the Parent Company partially off-set the gross tangible and intangible investment of the period (98.3 million euros), the dividends distributed to the Parent Company's shareholders (10.2 million euros) and to the Group's companies non-controlling interest (11.6 million euros), the purchases of Piaggio & C. S.p.A. shares by the company itself (3.3 million euros) and the purchase of 25% of the shareholding of the subsidiary Is Molas S.p.A. from the minority shareholders M.R.S. S.r.l. and G.F.C. S.p.A. by ISM Investimenti S.p.A. (8.4 million euros).

The net **financial debt** of 661.6 million euros is analysed below and compared with the corresponding figure at 31 December 2009, according to the Consob Communication no. 6064293 dated 28 July 2006:

In thousands of euros	31.12.2010	31.12.2009
Short-term liquidity		
Cash and cash equivalent	-190,604	-206,508
Financial assets	-23,273	-4,462
Total short-term financial assets	-213,877	-210,970
Short-term financial payables		
Bonds	0	0
Amounts due to bank	370,899	334,684
Amounts due under finance leases	791	800
Amounts due to other lenders	27,667	29,235
Total short-term financial payables	399,357	364,719
Total short-term financial debt	185,480	153,749
Medium/long-term financial assets		
Receivables for loans	0	0
Other financial assets	0	0
Total medium/long-term financial assets	0	0
Medium/long-term financial payables		
Bonds	139,007	137,665
Amounts due to bank	292,286	311,733
Amounts due under finance leases	7,471	8,329
Amounts due to other lenders	37,401	26,480
Total medium/long-term financial payables	476,165	484,207
Total medium/long-term financial debt	476,165	484,207
Net financial debt	661,645	637,956

Financial situation and financial performance of the Parent Company

A summary sheet and a short description of the main balance sheet and income statement items is provided below. Further information on these items may be found in the explanatory and additional Notes to the financial statements of Immsi S.p.A..

In thousands of euros	Year 2010	Year 2009
Earnings on financial operations	18,519	15,121
Earnings before taxation	16,700	14,066
Net earnings of the period	16,858	14,529
Net operating working capital	14,109	18,988
Invested capital	528,470	555,629
Non financial sources (including Shareholders' equity)	474,603	475,420
Net financial position	- 53,867	- 80,208
Shareholders' equity	454,227	454,684
Personnel (number)	14	14

During 2010 the Company had net financial income for 18,519 thousand euros primarily following the collection of dividends by Piaggio & C. S.p.A. equal to 14,156 thousand euros, of the gain accomplished with the sale of 15 million Piaggio shares equal to 15,110 thousand euros, receipts from the sale of option rights on the Unicredit share capital increase not subscribed by the Company, amounting to 902 thousand euros, and commissions and interest receivable for 2,441 thousand euros, net of write-down amounting to 10,250 thousand euros, on the stake held in RCN Finanziaria S.p.A. and commission and negative interest accrued on loans for 4,179 thousand euros. The above items that represent the major components of the Income statement are subjected to a reduced taxation treatment, therefore also for this reason the net earnings for the period benefit from a positive tax balance.

The net operating working capital passes from 18,988 thousand euros measured at 31 December 2009 to 14,109 thousand euros at the end of 2010 mainly owing to the lower valuation of the Unicredit stake at 31 December 2010.

The invested capital amounts to 528,470 thousand euros, whose decrease compared to 31 December 2009 of 27,159 thousand euros is essentially referable to the variation in the above net operating working capital, the sale of 15 million Piaggio shares at a book value amounting to 19,200 thousand euros and the 10,250 thousand euros depreciation of the stake held in RCN Finanziaria S.p.A.. The impact of said transactions has been partially offset by subscribing 6,440 thousand euros worth of equity financial instruments in ISM Investimenti S.p.A.. The invested capital is mainly composed of the real estate investment located in Rome for 73,263 thousand euros and of investments and financial assets available for sale for 448,363 thousand euros.

The non-financial sources, composed for 454,227 thousand euros by the shareholders' equity and for 20,376 thousand euros by the non-current non-financial liabilities, remain largely unchanged compared to 31 December 2009.

The net financial debt amounts at 31 December 2010 to 53,867 thousand euros, lower than the value measured at the end of 2009, substantially on account of the sale of 15 million Piaggio shares for 34,310 thousand euros and the operating flow (9,434 thousand euros), partially offset by the subscription of the 6,440 thousand euros worth of equity financial instruments in ISM Investimenti S.p.A. and the paying out of 10,216 thousand euros worth of dividends.

Research & development

The Immsi Group carries out research and development activities through the Piaggio and Rodriquez groups. Below is a summary of the main current activities in the two respective sectors.

With reference to the **Piaggio group**, the research and development activities are strongly focused on two main themes: developing engines that are even more environmentally friendly and with an even better performance, and vehicles with an improved functionality and safety. The group develops their activities of research and development of new products and technologically advanced solutions to be applied to the vehicles and engines in the centres located in Italy, India and Vietnam. In particular, the main goal of Piaggio group is to satisfy the latest needs for mobility while reducing the environmental impact and consumption of its vehicles and guaranteeing an excellent performance. In this framework, Piaggio successfully submitted its MUSS (Safe and Sustainable Urban Mobility) project for the 2008 tender ("Industry 2015") called by the Ministry for Economic Development. This project, which effectively commenced in April 2010, targets the development of innovative solutions for environmentally-friendly urban transport which is more sustainable.

In 2010, the Piaggio group continued its policy of retaining technological leadership in the sector, allocating total resources of 62.9 million euro to research and development, of which 40 million euro capitalised under intangible assets as development costs.

Research into engines

Piaggio's engine research and development teams are unique in Europe, capable of developing an unrivalled range from 50 cc. to 1200 cc., 2 or 4 stroke engines, with one or more cylinders, fuelled by petrol, diesel or natural gas, with carburettor, indirect or direct injection, and with continual drive, gears or sequential transmission, suitable for mopeds, scooters, motorcycles and light transport vehicles. Engine research mainly focuses on high-performance, environmentally friendly products. During 2010 activities were completed for the MID2R research project on injection systems for conventional and methane engines (a spending limit of 6 million euro), funded by the Ministry of Education, Universities and Research. The project, which focused on direct injection petrol and bifuel (petrol and methane or LPG) engines, involved research into defining, studying, designing and producing a prototype for a liquid phase, high pressure petrol fuel and injection control system (GDI system), as well as the potential of bifuel systems for two-wheelers. In 2010 vehicle prototypes were also completed as planned, delivering satisfactory results.

Piaggio's research work into engines is targeting an ambitious project in the mid-term: the hybrid engine. The Piaggio hybrid is a vehicle with a hybrid engine combining the benefits of petrol with electric engines. It is quick out of town, like a petrol engine vehicle, but emission-free in town and city centres with restricted traffic areas, like an electric vehicle, plus its batteries can be recharged from the mains (hybrid plug-in), out and about or at home, and even on the road. Studies culminated in 2009 with the sale of the 125 Hybrid engine. Research into hybrid engines is continuing, having already led to the launch of the "300 cc. Hybrid" onto the market in 2010.

The Piaggio group's research teams are also involved in studying and developing electric-only vehicles, with the aim of producing zero emission vehicles that have a high degree of autonomy. In this context, a version of the electric Liberty, for delivery applications, made its debut and will be sold during 2011.

Innovation and safety

The group's research and development into vehicles mainly focuses on new solutions to improve customers' quality of life. The group's product range, including vehicles, is extensive, from scooters to light transport vehicles, from small engine motorcycles to super sports and racing bikes, from touring to custom bikes, and from small scooters to GT models. In European cities, two-wheelers are a practical solution to individual mobility needs and can help reduce traffic congestion, while guaranteeing good levels of safety and comfort, plus considerably lower consumption and

emission levels. The group is therefore committed at all times to improving safety systems (braking systems, suspension systems and electronic dynamics management) and to identifying new architectural solutions through new product formulas, and aerodynamic and ergonomic analysis. Piaggio's research and development teams have recently devised highly innovative vehicle concepts, such as the revolutionary tilting three-wheeler (MP3) which is a milestone in better active safety for urban mobility vehicles. As the group's brands also include Aprilia, Derbi and Moto Guzzi, its research and development focuses on high performance vehicles, with cutting-edge technologies, as well as on vehicles with emotional appeal.

After the excellent final results of the European projects Aprosys (March 2009), and Safety In Motion led by Piaggio (November 2009), three major European projects for improving road safety for motorcyclists were completed during 2010:

- brought to a close after four and a half years of research and development, the Safespot Integrated Project focused on vehicle-to-vehicle communications and vehicle-to-infrastructure communications to increase the safety of users on the road, informing them of the risks and hazards along their chosen route. Specifically, a hardware/software architecture compatible with the SAFESPOT system was developed specifically for motorcycles. Two working prototypes were built based on the MP3 and fitted with a wireless communication system, a high-precision GPS, and human-machine interface (bluetooth helmet and special display unit). By participating in the project Piaggio accomplished two key objectives. The first was of a technical nature, with the creation of a state-of-the-art vehicle-to-vehicle communications system, representing the starting point for future developments for the market. The second was the inclusion of motorcyclists in the cooperative safety system (vehicle-to-vehicle communications), which is of great strategic-policy importance for promoting an integrated approach to improving road safety;
- after three years of activities, the Saferider ("Strep") project, which began in January 2008 as part of the 7th Framework Programme, has resulted in the development and installation of OBIS (On-Bike Information Systems) and ARAS (Advanced Rider Assistance Systems), to improve the safety and handling conditions of motorcycles. Significant efforts were channelled into the development of the human-machine interface (HMI), involving the study and testing of various different interaction methods (visual, acoustic, haptic). The prototypes developed by Piaggio implemented an emergency calling (eCall) system, a telediagnosics module, and navigation and route guidance – an advanced system providing useful information on traffic, weather and potential dangers along the route, transmitted to motorcyclists via the acoustic-haptic interface installed in their helmets. The project was an important test bed for studying the feasibility of information and rider assistance systems designed specifically for motorcycles, taking into account the specific limitations and peculiarities of motorcycles and motorcyclists – such as vehicle dynamics, onboard space, ambient noise, rider behaviour and the acceptance of such systems by users. The project's objectives were reached through the involvement of industry (motorcycle manufacturers and suppliers of electronic and computerised components) and the scientific community (research centres and university departments with specific expertise in motorcycles dynamics and human-machine interfaces);
- the project eSUM, approved by the Directorate General for Energy and Transport of the European Commission, involved Piaggio working with the local authorities of major European cities (Rome, Paris, London, Athens and Barcelona) on demonstrations of results achieved in other projects on safety and sustainable urban mobility (prototypes of the SIM project and hybrid vehicles). The project, which commenced in June 2008, will end in the first few months of 2011. Four MP3 125cc Hybrids (one for city riding) were provided for a minimum three-month period to be tested in everyday use by various different users (parking enforcement officers, local police officers, traffic light technicians, etc.). Strengths and areas of improvement were identified via a questionnaire for users.

Products and process optimisation

Cost and time-to-market optimisation is an important strategic objective for retaining and increasing a leadership position on the two-wheeler market, in a more and more competitive scenario. The group's research and development sectors use structures that can continually improve the product development process, through simultaneous engineering processes, including: 200 CAD/CAE workstations for the 3D modelling of all components and vehicle assemblies, for structural, fluid dynamics and multibody analysis and for predicting potential product criticalities and anticipating possible solutions from as early on as the design stage. Plus it uses mechanical and electrical laboratories, technological laboratories, semi-anechoic chambers for acoustic testing, engine test benches and complete vehicle test benches.

As of article 1, sections 280 - 284 of the 2007 Budget, a tax credit is granted to resident companies that conduct "pre-competitive industrial research and development". This benefit applies for costs incurred in the 2007-2008-2009 tax years. During 2010, the group was able to benefit from a tax credit within limits allowed by law for activities of the previous period.

With reference to the naval sector, the **Rodriquez group** pays particular attention to the activities of research, also with financing from the Ministry of University and Research (MIUR), the Ministry of Transport and the Ministry of the Economic Development. To develop some of the subjects concerning the research, the group makes use also of the aid of universities and public research institutes. In particular, the activities of research and development can be divided into four main branches:

- boats and prototypes;
- plant engineering innovation;
- production technologies of innovative materials;
- technological innovation work.

Boats and prototypes

This branch comprises the research projects called: "Hydrofoils with immersed wing", "Enviroaliswath", "Green Boat" and "USV Permare".

The Hydrofoils with immersed wing project has the objective of studying, designing and building two prototypes (with two different systems of propulsion) on a 1:1 scale of a new type of hydrofoil with immersed wings. The prototypes, highly innovative compared to the traditional hydrofoils, feature greater comfort, greater stability and operativity of the craft and faster speeds. For the first prototype in 2010, some of the activities needed for its commercial use were followed. Whereas as regards the second prototype, the preparatory activities useful to the experimental testing of the ship continued.

The Enviroaliswath project has the objective of studying, designing and building a prototype on a 1:1 scale of a revolutionary fast naval craft, the Aliswath. The principal characteristic of the Aliswath consists in the combined use of foils (FOIL) and an immersed body ("torpedo") (SWATH). This combination will produce the advantages of a drastic reduction in the phenomenon of the wake wash and a drastic reduction in consumption for the same carrying capacity and speed of the craft. With reference to this project, there remains the formal commitment made by the group towards the Ministry of Research and Development during the final testing visit (occurred in October 2008) to conclude the construction of the prototype and carry out the tests on the sea with costs to its own account. This activity is scheduled to be completed in 2011.

The Green Boat project has the objective of the development and experimentation of a prototype of an ecologically compatible medium sized naval craft (40 metres), capable of using naval technologies for energy recovery, for cutting energy consumption on board and using hydrogen as a source of energy for using the auxiliary services on board. Concerning this project, in July 2009

MIUR issued a rectification order that increased the size of the grant. This involved the bank reprocessing the financial data in order to deliberate the soft financing and consequently the conditions related to issuing the necessary guarantee to obtain the financing. The Ministry of Research issued a final decree in 2010, and the company is considering whether to go ahead with the project's implementation.

In connection with Intermarine S.p.A.'s involvement in the Distretto Ligure delle Tecnologie Marine [*i.e.*, Ligurian Marine Technologies District] (DLTM), the "USV Permare" project, the purpose of which is to design and build an "unmanned" technology SWATH for coastal and harbour monitoring tasks, has been drawn up. The project involves building a small (5-metre) prototype to test the project experimentally. The project covering this work was drawn up in 2010 and submitted to the DLTM Scientific and Technical Committee for approval. The verdict on the project has proved positive, so the work on completing the administrative paperwork required for the project's formal submission to the Ministry of Research is now underway.

Plant engineering innovation

This branch comprises the Handling Waves project, the "AMICO" project and the "Riace Mare" project.

The "Handling Waves" project includes the theoretical development and analysis in the field of the effects on the structure of the ship due to severe wave motion. Major European research institutes and shipowners are taking part in the project. The activity of RCN is focused on the design and construction of monitoring systems for on-board detection of the motion of the ship and deformation in the structure of the ship. The activities related to this project were completed in 2010: the third yearly report for the year 2009 was drawn up and sent along with the audit of the costs incurred in 2007, 2008 and 2009. The fourth and final report, covering 2010, will be drawn up and sent early in 2011.

The "AMICO" (Automation and Smart Monitoring of Consumption) project, submitted by Rodriguez Marine System under the Ministry of Economic Development's Made in Italy programme, was approved in 2010. The project is being carried out jointly with other bodies and companies and sets out to develop robotic and mechatronic systems with self-diagnosis and self-repair functions and screening, alarm, call, communications and emergency management systems.

In connection with Rodriguez Cantieri Navali S.p.A.'s involvement in the NAVTEC District, there are plans for the "Riace Mare" project to include research work on systems using the blades of the stabilisation systems and the propellers already installed on board to recover energy from wave movement.

Production technologies of innovative materials

This branch comprises the MAC project and the TEXTRA project.

The MAC project, that also includes the participation of other partners, has the objective of developing materials and technologies for moulds and structural components for ships. Concerning this project, work did not go ahead in 2010 because the bureaucratic and administrative issues surrounding the participation of some of the partners in the project have not yet been settled.

The TEXTRA project, with an activity of industrial research into innovative technologies and materials for developing components for the transport sector, aims to aggregate, integrate and boost multidisciplinary skills of public and private subjects, such as to form a public-private laboratory. The participation of Rodriguez Cantieri Navali in the project concerns the possibility of studying and using metal (foams) and polymer materials that allows a reduction in the weight of structural parts and not of the boats. As regards this project, the group has decided to take this

work no further: notice of the company's withdrawal from the project was sent to the CETMA in October 2010.

Technological innovation activity

Together with the activity of research and development, Rodriquez Cantieri Navali is participating in programmes of technological innovation contemplated by the Ministry of Transport for the naval sector. In this connection, grants have been requested for two projects of innovation called "Wavepax" and "Yachtplus".

The "Wavepax" project refers to the project development of a fast unit (type HSC) for carrying passengers and their cars of the "wave piercing" type. The Wavepax project includes a grant for activities begun in late 2005 and concluded in 2010. The contribution to this project had been envisaged in the form of innovation work on vessel 351. As the work on twin vessel 354 was completed first for company reasons, permission to report on the building work on it was asked of and granted by the Ministry of Transport. The report on said work will be drawn up in 2011.

The "Yachtplus" project refers to the study of an innovative type of yacht where the use of large glazed surfaces on relatively small units involves technological challenges for the correct structural continuity, the heating and air-conditioning of the spaces used by passengers and the acceptable levels of vibration and noise. The Yachtplus project includes a grant for activities begun in 2006 and concluded in 2009. The grant for this project was disbursed and received in December 2010.

Risk factors

The Immsi Group has perfected procedures both in the Parent Company and in the main subsidiaries for risk management in the areas most exposed, identifiable at strategic, market, operational, financial and legal level.

Strategic risks

The Immsi Group has identified strategic risks in the system of opportunities and threats that can significantly affect the accomplishment of the Group's objectives.

In particular, the Group's strategy is aimed at:

- completing and consolidating the processes of restructuring and re-launching started in the different sectors of activity in which the Group operates;
- seizing new business opportunities in terms of geographical areas and market sectors;
- correctly appraising the markets potential;
- investing the financial resources in the areas with greater potential;
- choosing the most suitable methodologies for the various local realities;
- protecting its trademarks and products.

Market risks related to the business sectors

The market risks that the Group sometimes faces are specific for a certain sector of business while in other cases they can invest the entire business portfolio.

Risks related to changed customer preferences – The Group's success depends on its ability to manufacture products that cater for consumer's tastes and can meet their needs. If the Group's products were not appreciated by customers, revenues or, further to more aggressive sales policies in terms of discount drives, margins would be lower, and this would have a negative impact on the economic and financial situation. In order to guard against this risk, the Group invests constantly in research and development work (see paragraph "*Research and development*"), in order to optimally meet customer needs and anticipate market trends, introducing innovative products.

Risks related to a high level of market competition – With particular reference to the Piaggio group, over the last few years, the competitiveness of sectors in which the group operates (Two-wheeler and Commercial vehicles) has increased considerably, above all in terms of prices and also due to a declining demand worldwide. Piaggio has tried to tackle this risk, which could have a negative impact on the financial position and performance of the group, by manufacturing high quality products that are innovative, cost-effective, reliable, safe and have reduced emissions. With reference to the naval sector, in the segment of minesweepers, Intermarine has a significant technological advantage over the competition while the Fast Ferry segment faces tough competition from competitors in countries with lower labour costs.

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

Risks related to seasonal fluctuations in operations – The Piaggio group's business is extremely seasonal. Sales of Two-Wheeler vehicles in particular, are concentrated in spring and summer. In

addition, an extremely wet spring could lead to fewer sales of products with a negative effect on business and financial performance. The group tackles these risks first and foremost by being present on markets, such as India and Pacific Asia, which are not affected by an extremely seasonal nature and by adopting a flexible production structure that can deal with peak demand through partial and fixed term employment contracts. In the other sectors in which the Group operates, seasonality has a significantly lower effect.

Risks related to the regulatory reference framework – The sectors in which the Group is present are subject to a high level of regulations. With reference in particular to the Piaggio group, numerous national and international laws and regulations on safety, noise levels, consumption and the emission of pollutant gases apply to Piaggio products. Strict regulations on atmospheric emissions, waste disposal, the drainage and disposal of water and other pollutants also apply to the group's production sites. The enactment of regulations which are more stringent than those currently in force could lead to products being taken off the market and force manufacturers to make investments to renew product ranges and/or renovate/upgrade production sites. To deal with these risks, the group has always invested in research and development into innovative products that anticipate any restrictions on current regulations. Moreover, the group, as one of the sector's leading manufacturers, is often requested to be represented on parliamentary committees appointed to discuss and formulate new laws. In this framework, government measures in the form of incentives or tax reductions to boost demand must be taken into account. These measures, which are not easy to predict, may affect the financial position and performance of the group to a considerable extent.

Risks related to the macroeconomic situation - All the Group's business sectors are affected moreover by the general conditions of the economy, that can occur with diversified effects in the various markets in which it operates. The global economic crisis, which began in 2008, led to a significant downturn in consumption, and consequently, to a decline in demand from markets where the Group operates. The continuing or exacerbated weakness of global markets, despite measures taken by Governments and monetary authorities, may compromise the strategy, prospects and financial position and performance of the Group. To offset the negative effects of the decline in demand, on one side the Group has introduced innovative products on the market, to enable it to obtain higher market shares, and on the other side also adopted a flexible organisational structure which, through the use of fixed term employment contracts, can match production capacity to market requirements.

Country risk – The Group operates in an international arena and is therefore exposed to risks connected with a high level of internationalisation, such as exposure to local economic conditions and policies, compliance with different tax systems, customs barriers or more in general the introduction of laws or regulations which are more stringent than the current regulatory framework. All these factors may have a negative impact on the financial position and performance of the Group.

Operational risks

By operational risks we mean all those factors inside the business organization and outside it but correlated to the current administration that can have negative effects on the Group.

In order to satisfy the needs of the various markets the Group must be able to organize and coordinate integrated processes of production, logistics and sales. The activity of supplying goods, correct warehouse management, manufacture of products according to the required standards and the ability to deliver the products and spare parts in appropriate times are essential for the success of the business strategies.

External factors to the company, such as prolonged strikes or delays in the times for obtaining licences or permits, can stop the production activity and that of delivery/availability of the products.

Risks connected with dependence on suppliers and the policy of global sourcing – In carrying on its business, the Group uses different suppliers raw materials, semi-finished products and components. The business of the Group is conditioned by the capacity of its suppliers to guarantee the quality standards and the specific requests for the products, as well as the relative delivery times. In particular, over last years the Piaggio group has undertaken a sourcing policy in line with the increase in supplies from Asian countries at low cost (while keeping the quality standard unchanged) leveraging on its direct presence in India and China. In the future any shortages of the supplied products or breaches by the suppliers concerning the quality standards, the specific requests and/or the delivery times could involve increases in the prices of the supplies, interruptions and prejudices in the business of the Group.

Risks related to higher energy, raw material and component costs - Production costs are exposed to the risk of fluctuating of energy prices, raw material and component. If the Group was not able to offset an increase in these costs against sales prices, its financial position and economic performance would be affected. Up until the present, the Group has not considered it necessary to use financial instruments to hedge the risk of fluctuating energy, raw material and component costs.

Risks related to the operation of industrial sites – The Group operates through industrial sites located in Italy, Spain, India and since 2009 in Vietnam. These sites are subject to operating risks, including for example, plant breakdowns, failure to update to applicable regulations, withdrawal of permits and licences, lack of manpower, natural disasters, sabotage, terrorist attacks or major interruptions to supplies of raw materials or components. Any interruption to production activities could have a negative impact on the operations and financial position and performance of the Group. The operating risks related to industrial sites in Italy and other countries are managed through specific insurance cover assigned to sites based on their relative importance.

IT and data and information management risks – The Group is exposed to the risk of company data and information being accessed/used without authorisation, which could have a negative impact on profitability. The Group has established operating policies and technical security measures designed to afford adequate protection for company data and information. With particular reference to the Piaggio group, the high security standards achieved were recognised by Kuppinger Cole in May 2010, with the award for “Best Project” in the Identity Management and Cloud Computing sector.

Other risks – In the specific case of the Parent Company Immsi S.p.A., in consideration of its nature as a holding company and the different phase of development and advancement of the investments made both directly and through the subsidiaries, the financial performance and profitability are strictly correlated to the financial performances of the subsidiaries. Any negative results recorded by the associated companies, any failure to complete the process of restructuring the Rodriguez group as well as any lack of development of the real estate sector could negatively influence the economic, property and financial situation of the Company and of the Group.

Financial risks

Risks connected with financial debt – At the date of the financial statements the main sources of financing of the Group are (at nominal value):

- a debenture loan for a total of 150 million euro issued by Piaggio & C. S.p.A. maturing on 1 December 2016 and with a coupon at a fixed rate of 7%;
- bank loans for a total of 665.2 million euro. The type, rates and maturities of these loans are discussed in the explanatory and additional Notes to the financial statements.

In addition, the Group has other minor financing contracts and credit lines in being for a total of 73.3 million euros.

The described debt could in the future negatively condition the business of the Group, limiting its capacity to obtain further financing or to obtain it at more unfavourable conditions.

Liquidity risk (access to the credit market) – This risk is connected with any difficulty the Group could have in obtaining financing on an appropriate timescale for its operations. The Parent Company Immsi S.p.A. where necessary supports its subsidiaries through credit lines in order to guarantee support for implementing the development plans. As far as the Piaggio group is concerned, the cash flows, financing requirements and liquidity of group companies are monitored or managed centrally by the group's Finance Management, with the aim of guaranteeing an effective and efficient management of financial resources. To provide further hedging for the liquidity risk, the group's Central Treasury Department has committed credit lines, as described in the Notes to the Consolidated Financial Statements.

Exchange rate risks – The Group, primarily through the companies of Piaggio group and Rodriguez group, undertakes operations in currencies other than the euro and this exposes it to the risk of fluctuating exchange rates of different currencies. Exposure to the business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis. With reference to the Piaggio group, the group's policy is to hedge at least 66% of the exposure of each reference month. Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency. In 2010, the exchange risk was managed in line with the policy introduced in 2005, which aims to neutralise the possible negative effects of exchange rate changes on company cash-flow, by hedging the business risk which concerns changes in company profitability compared to the annual business budget on the basis of a key change (the so-called "budget change") and of the 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.

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

Credit risk – The Group is exposed to the risk of late payments of receivables. To balance this risk, Piaggio & C. S.p.A. has stipulated agreements with primary factoring companies in Italy and other countries for the sale of trade receivables without recourse, while in the naval sector it is customary to request advance payments on work in progress.

Legal risks

Risks related to product liability and risks connected with vehicle defects – The Group is exposed to the risk of product liability actions in countries where it operates. With particular reference to the Piaggio group, although no claims for compensation which are not covered by insurance have so far been made against the group, these claims could be made in the future, with particular reference to the use of twowheelers in the United States. Any future payment of compensation exceeding insurance cover for product liability could have negative effects on the operations and financial position and performance of the group. The vehicles manufactured by the Piaggio group, including components supplied by third parties, could have unexpected defects that require repairs under warranty, as well as costly recall campaigns. To prevent these risks, the Piaggio group adopts a quality control system for supplied components and end products with standards that are among the highest on the market.

Risks connected with legal litigation – As regards the legal litigation, please refer to the paragraph related to the “Disputes in progress”.

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

Risks related to the publication of financial statement data – The Group is exposed to the risk of possible inadequacies in its procedures that are intended to ensure compliance with Italian and relevant foreign regulations applicable to financial statements. To deal with the risk of non-compliance of financial statements of Group companies, the statements are audited by Independent Auditors. Moreover, the controls required by Law 262/2005 are also extended to the most important foreign subsidiaries - Piaggio Vehicles Pvt. Ltd, Piaggio Vietnam Co Ltd and Piaggio Group of America Inc..

Human resources

At 31 December 2010, Immsi Group employed 7,952 staff, of which 69 in the property and holding sector, 7,529 in the industrial sector (Piaggio group) and 354 in naval (Rodriquez group).

The following tables divide resources by category and geographical area:

Human resources by category

numbers	31/12/2010			
	Property and holding sector	Industrial sector	Naval sector	Group total
Senior managers	7	107	10	124
Middle managers and employees	37	2,563	164	2,764
Manual workers	25	4,859	180	5,064
TOTAL	69	7,529	354	7,952

Human resources by geographical area

numbers	31/12/2010			
	Property and holding sector	Industrial sector	Naval sector	Group total
Italy	69	4,138	354	4,561
Rest of Europe	0	459	0	459
Rest of the World	0	2,932	0	2,932
TOTAL	69	7,529	354	7,952

Below is a comparison between 31 December 2010 and 31 December 2009, divided by category and geographical area.

Human resources by category

numbers	31/12/2010	31/12/2009	Change
Senior managers	124	130	-6
Middle managers and employees	2,764	2,717	47
Manual workers	5,064	4,902	162
TOTAL	7,952	7,749	203

Human resources by geographical area

numbers	31/12/2010	31/12/2009	Change
Italy	4,561	4,580	-19
Rest of Europe	459	535	-76
Rest of the World	2,932	2,634	298
TOTAL	7,952	7,749	203

At 31 December 2010 the Group staff includes also workers employed with term contracts amounting to 1,300 units.

Group and Related Parties dealings

As regards the information to be provided on related party transactions in accordance with IAS 24 - *Related Parties Disclosures*, kept by the companies of the Groups, it should be pointed out that such transactions take place as part of normal operations at market conditions or as laid down under specific laws. No atypical or unusual transactions were carried out during the period to 31 December 2010.

It should be noted that, in compliance with the Regulations no. 17221 regarding Related Parties dealings issued by Consob on 12 March 2010 and subsequently amended by resolution no. 17389 of 23 June 2010, the Company endeavoured to adopt, within the legal terms, a new procedure aimed at regulating the approval practices for Related Party dealings as from 2011.

The following table shows the impact of Related Party transactions on the income statement and on the balance sheet of the Immsi Group at 31 December 2010. It should be pointed out that the effects on the income statement and on the balance sheet deriving from consolidated intragroup operations have been removed during consolidation.

Main income and balance sheet headings	Amounts in €000	% incidence on balance sheet items	Description of the transactions
Transactions with Related Parties:			
Current trade payables	516	0.1%	Legal assistance provided by St. d'Urso Gatti Bianchi & Ass. to the Group
	56	0.0%	Tax advisory services provided by St. Girelli & Ass. to the Group
Costs for services and the use of third party assets	353	0.1%	Legal assistance provided by St. d'Urso Gatti Bianchi & Ass. to the Group
	127	0.0%	Tax advisory services provided by St. Girelli & Ass. to the Group
Transactions with Parent companies:			
Tangible assets	34	0.0%	Furniture and fittings provided by Omniainvest S.p.A.
Non-current financial liabilities	2,900	0.6%	Bonded loan undersigned by Omniaholding S.p.A. in Piaggio & C. S.p.A.
Costs for services and the use of third party assets	302	0.1%	Rental of offices in Mantova provided by Omniaholding S.p.A. to the Group
Transactions with Subsidiaries, Associated companies, Joint Ventures:			
Trade receivables and other non-current receivables	443	2.8%	Receivables from Fondazione Piaggio and AWS do Brasil
Current trade receivables and other receivables	1,096	0.3%	Receivables from Consorzio CTMI
	2,362	0.7%	Trade receivables from Fondazione Piaggio and Piaggio Foshan
Current financial liabilities	92	0.0%	Financial payables to Rodriguez Engineering S.r.l.
Current trade payables	11,914	2.4%	Trade payables mainly by Piaggio & C. S.p.A. to Piaggio China and Piaggio Foshan
	179	0.0%	Payables to Consorzio CTMI
Other current payables	30	0.0%	Payables to Fondazione Piaggio
Net revenues	711	0.0%	Sales to Piaggio Foshan
Costs for materials	40,582	4.3%	Purchases by Piaggio & C. S.p.A. from Piaggio Foshan
Costs for services and the use of third party assets	278	0.1%	Costs for services rendered by Piaggio Foshan and Piaggio China
	169	0.1%	Costs for services rendered by Consorzio CTMI
Other operating income	3,161	2.3%	Income from Piaggio Foshan and Fondazione Piaggio
Financial charges	144	0.2%	Charges to Piaggio Foshan

Intesa Sanpaolo S.p.A., minority shareholder of RCN Finanziaria S.p.A., has two convertible shareholder financing agreements in the company in which the investment is made for 6 million

euros and 7.3 million euros undersigned respectively in September 2005 and May 2010.

With reference to the naval sector, it should be noted that Intesa Sanpaolo S.p.A., moreover has financing operations in being with the Rodriguez group specified below.

Rodriquez Cantieri Navali S.p.A. has stipulated with Intesa Sanpaolo, in pool with Unicredit, a contract to issue guarantees to the customer of the Oman order (performance bonds and guarantees on the advance payments the customer will make) for a total value of 84.5 million US dollars. The signed credit line is assisted by a guarantee issued by Immsi S.p.A. for maximum 60 million US dollars and by the registration of mortgages on the assets under construction and obligations on the accounts dedicated to the order. The guarantee line is used for 33.4 million US dollars, of which one third is with Intesa Sanpaolo.

Intermarine S.p.A. has stipulated a financing contract with Intesa Sanpaolo for a total of 56.7 million euros, of which 1.7 million euros correlated with the insurance indemnities concerning the flooding of the Sarzana yard and 55 million euros as a revolving line correlated with the future receipts on the order with the Finnish Navy. The revolving line of credit had been used for 46.5 million euros at 31 December 2010, whereas the insurance settlements line, of which 1.7 million euros had been used at the end of 2010, was repaid in January 2011.

Immsi S.p.A. undersigned a commitment letter and an independent first-demand guarantee for a maximum amount of 33.8 million euros in favour of Intesa Sanpaolo and deposited 35 million Piaggio shares guarantee by lien in a bonded deposit account.

The Rodriguez group also holds ordinary current accounts with Intesa Sanpaolo showing an overall net balance of about 1.5 million euros.

With reference to the subsidiary ISM Investimenti S.p.A., it is specified that IMI Investimenti S.p.A. (Intesa Sanpaolo group), minority shareholder of the subsidiary, has a long-term interest-bearing shareholder financing contract for 14.3 million euros.

It is noted that Intesa Sanpaolo granted a Bullet – Multi Borrower financing, renewed in the month of December 2010, with expiration at the end of December 2011 for a total of 70 million euros of which 25 million euros to Immsi S.p.A., 30 million disbursed to ISM Investimenti S.p.A. and 15 million euros to Rodriguez Cantieri Navali S.p.A.. Immsi guaranteed such loan by depositing 45 million Piaggio securities.

The Immsi Group lastly has purchased plane tickets at normal market conditions through travel agencies that choose from the carriers with availability for the route and date. Under these terms there may be relations of a commercial nature with Alitalia – Compagnia Aerea Italiana S.p.A., in which the Parent Company holds a minority stake (to date not considered a Related Party).

Stock options

At end of 2010, Immsi S.p.A. has no existing stock option plan.

With reference to the incentive plan approved by the Shareholders' Meeting of the subsidiary Piaggio & C. S.p.A. on 7 May 2007 and subsequently amended, reserved for senior executives or of Italian and/or foreign companies controlled by it in accordance with art. 2359 of the Italian Civil Code, as well as for the directors with proxies in the aforesaid subsidiary companies ("Plan 2007-2009"), it should be noted that, during the year 2010:

- on 4 January 2010, assignments were made for 500,000 options at a price of 1.892 euros. At the date of assignment of the options the market price of the underlying financial instruments was 2.004 euros;

- on 6 February 2010, 75,000 option rights expired;
- on 30 September 2010, 90,000 option rights expired.

At the date of 31 December 2010 there were therefore assigned totally 8,430,000 rights of option for a corresponding number of shares. It should be also pointed out that, following the close of the year, on 13 January 2011, 500,000 option rights expired.

Detailed information on the 2007-2009 Plan is available in the informative documents published by Piaggio & C. S.p.A. in accordance with art. 84-bis of the Consob Issuers Regulations, which can also be viewed on the company's institutional website www.piaggiogroup.com in the *Governance* section.

Rights	No. of options	Average exercise price (euro)	Market price (euro)
Rights existing at 31.12.2009	8,095,000		
• of which exercisable in 2009	0		
New rights granted in 2010	500,000	1.892	2.004
Rights exercised in 2010	0		
Rights expired in 2010	165,000		
Rights existing at 31.12.2010	8,430,000		
• of which exercisable at 31.12.2010	0		

EQUITY INVESTMENTS HELD BY MEMBERS OF COMPANY MANAGEMENT AND SUPERVISORY BOARDS, BY GENERAL MANAGERS AND SENIOR MANAGERS WITH STRATEGIC RESPONSIBILITIES

Regarding the disclosure requirements established in art.79 of the Issuers' Regulation no. 11971/99, relating to equity investments held, in the issuers themselves and in their subsidiaries, by the members of the management and supervisory boards, by the general managers and senior managers with strategic responsibilities, as well as spouses not legally separated and children who are minors, directly or through subsidiaries, trustees or third parties, as evidenced in the shareholder list or from information received and other information acquired by those members of the management and supervisory boards, by the general managers and senior managers with strategic responsibilities, such information is provided in the following table.

It is specified that all the subjects are included that during the year of reference held positions in administration and control, as general manager or executive with strategic responsibilities even for a fraction of a year.

FULL NAME	INVESTEES COMPANY	NUMBER OF SHARES OWNED AT THE END OF 2009	NUMBER OF SHARES PURCHASED	NUMBER OF SHARES SOLD	NUMBER OF SHARES OWNED AT THE END OF 2010
Alessandro Lai	IMMSI S.p.A.	36,360	-	-	36,360
Luciano La Noce	IMMSI S.p.A.	150,000	-	-	(1)

(1) Luciano La Noce, on 3 August 2010, terminated its office as Company Director.

Other information

Treasury Stock

At 31 December 2010, the Company held no. 2,670,000 shares of treasury stock, purchased on the stock market during 2008, at an average price of 0.7784 euros. In conformity with the provisions of the applicable international standards, the nominal value of the purchases of treasury stock, equal to 1,388 thousand euros, has been carried to direct deduction from the share capital.

Furthermore, it should be reminded that the Ordinary Shareholders' Meeting of the Parent company held on 29 April 2009 approved the plan to purchase and dispose treasury stock, upon revocation – for the part not carried out – of the analogous authorization granted by the Ordinary Shareholders' Meeting of 13 May 2008 and falling due on 13 November 2009. The resolution set the deadline for any purchase transactions at 18 months, so the authorisation would appear to have expired at 31 December 2010. The Ordinary Shareholders' Meeting has also, with no time limits, authorized the entire or partial use, at any time, of any treasury stock purchased on the basis of the aforesaid authorization or anyhow in the Company's portfolio, by their sale or transfer of any real and/or personal rights related to them. The company conducted no sales or purchases of treasury stock over the 2010 year.

With reference to the subsidiary Piaggio & C. S.p.A., it should be remembered that the Shareholders' Meeting of the company held on 16 April 2010 deliberated to cancel 24,247,007 shares of treasury stock (equal to 6.12% of the shareholders' equity), after eliminating the nominal value of the outstanding common stocks and without reducing the numerical amount of the shareholders' equity. From 10 May 2010, following the registration of the deliberation in the Companies Register, the nominal shareholders' equity of Piaggio & C. S.p.A., entirely undersigned and paid up, remained unchanged and equal to 205,941,272.16 euros and is divided between 371,793,901 common stocks. During 2010 the company, on the basis of the deliberation taken by the Shareholders' Meeting on 16 April 2009, purchased 1,582,711 treasury stock. Therefore at 31 December 2010 Piaggio & C. S.p.A. owned 4,882,711 treasury stock, equivalent to 1.31% of the capital stock.

Disclosure of Considerations

In relation to the information obligations required by art.149-*duodecies* of the Consob Regulation on Issuers, regarding the publishing of the payments relating to the year made to the Parent Company Immsi S.p.A. and its subsidiaries for the services provided:

- a) by the auditing firm, for the provision of auditing services;
- b) by the auditing firm, for the provision of services other than auditing, divided into services of verification finalized at issuing certification and other services, distinguished by type;
- c) by the bodies belonging to the network of the auditing firm, for the provision of services, divided by type;

the following prospectus is provided:

Disclosure of considerations referred to the period 2010				
Type of service	Company providing the service	Recipient	Notes	Consideration in euro
Auditing of accounts				
	Deloitte & Touche S.p.A.	Parent company - Immsi S.p.A.		68,904
	Deloitte & Touche S.p.A.	Subsidiaries		608,338
	Deloitte network	Subsidiaries		419,457
Certification services				
	Deloitte & Touche S.p.A.	Subsidiaries	1)	89,000
Tax advisory services				
	Deloitte network	Subsidiaries		134,551
Other services				
	Deloitte network	Parent company - Immsi S.p.A.	2)	19,700
	Deloitte network	Subsidiaries	3)	120,000
Total				1,459,950

- 1) Issue of congruity opinion ex art. 2441, paragraph 4, of the Italian civil code, undersigning the accounts related to the obtainment of the IRAP tax deduction for the costs of personnel employed in research and development programmes and other contributions for the activities of industrial research for Piaggio.
- 2) Activities connected with analysing the internal auditing system and the examination on the implementation of some administrative procedures.
- 3) Activities connected with auditing the company's financial statements and the examination on the implementation of some administrative procedures of Piaggio.

It should be noted that the consideration referred to the subsidiaries, operating in currencies other than euro and agreed in local currency, have been converted according to the exchange rate at 31 December 2010. Besides, the above amounts do not include the out-of-pocket expenses.

Corporate Ownership Information

In accordance with the provisions of art.123-bis of the TUF ("*Testo Unico della Finanza*" – Italian Finance Consolidation Act), paragraph 2, the information on corporate ownership is reported in the relative section of the Report on Corporate Governance and Corporate Ownership at 31 December 2010.

Activity of management and coordination

In accordance with the provisions of art.37 paragraph 2, of the Consob Market Regulation, the Company provides the reasons for the lack of activity of management and coordination performed by the parent company of Immsi S.p.A. in the Report on Corporate Governance and Corporate Ownership at 31 December 2010.

Treatment of personal data – Ital.Legisl.Decree 196 of 30 June 2003

As regards all the requirements envisaged in the "Personal data protection code" (*Testo Unico sulla Privacy*) Ital.Legisl.Decree 196 of 30 June 2003 – Annex B "Technical specifications", as well as having adopted the various security measures listed within it, Immsi S.p.A., as data controller, has updated its Security Planning Document (*Documento Programmatico sulla Sicurezza*) to

meet all legal requirements.

This document aims to:

1. define and describe the security policies adopted regarding treatment of the personal data of employees, collaborators, customers and suppliers;
2. define and describe the organisational criteria followed by the Company when implementing such policies;
3. provide suitable information on the subject to third parties as well;
4. provide formal evidence of the corporate changes made.

Disputes in progress

There are no ongoing disputes of any significance involving the Parent company Immsi S.p.A..

Regarding the property sector (**Apuliae S.p.A.**), please refer to the paragraph related to the property and holding sector contained in the Directors' Report on Operations.

Again with reference to the property sector (**Is Molas S.p.A.**), it is noted that – with reference to the controversy related to the property “Le Ginestre,” for which the promissory buyers in the month of January 2008 notified a writ of summons to obtain withdrawal from the contract and accordingly reimbursement of double the deposit paid – the company submitted the dossier to its attorneys. The Court Technical Expert's report was filed on 28 January 2010, concerning which the company is awaiting the determinations of the Court. On 7 April 2010 the parties presented the Court of Mantua with an application for the concession of ordinance ex art. 186 quater c.p.c.. This application was rejected by the Judge, which also reserved the right to decide on the admissibility of some documents produced by Is Molas in the defensive brief. The court turned down the application to have the further documents produced admitted as evidence, deeming them superfluous for the purposes of the ruling. The 5 July 2011 hearing was confirmed for the summing-up.

Lastly, regarding the **Pietra Ligure project**, it should be remembered that, in February 2010 the sentence was issued by the Court in Milan that endorsed that the preliminary contract stipulated in July 2005 between Rodriquez Cantieri Navali S.p.A. and Como (formerly Fimi Real Estate) is still valid, effective and binding between Rodriquez Cantieri Navali S.p.A. and Como, until the fulfilment or the acquisition of the certainty of the impossibility of the fulfilment of the condition of suspension consisting in the definition of the convention for the change in the registered use of the area, as required by the preliminary contract.

Regarding the **industrial sector** (Piaggio group), 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 company as a guarantee, also filing for damages against Piaggio for alleged breach of the supply agreement. The Court of Monza declared its lack of jurisdiction concerning the applications filed against Piaggio, and Leasys-Savarent summoned Piaggio to appear before the Court of Pisa. The trial was suspended while awaiting the resolution of the dispute pending before the Court of Monza, which turned down the application of Leasys-Savarent. Leasys-Savarent continued proceedings through the Court of Pisa, applying only for damages against Piaggio. In the next hearing, set for 5 October 2011, the Judge will rule on the preliminary motions of the parties.

In relation to the same dispute, Leasys–Saverent S.p.A. also filed an appeal for an injunction with the Court of Pisa against Piaggio & C. S.p.A., requesting the payment of certain invoices relative to costs sustained by Leasys itself for the servicing of the motorcycles rented by the Italian Postal System. The company appeared before the court in opposition to the injunction, requesting a repeal given that the supply contract did not charge the company with these expenses. 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, Piaggio & C. S.p.A. 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. While the term for appealing against the ruling is pending, Piaggio & C. S.p.A. took action to establish an arbitration board through the Arbitration Chamber of Milan to rule on the dispute. The arbitration board was established on 5 October 2010 informing the parties of the terms for filing briefs and postponing the admission of preliminary briefs to 16 May 2011.

In a writ received on 29 May 2007, Gammamoto S.r.l. in liquidation, a former Aprilia licensee in Rome, brought a case against Piaggio & C. S.p.A. before the Court of Rome for contractual and noncontractual liability. The company opposed the injunction fully disputing the validity of Gammamoto's claims and objecting to the lack of jurisdiction of the Judge in charge. The Judge, accepting the petition formulated by the company, declared its lack of jurisdiction with regards to the dispute. Gammamoto appealed against the ruling on the grounds of lack of jurisdiction at the Court of Cassation, which ruled that the Court of Venice, already indicated in the ruling of the Court of Rome, had jurisdiction. Gammamoto may continue the proceedings. The proceedings undertaken by Gammamoto at the Court of Rome against Piaggio, Intesa Mediofactoring and Banca Popolare del Lazio, to ascertain the undue drawing of the guarantee by Intesa Mediofactoring, a factor company of Piaggio in relation to Gammamoto, concluded with a ruling that the Court through which Gammamoto took action lacked jurisdiction, which instead was of the Court of Milan. The company is awaiting for proceedings to be continued by Gammamoto.

Da Lio S.p.A., by means of a writ received on 15 April 2009 - summoned Piaggio & C. S.p.A. 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. At the hearing of 18 November 2010, set to decide on the hearing to issue judgements, the Judge granted the parties the terms for filing briefs, deciding on a possible hearing concerning the outcome of the briefs of the parties. The ruling has been postponed to 2 March 2011.

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). At present, an attempt to settle the dispute through mediation (a type of alternative dispute resolution) is ongoing. 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 Piaggio & C. S.p.A. 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. This ruling was also confirmed in an appeal. Piaggio therefore initiated proceedings with the Court of Naples to obtain damages for the unlawful use of Piaggio marks and for acts of unfair competition adopted by LML. LML India, in turn, referring to the arbitration clause in settlement agreements signed with Piaggio in 1999 to end the joint venture established in India, summoned the company to appear before an arbitration board in Singapore to obtain compensation for alleged damages sustained by LML India due to the effect of legal action taken by Piaggio against LML Italia. Arbitration is currently in the preliminary stage.

The amounts allocated by Piaggio & C. S.p.A. for the potential risks deriving from the current disputes appear to be consistent with the predictable outcome of the disputes.

As regards tax claim cases involving Piaggio & C S.p.A., two appeals are ongoing against two 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. As concerns the assessments, a ruling in favour of the company was made for both the 2002 and 2003 tax years. The Inland Revenue Office has so far appealed against the sentence relative to 2002 and with reference to the ruling, a decision in the second instance is pending. For both cases, the company has not considered it necessary to allocate allocations, in view of the positive opinions expressed by consultants appointed as counsel.

In September 2010 Piaggio & C. S.p.A. was issued with a Formal Notice of Assessment, following a general assessment conducted during 2010 with reference to 2007. This assessment was subsequently extended to the years 2006 - 2009, with reference to a loan received from the company Piaggio Finance S.A. resulting from the issue of a debenture loan by Piaggio Finance in 2005. The main point contested in the notice concerns the failure to withhold taxes on interest paid to Piaggio Finance in the aforementioned years. Considering the uncertainty of the legal framework and legal interpretations of the issues contested in these assessments, as well as the economic nature, the company considered it appropriate to settle the matter through measures to avoid litigation, as provided for by law (assessment with acknowledgement). In this regard, the company paid a final amount of 7.3 million euros.

The main tax disputes of other group companies concern P&D S.p.A. in liquidation and Piaggio Vehicles PVT Ltd. More specifically, and in reference to P&D SpA in Liquidation, a dispute arose in relation to the tax assessments issued by the Inland Revenue Office for the 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 decision from the Regional Tax Tribunal of Florence is pending. 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. The Indian company already paid the amounts contested, that will be paid back when proceedings are successfully concluded in its favour. The legal advisors appointed as counsel are confident of the positive outcome of the proceedings.

Following a general audit of the 2006 and 2007 tax years, conducted in 2009 by the French tax authorities, Piaggio France S.A. received a notice of assessment ("*Proposition de Rectification*").

This notice indicates assessments conducted for income tax purposes. The company is deciding on whether to file an appeal.

In this case as well, considering the positive indications from advisors, the company did not consider it necessary to make allocations for risks arising from this notice of assessment.

As regards the **naval sector** (Rodriquez group), there are the following disputes of a legal and fiscal character.

With reference to the dispute started in the 1960's by the Municipality of Messina against some twenty local companies, among which also Rodriquez Cantieri Navali S.p.A., for the payment of the public land tax in the state area of the so-called "Zona Falcata" of the port of Messina and for the release of this area, because in the opinion of the Municipality it was then and still is illegally occupied and is to its pertinence, the injunctions of the Municipality for the payment of this tax (over 900 thousand euro) are suspended awaiting the outcome of the judgment. Rodriquez Cantieri Navali S.p.A. has gone to court, disputing the legitimacy of the claims of the Municipality, since i) the Municipality of Messina should have no right regarding the availability of said areas, ii) all the areas today occupied by Rodriquez Cantieri Navali S.p.A. in the port of Messina should be the subject of a regular state domain concession of the Port Authority and iii) the sums claimed by the Municipality of Messina could not be collected in a roster, but only following the executive sentence. RCN has further requested the C.T.E. to verify whether the areas today occupied by RCN come within the state domain area of the Port Authority, as results from the existing state domain concessions issued for RCN for all the areas today occupied by RCN. On 13 October 2009, the State attorneys intervened in the interest of the Port Authority of Messina, that is the current grantor of the areas occupied by RCN, to confirm that the areas claimed by the Municipality belong to the state domain in conformity with what is claimed by RCN. The *Ente Autonomo Portuale di Messina* (i.e., Messina Port Autonomous Board) appeared before the court at the 10 June 2010 hearing for the summing-up, asserting that it owned at leased part of the areas at issue, as attested by Region of Sicily Board of Administrative Justice ruling dated 25 January 2010. RCN filed a sworn technical report dated September 2010, attesting that the areas occupied by the RCN works and claimed by Messina City Council were the same as the areas acknowledged as owned by the *Ente Autonomo Portuale di Messina* and those granted to RCN by the Messina Harbour Authority, thus confirming what had already appeared to emerge from the records of the proceedings. The 25 November 2010 summing-up hearing was adjourned further the Additional Honorary Judge's transfer; the case was assigned on 27 October 2010 to a stipendiary magistrate from the first civil section. The case was declared suspended at the 26 January 2011 hearing on account of the death of an attorney and may be resumed within a period of three-months. RCN's legal counsel take the view that the risk seems to be remote.

Conam S.p.A. – which merged with Rodriquez Cantieri Navali S.p.A. during the 2010 year – was summonsed by a customer (YachtItaly S.r.l.) with an indemnity request for damages quantified by itself at approximately 1 million euros, for costs associated with not being able to use a "Widebody 60" boat as a result of claimed construction defects. An expert appraisal was filed by the court-appointed technical consultant in June 2010 confirming that the vessel presented faults that made it unsafe to use, appraising the overall cost of the requisite repair work at approximately 45,000 euros and the duration of said work at a maximum of 12 months. The customer expressed the willingness to waive said damages if the boat was replaced by an identical, but new boat. The next hearing is scheduled for September 2011, and the company is in any case attempting to settle with the plaintiff out of court. In the light of the view expressed by the company's legal counsel, who regard the risk as likely, funds covering the cost of the repair work have been set aside.

In January 2010, Conam S.p.A. – which merged with Rodriquez Cantieri Navali S.p.A. during the 2010 year – was summoned by a customer (Gruppo Effegi S.p.A.), who requested termination of a contract for the sale of a leisure boat at a price of 2,380,000 euros of 2006, alleging gross default on the part of Conam and the sentencing of the latter to the repayment of all the sums in the meantime received both in cash (150 thousand euros) and as exchange for other leisure craft (176 thousand euros), namely a total of 326 thousand euros, plus arrears and a surcharge for devaluation and compensation for damages to be quantified during the lawsuit. Conam appeared before the court, applying, as a counterclaim, for the cancellation of the contract dated 28 Dicembre 2006 on grounds of gross default on the part of the customer and, hence, for the latter to

be ordered to compensate Conam for the damages suffered, quantified in the costs incurred and work carried out to the tune of 410,495 euros, plus loss of earnings amounting to 800,000 euros, with revaluation and interest added. Said ruling was preceded by a preliminary technical assessment, for which the customer applied in September 2008 and which set out to ascertain the current status of the building work on the boat ordered from Conam, stating the values of the building stages already completed and the time needed to complete the vessel and, hence, deliver it to the customer. Upon the completion of this assessment, in March 2009, the court-appointed technical consultant did not deem it possible to confirm the time required to complete the vessel, as it was subject to too many risks, given the status and substance of the structure built and the lack of precision to be found in the drawings, technical specification and RINA (Italian shipping registry) surveillance and approval. Despite the foregoing, the customer, in the belief that the court-appointed technical consultant's assessment would leave no doubt as to Conam's shortcomings, sent a letter dated 13 November 2009 giving notice of the cancellation of the contract to purchase the boat on grounds of default by Conam and demanding repayment of the sums stated above. At the first hearing, held in early January, the judge placed the preliminary technical assessment on record and set the hearing for the admission of evidence at 20 September 2011. The customer stated its willingness to settle out of court on payment of the full sum of 326,000 euros, each party paying its own legal costs, despite the fact that it had initially stated its willingness to reduce the sum to the repayment of the advance instalments paid, totalling 150,000 euros. No agreement has been reached between the parties at the time of writing, not least because the boat, which was allegedly changing hands, had reportedly reverted to the customer's full ownership *de facto* and *de jure* prior to the start of the current dispute. The company's legal counsel deem that there might be a potential risk; no funds have been set aside for this eventuality at the present stage, not least in consideration of the fact that the sum of 150,000 euros received as advance instalments or deposits, and which may have to be repaid in the event of an amicable settlement out of court, is being kept in miscellaneous debts.

In addition, it should be noted that other disputes of less significant value are in progress particularly with suppliers and customers, for which, on the basis of the opinions of the attorneys that assist the company, no significant liabilities or costs should emerge for the Rodriguez group that exceed the risk funds already allocated in the financial statements.

As far as tax disputes are concerned, it is to be reported that the *Guardia di Finanza* of Messina embarked in 2010 on an overall tax inspection for the 2007 year, which concluded on 18 June 2010 with the drafting of the Notice of Assessment thereon. The inspection brought to light no major findings for the purposes of IRAP (*i.e.*, Regional tax on productive activities) or value-added tax, whereas for the purposes of IRES (corporation tax), the inspectors made two rectifications recuperating taxable income (to be more precise, a reduction in tax-deductible losses for 2007) for the overall sum of approximately 442,000 euros. On the clear understanding that the rectifications made by the Messina office lack legal foundation, the company has deemed it advisable not to appeal, given that the inspection has given rise to no demand for the payment of a fine or increased tax. The Messina *Guardia di Finanza* initiated a tax inspection on the 2002, 2003 and 2004 years for the purposes of VAT and indirect taxes in February 2011. The company has provided all the paperwork requested, which the inspectors are now perusing. There have been no further developments in the tax dispute over the 2003 year since the report on the previous year. In particular, the company is still waiting for the Regional Taxation Board in Messina (branch office) to set the date for the hearing to discuss the substance of the appeal lodged by the company against the ruling partially upholding the petition initiating the proceedings. There is also a tax dispute with the Customs Agency, for a relatively insignificant figure, pending before the Province of Messina Taxation Board. Concerning the current proceedings on the ascertainment of IRPEG and ILOR taxes for 1991 for 367 thousand euros, the Court of Cassation accepted, for a lack of reasons, the appeal proposed by the General Advocacy of the State opposing the sentence 100/06/02 issued by the regional Tax Commission in Genoa for IRPEG/ILOR 1991, that had been favourable to

Intermarine. Therefore, the discussion was reverted to the Regional Tax Commission in Genoa for a fresh examination of the appeal. In February 2011, within the deadline, the company lodged an appeal against the annulment ruling with the Region of Liguria Taxation Board, applying for the revocation, first and foremost, of the deed impugned and, secondarily, of the recuperation of interest and the fines. The company's tax consultants deem the risk of losing the case a possibility, but are not currently in a position to forecast the outcome of the re-examination on appeal; at the present time, various legal precedents set by the various boards called upon to rule on similar charges made against other Ferruzzi Group companies have not yet been finalised, as they are being disputed by the *Agenzia delle Entrate* (i.e., Italian Inland Revenue).

For Rodriquez Cantieri Navali S.p.A. and Intermarine there are other fiscal disputes with the Customs Office, of a value that is not significant, for which the companies have opposed an appeal to the competent bodies. The subsidiary Rodriquez do Brasil at 31 December 2010 still had 2 appeals pending against notices of ascertainment on value added tax, income taxes and contributions on profits required by Brazilian legislation for a total of 6.7 million Brazilian real, at the up-to-date value at 31 December 2010 (approximately 3 million euros at the exchange rate of 31 December 2010) between taxes, sanctions and interests. On these disputes, the tax office that assists the company in Brazil has expressed a judgment on the levels of risk, in terms of "probable, possible or remote". For a dispute of 0.6 million Brazilian real (approximately 3 million euros), for which the risk has been defined by the fiscal office that assists the company in Brazil as "probable", the company has allocated a special fund, while for the other dispute for which an opinion is "possible" and not quantifiable, no hedging funds have currently been allocated. During the year a dispute of 0.2 million Brazilian real referred to years 2002-2003 was defined, with settlement in 30 monthly instalments, whose cost has been allocated in the year. In addition, regarding the tax assessments in 2009 related to the years from 2004 to 2007 with reference to the disputed obligation of payment of the tax on services (ISS), for an overall original value, including sanctions, of approximately 6 million Brazilian real (approximately 2.8 million euros at the exchange rate of the end of December 2010), at the end of 2010, with publication in January 2011, the cancellation of a procedure of infringement for procedural flaws for about 4 million Brazilian real (approximately 1.8 million euros) occurred; the fiscal disputes may be opened again according to the terms foreseen by the Brazilian law. Rodriquez do Brasil presented the appropriate appeals, particularly founded upon Brazilian legislation that does not consider naval constructions subject to ISS; the legal firm that assists the company and that has handled the appeal expressed a favourable opinion on the possibilities of winning the lawsuit. Besides the fund recorded at the level of the subsidiary for 0.3 million euros, a risk fund has been maintained at the level of the parent company for overall 0.4 million euros, also in the light of the opinion on the state of risk of these disputes provided by the tax consultant who assists the company in Brazil, in order to cover any potential liabilities deriving from such disputes.

Relevant events occurring after the close of the year

With reference to the subsidiary **Is Molas S.p.A.**, we point out the work on establishing the procedure of *Valutazione di Impatto Ambientale - V.I.A.* (Environmental Impact Evaluation), which has won approval regarding the environmental compatibility of the “Completion of the Is Molas Land Parcelling and Golf Course” project. The administrative procedure was brought to an end by Autonomous Region of Sardinia Regional Government Resolution 5/22 of 3 February 2011, which was published on the Region’s site on 4 February 2011.

Operating outlook for 2011

Regarding the predictable evolution of the management of the Group, with reference to the **industrial sector**, the Piaggio group will continue its strategy for industrial and business development in the Asian area and consolidation on Western markets. On a business level, the group will strengthen its presence in all sectors and markets where it operates. In India, it will consolidate its leadership position on the three-wheeler light commercial vehicles market and increase sales of four-wheelers. In Pacific Asia, it will increase its share of the scooter market in Vietnam, while developing activities in the rest of the area and particularly in Indonesia, Thailand and Malaysia. In Europe and America, it will consolidate its leadership position in the scooter segment, strengthen its competitive edge on the motorcycle market and increase sales of light commercial vehicles. On a production level, a new plant is scheduled to start up in India for the manufacture of engines. The production capacity of the site in Vietnam will be expanded, and an additional site in India for the manufacture of two-wheelers for the local market will be built. The group will pay particular attention to industrial productivity, and to European operations, by optimising production systems. Considerable resources will be earmarked for research and development, to continually renew product ranges on western markets and in emerging countries, with particular focus on the development of engines with a low consumption and low or zero environmental impact.

With reference to the **naval sector**, in the light of the advancements in the productions that will be made in 2010 on the contracts in being and the presumable volumes of production that can derive from new contracts in the defence sector, as the negative margin for the final cost of the Oman contract is already considered fully covered in 2010 by an adequate provision, for 2011 we can forecast a growing production value and operational results at consolidated level showing an improvement on 2010.

The forecast for the 2011 year is for a break-even, by and large, in the Income Statement, whereas a reduction in net financial debt is expected, largely owing to the collections expected for orders currently being processed.

With reference to the subsidiary **Is Molas**, during the period it is expected to start the investment project, through the sale of the residential component of the project and, depending on the information obtained from the market, the construction of the residential, tourist hotel complex will commence.

REPORT ON CORPORATE GOVERNANCE AND CORPORATE OWNERSHIP

in accordance with art. 123-*bis* TUF



The Report is referred to the Year: 2010

Date of approval of the Report: 23 March 2011

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GLOSSARY

Code / Self-Regulatory Code of Conduct: the Self-Regulatory Code of Conduct of the listed companies approved in March 2006 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., available at the www.borsaitaliana.it website, under the section Borsa Italiana [Italian Stock Exchange] – Regulations – Corporate Governance.

Civ. code / c.c.: the Italian civil code.

Board / Board of Directors / Administrative Body: the Board of Directors of the Issuer.

Issuer / Company: the Issuer of listed securities to which the Report refers.

Year: the financial year to which the Report refers.

Consob Regulation on Issuers: the Regulations issued by Consob with resolution no. 11971 of 1999 (as subsequently modified) on the subject of issuers.

Consob Markets Regulations: the Regulations issued by Consob with resolution no. 16191 of 2007 (as subsequently modified) on the subject of markets.

Report: the report on corporate governance and ownership that companies are bound to issue in accordance with art. 123-*bis* TUF.

TUF: the Ital.Legisl.Decree 58 of 24 February 1998 (“Testo Unico della Finanza” – Italian Finance Consolidation Act).

1. ISSUER'S PROFILE

Immsi is organised following the traditional management and control model established in art.2380-bis and follow. of the Italian civil code, with a Shareholders' Meeting, a Board of Directors and a Board of Statutory Auditors.

In particular, the Company's purpose is: (i) investing in the equity of other Italian or foreign companies, that is, the activity of acquiring, holding and managing the rights, whether represented by securities or not, over the share capital of other companies; (ii) the purchase, sale and management of bonds; (iii) the granting of loans, mortgages and guarantees.

Moreover, the Company's purpose includes all activities and transactions in the property sector, both in Italy and abroad, on its own behalf and for third parties, including but not limited to, the purchase, sale, exchange, construction, restructuring, management of corporate assets, leasing (non-finance) and maintenance of buildings and property in general for all types of use, as well as the establishment, purchase, sale and exchange of rights relating to property, excluding the activity of real estate brokerage. The Company may also provide technical, commercial and financial assistance in the preliminary and executive phases of property projects.

The Company may carry out the above activities directly and indirectly on its own behalf and for third parties, including accepting and/or assigning contracts or concessions and development ventures in the property field.

The Issuer may carry out, not directly with the general public, all those acts necessary, in the judgment of the Board of Directors, to implement the corporate purpose.

2. INFORMATION on OWNERSHIP (ex art. 123-bis, p. 1, TUF)

at 31/12/2010

a) Share capital structure (ex art. 123-bis, p. 1, let. a), TUF)

The share capital of the Issuer, fully subscribed and paid up, is equal to 178,464,000.00 euros divided into 343,200,000 dividend-bearing ordinary shares, 0.52 euros nominal value each. The shares - each share gives entitlement to one vote - are indivisible and are issued in the dematerialized form.

Reference is made to Table 1, attached as an appendix.

b) Restrictions on the transfer of securities (ex art. 123-bis, p. 1, let. b), TUF)

There are no restrictions on the transfer of securities.

c) Significant equity investments (ex art. 123-bis, p. 1, let. c), TUF)

Regarding the significant direct or indirect shareholdings as per the communications made in accordance with art.120 of TUF, please refer to Table 1, given in the appendix.

d) Securities that give special rights (ex art. 123-bis, p. 1, let. d), TUF)

No securities have been issued that give special rights of control or special powers.

e) Employees' equity holdings: mechanism of exercising voting rights (ex art. 123-bis, p. 1, let. e), TUF)

There is no system for employees' equity holdings.

f) Restrictions to voting rights (ex art. 123-bis, p. 1, let. f), TUF)

There are no restrictions on voting rights.

g) Agreements between shareholders (ex art. 123-bis, p. 1, let. g), TUF)

No agreement in force exists among the Shareholders of the Issuer in accordance with art. 122 of TUF.

h) Clauses of change of control (ex art. 123-bis, p. 1, let. h), TUF)

The Issuer has stipulated some significant agreements that could be or be extinguished in case of change to the control of Immsi S.p.A., in particular: Bullet – Multi Borrower financing contract for a total of 70 million euros (of which 25 million disbursed to Immsi S.p.A., 30 million to ISM Investimenti S.p.A. and 15 million to Rodriquez Cantieri Navali S.p.A.); mortgage loan contract for residual 43.4 million euros nominal value granted by a pool of banks; further financing facilities and credit lines for a maximum usable overall amount of 45 million euros.

The Piaggio group has signed significant agreements that are modified or can be extinguished in the event of changes to the ownership of the contracting company. In particular, it was subscribed: a financing contract and opening of credit with Banca Intesa Sanpaolo S.p.A. and Mediobanca for a total of 250 million euros; a bond of 150 million euros issued by Piaggio & C. S.p.A.; an outline agreement for operative credit lines of 70.3 million euros granted by a pool of banks represented by Banca Intesa Sanpaolo S.p.A. as agent; a financing contract with Banca Europea per gli Investimenti for 150 million euros; a financing contract of 90 million euros syndicated with a pool of banks by BNP Paribas; a financing contract for overall 30 million euros with International Finance Corporation to support the subsidiaries from India and Vietnam.

With reference to the RCN group, we note the following significant agreements that could be modified or be extinguished in the case in which the indirect parent company Immsi S.p.A. loses control over the respectively contracting companies: signed line of credit (for a total value of 84.5 million USA dollars and used at 31 December 2010 for 33.4 million USA dollars) valid on the contract with the Sultanate of Oman, guaranteed by a pool of banks; guarantees for an amount of 2.7 million euros issued by Efibanca; additional lines of credit and financing associated with the group's operations for a total amount used at 31 December 2010 of approximately 74 million euros, including the aforesaid share of the Bullet – Multiborrower financing issued to Rodriquez Cantieri Navali S.p.A. for an amount of 15 million euros.

The indirect subsidiary Is Molas S.p.A., in addition, has a mortgage loan contract for an amount of 5 million euros that has provision for invalidating the benefit of the term if changes are made to the ownership of the company such as to have a negative effect on the assets and liabilities, corporate, financial and economical situation of the mortgaging party.

Lastly, we note how i) within the framework of investments in other enterprises conducted by the Issuer and ii) as used in order to regulate and discipline the relationships of governance with any minority shareholders in some of the companies directly or indirectly invested in by Immsi S.p.A., there are currently agreements stipulated with the aforesaid shareholders in the companies and/or loans allocated by the aforesaid associated companies to the companies invested in that give special rights to the contracting parties (*inter alia* rights of pre-emption, rights of co-sale, obligations of co-sale) in case of change of direct and/or indirect control of the company invested in.

i) Proxies to increase the share capital and authorizations to purchase treasury stock (ex art. 123-bis, p. 1, let. m), TUF)

As regards the proxy to increase the share capital, the Extraordinary Meeting held on 29 April 2009, decided to grant the following rights to the Board of Directors, in accordance with art. 2443 of the Italian civil code:

- (i) right to increase on one or more occasions, against payment and also in divisible amounts, within a period of five years from the date of the resolution, the share capital up to a maximum amount of 500 million euros of nominal value, with or without premium, by issuing new ordinary shares having the same features as those already in circulation, to be offered as an option to those entitled; and alternatively,
- (ii) right to increase on one or more occasions, against payment and also in divisible amounts, within a period of five years from the date of the resolution, the share capital up to a maximum amount of 500 million euros of nominal value: to be assigned to the service, for a maximum amount of 250 million euros, of bonds which may be convertible into ordinary shares and/or with warrants to be issued pursuant to art. 2420-ter of the Italian civil code in compliance with the right of option provided to those entitled; and, for a maximum amount of 250 million euros nominal value, as well as for the residual amount, if any, in case the convertible bonds are issued by not using fully the amount of such proxy, with or without premium, by issuing new ordinary shares having the same features as those already in circulation, to be offered as an option to those entitled.

The Board of Directors is therefore given, in accordance with art.2420-ter of the Italian civil code, the right to issue on one or more occasions, in compliance with the right of option, bonds, which may be convertible into ordinary shares having the same features as those already in circulation, and/or with warrant, within a period of five years from the date of the resolution, for a maximum amount of 250 million euros and, in any case, for amounts that, within the aforesaid limit, do not exceed, from one time to the next, the limits set by the law for issuing bonds.

The Board will have the right from time to time, in exercising the aforesaid proxies, observing the right of option for those with the right and the procedures required by the provisions of the law and regulations from time to time applicable, as well as the above-stated limits, to determine the amount of the increase in capital (and/or of the single tranches), the price of issue (including any surcharge) of the new common stock, taking account of the trend of the markets and the customary market procedures for similar operations, the times, methods and conditions of the offer under option; as well as the amount of the bonds that can be converted into common stock and/or with warrants and of the increase in capital to their service, the methods, terms and conditions of the issue of the bonds (among which the exchange rate and the methods of conversion of the bonds; the interest rate, the expiration and the methods of reimbursement, also in advance, the characteristics, the terms and the conditions of issue of the warrants) and of the related regulations and/or of the regulation of the combined warrants, as well as, in general, to define the terms and conditions of the increase in capital and the operation as a whole. The Board of Directors will also have the powers for all the necessary fulfilments and formalities to allow the newly issued financial instruments to be admitted to trading.

During the year 2010 none of the aforesaid proxies has been exercised.

On 29 October 2010, the authorization to buy treasury stock expired. Such an authorisation was resolved by the Ordinary Shareholders' Meeting of 29 April 2009, in accordance with the combined provisions of articles 2357 and 2357-ter of the Italian civil code.

The operations of buying and selling treasury stock can be finalized (i) at buying and/or selling treasury stock for the purposes of investment and stabilization of the price of the stock and its liquidity on the share market; or (ii) using treasury stock within operations connected with the current management or projects in line with the strategies of the Company.

The authorization is requested to purchase, even in more than one tranche, for a period of eighteen months as of the date of the resolution, of ordinary shares of the nominal value of 0.52 euros each, up to such a maximum amount, taking account of the ordinary shares held in portfolio by the Company and by its subsidiary companies from time to time, so that the quantity of treasury stock altogether was no greater than the maximum limit fixed by the applicable pro tempore provision. Purchases will be in compliance with art.144-bis, paragraph 1, lett. a), b) and d) of the Consob Regulation on Issuers and of the applicable provisions, so as to permit compliance with the same treatment of the shareholders as provided for by art. 132 TUF. As for the amount, the Board of Directors proposed that the purchases of treasury stocks should be made at an amount of no less than the minimum of 20% and no greater than the maximum of 10% of the arithmetic mean of the official prices recorded by the Immsi share in the ten days of trading prior to each single purchase or, if the purchases are made via a public purchase offer or exchange, an amount no less than the minimum of 10% and no greater than the maximum of 10% of the official price recorded by the Immsi share on the trading day prior to the public announcement. The Shareholders' Meeting has likewise authorized, with no time limits, the use, at any time, entirely or partially, of any treasury stock purchased according to the aforesaid authorization or in any case in the Company's portfolio, by selling them or selling any real and/or personal rights related to them. The Meeting has moreover given the Board of Directors the power, in the Company's interest, to determine the destination of the operations of purchase and/or provision of treasury stock to one or more of the finalities as per the customs of the market permitted by Consob in accordance with art. 180, paragraph 1, lett. c) of the TUF, and therefore within the framework of the activity of sustaining market liquidity and/or the purchase of treasury stock for establishing a so-called "securities portfolio," within the limits established by the Consob deliberation no. 16839 dated 19 March 2009.

During the year no new shares have been bought, therefore at 31 December 2010 the Issuer holds 2,670,000 shares of treasury stock in portfolio, equivalent to 0.778% of the share capital. At the date of this Report, this number is unchanged.

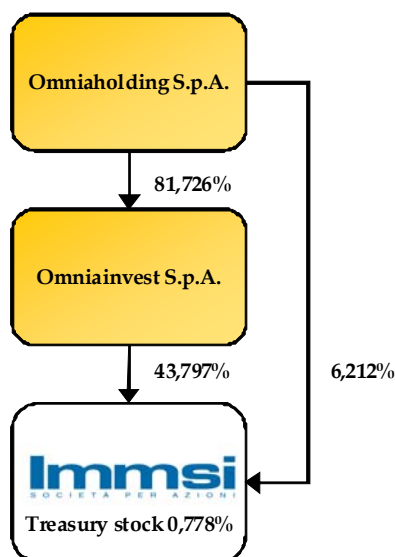
I) Activity of management and coordination (ex art. 2497 and follow. of the Italian civil code)

The Issuer is directly and indirectly controlled, in accordance with art.93 of the TUF, by Omniaholding S.p.A., a company wholly owned by the Colaninno family, through the subsidiary company Omniainvest S.p.A.

In particular, it is specified that, at the situation of control of the Issuer, no tangible activity of management and coordination is carried on in relation to the case in point of art.2497 and follow. Of the Italian civil code and that none of said parties has a structure or organization such as to allow it to be carried on. Therefore, the Company and, particularly, its Board of Directors take their respective decisions in full autonomy.

Shareholder structure at 31 December 2010

ex art. 120 of the TUF



Immsi is an equity investment holding company that, during 2010, managed and coordinated in accordance with art.2497 and follow. of the Italian civil code, the subsidiaries Piaggio & C. S.p.A., RCN Finanziaria S.p.A., Rodriquez Cantieri Navali S.p.A., Is Molas S.p.A., Apuliae S.p.A., Pietra S.r.l., ISM Investimenti S.p.A. and Aprilia Racing S.r.l.

These provisions, moreover, include: (i) direct responsibility of the company that carries on an activity of management and coordination, towards the shareholders and the creditors of the companies subject to the management and coordination, in the case in which the company that carries on such activity – acting in its own entrepreneurial interest or that of others, in violation of the principles of correct company and entrepreneurial management of the companies themselves – brings prejudice to the profitability and the value of the shareholding or causes, towards the company's creditors, harm to the integrity of the assets of the company and (ii) responsibility of the Directors of the company subject of management and coordination, that omit implementing the publishing requirements, of art.2497-bis of the Italian civil code for the damage that a lack of knowledge of these facts causes to the shareholders or to third parties. In addition, in accordance with art.2497-quater of the Italian civil code, the shareholder of a company subject to activity of management and coordination has the right to withdraw from the company (i) when the company or body exercising the activity of management and coordination has deliberated a transformation that implies change to its company purpose, that is it has passed a resolution to change its corporate purpose, allowing activities that significantly and directly alter the financial conditions and assets of the company subject to management and coordination; (ii) when a sentence has been pronounced, with an executive decision, in favour of the shareholder, against the subject performing an activity of management and coordination in accordance with art.2497 of the Italian civil code (the norm, in this case, requires that the right to withdraw must be exercised for the whole shareholding); and (iii) at the beginning and at the cessation of the activity of management and coordination, when it is not a company with shares listed on regulated markets and there follows an alteration in the conditions of risk of the investment and a public purchase offer is not promoted.

As concerns the compulsory accounting information, particularly the financial statements and the Directors' reports, with reference to the situation of the companies in the Group, Immsi has defined a Group manual that identifies the accounting standards used and the optional choices made in

implementing them, in order to be able to represent the consolidated accounting situation in a consistent and homogeneous manner.

Immsi defines the methods and the times for drawing up the Budget and in general the industrial plan of the companies in the Group, as well as the final administration analyses supporting the activity of administration control.

The Issuer moreover, in order to optimize the dedicated resources within the Group structure, provides services related to the development and administration of the property of the companies subject to the activity of management and coordination, in particular it carries on an advisory activity in relation to the sale and lease of the real estate, as well as services of an administrative, technical and organizational nature, for works of construction, expansion and restructuring.

Lastly, Immsi provides activities of consultation and assistance to the companies in the Group for operations of extraordinary finance, organization, strategy and coordination, as well as services aimed at the optimization of the asset and financial structure of the Group.

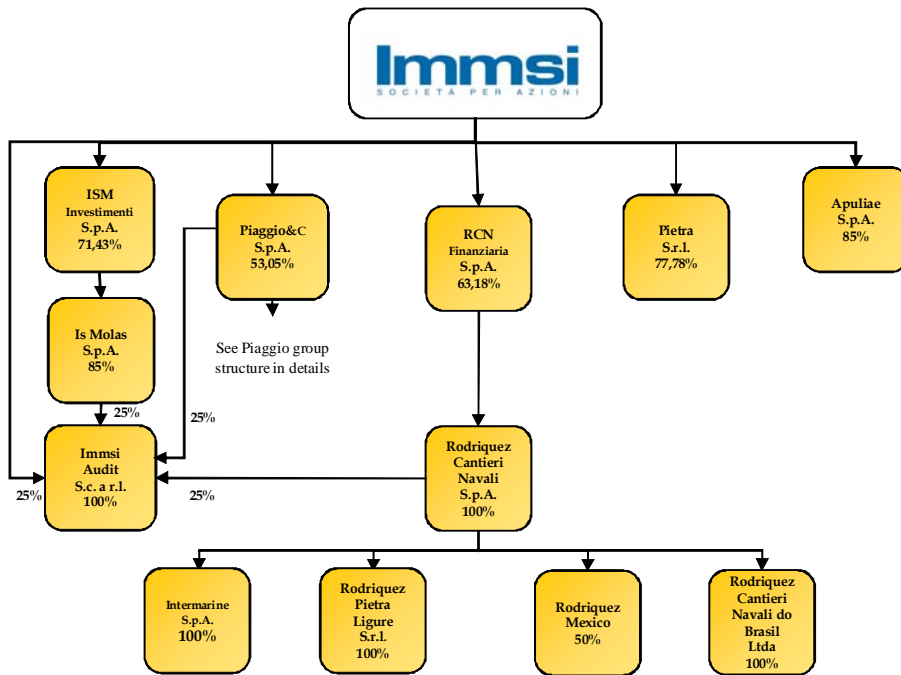
Immsi is at the head of a Group that, through the companies it controls directly and indirectly, operates in the industrial, naval and property sectors.

* * *

Please note that:

- the information required by art. 123-b, first paragraph, letter i) ("*the agreements between the company and the directors ... that require indemnity in case of resignation or dismissal without a just cause or if their working relationship ceases following a take-over bid*") is illustrated in the section of the Report on Directors' remuneration (Sect. 9);
- the information required by art. 123-bis, first paragraph, letter l) ("*the norms applicable to the appointment and substitution of the directors... as well as to changes to the statute, if other than the legislative and regulatory ones applicable in a supplementary fashion*") is illustrated in the section of the Report on the Board of Directors (Sect. 4.1).

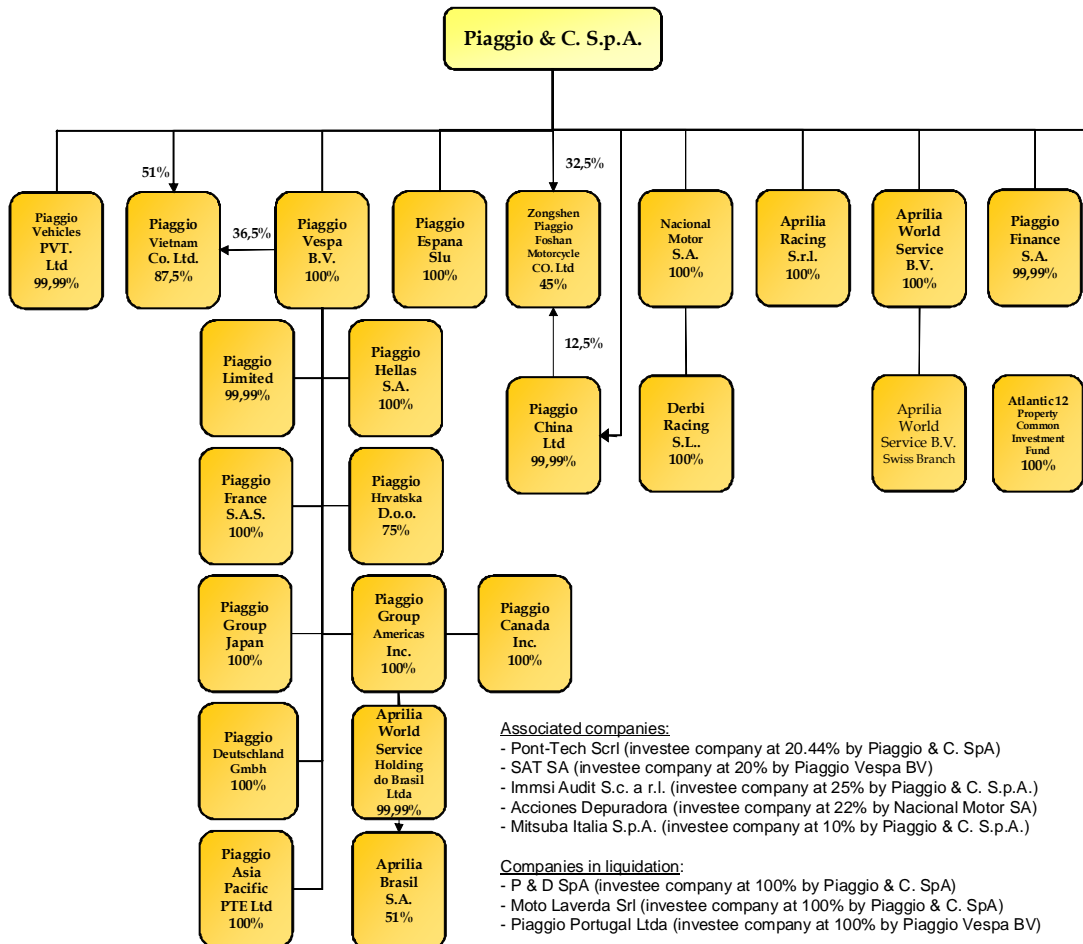
Shareholder structure at 31 December 2010



-1 share = 1 R\$ of Rodriguez Cantieri Navali Do Brasil Ltda is held by Intermarine SpA

Companies in liquidation:

- Rodriguez Engineering S.r.l. (investee company at 100% by Rodriguez Cantieri Navali S.p.A.)
- Rodriguez Yachts S.r.l. (investee company at 100% by Rodriguez Cantieri Navali S.p.A.)



Associated companies:

- Pont-Tech Srl (investee company at 20.44% by Piaggio & C. SpA)
- SAT SA (investee company at 20% by Piaggio Vespa BV)
- Immsi Audit S.c. a r.l. (investee company at 25% by Piaggio & C. S.p.A.)
- Acciones Depuradora (investee company at 22% by Nacional Motor SA)
- Mitsuba Italia S.p.A. (investee company at 10% by Piaggio & C. S.p.A.)

Companies in liquidation:

- P & D SpA (investee company at 100% by Piaggio & C. SpA)
- Moto Laverda Srl (investee company at 100% by Piaggio & C. SpA)
- Piaggio Portugal Ltda (investee company at 100% by Piaggio Vespa BV)

3. COMPLIANCE (ex art. 123-bis, p. 2, let. a), TUF)

The system of corporate governance adopted by the Issuer complies with the main contents of the Self-Regulatory Code of Conduct prepared by the committee for corporate governance of listed companies, as amended (March 2006) and is available at the web site www.borsaitaliana.it, in the section of Borsa Italiana – Regulations – Corporate Governance.

Neither Immsi nor its subsidiaries with strategic importance are subject to provisions of the Law that are not Italian that affect the structure of corporate governance of the Company.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND SUBSTITUTION (ex art. 123-bis, p. 1, let. I), TUF)

The provisions applicable to the appointment or replacement of the Directors are in compliance with the provisions introduced by Italian Law 262/05, by Ital.Legisl.Decree 303/06 and by Ital.Legisl.Decree 27/10.

The amendments required to bring the Bylaws into line with these latest regulations were approved by the Board of Directors at its meeting held on 30 November 2010.

The Company is managed by a Board of Directors comprising no fewer than five and no more than thirteen members appointed by the Shareholders' Meeting.

The Shareholders' Meeting determines the number of Board members as well as the term of their office which cannot be more than three years, and will expire at the date of the Shareholders' Meeting called to approve the financial statements of the last year of their term in office. Directors may be re-appointed.

According to the Bylaws, the Directors must have the requirements of the current pro tempore legislation; of them a minimum number, corresponding to the minimum required by the legislation, must have the requirements of independence as per art.148, paragraph 3, of TUF.

Whenever the requirements are no longer met, the Director is invalidated. Whenever there is no longer the requirement of independence, prescribed by art.48, paragraph 3, of TUF, of a Director, it does not determine the director's invalidity if the requirements remain valid for the minimum number of Directors that according to current legislation must have such requisites.

The Board of Directors is appointed on the basis of lists presented by the Shareholders with the procedures specified below, in which the candidates must be listed with a progressive number.

The lists presented by the Shareholders, undersigned by those who submit them, must be deposited at the Company's headquarters, at the disposal of whoever applies for them, at least twenty-five days before the date set for the first convocation of the Shareholders Meeting and they are subject to the other forms of publishing required by the current pro tempore regulations.

Each Shareholder, the Shareholders belonging to a significant shareholder agreement in accordance with art.122 of TUF, the controlling party, the subsidiary companies and those subject to a common control in accordance with art.93 of TUF, cannot present or contribute to the presentation, not even by mediation or a trust company, more than only one list neither can they vote different lists and every candidate can present himself/herself in only a single list under penalty of ineligibility. The support and votes expressed in breach of this prohibition are not attributed to any list.

The right to present lists is only for Shareholders that, alone or together with other presenting Shareholders, are altogether owners of shares with voting rights representing at least 2.5% of the share capital with voting rights in the Ordinary Shareholders' Meeting, or representing another percentage that may be established by provisions of the law or regulations. It is specified that, with deliberation no. 17633 of 26 January 2011, Consob has confirmed the required shareholding at 2.5% of the shareholders' equity for presenting the lists of candidates for the election of the Company's Administration, with reference to the period closed at 31 December 2010.

The ownership of the share required, pursuant to the foregoing, for the purposes of the submission

of the list may be attested by production of certification to that effect, even subsequently to the submission of the list, but in any case at least 21 days prior to the date set for the Shareholders' Meeting at first call.

Together with each list, within the respective terms stated above, they must deposit (i) the declarations with which the single candidates accept their own candidacy and they certify, under their own responsibility, the non-existence of causes of ineligibility and incompatibility, as well as the existence of the requisites prescribed for the respective positions; (iii) a curriculum vitae regarding the personal and professional characteristics of each candidate, possibly stating the person's fitness to be qualified as independent.

Lists presented without observing the above provisions are considered as not presented.

To the election of the Board of Directors the proceedings are as specified below:

- a) the list that obtained the highest number of votes is used for drawing all the Directors to be elected except one, in the progressive order in which they are listed in the list itself;
- b) the remaining Director is drawn from the minority list that is not connected in any way, not even indirectly, with those who presented or voted the list of the preceding letter a) and that has obtained the second highest number of votes. If the minority list of point b) has not achieved a percentage of votes equal to at least half that required for the presentation of lists, all the Directors to be elected will be drawn from the list of point a).

If the candidates elected with the above procedures do not assure the appointment of a number of independent Directors ex art.148 of the TUF, equal to the minimum number established by law in relation to the total number of Directors, the non-independent candidate ex art.148 of the TUF, elected last in progressive order in the list that received the highest number of votes, as per the preceding letter a) of the preceding paragraph, is replaced by the first independent candidate ex art.148 of the TUF, according to the progressive order not elected in the same list, or, failing this, by the first independent candidate ex art.148 of the TUF, according to the progressive order not elected in the other lists, according to the number of votes obtained by each one. This procedure of substitution is used until the Board of Directors is composed of a number of independent Directors ex art.148 TUF, equal to at least the minimum prescribed by Law. If said procedure does not assure the result last indicated, the substitution is made with a resolution passed by the Meeting with a relative majority, upon presentation of candidacies of subjects with the abovementioned requisites.

In the case in which only one list is presented or in the case in which no list is presented, the Shareholders' Meeting deliberates with the majorities of Law, without observing the above procedure.

If during the year one or more Directors are terminated, provided that the majority is always composed of Directors appointed by the Shareholders' Meeting, steps will be taken in accordance with art. 2386 of the Italian civil code as follows:

- a) the Board of Directors makes the substitution from those belonging to the same list to which the terminated Director belonged and the meeting deliberates, with the majorities of Law, respecting the same criterion;
- b) if in the aforesaid list of candidates not elected previously, in other words candidates with the requisites, or in any case when for any reason it is not possible to respect the provisions of letter a), the Board of Directors makes the substitution, as subsequently done by the Shareholders' Meeting, with the legal majorities with no list vote.

In any case the Board of Directors and the Shareholders' Meeting will make the appointment so as to assure the presence of independent Directors ex art.148 of the TUF, in the total minimum number required by the current pro-tempore regulations.

If because of resignations or other causes there is no longer a majority of Directors, the whole Board is considered resigning and its cessation will take effect from the moment when the Board of Directors will be reconstituted following acceptance by at least half the new Directors appointed by the Shareholders' Meeting, that must be urgently convened.

The changes to the Bylaws are disciplined by the current pro-tempore regulations.

4.2. COMPOSITION AND OPERATION (ex art. 123-bis, p. 2, let. d), TUF)

The Issuer's Board of Directors, in office at the date of this Report is composed of 9 members appointed by the Shareholder's General Meeting held on 29 April 2009, on the basis of the single list of candidates presented by the majority Shareholder Omniainvest S.p.A., in conformity with the provisions of the Statute. The Administrative Body formed in this manner, elected with a percentage of votes in relation to the voting capital equal to 99.89%, shall remain in office until the date of the Shareholders' Meeting called to approve the financial statements relating to the year ending at 31 December 2011.

It is to be noted that the Board of Directors appointed Director Ruggero Magnoni, pursuant to the Article 2386, para. 1, of the Italian civil code to replace Luciano La Noce on 27 August 2010. Director Ruggero Magnoni will remain in office until the next Shareholders' Meeting held by the Issuer.

The professional curricula of the Directors have been filed at the Company's head office and are available on the Issuer's institutional website, section Investor Relations – Communications – Other Communications – Year 2009 and Year 2010.

The Directors currently in office are in possession of all the requirements envisaged by the Bylaws and the applicable Law and Regulations.

Please refer to Table 2, given in the appendix.

* * *

Pursuant to art. 20 of the Bylaws, the Chairman, or anyone acting on his behalf, shall convene a Board of Directors meeting at the registered office or in another location, whenever the same retains such necessary in the interests of the Company or on the request of three Board members. Board meetings will be convened in writing, which may also be sent by fax, cable or by e-mail to the Board members in office and to the Auditors at least five days before the date fixed for the meeting, or, in the event of an emergency, in the same way, but with a minimum notice of six hours.

The participation and attendance of the meetings of the Board of Directors may also take place by means of teleconference and/or video conference, on condition that all of those entitled may participate or attend, may be identified and that the same are able to follow the meeting and to intervene in real time in discussions of the items on the agenda; once said conditions have been verified, the Board Meeting shall be considered to have taken place in the location where the Chairman and Secretary of the meeting are, in order to enable the minutes to be drawn up and signed by both of the latter.

Pursuant to art. 22 of the Bylaws, in order for the resolutions of the Board of Directors to be valid, the presence of the majority of Board members in office is required. Resolutions will be passed by the absolute majority of those present.

Maximum aggregation of offices held in other companies

Each member of the Board of Directors must deliberate with full awareness and independently, in the pursuit of creating Shareholder value and is committed to dedicate to this corporate office the time necessary to ensure diligent fulfilment of his duties, irrespective of the offices held outside the Immsi Group, being well aware of the responsibilities of the office held.

To this end, each Director must have already evaluated, at the time of accepting office in the Company and independently from the limits established by law and the Regulation Governing the

aggregation of offices, his ability to carry out with due diligence and effectiveness the duties attributed to him, with particular attention being paid to overall commitments outside the Immsi Group.

Each member of the Board of Directors must also inform the same Board of any appointment to Director or Auditor in other companies, so as to comply with the disclosure obligations established by applicable Regulations and Law.

The Board has decided not to define general criteria on the maximum number of offices of Administration and Auditing in other companies, that can be considered compatible with an effective performance of the role of Director of the Issuer, saving the duty of each Director to evaluate the compatibility of the positions of Director and Auditor, held in other companies listed on regulated markets (also outside Italy), in holding, banking, insurance or large-sized companies, conscientiously carrying out the duties taken on as Director of the Issuer.

During the session held on 23 March 2011, the Board, with the outcome of the verification of the offices currently held by its Directors in other companies, indeed considered that the number and the quality of the offices held does not and is, therefore, compatible with an effective performance of the office of Director in the Issuer.

In addition, the majority of the members of the Board of Directors of the strategic subsidiary Piaggio & C. S.p.A. do not hold Administrative and/or Directive positions in the Parent Company Immsi S.p.A.

The table below lists the positions of Director and Auditor held as of 31 December 2010 by the members of the Board of Directors holding office, in other companies listed on regulated markets (also outside Italy), finance, banking, insurance companies or companies of significant dimensions.

Full name	Company	Positions held as Directors or Auditors
Roberto Colaninno	<ul style="list-style-type: none"> - Piaggio & C. S.p.A. S.p.A.* - Omniaholding S.p.A.* - Omniainvest S.p.A.* - Alitalia Compagnia Aerea Italiana S.p.A. - Air One S.p.A. - Immobiliare Regis S.r.l. - RCN Finanziaria S.p.A.* - Rodriquez Cantieri Navali S.p.A.* 	Chairman BoD and Managing Director Chairman BoD Chairman BoD Chairman BoD Chairman BoD Chairman BoD Director Director
Michele Colaninno	<ul style="list-style-type: none"> - Omniaholding S.p.A.* - Omniainvest S.p.A.* - ISM Investimenti S.p.A.* - Banca Popolare di Mantova - Piaggio & C. S.p.A.* - Is Molas S.p.A.* - Rodriquez Cantieri Navali S.p.A.* - RCN Finanziaria S.p.A.* - Piaggio Vietnam Co. Ltd.* - Piaggio Vehicles PVT Ltd.* - Immsi Audit S.c. a r.l.* - Immobiliare Regis S.r.l. 	Managing Director Managing Director Chairman BoD Deputy Chairman BoD Director Director Director Director Director Director Director Director
Carlo d'Urso	<ul style="list-style-type: none"> - Fondiaria SAI S.p.A. - Premafin Finanziaria S.p.A. - Che Banca! S.p.A. (Gruppo Bancario Mediobanca) - Gruppo Banca Leonardo S.p.A. - F.C. Internazionale Milano S.p.A. - Stilo Immobiliare Finanziaria S.r.l. 	Director Director Director Director Director Director

Matteo Colaninno	- Omniaholding S.p.A.* - Piaggio & C. S.p.A.* - Omniinvest S.p.A.* - Immobiliare Regis S.r.l.	Deputy Chairman and Managing Director Deputy Chairman Director Director
Mauro Gambaro	- Unopiù S.p.A. - Marsilli & C. S.p.A.	Director Director
Enrico Maria Fagioli Marzocchi	- Meliorbanca S.p.A. - Meliorbanca Private S.p.A.	Managing Director Director
Giorgio Cirila	- Iniziativa Gestione Investimenti Sgr S.p.A. - Astaldi S.p.A.	Chairman BoD Director
Giovanni Sala	- Gewiss S.p.A. - Iniziativa gestione investimenti SGR S.p.A. - Gianni Versace S.p.A. - Coface Ass.ni S.p.A. - Coface Factoring Italia S.p.A. - Intermonte SIM S.p.A. - CLN S.p.A.	Director Chairman, Board of Statutory Auditor Chairman, Board of Statutory Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor
Ruggero Magnoni	- Compagnie Financiere Richemont SA - Nomura International Plc	Director and member of Audit Committee Chairman Investment Banking, Europe Middle East and Africa

* company in the Group at the head of or to which belongs the Issuer

4.3. DUTY OF THE BOARD OF DIRECTORS (ex art. 123-bis, p. 2, let. d), TUF)

During 2010, the Board of Directors held 8 meetings with an average duration of one hour and fifteen minutes, attended by the Board of Auditors.

The general average of participation of the Directors in the aforesaid meetings was equal to 93.75%, while, with reference to the participation of only the independent Directors, this average was equal to 100%.

The Bylaws do not require a minimum number of directors' meetings, nevertheless for the financial year 2011 it is expected that the Board of Directors meets at least 5 times, the first of which on 23 March 2011.

In compliance with the requirements of art.2.6.2, paragraph 1 lett. c) of the Regulation of markets organized and managed by Borsa Italiana S.p.A., on 24 January 2011, Immsi S.p.A. notified the company managing the market of its annual calendar of events for the year 2011. This calendar was moreover published on the Issuer's institutional website, in the Section Investor Relations – Communications – Financial Events – Year 2011.

The Chairman of the Board of Directors makes sure adequate information regarding the items on the agenda is made available to all the Directors. Particularly, said information is always given in a manner that enables the Directors to express themselves with full awareness on the matters brought to their attention, providing them with plenty of advance the draft of the documents subject of approval, with the sole exception of the cases of particular and proven urgency or for special needs of confidentiality.

Participants in the directors' meetings also include Executives of the Issuer and of the Group, to provide the appropriate detailed information on the items on the agenda.

The Board of Directors plays a central role within the corporate organisation and is in charge of strategic and organisational functions and responsibilities, as well as verifying the existence of the necessary controls to monitor the performance of the Issuer and the companies in the Group.

The Board of Directors is granted all powers to manage the Company and to that end may approve or carry out all acts it deems necessary or useful to fulfil the corporate purpose, except those matters reserved for the Shareholders' Meeting by Law and the Bylaws.

In accordance with art.23 of the Bylaws, the Board of Directors is also responsible for deciding upon all matters regarding:

- mergers and demergers in accordance with articles 2505, 2505-*bis* of the Italian civil code, the latter being referred to by art. 2506-*ter* of the Italian civil code;
- establishment or closure of secondary offices;
- which Directors represent the Company;
- reductions in share capital in the event of withdrawal of the Shareholder;
- amending the Bylaws to comply with regulatory provisions;
- transfer of the registered office to another location in Italy;

notwithstanding that such decisions may also be taken by an Extraordinary Shareholders' Meeting.

The Board of Directors, at a meeting on 29 April 2009 and 27 August 2010, decided on the distribution of the management competencies of the Board of Directors (see Sect. 4.4 below for the competencies of the Chairman and of the Managing Director), reserving in all cases for the Board jointly not only the powers granted by Law or by the Bylaws, but all the powers to:

- a) define the strategic, industrial and financial objectives as well as general policy for the Company and Group;
- b) acquire and dispose of controlling equity investments, acquire or dispose of business units for individual amounts greater than 25 million euros, mergers and demergers;
- c) approve multi-year plans;
- d) carry out property dealings for individual amounts greater than 25 million euros.

Within the limits of its capacity, the Board approves the Issuer's Corporate Governance system, and examines all strategic, industrial and financial plans of the Group headed by the Issuer.

In accordance with the current regulations and the Statute, the Board has the right to examine and preventively approve the operations of the Issuer and its subsidiaries in which one or more Directors hold an interest on their own account or for third parties.

As regards management of conflicts of interest and operations with related parties of the Issuer and the Group of which the Issuer is the parent company, please refer to the following Sect. 12.

In accordance with art. 2381 of the Italian civil code and of the applicative criterion 1.C.1, lett. b) of the Code, in the course of the year the Board has evaluated the adequacy of the organisational, administrative and general accounting structure of the Issuer and its strategic subsidiaries, with particular reference to the internal control system and the management of conflicts of interest, according to the procedures implemented by the Issuer for this purpose. Within the framework of this activity the Board has, depending on the case, used the support of the Internal Audit Committee, of the subject assigned to auditing of the auditing company Immsi Audit S.c. a r.l. and of the Manager in charge of preparing the company accounts and documents as well as the procedures and checks implemented also in accordance with Italian Law 262/05.

For a description of the main characteristics of the system of risk management and auditing in relation to the process of financial information, in accordance with art. 123-b, paragraph 2, letter b), TUF, please refer to Attachment 1 given in the appendix..

On 27 April 2010, the Board of Directors determined, after examining the proposals formulated by the Remuneration Committee and after hearing the opinion of the Board of Auditors, the remuneration of the Chairman Roberto Colaninno and of the Managing Director Luciano La Noce, for the particular positions they hold.

On 27 August 2010, following the early death of Luciano La Noce, the Board of Directors, after examining the proposals advanced by the Remuneration Committee and consulting the Board of Auditors, decided the remuneration payable to new Managing Director Michele Colaninno for the particular post held by him.

The Board has, on at least a quarterly basis, evaluated the general trend of management, taking into consideration the information received from the Delegated Bodies, as well as periodically comparing the results achieved with the programmed ones.

On 23 March 2011, the Board of Directors of the Issuer made the annual evaluation in accordance with art.1.C.1, lett. g) of the Self-Regulatory Code of Conduct, believing that the size, composition and operation of the Administrative Body are suited for the administration and organizational requirements of the Company. During 2010, the Board of Directors comprised nine members, of which seven Non-Executive Directors and three independent Non-Executive Directors, which likewise ensured a suitable composition of the Committees formed within the Board itself.

Art. 18 of the Bylaws requires that, until a contrary resolution of the meeting, the Directors are not bound by the prohibition of art. 2390 of the Italian civil code.

It is specified that, to date, the aforesaid derogation has found no application in any specific case.

4.4. DELEGATED BODIES

The Chairman is appointed by the Board of Directors from its members, should the shareholders not have done so.

The Chairman calls the Board of Directors and coordinates its activities, ensuring that adequate information regarding the items on the agenda is made available to all the Directors, taking account of the circumstances. Furthermore, he chairs shareholder meetings, ascertains the identity and entitlement of those attending, ascertains the proper calling of the meeting, the presence of a sufficient number of shareholders for resolutions to be valid, governs the procedures of shareholder meetings, establishes voting methods and monitors the results.

The Board of Directors may also appoint a Deputy Chairman, who substitutes the Chairman in the above functions in his absence or impediment.

The Chairman signs for and represents the Company with third parties and in legal matters. In his absence or impediment, these duties are carried out by the Deputy Chairman.

The Board of Directors may also delegate, within the same limits, its powers to one or more of its members, possibly as Managing Directors, granting them several or joint powers of signature, as it deems appropriate.

In accordance with art.23 of the Bylaws, the Board of Directors may appoint General Managers, Managers and Attorneys-in-fact, with several or joint signature powers, determining their powers and duties, as well as delegate powers for certain acts or categories of acts.

Powers of representation and signature may also be granted by the Board, which determines the limits, to Company's employees or to third parties.

Chairman of the Board of Directors and Managing Director

On 29 April 2009, the Ordinary Shareholders' Meeting appointed Roberto Colaninno Chairman of the Board of Directors and Carlo d'Urso Deputy Chairman.

The Chairman of the Board of Directors is the person mainly responsible for the Issuer's management (Chief Executive Officer); a Board resolution of 29 April 2009 granted Chairman Roberto Colaninno all powers of ordinary and extraordinary management, excluding those powers reserved by Law or the Bylaws to the entire Board of Directors, as well as the powers in all cases reserved to the Board on the basis of said resolution (refer to Sect. 4.3 above for a list). In the event of acts or transactions of extraordinary management, the Chairman must adequately inform the Board at the first possible meeting.

The Deputy Chairman, Carlo d'Urso, has substitute functions in relation to those of the Chairman.

With resolution of the Board of 29 April 2009, the Director Luciano La Noce was appointed to the position of Managing Director of the Issuer. He was also given the same powers listed above for the Chairman, including the company signature and the legal representation of the Company with third parties, with the exception of the powers concerning the acquisition and dismissal of controlling shareholdings and the acquisition or dismissal of business units as well as those of extraordinary administration.

Following the death of Luciano La Noce, Director and General Manager Michele Colaninno was appointed Managing Director of the Issuer on 27 August 2010. In addition to powers to act as the company's legal representative vis-à-vis third parties and before the courts and to sign on behalf of the company, he was granted the power to superintend the ordinary management of the company, being authorised, to that end, to perform all routine acts and operations for sums not exceeding 20,000,000 euros per transaction or series of interconnected transactions, and to implement the resolutions passed by the Shareholders' Meeting and the Board of Directors.

He was also granted the power to appoint, dismiss, direct, supervise and discipline the Company's Manager(s) and their subordinates, with the exception of any such power regarding the General Manager(s), with the approval of the Chairman.

It is to be noted that the powers conferred on the Managing Director exclude those set aside by law or by provision of the Bylaws as prerogatives of the Board of Directors as a whole and the powers in any case set aside as prerogatives of the Board pursuant to said resolution (Section 4.3, paragraphs a), b), c) and d) above should be consulted for a complete list, even those involving sums lower than those stated).

Information for the Board

In accordance with art.21 of the Bylaws, the Delegated Bodies inform the Board of Directors and the Board of Statutory Auditors regarding its activities and the most significant financial and economic transactions carried out by the Company or its subsidiaries, referring in particular to transactions in which the Directors have an interest, on their own behalf or on behalf of third parties, or are influenced by the individual exercising the activity of management and coordination. The information is given timely (at least quarterly) at meetings of the Board or by means of a written memorandum addressed to the Chairman of the Board of Statutory Auditors.

During the year ended 31 December 2010, the Directors were promptly informed of the matters covered by the Board of Directors in a manner that enabled them to express themselves with full awareness on the matters brought to their attention.

It is specified that, in each meeting of the Board, the Delegated Bodies adequately and promptly reported to the Board of Directors on the activity performed, on the general course of the administration and on its predictable evolution, as well as on the operations that are most significant for their dimensions and characteristics, carried out by the Company and by its

subsidiaries, as prescribed in accordance with the law and the Bylaws and therefore at least every quarter.

4.5. OTHER EXECUTIVE DIRECTORS

Besides the Chairman and the Managing Director there are no other Executive Directors.

4.6. INDEPENDENT DIRECTORS

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

The Board of Directors evaluates the independence of its Non-Executive members in accordance with both art.148, paragraph 3, points b) and c) of the TUF, referred to by art.147-ter, paragraph 4 of the TUF, and by applying all criteria in accordance with art. 3 of the Self-Regulatory Code of Conduct at the time of appointment, as well as periodically during the term in office, and the result of that evaluation is made public through the annual report on corporate governance. The criteria and the monitoring procedures adopted by the Board of Directors for evaluating the requirements of independence are verified by the Board of Statutory Auditors in accordance with the Self-Regulatory Code of Conduct.

Possession of the requirements for independence as per art.3 of the Self-Regulatory Code of Conduct and art.148, paragraph 3, points b) and c) of the TUF, of the current Independent Directors has been verified by the Board of Directors, besides the first useful occasion after their appointment, during the meeting held on 23 March 2011. On the same date, the Board of Statutory Auditors acknowledged that the criteria and the monitoring procedures adopted by the Board of Directors for evaluating the requirements of independence had been correctly applied.

It is pointed out that, in order to rule out potential risks of limiting the management independence of the strategic subsidiary Piaggio & C. S.p.A., the majority of the members of the Board of Directors of Piaggio & C S.p.A. has no administrative and/or managerial duties in the Parent Company Immsi S.p.A.

During 2010, the independent Directors held no meeting.

4.7. LEAD INDEPENDENT DIRECTOR

The Chairman of the Board of Directors is the person mainly responsible for the Issuer's management (Chief Executive Officer). Therefore, on 13 November 2008, the Board of Directors appointed Mauro Gambaro, the Independent Non-Executive Director, Lead Independent Director, so that he may be a point of reference and coordination of the decisions of the Non-Executive Directors and, in particular, of the Independent Directors. The Lead Independent Director Marco Reboa having suitable skills in accounting and finance, is also a member of the Internal Control Committee of the Issuer.

5. TREATMENT OF COMPANY INFORMATION

Concerning the issues regarding the treatment of Privileged Information, the Board of Directors of the Issuer has adopted initiatives and/or procedures concisely described below, in order to monitor access to and circulation of the Privileged Information before its transmission to the public, to assure observance of the obligations of confidentiality required by the provisions of the law and Regulations, as well as in order to regulate the internal administration and communication to the outside of the aforesaid information.

The aforesaid procedures are also available on the Issuer's institutional website, in the Section of Investor Relations – Corporate Governance.

Procedure for Communicating Privileged Information to the General Public

On 30 November 2010, the Board of Directors updated the “Procedure for communication to the public of Privileged Information” in order to regulate the internal management and communication to the outside of the price sensitive information.

In accordance with the procedure, the Chairman of the Board of Directors, the Managing Director and the Investor Relations function of Immsi assure correct management of the disclosure to the market of the Privileged Information, watching over observance of this Procedure itself.

The Investor Relations function and the Press Office Manager, informed by the top Management of the Group or anyhow aware of important facts regarding the Company or its subsidiaries, confer with the Administrative Manager and with the Legal and Corporate Function to verify the legal obligations and particularly if the information has to be considered privileged.

In the case in which the information is judged privileged or the current regulation requires its communication to the outside, the Press Office Manager prepares a press release and, with the aid of the Legal and Corporate, it assures that this contains the requisites required by the current legislation on the subject.

The text of the press release must be submitted to the Chairman and to the Managing Director and, if needed, to the Board of Directors, for final approval before being disclosed outside, subject to declaration, in case the text regards the accounting information, of the Manager in charge of preparing the company accounts and documents, in accordance with art. 154-bis of TUF (“*Testo Unico della Finanza*” – Italian Finance Consolidation Act).

The announcement is disseminated in accordance with the procedure laid down for Regulated Information dissemination. The Issuer moreover adds the announcement, within the opening of the market of the day following that of disclosure on its website, at the section “Investor Relations” – Communications – Press Releases, assuring a minimum permanence of said information of at least five years.

In order to assure management of Privileged Information inside the Group, this procedure will be notified to the Managing Directors of the main subsidiaries, intending by this Immsi's subsidiaries that come within its perimeter of consolidation.

The management of Privileged Information related to the subsidiaries is assigned to their Managing Directors which will have to promptly send the Administrative Manager and/or the Investor Relations function of Immsi all information that, on the basis of their evaluation, can be Privileged Information in accordance with this Procedure.

The Administrative Manager and/or Investor Relations function that have received the communication of the Privileged Information from the Managing Directors of the subsidiaries confer with the Legal and Corporate Function to verify the Legal obligations and particularly if the information has to be considered privileged.

In the case in which the information is judged privileged or the current regulation requires its communication to the outside, the Press Office Manager prepares a press release and, with the aid of the Legal and Company Function, it assures that this contains the requisites required by the current legislation on the subject.

The text of the press release must be submitted to the Chairman and to the Managing Director and, if needed, to the Board of Directors, for final approval before being disclosed outside.

Register of persons with access to Privileged Information

With particular reference to the requirement for listed issuers, for parties in controlling relations with them and for persons acting in their name or on their behalf, to establish and manage a Register of persons with access to insider information in accordance with art.115-bis of the TUF, in a meeting on 24 March 2006, the Board of Directors of the Company resolved to (i) adopt the “Procedure for the management of the Register of persons with access to Privileged Information”; (ii) approve such Register; (iii) mandate the Legal and Corporate Department of Immsi, in accordance with art.152-bis of the Issuers’ Regulation, to keep, manage and update the Register of persons with access to insider information even for companies in relationships of control with Immsi S.p.A.

In particular, the Register kept by Immsi, in force since 1 April 2006, must indicate the persons it knows by first-hand experience with access to insider information, leaving each parent company/subsidiary the task of establishing a specific procedure and of appointing a Manager responsible for forwarding to Immsi the list of persons with access to Privileged Information regarding Immsi and, from the date of listing, Piaggio & C. S.p.A.

On 5 November 2007, the strategic subsidiary Piaggio & C. S.p.A. decided to establish, hold and independently manage a Register of the persons who have access to Privileged Information relating to the Piaggio group, implementing an independent Procedure.

Internal Dealing

As regards management of the disclosure requirements arising from the new regulation on Internal Dealing, in accordance with art.114, paragraph 7 of the TUF and articles 152-sexies, 152-septies and 152-octies of the Issuers’ Regulation, in force for listed companies as of 1 April 2006, the Board of Directors of the Company, on 24 March 2006, resolved to adopt the “Procedure for complying with the obligations regarding Internal Dealing”.

Releases regarding significant transactions pertaining to the Internal Dealing regulations carried out in 2010 have been disclosed to the market in compliance with said procedure and are available on the Issuer’s institutional website at the section Investor Relations – Communications – Press Releases – Internal Dealing.

6. COMMITTEES INSIDE THE BOARD (ex art. 123-bis, p. 2, let. d), TUF)

Within the Board, the Remuneration Committee and the Internal Audit Committee were established. It is pointed out that the Issuer has formed neither a committee that performs the functions of two or more committees provided for by the Code nor other committees to the ones provided for by the Code, except for what illustrated in this Report.

7. NOMINATION COMMITTEE

Considering the size and organizational structure of the Issuer, the Board has not recognized – at the present time - the necessity to set up a Committee for the appointment of Directors. In particular, the presence of a control Shareholder guarantees the presentation of the candidates to the office of Director. It is customary for the candidates to the office of Executive Director to be subjects who have acquired experience in the sectors in which the Issuer operates that is direct knowledge thereof.

8. REMUNERATION COMMITTEE

The Board of Directors of the Company, in compliance with the provisions of the Self-Regulatory Code of Conduct, has established an internal Remuneration Committee comprising Non-Executive Directors, mostly Independent Directors.

Composition and operation of the Remuneration Committee (ex art. 123-bis, paragraph 2, letter d), TUF)

On 29 April 2009, the Board of Directors appointed the Directors Carlo d'Urso, as Chairman, along with Mauro Gambaro and Giorgio Cirila as Independent Directors.

During the year 2010, the Remuneration Committee held 2 meetings, at which all of its members took part. It is specified that no subjects other than the members of the Committee, except for the secretary taking the minutes, took part in the meeting.

For the year 2011 there is expected to be at least 2 meetings of the Remuneration Committee, the first of which was held on 23 March 2011.

Please refer to Table 2, given in the appendix.

Functions of the Remuneration Committee

The Issuer's Remuneration Committee has the following tasks:

(i) formulate, in the absence of the parties directly involved, proposals to the Board regarding the remuneration of the Managing Director and the other Directors with specific duties, monitoring the application of such decisions;

(ii) formulate general recommendations to the Board regarding the remuneration of senior managers with strategic responsibilities within the Immsi Group, taking account of the information and indications provided by the Managing Director, while periodically evaluating the criteria adopted for the remuneration of Senior Management.

On 27 April 2010, the Committee met and suggested to the Board the remunerations to pay, as long as it is not otherwise resolved by the Board of Directors, to the Chairman Roberto Colaninno and to the Managing Director Luciano La Noce for the particular positions they hold, whereas, on 27 August 2010, the remunerations to pay, as long as it is not otherwise resolved by the Board of Directors, to the new Managing Director Michele Colaninno, for the particular positions held.

In particular, in defining the aforesaid remunerations the Committee has taken due consideration of: the coherence with that acknowledged during the preceding mandate, the congruity with the commitments made and the responsibilities of the positions held, the professional qualifications

possessed by the relevant parties as well as the dimensions of the Company and the related prospects for growth.

The emoluments approved in accordance with art.2389, paragraph 3 of the Italian civil code, related to the Chairman are entirely composed of a fixed amount and therefore they have not been bound to the business results or to the attainment of specific objectives, while those related to the Managing Director comprise a fixed portion and a portion that varies at the discretion of the Board of Directors, depending on management results.

The records, that certify the contents of the meetings and the decisions taken by the aforesaid body, are signed by the Chairman and by the secretary and they are kept at the Company's headquarters in the specific meetings register.

For carrying out of its duties, the members of the Remuneration Committee have the right to access the necessary information and business functions, as well as to use external advisors in the terms set down by the Board.

The Committee has not been given any specific financial resources as, in order to carry out its duties, it uses the Issuer's facilities and structures.

It is to be noted that the Committee is appraising – not least in the light of the recent regulatory measures and the new text of Article 7 of the Code, as amended on 24 March 2010, on the remuneration of Directors and Managers holding strategic responsibilities, which issuers are called upon to apply by the end of the year commencing in 2011 – the concrete adoption and implementation of the CONSOB and Borsa Italiana recommendations.

9. REMUNERATION OF THE DIRECTORS

The emoluments due to the Directors, executive and non-executive, are set at the Ordinary Shareholders' Meeting of 29 April 2009, which assigned them an annual indemnity of Euro 40,000, without any obligations in relation to the economic results achieved by the Issuer, that will remain unchanged unless otherwise authorised by another Shareholders' Meeting.

The emoluments of the Chairman and the Managing Director have instead been deliberated by the Board of Directors, respectively on 27 April 2010 and 27 August 2010, at the proposal of the Remuneration Committee, after consulting the Board of Statutory Auditors.

The emolument of the General Manager has been deliberated by the Board of Directors of 29 April 2009, at the proposal of the Remuneration Committee, after consulting the Board of Statutory Auditors.

The Issuer has a remuneration policy for the Managing Director which envisages incentives connected with company profitability, while the remuneration of the Chairman and Directors with strategic responsibilities is not tied to the economic results achieved by the Issuer and/or achieving targets previously set by the Managing Directors.

There are no stock incentive plans for the Executive Directors, the Non-Executive Directors and the executives with strategic responsibilities.

In relation to the disclosure requirements established in art.78 of the Issuers' Regulation regarding emoluments of any kind and for any reason paid to Members of Management to General Managers and to Senior Managers with strategic responsibilities, even by subsidiaries, the above information is provided in the following manner..

Emoluments for the office = indicated are (i) the emoluments for the period approved by the Shareholders' Meeting or in accordance with art.2389, of the Italian civil code, even if not paid and (ii) any profit sharing, (iii) any attendance fees, (iv) lump sum expense refunds.

Non-monetary benefits = fringe benefits are indicated (using a criterion of taxable income) including any insurance policies.

Bonuses and other incentives = included are the portions of lump sum payments except for the amounts of stock options granted or exercised.

Other payments = indicated are (i) emoluments for offices held in listed and unlisted subsidiaries, (ii) employee payments (gross of social security and tax charges payable by the employee, excluding mandatory collective social security charges payable by the company and the employee leaving indemnity provision), (iii) termination payments, (iv) any other payments arising from other services provided.

It is specified that the Issuer has no further Directors with strategic responsibility in relation to the General Manager, whose remuneration is given in the following table.

The table includes all the subjects that during the period have, even for a fraction of the period, held the position of member of the Body of Administration or General Manager.

FULL NAME	OFFICE HELD	PERIOD OF OFFICE	OFFICE TERMINATION	EMOLUMENTS FOR THE OFFICE	NON MONETARY BENEFIT	BONUSES AND OTHER INCENTIVES	OTHER PAYMENTS	TOTAL
BOARD OF DIRECTORS								
Roberto Colaninno	Chairman BoD	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Director	40,000		Director of Piaggio	40,000
				Chairman	850,000		Chairman and MD of Piaggio	1,250,000
				TOTAL	890,000		TOTAL	1,290,000
Carlo d'Urso	Deputy Chairman BoD	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Director	40,000			
				TOTAL	40,000			(1)
Luciano La Noce	Managing Director	01/01/10 03/08/10	03/08/2010	Director	23,562		Director of Piaggio	23,590
				Fix	600,000		Director of Is Molas	11,781
				Variable	400,000		Chairman of Is Molas	40,000
				TOTAL	1,023,562		Director of Apuliae	4,083
							TOTAL	79,454
Michele Colaninno	Director	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Director	40,000	783	Director of Piaggio	40,000 ⁽²⁾
				TOTAL	40,000		Director of Is Molas	20,000 ⁽²⁾
	General Manager	01/01/10 31/12/10	Up to revocation	GM	250,000			
				Refund for lump-sum expenses	2,800			
				TOTAL	252,800			
	Managing Director	27/08/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Fix	69,589			
Variable				69,589				
			TOTAL	139,178				
Matteo Colaninno	Director	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Director	40,000		Director of Piaggio	40,000
				TOTAL	40,000		Deputy Chairman of Piaggio	60,000
							TOTAL	100,000

Mauro Gambaro	Director	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Director	40,000				45,000
				Member of IAC Immsi	5,000				
				TOTAL	45,000				
Giorgio Ciria	Director	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Director	40,000				45,000
				Member of IAC Immsi	5,000				
				TOTAL	45,000				
Giavanni Sala	Director	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Director	40,000				50,000
				Chairman of IAC Immsi	10,000				
				TOTAL	50,000				
Enrico Maria Fagioli Marzocchi	Director	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Director	40,000				40,000
				TOTAL	40,000				
Ruggero Magnoni	Director	27/08/10 31/12/10	Next Shareholders' Meeting	Director	13,918				13,918
				TOTAL	13,918				

1: For further remunerations reference is made to the tables concerning the related party dealings

2: Emoluments for the office of Director of the Group subsidiaries and paid to Immsi S.p.A.

Directors' indemnity in case of resignations, dismissal or cessation of the relationship following a public purchase offer (ex art. 123-bis, p. 1, let. i), TUF)

No agreements have been stipulated between the Issuer and the Directors that require indemnity in case of resignation or dismissal/revocation without a just cause or if the working relationship ceases following a public purchase offer.

Furthermore, the Issuer has entered into no agreements providing for the granting or upholding of non-monetary benefits to parties who have relinquished their posts ("post-retirement perks"), meaning consultancy contracts concluded for a period following the termination of employment or agreements envisaging payments for non-competition undertakings.

10. INTERNAL AUDIT COMMITTEE

The Board of Directors of the Company, in compliance with the provisions of the Self-Regulatory Code of Conduct, has established an Internal Audit Committee comprising Non-Executive Directors, mainly Independent Directors.

Composition and operation of the Internal Audit Committee (ex art. 123-bis, p. 2, let. d), TUF) On 29 April 2009, the Board of Directors appointed the Directors Giovanni Sala, who has suitable skills in accounting and finance, with the function of Chairman, along with Mauro Gambaro (also appointed Lead Independent Director) and Giorgio Ciria as members of the Internal Audit Committee.

During 2010, the Internal Audit Committee held 4 meetings, with an average duration of one hour, attended by all of the members.

The Manager of the Internal Audit function, being the person in charge of the Internal Audit, draws up the minutes of each meeting held by the Committee in order to officially certify the progress, contents and decisions of the session to which it refers.

The meetings of the Internal Audit Committee were also attended, as per the regulations governing its operation, by the person in charge of the Internal Audit, the Chairman of the Board of Auditors, the Managing Director, appointed to implement the directives of the Board of Directors on the subject of the internal audit system, and at least one representative of the Auditing Firm. In addition, at the invitation of the Committee, the Issuer's employees also took part, in relation to the various subjects on the agenda, with particular reference to the Manager in charge of preparing the company accounts and documents.

In particular, the Internal Audit Committee has operated over the year in question in liaison with the Board of Auditors and with a continuous flow of information on the issues that were previously the responsibility of the Internal Audit Committee. Indeed, Ital.Legisl.Decree 39/2010 – "Implementation of Directive 2006/43/EC on the statutory audits of annual accounts and consolidated accounts, which amends Directives 78/660/EEC and 83/349/EEC and repeals Directive 84/253/EEC" – identifies the Board of Auditors as the internal control and audit committee (the "internal control and audit committee") with the duty of monitoring: i) the financial reporting system; ii) the effectiveness of the internal control systems; iii) the statutory audit of the annual and consolidated accounts and, iv) the independence of the statutory auditor or auditing firm, and in particular the provision of additional services to the audited entity.

In view of the foregoing, and with particular reference to the duty of monitoring the financial reporting system, the internal audit system implemented by the Issuer already regulates the handling of privileged information and market abuse in this respect, and the process of drafting and authorising the report on the accounts and its certification for external purposes as well.

For the year 2011 it is expected for the Internal Audit Committee to meet at least 4 times, the first of which was held on 21 March 2011.

Please refer to Table 2, given in the appendix.

Functions ascribed to the Internal Audit Committee

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

- (i) assist the Board of Directors in carrying out internal audit activities, in particular in defining the guidelines of the system and the periodical monitoring of the adequacy, effectiveness and actual functioning of the system;
- (ii) examine the work plan prepared by the Person in charge of internal audit and the half-yearly reports transmitted by him;
- (iii) evaluate, together with the Manager in charge of preparing the company accounts and documents and the auditors, the adequacy of the accounting standards used and their consistency for the purpose of preparing the consolidated financial statements;
- (iv) evaluate the proposals formulated by the auditors regarding the mandate, the work plan prepared for the audit and the results illustrated in the report and in the letter of suggestions;
- (v) report to the Board, at least every six months, at the time of approving the financial statements for the period and the half-year report, regarding activities carried out and the adequacy of the internal audit system;
- (vi) carry out any further duties that the Board deems appropriate to assign to the Committee, in particular regarding relations with the auditors and the consultative functions concerning dealings with related parties envisaged by the specific procedure approved by the Board.

In particular, during the year 2010, the Internal Audit Committee:

- examined and shared the proposal, drawn up by the Director assigned to drafting the accounting and company documents, in relation to the definition of the scoping of the Group for 2010 and to the criteria of selection of the operational subsidiaries to be subjected to the checks, in compliance with the provisions contained in Italian Law 262/05;
- check, in accordance with Italian Law 262/05, the results of the test carried out by the Assigned Directors of the Immsi Group and by the Internal Audit, on the subsidiaries, relatively to the periodical accounts situations of the year 2010;
- examine the report drafted by the Manager in charge of preparing the company accounts and documents in accordance with art. 123-b of the TUF, on the financial statements al 31 December 2010;
- examine and share the proposal of internal auditing activity, presented by the Person in charge of Internal Audit for the year 2011, as updating of the "Three-Year Audit Plan 2009-2011";
- progressively verify the activity performed by the Internal Audit Function in the year 2010, with reference to the activities of risk analysis, financial, operational and compliance auditing, monitoring related to the implementation of the improvement/corrective plans, arranged downstream of the aforesaid activities of internal auditing and the checks carried out, for the purposes of the assurance of regulatory compliance, with special reference to the provisions pursuant to Italian Law No. 262/05 and Legislative Decree D.Lgs. 231/01;
- evaluate the activity of accounting auditing, by Deloitte & Touche S.p.A., of the financial statements for the year of Immsi S.p.A. and its subsidiaries, and the accounting standards implemented in drafting the related half-year financial report and the consolidated financial statements at 31 December 2010;
- analyze and share the document named "Person in charge of the Internal Audit for the year 2010".

Furthermore, during 2010, the Internal Audit Committee was informed regarding:

- proposal of updating of the Model of Organization, Management and Control pursuant to Italian Legislative Decree D.Lgs. 231/01, taking into account both the evaluation expressed by the *Management* on the inherency of the new crime risks introduced by the regulation of Italian Legislative Decree D.Lgs. 231/01, and the confirmation or updating of the same evaluations for the crimes previously introduced;
- report of the Supervisory Board pursuant to Italian Legislative Decree D.Lgs. 231/01 to the Board of Directors.

For the purposes of carrying out its duties, the Committee:

- is permanently supported by the Internal Audit function;
- has the right to access the necessary information and business functions for carrying out its duties;
- can use outside professionals, in the limits of the budget established by the Board of Directors, provided they are adequately bound to the necessary confidentiality.

The Board of Directors, meeting on 29 April 2009, set the annual expense budget for the Internal Audit Committee at euro 30,000.

11. INTERNAL AUDIT SYSTEM

The Board of Directors (i) defines the guidelines of the internal audit system, that is, the set of processes aimed at monitoring the efficiency of corporate operations, the reliability of financial information, compliance with Regulations and the Law, the safeguarding of corporate assets; (ii) prevents and manages corporate risks regarding the Company and the Group by defining suitable control guidelines that ensure that such risks are correctly identified and adequately measured, monitored, managed and evaluated, even as regards safeguarding corporate assets and the safe and proper management of the company; (iii) periodically (at least annually) verifies the adequacy, efficiency and effectiveness of the internal audit system.

In carrying out such functions, the Board is assisted by an Executive Director appointed to supervise the functioning of the internal audit system ("the Director Appointed") and by an Internal Audit Committee; it also takes account of the organisational and management Models adopted by the Issuer and by the Group headed by the Issuer in accordance with Ital.Legisl.Decree 231/01.

On 24 March 2009, the Board of Directors of the Company, to a proposal by the Director Appointed and having obtained the opinion of the Internal Audit Committee, appointed Maurizio Strozzi, of Immsi Audit S.c. a r.l., as the Person in charge of Internal Audit, delegating the Chairman and/or the Managing Director to formalize the terms, methods and conditions. The Board, moreover, has taken care that he was given adequate powers and means to carry out his functions, also under the profile of the operational structure and the internal organizational procedures, for access to the necessary information to the carrying out his appointment.

During the year the Internal Audit Committee has regularly reported to the Board on its work, on the result of the checks made and on the operation of the auditing system highlighting how it has substantially turned out congruous with the dimensions and the organizational and operational structure of the Issuer.

The Board of Directors of the Issuer, during the meeting on 23 March 2011, also taking account of the directions provided by the Internal Audit Committee, was able to express a positive evaluation on the adequacy, effectiveness and actual operation of the internal audit system of the Issuer.

In addition, it is stressed that, on 12 December 2008, a consortium company was established called Immsi Audit Società Consortile di Internal Auditing del Gruppo Immsi a R.L. ("Immsi Audit"), in order to start a project for the centralization and transfer of all the activities of internal auditing of the companies in the Immsi Group, under a single company.

Immsi Audit provides its services solely for the pooled companies (Immsi S.p.A., Rodriquez Cantieri Navali S.p.A., Is Molas S.p.A. and Piaggio & C. S.p.A.) and, in their interest, it performs all the activities connected with and functional for the internal auditing, with the objective of improving the effectiveness and the efficiency of the Internal Audit system and appraising its functionality.

This choice allows the Group to acquire the necessary knowledge and skills on the subject of Risk Assessment and Internal Audit, realizing, in the meantime, economies of scale and synergies in the application of uniform audit methods.

For a description of the main characteristics of the system of risk management and auditing in relation to the process of financial information, in accordance with art. 123-b, paragraph 2, letter b), TUF, please refer to Attachment 1 given in the appendix.

11.1. EXECUTIVE DIRECTOR APPOINTED TO THE INTERNAL AUDIT SYSTEM

On 27 August 2010, the Board of Directors of the Company, in conformity with the provisions of the Self-Regulatory Code of Conduct, with the assistance of the Internal Audit Committee, appointed,

in replacement of Luciano La Noce, the Managing Director Michele Colaninno, as Director Appointed to supervise the operation of the internal audit system, ascribing to him the following functions.

The Director Appointed, identified as above, is mandated to supervise the functioning of the internal audit system within the guidelines established by the Board of Directors.

In particular, during the year 2010, the Director appointed has:

- (i) identified corporate risks (strategic, operating, financial and of compliance) in relation to the characteristics of the Company's activities and the sectors in which it operates, even through Group companies;
- (ii) refined and managed the internal audit system;
- (iii) monitored the effectiveness, adequacy and actual functioning of the internal audit system;
- (iv) adapted the internal audit system to any problems emerging from this monitoring process, to the evolution of the company's operating and organisational structure, to the trends of corporate activity, as well to new laws and regulations that may be relevant to the Group.

In carrying out these duties, the Director Appointed is assisted by the Person in charge of Internal Audit and reports to the Board of Directors regarding his activities and the existence of any specific problems.

11.2. PERSON IN CHARGE OF INTERNAL AUDIT

On 24 March 2009, the Board of Directors of the Company, in response to a proposal by the Director Appointed and having obtained the opinion of the Internal Audit Committee, appointed Maurizio Strozzi, Immsi Audit S.c. a r.l., as the Person in charge of internal audit, delegating the Chairman and/or the Managing Director to formalize the terms, methods and conditions. The Board, moreover, has taken care that he was given adequate powers and means to carry out his functions, also under the profile of the operational structure and the internal organizational procedures, for access to the necessary information to the carrying out his appointment.

On this same date, the Board of Directors gave this subject outside the Issuer, equipped with suitable requisites of professionalism and independence, the role of Internal Audit function Manager.

It is to be noted that on 27 August 2010, the newly designated Executive Director appointed to supervise the functioning of the internal audit system, Michele Colaninno, has confirmed the appointment of the Person in charge of Internal Audit.

This organisational solution: (i) avoids the duplication of structures, centring the activity of verification in one body; (ii) maximises the independence of the Person in charge of Internal Audit from corporate structures; (iii) permits the constant monitoring by a specifically mandated figure of the effectiveness, adequacy and actual functioning of the internal audit system of the Company and the Group.

The Person in charge of Internal Audit is invested with the following functions:

- (i) verify the effectiveness, adequacy and actual functioning of the internal audit system;
- (ii) assist the Director Appointed in carrying out his duties;
- (iii) report to the Director Appointed on activities carried out, as well as to the Internal Audit Committee and to the Board of Statutory Auditors with half-yearly reports;
- (iv) inform the Director Appointed, the Board of Directors and the Internal Audit Committee, while carrying out the above management checks, relevant risk profiles emerged for the Company or at least elements, even if only potential, that can seriously affect it;

- (v) take part, where invited, in the meetings of the Board of Directors and all those of the Internal Audit Committee, drawing up the related minutes;
- (vi) carry out any further duties that the Board deemed to be appropriate to assign to the Person in charge of Internal Audit, with particular reference to internal auditing.

In particular, during the year 2010, the person in charge of Internal Audit:

- had direct access to all useful information to carry out his/her appointment;
- reported his/her action to the Committee for Internal Audit, to the Board of Auditors and to the Executive Director in charged of supervise the functionality of the internal audit system.

During the year, the person in charge of internal audit, with the aid of the Internal Audit structure, performed the activities of checking the internal audit system, in conformity with the Internal Audit Plan for the three-year period 2009-2011 and approved by the Board of Directors on 24 March 2009, and subsequently detailed, for the purposes of the year, by the Board of Directors' meeting held on 19 March 2010, developing the risk analysis activities, the financial, operational and compliance auditing activities, the monitoring of the adoption of the improvement/corrective plans agreed downstream of said internal auditing activities and the inspections performed for the purposes of ensuring compliance with the regulations (with special reference to the requirements set out in ex Lax 262/05 and Italian Legislative Decree ex D.Lgs. 231/01). In particular, internal auditing in 2010 covered group purchases and frame agreements; checks on relations with related parties; checks on the financial and treasury processes; follow-up and monitoring of the audits previously completed; the updating of the 2010 risk profile; random checks on the reports on the sensitive processes for the purposes of Italian Legislative Decree D.Lgs.231/01 identified in the annual work schedule drawn up by the Committee itself and the administrative and accounting checks established by the Manager in charge of preparing the company accounts and documents to ascertain the compliance with the requirements set out in Law 262/05 (now in the TUF).

The results of the auditing activity, performed in the light of the Audit Plans, have always been analyzed, discussed and shared among the Internal Audit Function, the various Managers of the processes/functions and the Management of the Company, in order to arrange and implement the preventive/corrective provisions, whose accomplishment is continually monitored up to their complete execution.

The person in charge of internal audit has not been given any specific financial resources as, in order to carry out its duties, he makes use of facilities and structures of the Issuer and of Immsi Audit consortium.

11.3. ORGANISATION MODEL ex Ital.Legisl.Decree 231/2001

As of 13 September 2004, the Issuer adopted the Model of organisation, management and control (the "Model") for the prevention of crimes in accordance with Ital.Legisl.Decree 231/01 and further integrations. This procedure was also followed by the subsidiary companies with strategic importance, which in their turn passed a resolution to use the respective Models ex Ital.Legisl.Decree 231/01.

In particular, on 23 March 2011, the Board of Directors, after validation by the Supervisory Body, decided to update the Model with the new types of crime emanated up to said date.

The model currently in force is divided into a general section, chiefly comprising the Code of Ethics (available for consultation also on the Issuer's institutional website, under the Section of Investor Relations – Corporate Governance) and the Disciplinary system, and special individual sections covering the various categories of offence envisaged to date in the decree.

- “Special Section 1” applies to the specific category of crimes against Government Agencies and against Public Property envisaged in ex artt. 24 and 25 of the Decree, to the computer crimes and illicit data processing envisaged in ex art.24-*bis* of the Decree and to the copyright infringement offences envisaged in ex art. 25-*novies* of the Decree;
- “Special Section 2” refers to corporate crime, as envisaged in art.25-*ter* of the Decree;
- “Special Section 3” covers the market abuse-related crimes and offences envisaged in art.25-*sexies* of the decree;
- “Special Section 4” refers to crimes committed in breach of the accident prevention regulations on workplace health and safety, as envisaged in art.25-*septies* of the Decree and to crimes against the environment pursuant to Italian Legislative Decree D.lgs.152/06;
- “Special Section 5” applies to the categories of crimes committed in breach of the regulations against use of the financial system for laundering the proceeds of crime or for funding terrorism as envisaged in art.25-*octies* of the Decree.

It is to be noted that the model is being constantly updated to keep it in step with the updating of the corporate procedures, whose correct application is, at the indication and with the coordination of the Supervisory Body, constantly monitored through the planned activity of compliance, performed by Management and the Internal Audit function. This process of monitoring also includes the collaboration of the Process Owners, that is the persons in charge of the company processes considered “sensitive” for committing any malfeasances, which periodically report to the Supervisory Body.

The Board of Directors of 29 April 2009 appointed, as members of the Supervisory Board of the Issuer: Marco Reboa, as Chairman chosen among external professionals with the necessary requirements, Alessandro Lai, chosen in his capacity of Chairman of the Board of Statutory Auditors, and Maurizio Strozzi, chosen as Managing Director of Immsi Audit S.c. a r.l., chosen as Auditing Manager and Person in charge of the Issuer’s Internal Audit.

The duration of the appointment granted to the members of the Supervisory Body, whose members can always be re-elected, coincides with the duration in office of the Board of Directors that appointed them and, therefore, the Organism, as composed above, will remain in office till the date of the Shareholders’ Meeting, summoned for the approval of the financial statements related to the year closed on 31 December 2011.

The Supervisory Body operates at the highest corporate level and follows the principles of independence and impartiality, as well as on the basis of a Regulation approved by the Board of Directors to which, along with the Board of Statutory Auditors, it periodically reports regarding its activities, the notifications received and the sanctions handed out. In this connection it should be noted that there is an active e-mail address, which can only be read by the Supervisory Board, that allows each of the Issuer’s employees to be able to send any notices to the Organism. The Body is furthermore provided with the financial and logistical means to enable it to carry out its duties.

In 2010, the Supervisory Body of Immsi S.p.A. met five times and overall member attendance was 100%.

For the year 2011 it is expected for the Supervisory Body to meet at least 4 times, the first of which was held on 21 March 2011.

11.4. AUDITING FIRM

The Shareholders’ Meeting of Immsi S.p.A., of 12 May 2006, granted the appointment of accounts auditing for the years 2006 – 2011 to the auditing firm Deloitte & Touche S.p.A..

11.5. MANAGER IN CHARGE OF PREPARING THE COMPANY ACCOUNTS AND DOCUMENTS

The provisions of the Bylaws governing the powers of the Board of Directors of the Issuer have been integrated, regarding the appointment of the Manager in charge of preparing the company accounts and documents, during the Board of Directors' Extraordinary Meeting called on 18 June 2007, so as to adapt to the provisions introduced by Italian Law 262/2005 and by Decree 303/06.

In accordance with art.23 of the Bylaws, the Board of Directors, with the mandatory opinion of the Board of Auditors, appoints and revokes the Manager in charge of preparing the company accounts and documents. The Manager in charge of preparing the company accounts and documents must have not only the requisites of honour prescribed by the current regulations for those who perform functions of administration and management, but also requisites of professionalism, characterized by specific competence in administration and accountancy. This competence, to be ascertained by the Board of Directors, must be acquired through work experience in positions of suitable responsibility for a congruous time period. The aforesaid Manager is ascribed with the powers and functions established by Law and by the other applicable provisions, as well as the powers and functions established by the Board at the time of appointment or with a subsequent resolution.

On 18 June 2007, the Board of Directors, upon the opinion of the Board of Auditors, appointed Andrea Paroli, already in charge of the Administration and Financial Statements function of Immsi S.p.A., Manager in charge of preparing the company accounts and documents, giving him all the powers and means necessary for carrying out the duties assigned to him and specifically:

- a) free access to all information considered important for fulfilling his duties, both within Immsi and within the companies in the Group, with the power to inspect all the documentation related to drawing up the accounting documents of Immsi and the Group and with the power to request explanations and elucidations of all the subjects involved in the process of forming the accounting data of Immsi and the Group;
- b) attendance at the meetings of the Board of Directors;
- c) the right to dialogue with every Administrative and Auditing Body;
- d) the right to prepare and put forward for approval the company procedures, when they impact the balance sheet, the consolidated financial statements and the documents submitted for certification;
- e) participation in designing the information systems that impact the economic, asset and financial situation, with the possibility of using them for purposes of auditing;
- f) the right to organize a suitable structure within his own area of activity, internally employing the available resources and, where necessary, outsourcing;
- g) the right to employ the Internal Audit function for mapping the processes of competence and in the phase of execution of specific checks, with the possibility, if this Function is not internally present, of using resources through outsourcing.

Lastly, it is specified that the Manager in charge of preparing the company accounts and documents must report, at least half-yearly, to the Board of Directors, on the activity carried on and the expenses sustained.

For a description of the main characteristics of the system of risk management and auditing in relation to the process of financial information, in accordance with art. 123-b, paragraph 2, letter b), TUF, please refer to Attachment 1 given in the appendix.

12. AFFAIRS OF THE DIRECTORS AND RELATED PARTY DEALINGS

The Board, so as to concretely implement articles 9.C.1. and 9.C.2. of the Self-Regulatory Code of Conduct, has defined specific procedures to ensure Directors receive full and exhaustive information regarding Related Party Dealings. Furthermore, in accordance with art.150 of the TUF, the Directors report on a quarterly basis to the Board of Statutory Auditors regarding related party dealings closed in the quarter, as well as – at the end of each quarter – regarding the current state of transactions whose execution, in consideration of their characteristics, is deferred or periodical.

In particular, on 26 March 2007, the Board of Directors of the Company approved the “Regulation regarding Related Party dealings” aimed at governing the information and procedures of transactions closed by Immsi S.p.A. with Related Parties, in accordance with art.2391-bis of the Italian civil code and in compliance with the recommendations of art.9 of the Self-Regulatory Code of Conduct, ensuring to fix the quantitative and/or qualitative criteria that lead to the identification of transactions to be examined and approved by the Board itself.

It is pointed out that said Regulation, whose main contents are outlined in the Report on Corporate Governance and Corporate Ownership for 2009 and available on the Issuer’s institutional website at the Section Investor Relation – Corporate Governance, was in force until 31 December 2010.

On 30 November 2010, the Issuer adopted a new Procedure aimed at regulating the approval and management of Related Party dealings, pursuant to art. 4 of Consob Regulation No. 17221 dated 12 March 2010 (as subsequently amended), carried out by Immsi S.p.A., even through its subsidiaries.

This procedure, which has been in force since 1 January 2011, has been approved following a favourable assessment issued by the Procedures Approval Committee and distributed to the members of the Board.

The Procedure is available on the Issuer’s institutional website at the Section Investor Relation – Corporate Governance.

Committee for the approval of Related Party Dealings

At its meeting held on 30 November 2010, the Issuer’s Board appointed its own internal Committee for Related Party Dealings with jurisdiction over transactions of both minor and major significance. Said committee is made up solely of three independent directors who, in compliance with the regulatory provisions, must also be non-related directors with regard to each transaction. In particular, the members of the Committee for the approval of Related Party Dealings are: Giovanni Sala, as chair, Mauro Gambaro and Giorgio Cirila.

The duties set out in the procedure, which may be consulted as stated above, are assigned to said Committee.

13. APPOINTMENT OF AUDITORS

The norms applicable to the appointment and substitution of the Control Body conform to the provisions introduced on the subject by Italian Law 262/05 and Ital.Legisl.Decree 27/10.

The amendments required to bring the Bylaws into line with these latest regulations were approved by the Board of Directors at its meeting held on 30 November 2010.

In accordance with art.25 of the Bylaws, the Board of Statutory Auditors comprises three Standing Auditors and two Substitute Auditors, who remain in office for three years, the term expiring at the date of the Shareholder Meeting called to approve the financial statements relating to the last year of office and they may be re-elected.

The Auditors have the attributions and duties of the current provisions of the law and must have the requisites, also concerning the limit to the aggregation of offices, required by the current, also regulatory, legislation.

All the Auditors must be registered auditors and have carried on the activity of legal auditing of accounts for a period of no less than three years.

Auditors cannot be appointed and if elected they lose office when they are in situations of incompatibility as provided for by the Law. The Board of Auditors is appointed on the basis of lists presented by the Shareholders, in which the candidates are listed with a progressive number.

The list, that contains the names marked by a progressive number, indicates whether the single candidacy is presented for the position of standing Auditor or for the position of Substitute Auditor.

Each Shareholder, the Shareholders belonging to a significant shareholder agreement in accordance with art.122 of TUF, the controlling party, the subsidiary companies and those subject to a common control in accordance with art.93 of TUF, cannot present or contribute to the presentation, not even by mediation or a trust company, more than only one list neither can they vote different lists and every candidate can present himself/herself in only a single list under penalty of ineligibility. The support and votes expressed in breach of this prohibition will not be attributed to any list.

The lists presented by the Shareholders must be deposited at the Company's headquarters, at least fifteen days before the date set for the first convocation of the Shareholders Meeting, bar any other forms of publishing and methods of depositing required by the current *pro-tempore* regulations. In the case in which, at the expiration of the term for the presentation of the lists, only one list has been deposited, or only lists presented by Shareholders among whom there are significant relationships in accordance with the Law and current *pro-tempore* Regulations, lists can be presented within the terms in accordance with the Law and current *pro-tempore* Regulations; in this case the minimum threshold for the presentation of the lists is reduced by half.

The right to present lists is for Shareholders that, alone or together with other Shareholders, are altogether owners of shares representing at least 1% of the share capital with voting rights in the Ordinary General Meeting, or representing another percentage that may be established or called upon by provisions of the Law or Regulations. It is specified that, with deliberation no. 17633 of 26 January 2011, Consob has determined the required shareholding at 2.5% of the shareholders' equity for presenting the lists of candidates for the election of the Company's Control Body, with reference to the period closed at 31 December 2010.

Pursuant to art.144-*sexies*, para. 4-*ter*, of the CONSOB Regulation on Issuers, ownership of the overall shareholding is certified by sending a notice to the Issuer, even subsequently to the submission of the list, but in any case at least 21 days prior to the date set for the Shareholders' Meeting.

The lists must be equipped with:

- a) information on the identity of the Shareholders that presented the lists, stating the percentage of shares altogether held and certification issued by an accredited intermediary in accordance with the Law, which shows the ownership of said shareholdings;
- b) a declaration of Shareholders other than those that, even jointly, hold a controlling or relative majority shareholding, certifying there are no relationships of liaison, as required also by the current regulations, with the latter;
- c) exhaustive information on the personal characteristics of the candidates, as well as a declaration of the candidates themselves certifying, under their own responsibility, the non-existence of causes of ineligibility and incompatibility, the possession of the requisites required by the Law and their acceptance of the candidacy, as well as the list of offices of Administration and Auditing held, if any, with other companies.

Any list presented without observing the above prescriptions will be considered as not presented. Each Shareholder can vote only one list.

There will be elected: from the list that obtained the highest number of votes, in the progressive

order in which they are listed in the list, two standing members and one substitute; from the list that obtained the second highest number of votes and that, in accordance with the current regulations is not connected, not even indirectly, with those who presented or voted the list that obtained the highest number of votes, in the progressive order in which they are listed in the list, one standing member, who is to be the Chairman of the Board of Auditors and one substitute.

If lists receive the same number of votes, there will be another ballot by the whole Shareholders' Meeting to elect the candidates of the list that obtains the simple majority of the votes.

If only one or no list is presented, the standing and substitute Auditors elected will be all the candidates for this position indicated in the list or respectively those voted by the Shareholders' Meeting, provided that they achieve the relative majority of the votes cast in the Shareholders' Meeting.

If there are no longer the requisites of the Regulations and Bylaws, the Auditor loses office.

In case of substitution of an Auditor, the substitute belonging to the same list as the one terminated takes over. The Chairman of the Board of Auditors will still be the minority Auditor.

When the Shareholders' Meeting must appoint the standing and/or substitute Auditors, necessary for supplementing the Board of Auditors, it proceeds as follows: if it is necessary to substitute Auditors elected in the majority list, the appointment is made with a relative majority vote, without being bound to a list; if, instead, it is necessary to replace Auditors elected in the minority list, the Shareholders' Meeting replaces them with a relative majority vote, choosing them from the candidates indicated in the list to which the Auditor to be substituted belonged.

If the application of these procedures does not, for any reason, allow substitution of the Auditors designated by the minority, the Shareholders' Meeting will vote with a relative majority; however, in ascertaining the results of this last vote, the votes of the Shareholders will not be calculated that, according to the communications made in accordance with the current regulations, they hold, even indirectly or jointly with other Shareholders in a significant shareholder agreement in accordance with art.122 of TUF, the relative majority of the votes that can be cast in a Shareholders' Meeting, as well as of the controlling Shareholders, are controlled or are subject to a common control.

14. AUDITORS (ex art. 123-bis, p. 2, let. d), TUF)

At the time of this Report, the Board of Statutory Auditors of the Issuer, in office at the date of this Report has been appointed by the Shareholder's General Meeting held on April 29th 2009, on the basis of the single list of candidates presented by the majority Shareholder Omniainvest S.p.A., in conformity with the provisions of the Statute. The Supervisory Board formed in this manner, elected with a percentage of votes in relation to the voting capital equal to 99,98%, shall remain in office until the date of the Shareholders' Meeting called for approval of the financial statements for the year ending 31 December 2011.

It is to be noted that statutory Auditor Giovannimaria Seccamani Mazzoli tendered his resignation on 8 November 2010. As a result, alternate Auditor Gianmarco Losi has been appointed to the post left vacant and will remain in office until the Issuer's next Shareholders' Meeting.

As established in art.10.C.1. of the Self-Regulatory Code of Conduct, the professional curricula of the Auditors have been filed at the registered office and are available on the Issuer's institutional website, Section Investor Relations – Communications – Other communications – Year 2009 and Year 2010.

During 2010, the Board of Auditors held 11 meetings with an average duration of 2 hours, with an average overall attendance of 100%.

For the year 2011 the Board of Auditors is expected to meet at least 10 times. At the date of this Report, 2 meetings have been held.

Please refer to Table 3, given in the appendix.

Each member of the Board of Auditors must likewise communicate acceptance of any positions of Director or Auditor in other companies, in order to allow fulfilment of the obligations of information, in accordance with the provisions of the Law and applicable regulations.

During the year ended 31 December 2010, the Board of Directors met 8 times with an average overall attendance of the Auditors of 96.43%. During such meetings, and anyhow at least each quarter, the Delegated Bodies adequately and promptly reported to the Board of Auditors on the activity performed, on the general course of the administration and on its predictable evolution, as well as on the operations that are most significant for their dimensions and characteristics, carried out by the Company and by its subsidiaries, as prescribed in accordance with the Law and By-laws.

The Board of Auditors checks the independence of its members, also according to the criteria required by the Self-Regulatory Code of Conduct with reference to the Directors, after appointment and subsequently, in the course of the duration of the office, with annual frequency. The outcome of this evaluation is made known to the market through the annual report on corporate governance. In particular, in the meeting of the board of 23 March 2011, the Board of Auditors communicated that it has verified the existence of the requirements of independence of its members, on the basis of the above criteria.

As it is considered to be a deontological duty to inform the other Auditors and the Chair of the Board of Directors whenever an Auditor has, on his own account or on that of third parties, an interest in a specific operation of the Issuer, no provision is made for any specific obligations on the matter.

The Board of Auditors watched over the independence of the auditing firm, verifying both observance of the regulatory provisions on the subject and the nature and extent of the services other than auditing, provided to the Issuer and its subsidiaries by the auditing firm and the bodies belonging to its network. The outcome of this evaluation is made known to the market through the report of the Board of Auditors to the Shareholders' Meeting.

In carrying out its own activity, the Board of Auditors is coordinated both with the Internal Audit function and with the Internal Audit Committee. In particular, it is noted that the person in charge of the Internal Audit has participated in some meetings of the Board of Auditors, while the Chairman of the Board of Auditors has participated in all the meetings of the Internal Audit Committee.

In particular, the Internal Audit Committee has operated over the year in question in liaison with the Board of Auditors and with a continuous flow of information on the issues that were previously the responsibility of the latter. Indeed, Legislative Decree 39/2010 – "Implementation of Directive 2006/43/EC on the statutory audits of annual accounts and consolidated accounts, which amends Directives 78/660/EEC and 83/349/EEC and repeals Directive 84/253/EEC" – identifies the Board of Auditors as the internal control and audit committee (the "internal control and audit committee") with the duty of monitoring: i) the financial reporting system; ii) the effectiveness of the internal control systems; iii) the statutory audit of the annual and consolidated accounts and, iv) the independence of the statutory auditor or audit firm, and in particular the provision of additional services to the audited entity.

In view of the foregoing, and with particular reference to the duty of monitoring the financial reporting system, the internal audit system implemented by the issuer already regulates the handling of privileged information and market abuse in this respect, and the process of drafting and authorising the report on the accounts and its certification for external purposes as well.

In relation to the disclosure requirements established in art.78 of the Issuers' Regulation regarding emoluments of any kind and for any reason paid to Members of Supervisory Board, even by subsidiaries, the above information is provided in the following manner.

Emoluments for the office = indicated are: (i) the emoluments for the period approved by the Shareholders' Meeting or in accordance with art.2389, of the Italian civil code, even if not paid and (ii) any profit sharing, (iii) any attendance fees, (iv) lump sum expense refunds.

Non-monetary benefits = fringe benefits are indicated (using a criterion of taxable income) including any insurance policies.

Bonuses and other incentives = included are the portions of lump sum payments except for the amounts of stock options granted or exercise.

Other payments = indicated are: (i) emoluments for offices held in listed and unlisted subsidiaries, (ii) employee payments (gross of social security and tax charges payable by the employee, excluding mandatory collective social security charges payable by the company and the employee leaving indemnity provision), (iii) termination payments, (iv) any other payments arising from other services provided.

It is specified that all the subjects are included that during the period have, even for a fraction of the period, held the position of member of the Control Body.

FULL NAME	OFFICE HELD	PERIOD OF OFFICE	OFFICE TERMINATION	EMOLUMENTS FOR THE OFFICE	NON MONETARY BENEFIT	BONUSES AND OTHER INCENTIVES	OTHER PAYMENTS	TOTAL	
BOARD OF DIRECTORS									
Alessandro Lai	Chairman of Board of Auditors	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Chairman	51,613		Standing Auditor of Piaggio	76,469	133,082
				Member of Supervisory Board Immsi	5,000				
				TOTAL	56,613		TOTAL	76,469	
Giovanmazzoli	Standing Auditor	01/01/10 08/11/10	08/11/2010	Standing Auditor	31,381			31,381	
				TOTAL	31,381				
Leonardo Losi	Standing Auditor	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Standing Auditor	36,463			36,463	
				TOTAL	36,463				
Gianmarco Losi	Alternate Auditor succeeded ⁽¹⁾	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Alternate auditor succeeded	5,148			5,148	
				TOTAL	5,148				
Mariapaola Losi	Substitute Auditor	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Substitute Auditor	0			0	
				TOTAL	0				

(1) Alternate Auditor who took up the post of statutory Auditor on 8 November 2010, further the resignation of Giovannimazzoli. Gianmarco Losi will hold the aforementioned post until the Issuer's next Shareholders' Meeting.

15. SHAREHOLDER RELATIONS

The Company believes suitable to its specific interest – besides representing a duty towards the market – establishing a continuous dialogue based on the reciprocal understanding of the functions, with the majority of the Shareholders, as well as the institutional investors; such a relation should be carried on within the observance of the “Procedure for communication to the public of Privileged Information”, described in the above Sect. 5.

In this respect, it is believed that these relations with the Shareholders and institutional investors may be facilitated by establishing dedicated corporate structures with adequate staff and organisational means.

For this purpose, during the meeting held on 15 October 2003, the Board of Directors of the Company resolved to establish an Investor Relations office to handle relations with the Shareholders and Institutional Investors and to carry out any specific duties regarding the handling of price-sensitive information, as well as relations with Consob and Borsa Italiana S.p.A.

At the time of this Report, the Manager of the Investor Relations office is Andrea Paroli (who is also Manager of the Function of Administration and Financial Statements of Immsi S.p.A.). Contact: andrea.paroli@immsi.it.

Information for the Investors is also ensured by making available the most significant corporate documents in a timely and continuous manner on the Issuer’s institutional website, Section Investor Relations.

In particular, the company website makes available in Italian and in English to Investors all press releases distributed to the market, the periodical accounting documentation of the Company approved by the Company Bodies, as well as the documentation distributed at meetings with professional investors, analysts and the financial community. Furthermore, the Issuer’s website contains the documents prepared for Shareholders’ Meetings, releases regarding Internal Dealing, the yearly Corporate Governance Report and any other document which needs to be published on the Issuer’s website in accordance with applicable regulations.

Again in order to facilitate prompt updating of the market, the Company has prepared an e-mail alert service that allows receiving the material published on the site in real time.

16. SHAREHOLDERS’ MEETINGS (ex art. 123-bis, p. 2, let. c), TUF)

Shareholders’ Meeting represents all shareholders and their resolutions, passed in compliance with law and the Bylaws, bind all shareholders, even if absent or dissenting.

The Ordinary Shareholders’ Meeting must be called at least once a year, within one hundred and twenty days from the end of the year, for the approval of the financial statements.

Both Ordinary and Extraordinary Shareholders’ Meetings are called by the Board of Directors, even outside the registered office, provided it is in Italy, by means of a notice published on the Internet web site of the Company and, if required by the applicable *pro tempore* legislation, in the “Gazzetta Ufficiale della Repubblica” (Italian Official Gazette) or, at the choice of the Board of Directors, in at least one of the following newspapers: “Il Sole 24 Ore” ovvero “MF” – “Milano Finanza”, as laid down by the law and being understood any other prescription foreseen by the current provisions and the Bylaws.

The Shareholders may ask questions on the items on the agenda even prior to the Shareholders’ meeting. Said questions will be answered during the meeting at the latest. The Company reserves the right to give a single answer to all the questions having the same content.

The Shareholders’ Meeting shall be chaired by the Chairman of the Board of Directors or by a

person acting on his/her behalf or by another person designated by Board of Directors; failing such, the shareholders' meeting shall appoint its own Chairman.

The Chairman of the Shareholders' Meeting shall be assisted by a Secretary, appointed by the same Shareholders' Meeting, and said person does not necessarily have to be a shareholder.

Both Ordinary and Extraordinary Shareholders' Meetings are called and vote in accordance with the law and each share gives entitlement to one vote.

Ordinary Shareholders' Meetings can: (a) approve the financial statements; (b) appoint and remove Directors, Auditors and the Chairman of the Board of Statutory Auditors and the subject to which the auditing of company accounts is assigned; (c) determine the emoluments of the Directors and the Statutory Auditors, if not established in the Bylaws; (d) decide on the responsibilities of the Directors and Statutory Auditors; (e) decide on other matters attributed by law to the shareholders, as well as on any authorisations required by the Bylaws for the carrying out of Director duties, notwithstanding in all cases their being responsible for their actions; (f) approve any rules governing meetings; (g) decide on any other matters within their powers, in accordance with the Law.

Extraordinary Shareholders' Meetings decide on changes to the Bylaws, the appointment, substitution and powers of liquidators and on any other matter expressly attributed to it by Law.

In accordance with art.23 of the Bylaws, the board competence is derogated to the Board of Directors for deciding upon all matters regarding:

- mergers and demergers in accordance with articles 2505 and 2505-*bis* of the Italian civil code, the latter being referred to by art.2506-*ter* of the Italian civil code;
- establishment or closure of secondary offices;
- which Directors represent the Company;
- reductions in share capital in the event of withdrawal of the shareholder;
- amending the Bylaws to comply with regulatory provisions;
- transfer of the registered office to another location in Italy.

Such decisions may also be taken by an Extraordinary Shareholders' Meeting.

As regards the rights of the Shareholders please refer to the applicable pro tempore Regulations and Laws; besides that which has already been stated in the above paragraphs in this Report.

Pursuant to art. 12 of the Bylaws, entitlement to take the floor at the shareholders' meeting and to exercise voting rights is certified by notification made to the Company by the intermediary qualified to keep the accounts as laid down by the law, based on his or her own accounting records as they stand at the close of business on the seventh day on which the market was open prior to the date set for the Shareholders' Meeting at first call, and received by the company as laid down by the law.

The credit and debit entries made in the accounts after said deadline are irrelevant for the purposes of entitlement to exercise voting rights at the Shareholders' Meeting.

Holders of voting rights may have themselves represented by written proxy as laid down by the law. Electronic notification of proxies may be made, in accordance with the procedures stated in the letter of convocation concerned, by e-mail addressed to the certified electronic mail box stated in said letter or using a section of the company's Internet site set aside for the purpose.

The Chairman of the Shareholders' Meeting has the duty to ascertain the regularity of the proxies and the right of those present to attend the Shareholders' Meeting, as well as to establish the rules for its performance including therein the timing of any speakers.

The Issuer takes action to aid and encourage the fullest participation of the Shareholders in the meetings and to use these meetings as a moment of dialogue and liaison between the Company and the Investors, guaranteeing, to all the participants legitimated to intervene, the right to be able to express their opinion in relation to the topics on the agenda.

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

The Board, through the Chairman and the Managing Director, reports to the Shareholders' Meeting on the activity it has performed and programmed, taking steps to assure the Shareholders, also on the basis of what is illustrated in the above Sect.15, the necessary information so that they can knowledgeably make their decisions.

The Board, at its meeting of 19 March 2010 The Board, at its meeting of 23 March 2011, in accordance with the application criterion 11.C.6 of the Code, has not found it necessary to suggest the Shareholders' Meeting make any changes to the Bylaws in relation to the percentages established for taking the prerogatives set to protect the minorities, since – in application of art. 144-*quater* of the Consob Regulation on Issuers for the presentation of the lists for appointing the members of the Board and of the Board of Auditors - arts. 17 and 25 of the Issuer's Statute require the percentages thresholds of respectively 2.5% and 1% of the capital with voting rights or any other percentage that may be established or referred to in the provisions of the Law or Regulations. In this connection it is noted that, with resolution no.17633 of 26 January 2011, Consob has determined the required shareholding at 2.5% of the share capital for taking part in the lists of candidates for the election of the Bodies of Administration and Control of the Issuer, with reference to the period closed at 31 December 2010.

17. FURTHER PRACTICES OF CORPORATE GOVERNANCE (ex art. 123-bis, p. 2, let. a), TUF)

The Issuer shall implement no further practices of corporate governance other than those required by the legislative norms and/or regulations described in this Report.

18. CHANGES SINCE THE CLOSE OF THE YEAR OF REFERENCE

As of the date of closing the year, no change has occurred to the corporate governance structure, than those notified within the specific sections.

TABLES

TABLE 1: INFORMATION ON CORPORATE OWNERSHIP

SHARE CAPITAL STRUCTURE				
	Number of shares	% compared to the s.c.	Listed (indicate the markets)/ not listed	rights and obligations
Ordinary shares	343,200,000	100%	MTA Standard Segment	Article 2346 and follow. of the Italian civil code
Shares with restricted voting right	-	-	-	-
Shares with no voting right	-	-	-	-

OTHER FINANCIAL INSTRUMENTS (assigning the right to subscribe newly issued shares)				
	Listed (indicate the markets)/ not listed	Number of instruments in circulation	Class of share to be assigned to conversion / exercise	Number of share to be assigned to conversion / exercise
Convertible bonds	-	-	-	-
Warrant	-	-	-	-

SIGNIFICANT EQUITY INVESTMENTS			
Declarant	Direct shareholder	% portion on ordinary capital	% on voting capital
Omniaholding S.p.A.	Omniaholding S.p.A.	6.212%	6.212%
	Omniainvest S.p.A.	43.797%	43.797%
	Total	50.009%	50.009%
Axa Investment Managers S.A. (in its capacity of manager, among other things, the AXA Investment Managers UK Ltd. fund, which, alone, holds a 3.892% stake)	Axa Investment Managers S.A.	5.002%	5.002%
	Total	5.002%	5.002%

TABLE 2: STRUCTURE OF BOARD OF DIRECTORS AND COMMITTEES

Board of Directors											Internal Audit Committee		Remuneration Committee	
Office	Member/Name	In office from	In office until	List (M/m) *	Exec.	Non exec.	Indep. from Code	Indep from Tuf	% **	Number of other offices	****	**	****	**
Chairman	Roberto Colaninno	29/04/09	31/12/11	M	X				100%	8				
Deputy Chairman	Carlo d'Urso	29/04/09	31/12/11	M		X			100%	6			X	100%
Managing Director	Michele Colaninno	29/04/09	31/12/11	M	X				100%	12				
Director	Matteo Colaninno	29/04/09	31/12/11	M		X			87,50%	4				
Director	Giorgio Cirila	29/04/09	31/12/11	M		X	X	X	100%	1	X	100%	X	100%
Director	Giovanni Sala	29/04/09	31/12/11	M		X	X	X	100%	7	X	100%		
Director	Enrico Maria Fagioli Marzocchi	29/04/09	31/12/11	M		X			75%	2				
LID	Mauro Gambaro	29/04/09	31/12/11	M		X	X	X	100%	2	X	100%	X	100%
Director	Ruggero Magnoni	27/08/10	Next Shareholders' Meeting	-		X			100%	2				
----- DIRECTORS NO LONGER IN OFFICE DURING THE YEAR OF REFERENCE -----														
Managing Director	Luciano La Noce	29/04/09	03/08/10	M	X				75%					
Indicate the <i>quorum</i> requested to submit the lists during last appointment: 4.5%														
Number of Meetings held during the year of reference:					BoD: 8			IAC: 4			RC: 2			

NOTES:

- * This column indicates the M/m depending on whether the member was elected from the list voted by the majority (M) or by a Minority (m).
- ** This column indicates the Directors' attendance, in percentage, to the BoD and Committee meetings respectively (number of attendance/number of meetings during the actual period of holding office of the person concerned).
- ***This column indicates the number of appointments as Director or Auditor held by the person concerned in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance companies or companies of significant dimensions. It is attached to the Report the list of such companies in which each Director holds office, indicating whether the company in which he holds the appointment forms part or not of the Group of which the Issuer is Parent Company or forms a part.
- **** This column indicates ("X") the member's belonging to the BoD.

TABLE 3: STRUCTURE OF THE STATUTORY AUDITORS

Board of Statutory Auditors							
Office	Member/Name	In office from	In office until	List (M/m)*	Independence from the Code	% **	Number of other offices ***
Chairman	Alessandro Lai	29/04/09	31/12/11	M	X	100%	9
Standing Auditor	Leonardo Losi	29/04/09	31/12/11	M	X	100%	14
Substitute Auditor succeeded****	Gianmarco Losi	29/04/09	31/12/11	M	X	100%	10
Substitute Auditor	Mariapaola Losi	29/04/09	31/12/11	M	X	-	5
----- DIRECTORS NO LONGER IN OFFICE DURING THE YEAR OF REFERENCE -----							
Standing Auditor	Gioannimaria Seccamani Mazzoli	29/04/09	8/11/10	M	X	100%	
Indicate the <i>quorum</i> requested to submit the lists during last appointment: 4.5%							
Number of Meetings held during the year of reference: 11							

NOTES:

* This column indicates the M/m depending on whether the member was elected from the list voted by the majority (M) or by a Minority (m).

** This column indicates the Auditors' attendance, in percentage, to the SA meetings (number of attendance/number of meetings during the actual period of holding office of the person concerned).

*** This column indicates the total number of audit appointments held in the companies as per Book V, Title V, Sect.V, VI and VII of the Italian civil code, as of 31 December 2010. For information on the directors' and auditors' appointments held by the members of the Board of Auditors, readers are also referred to the data published by the CONSOB, pursuant to art.144-*quinquiesdecies* of the CONSOB Issuers Regulations, in the "Organi sociali – Informativa al pubblico" [Company bodies – Information to the public] section of the Internet site www.sai.consob.it.

**** Alternate auditor who took up the post of statutory auditor on 8 November 2010, further to the resignation of Gioannimaria Seccamani Mazzoli. Gianmarco Losi will hold the aforementioned post until the Issuer's next Shareholders' Meeting.

ATTACHMENTS

Attachment 1: For a description of the “Main characteristics of the systems of risk management and auditing in relation to the process of financial disclosure,” in accordance with art. 123-bis, p. 2, let. b), TUF

Introduction

Immsi S.p.A. is an investment holding company that, in the course of the year 2010, performed activities of management and coordination, in accordance with art. 2497 and foll. of the Italian civil code, for the subsidiaries Piaggio & C. S.p.A., RCN Finanziaria S.p.A., Rodriguez Cantieri Navali S.p.A., Is Molas S.p.A., Apuliae S.p.A., Pietra S.r.l., ISM Investimenti S.p.A. and Aprilia Racing S.r.l.

Immsi S.p.A. defined specific guidelines for aligning its own Internal Audit System on the financial disclosure, requesting the Administration and Executive Officers (where designated)/Managing Directors of the subsidiaries for formal certification for the Managing Director and the Manager in charge of preparing the company accounts and documents, concerning the adequate and effective application of the administrative-accounting standards implemented for drafting the consolidation forms transmitted to the parent company.

Finalities and Objectives

The System of risk management and internal audit in relation to the financial disclosure of the Immsi Group has been developed using the “COSO Report”⁽¹⁾ as a model of reference, according to which the Internal Audit System, in its broadest meaning, is defined as “a process, carried on by the Board of Directors, the Executives and other subjects in the business structure, finalized at providing reasonable certainty on the attainment of the objectives in the following categories:

- effectiveness and efficiency of the operational activities;
- reliability of the information of the financial statements;
- conformity with the Law and Regulations in force”.

In relation to the process of financial disclosure, such objectives are identified in the reliability, accuracy, dependability and timeliness of the information.

The Group, in defining its system of internal audit in relation to the process of financial information, has kept to the existing guidelines to this regard in the regulations and rules of reference:

- Italian Legislative Decree of 24 February 1998, no. 58 (“Testo Unico della Finanza” – Italian Finance Consolidation Act);
- Italian Law no.262 of 28 December 2005 (and subsequent amendments, among which the legislative decree of assimilation of the so-called Transparency directive approved on 30 October 2007) on the subject of drafting the company’s accounts documents;
- Consob Regulation on Issuers, “Certification of the Manager in charge of preparing the company accounts and documents and of the delegated Administrative Bodies on the consolidated balance sheet and on the half-year report in accordance with art.154-bis of TUF-Testo Unico della Finanza (Italian Finance Consolidation Act)”;
- Consob Regulation on Issuers, “Implementation of the Transparency directive 2004/109/EC on the harmonization of transparency requirements in relation to the information on the issuers whose securities are admitted to trading on a regulated market, amending the directive 2001/34/EC”;

¹ COSO model, drawn up by the Committee of Sponsoring Organizations of the Treadway Commission - “Internal Control – Integrated Framework” published in 1992 and updated in 1994 by the Committee of Sponsoring Organizations of the Treadway Commission.

- Civil code, that extends the liability in company management to the Managers in charge of preparing the company accounts and documents (art.2434 of the Italian civil code), of the offence of disloyalty after giving or promising benefit (art. 2635 of the Italian civil code) and the offence of obstructing public and supervisory authorities in performing their functions (art. 2638 of the Italian civil code).
- Italian Legislative Decree D.Lgs. 231/2001 that, referring to the above provisions of the Italian civil code and the administrative liability of corporate bodies legal for offences committed by their employees against the Public Administration, considers the Managers in charge of preparing the company accounts and documents among the Chief Subjects;

The implementation of the risk management and internal control system in relation to Group financial disclosure was performed also considering the guidelines supplied by some industry associations concerning the activities of the Manager in charge of preparing the company accounts and documents, and in particular:

- *Position Paper* Andaf “the Manager in charge of preparing the company accounts and documents”;
- *Position Paper* AIIA “Law no.262 on the Protection of Savings”;
- “Guidelines to perform the activity of the Manager in charge of preparing the company accounts and documents in accordance with art. 154-bis TUF), issue by Confindustria (Italian Manufacturers' Association).

In addition to the “Format for the Report on Corporate Governance and Corporate Ownership” issued by Borsa Italiana (Italian Stock Exchange).

Main characteristics of the risk management and internal control system in relation to the financial disclosure process

Methodological approach

The risk management and internal auditing System in relation to Immsi Group financial disclosure is part of the Group's wider-ranging Internal Auditing Control System, which includes the following:

- Code of Ethics,
- Organisational and management Model pursuant to Legislative Decree D.Lgs. 231/2001 and related protocols,
- Procedures for Internal Dealing notices,
- Principles and procedures to carry out significant transactions and transactions with related parties,
- System granting powers and proxies,
- Company Organisation Chart and Job profiles,
- Procedure on reporting information to the Market,
- Risk Analysis process adopted (Risk Assessment),
- Accounting Auditing System.

In its turn, the Accounts and Administrative Auditing System of Immsi S.p.A. comprises a set of procedures and operative documents, including:

- Accounting and Administrative Auditing Model – a document at the disposal of all employees directly involved in the process of training and/or control of the accounting information, which defines the operating procedures of the Accounting Auditing System.
- Group's Accounts manual – a document promoting the development and application of uniform accounts criteria within the Group as regards the identification, classification and measurement of the operating activities;

- Operating instructions for the financial statements and reporting and closing calendars – documents finalized at informing the different company Functions the detailed operating procedures for managing the activities of preparing the financial statements within set, shared deadlines;
- Administrative and accounting procedures – documents defining the responsibilities and the auditing rules to follow with particular reference to the administrative/accounting processes.

The Accounting and Administrative Control Model of Immsi S.p.A. defines a methodological approach to the risk management and internal auditing System comprising the following stages:

- a) Identification and assessment of financial disclosure risk;
- b) Identification of controls for identified risks;
- c) Evaluation of controls for identified risks and management of any problems detected.

Elements of the System

a) Identification and assessment of financial disclosure risks

The risk identification and evaluation associated with the preparation of the accounting disclosure is based on a structured process of Risk Assessment. This process identifies the objectives that the internal auditing system on the financial disclosure intends to achieve in order to assure a truthful and correct representation of it. These objectives are based on the financial statements “assertions” (existence and occurrence of events, completeness, rights and obligations, evaluation/detection, presentation and disclosure) and other objectives of control (such as, for instance, compliance with the authorized limits, separating duties and responsibilities, documentation and traceability of the operations, etc.).

The risk assessment is then focused on the areas of the financial statements having a potential impacts on financial disclosure in relation to the non-attainment of such control objectives.

The process to determine the scope of the entities and processes that are “significant” in terms of potential impact on the financial disclosure is to identify, with reference to the consolidated financial statements of the Group, the financial statement accounts, the subsidiaries and the administrative accounting processes considered as significant, on the basis of evaluations made using quantitative and qualitative parameters.

Particularly, such parameters are defined:

- by determining the quantitative threshold values through which to compare both the accounts related to the consolidated financial statements and the relative contribution of the Group subsidiaries,
- making qualitative evaluations based on the knowledge of the business reality and the existing specific risk factors inherent in the administrative–accounting processes.

The accounts of the financial statements classified as significant are connected to the business processes underlying them in order to identify the controls geared to meet the objectives of the internal auditing system for the financial information. The identified controls are subsequently submitted to the evaluation of adequacy and real application; with reference to the automatic controls, the verification of adequacy and real application concerns also the general IT controls concerning the applications that support the processes considered significant.

b) Identification of controls for identified risks

As stated above, the control identification necessary to mitigate the risks identified on the

administrative – accounting processes is made considering the control objectives associated with the financial disclosure.

The Functions involved in the financial disclosure process ensure, for their own areas of competence, that the administrative and accounting procedures and the controls in being are updated.

If, following the phase of identification of the scope of action, sensitive areas are identified that are not governed, entirely or partly, by the body of the administrative and accounting procedures, with the coordination of the assigned Manager in charge of preparing the company accounts and documents, the existing procedures are integrated and new procedures formalized in relation to the areas of managerial competence.

c) Evaluation of controls for identified risks and problems detected

The activity of evaluation of the Accounting Auditing System is performed periodically and at least half-yearly, on the occasion of drawing up, respectively, the separate and consolidated annual financial statements and the abbreviated half-year consolidated financial statements.

The evaluations related to the adequacy and the real application of the administrative and accounting procedures and the controls contained in them are developed through specific activities of monitoring (testing) based on the best practices in this framework.

The testing activity is carried on continuously during the entire financial year on the indication and with the coordination of the assigned Manager in charge of preparing the company accounts and documents that uses his own structure and, where considered necessary, with the support of the Internal Audit or of appropriately identified external advisors.

The tests are split up among the administrative and functional structures coordinated by the Manager in charge of preparing the company accounts and documents or by officers delegated by him, with the involvement of the Internal Audit both to check the actual carrying out of the controls required by the administrative and accounting procedures both to perform specific focused controls on companies, processes and accounts items.

The Delegated Bodies and the administrative persons in charge of the subsidiaries in the sphere of application are called upon to make a supporting declaration to the Manager in charge of preparing the company accounts and documents with reference to the verifications made on the adequacy and real application of the administrative and accounting procedures.

The Manager in charge of preparing the company accounts and documents, with the support of the Internal Audit Supervisor, draws up a report he summarising the results of the evaluations of the controls against the risks previously identified (Executive Summary/Management Summary) based of the results of the monitoring activities carried on and on declarations by the Managing Directors and the administrative managers of the subsidiaries. The evaluation of the controls can involve identifying compensatory controls, corrective actions or plans for improvement in relation to any identified problems.

The Management Summary is drafted and once shared with the Managing Director, is submitted to the Board of Auditors of the Parent Company, to the Internal Audit Committee and to the Board of Directors.

Roles and functions involved

The risk management and internal auditing System on financial disclosure is governed by the Manager in charge of preparing the company accounts and documents; the Manager is appointed

by the Board of Directors and in agreement with the Managing Director, is responsible for designing, implementing and approving the Accounting and Administrative Auditing Model, as well as assessing its application, issuing a certification related to the half-year and annual financial statements, including consolidated statements. The Manager in charge of preparing the company accounts and documents is moreover responsible for drawing up suitable administrative and accounting procedures for forming the year's and consolidated balance sheet and, with the support of the Internal Audit, provide the subsidiaries, considered as significant within the framework of drawing up the consolidated Group information, guidelines for carrying out appropriate activities of evaluation of its own Accounts Auditing System.

In carrying out his activities, the Manager in charge of preparing the company accounts and documents:

- interacts with the Internal Audit Department/Internal Control Supervisor, that performs independent verifications on the operativeness of the Audit System and supports the Manager in charge of preparing the company accounts and documents in the activities of monitoring the System;
- is supported by the Function Managers involved which, relatively to the area of their own competence, assure the completeness and reliability of the streams of information to the Manager in charge of preparing the company accounts and documents for accounts disclosure purposes;
- coordinates the activities carried on by the administrative managers of the significant subsidiaries, which are assigned to implement, within their own company, together with the delegated organisms, a suitable Accounts Auditing System to control the administrative-accounting processes and they evaluate their effectiveness over time reporting the results to the parent company through a process of internal certification;
- establishes a mutual exchange of information with the Internal Audit Committee and with the Board of Directors, reporting on the activity performed and on the adequacy of the Internal Audit System.

Finally, the Board of Auditors and the Supervisory Board are relatively informed on the adequacy and the reliability of the administrative-accounting system.

Immsi Group

Financial statements

at

31 December 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2010

Amounts in thousands of euros

ASSETS		31 December 2010	31 December 2009
NON-CURRENT ASSETS			
<i>Intangible assets</i>	F1	831,386	820,265
<i>Tangible assets</i>	F2	302,010	298,375
- of which with Related Parties		34	48
<i>Property investments</i>	F3	73,262	72,637
<i>Equity investments</i>	F4	206	251
<i>Other financial assets</i>	F5	80,165	80,165
<i>Amounts due from the tax authorities</i>	F6	3,969	8,717
<i>Deferred tax assets</i>	F7	76,000	68,719
<i>Trade receivables and other receivables</i>	F8	15,741	16,702
- of which with Related Parties		443	468
TOTAL NON-CURRENT ASSETS		1,382,739	1,365,831
ASSETS INTENDED FOR DISPOSAL	F9	22,136	21,909
CURRENT ASSETS			
<i>Trade receivables and other receivables</i>	F8	319,146	276,885
- of which with Related Parties		3,458	1,810
<i>Amounts due from the tax authorities</i>	F6	48,339	27,598
<i>Inventories</i>	F10	310,275	324,150
<i>Other financial assets</i>	F5	37,661	26,240
<i>Cash and cash equivalent</i>	F11	190,604	206,508
TOTAL CURRENT ASSETS		906,025	861,381
TOTAL ASSETS		2,310,900	2,249,121
LIABILITIES			
SHAREHOLDERS' EQUITY			
<i>Consolidated shareholders' equity of the Group</i>		422,793	417,597
<i>Non-controlling interest capital and reserves</i>		221,127	203,012
TOTAL SHAREHOLDERS' EQUITY	G1	643,920	620,609
NON-CURRENT LIABILITIES			
<i>Financial liabilities</i>	G2	476,165	484,207
- of which with Related Parties		2,900	16,000
<i>Trade payables and other payables</i>	G3	5,977	8,677
<i>Reserves for severance indemnity and similar obligations</i>	G4	63,254	66,802
<i>Other long-term reserves</i>	G5	19,789	35,772
<i>Deferred tax liabilities</i>	G6	53,935	51,796
TOTAL NON-CURRENT LIABILITIES		619,120	647,254
LIABILITIES LINKED WITH ASSETS INTENDED FOR DISPOSAL		0	0
CURRENT LIABILITIES			
<i>Financial liabilities</i>	G2	399,357	364,719
- of which with Related Parties		92	90
<i>Trade payables</i>	G3	505,464	471,570
- of which with Related Parties		12,665	13,512
<i>Current taxation</i>	G7	24,272	20,749
<i>Other payables</i>	G3	89,981	102,587
- of which with Related Parties		30	28
<i>Current portion of other long-term reserves</i>	G5	28,786	21,633
TOTAL CURRENT LIABILITIES		1,047,860	981,258
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,310,900	2,249,121

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2010

Amounts in thousands of euros

		Year 2010	Year 2009
Net revenues	H1	1,604,318	1,614,235
- of which with Related Parties		711	7
Costs for materials	H2	935,393	933,661
- of which with Related Parties		40,582	38,800
Costs for services and the use of third party assets	H3	308,808	325,878
- of which with Related Parties		1,229	964
Personnel costs	H4	260,045	263,118
Depreciation of tangible assets	H5	39,509	40,890
Impairment of goodwill		0	0
Amortisation of finite life intangible assets	H6	50,465	59,525
Other operating income	H7	136,458	151,064
- of which with Related Parties		3,161	1,407
Other operating costs	H8	52,785	58,795
OPERATING EARNINGS		93,771	83,432
Earnings on equity investments	H9	5,240	(151)
Financial income	H10	24,363	24,312
Financial charges	H11	65,591	56,728
- of which with Related Parties		144	161
EARNINGS BEFORE TAXATION		57,783	50,865
Taxation	H12	35,361	20,675
EARNINGS AFTER TAXATION FROM CONTINUING ASSETS		22,422	30,190
Profit (loss) from assets for disposal or sale	H13	0	0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTEREST		22,422	30,190
Non-controlling interest earnings for the period		12,606	13,980
GROUP EARNINGS FOR THE PERIOD	H14	9,816	16,210

EARNINGS PER SHARE:

In euros

	Year 2010	Year 2009
From continuing and discontinued operations:		
<i>Basic</i>	0,029	0,048
<i>Diluted</i>	0,029	0,048
From continuing operations:		
<i>Basic</i>	0,029	0,048
<i>Diluted</i>	0,029	0,048
Average number of shares:	340.530.000	340.530.000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 31 DECEMBER 2010

Amounts in thousands of euros

	Year 2010	Year 2009
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTEREST	22,422	30,190
<i>Gains/(Losses) on cash flow hedges</i>	(709)	578
<i>Gains/(Losses) on exchange differences on translating foreign operations</i>	3,535	933
<i>Gains/(Losses) on evaluation at fair value of assets available for sale and property investments</i>	(7,288)	7,292
TOTAL OTHER GAINS (LOSSES) FOR THE PERIOD	(4,462)	8,803
TOTAL OF COMPREHENSIVE INCOME (LOSSES) FOR THE PERIOD	17,960	38,993
<i>Comprehensive non-controlling interest earnings for the period</i>	13,789	14,555
COMPREHENSIVE GROUP EARNINGS FOR THE PERIOD	4,171	24,438

The values presented in the preceding table are all given net of the corresponding fiscal effect.

STATEMENT OF CONSOLIDATED CASH FLOWS AT 31 DECEMBER 2010

In thousands of euros		Year 2010	Year 2009
Operating assets			
Earnings of the period	H14	9,816	16,210
Non-controlling interest	G1	12,606	13,980
Taxation	H12	35,361	20,675
Depreciation of tangible assets (including property investments)	H5	39,509	40,890
Amortisation of intangible assets	H6	50,465	59,525
Provisions for risks and for severance indemnity and similar obligations	H4 - H8	43,352	39,691
Write-downs / (Revaluations)	H7 - H8	2,097	7,432
Losses / (Gains) on disposal of tangible assets (including property investments)	H7 - H8	(2,281)	86
Losses / (Gains) on disposal of securities	H10 - H11	0	(3,680)
Interest receivable	H10	(3,051)	(6,283)
Dividend income	H10	(12)	(601)
Interest payable	H11	33,167	38,387
Depreciation of grants	H7	(4,670)	(10,052)
Portion of earnings before taxation of the period due to associated companies (and other companies valued using the equity method)	H9	(5,240)	0
Change in working capital:			
(Increase) / Decrease in trade receivables	F8	16,631	(19,257)
(Increase) / Decrease in inventories	F10	12,181	3,921
Increase / (Decrease) in trade payables	G3	33,982	(28,308)
(Increase) / Decrease in contract work in progress	F8	(61,081)	(13,443)
Increase / (Decrease) in provisions for risks	G5	(39,448)	(26,672)
Increase / (Decrease) reserves for severance indemnity and similar obligations	G4	(14,527)	(13,018)
Other changes		(48,694)	(6,213)
Cash generated from operations		110,163	113,270
Interest paid		(30,257)	(42,594)
Taxation paid		(13,379)	(36,486)
Cash flow from operations		66,527	34,190

In thousands of euros		Year 2010	Year 2009
Investments			
Acquisition of subsidiaries, net of cash and cash equivalents	F1	(8,438)	(2,631)
Sale price of subsidiaries, net of cash and cash equivalents		34,310	9,247
Investments in tangible assets	F2	(38,920)	(42,225)
Sale price, or repayment value, of tangible assets (including property investments)	F2	4,106	1,639
Investments in intangible assets	F1	(59,140)	(54,603)
Sale price, or repayment value, of intangible assets		247	55
Sale price of non-consolidated equity investments	F4	0	(3)
Loans provided		0	(193)
Repayment of loans		2	837
Purchase of financial assets	F5	(23,051)	19,969
Sale price of financial assets		4,238	8,335
Interests received		2,641	2,522
Sale price from assets intended for disposal or sale		20	0
Other flows from assets intended for disposal or sale		(247)	(427)
Public grants received		17	8,906
Cash flow from investments		(84,215)	(48,572)
Financing			
Increase in share capital by third parties	G1	2,000	0
Purchase of treasury stock	G1	(3,344)	(1,023)
Loans received		214,376	518,458
Outflow for repayment of loans		(186,712)	(325,219)
Repayment of finance leases		(867)	(840)
Outflow for dividends paid to Parent company Shareholders	G1 - N	(10,216)	0
Outflow for dividends paid to Non-controlling Interest		(11,609)	(9,799)
Cash flow from financing		3,628	181,577
Increase / (Decrease) in cash and cash equivalents		(14,060)	167,195
Opening balance		184,571	16,403
Exchange differences		0	973
Closing balance		170,511	184,571

The variations in the working capital include higher trade payables and other payables toward Related Parties for 845 thousand euros and higher trade receivables and other receivables from Related Parties for 1,623 thousand euros. For greater detail on the relations between Related Parties taking place during 2010 please refer to the paragraph in the Report on operations.

This schedule illustrates the changes in cash and cash equivalents, net of short-term bank overdrafts totalling 20.1 million euros at 31 December 2010.

EXPLANATORY AND ADDITIONAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010

Note no.	Description
A	General aspects
B	Consolidation area
C	Consolidation principles
D	Accounting standards and measurement criteria
E	Segment reporting
F	Information on the main asset items
F1	Intangible assets
F2	Tangible assets
F3	Property investments
F4	Equity investments
F5	Other financial assets
F6	Amounts due from the tax authorities
F7	Deferred tax assets
F8	Trade receivables and other receivables
F9	Assets intended for disposal
F10	Inventories
F11	Cash and cash equivalent
G	Information on the main liabilities items
G1	Shareholders' equity
G2	Financial liabilities
G3	Trade payables and other payables
G4	Reserves for severance indemnity and similar obligations
G5	Other long-term reserves
G6	Deferred tax liabilities
G7	Current taxation
H	Information on the main Income Statement items
H1	Net revenues
H2	Costs for materials
H3	Costs for services and use of third party assets
H4	Personnel costs
H5	Depreciation of tangible assets
H6	Amortisation of finite life intangible assets
H7	Other operating income
H8	Other operating costs
H9	Earnings on equity investments
H10	Financial income
H11	Financial charges
H12	Taxation
H13	Gain/loss on the disposal of assets
H14	Earnings for the period
I	Commitments, risks and guarantees
L	Related Party dealings
M	Financial position
N	Dividends paid
O	Earnings per share
P	Information on financial instruments

- A - GENERAL ASPECTS

Immsi S.p.A. (the Company) is a limited company established under Italian law and has registered offices in Mantova - P.zza Vilfredo Pareto, 3 Centro Direzionale Boma. The main activities of the company and its subsidiaries (the Immsi Group), the information on the relevant events occurred after the year end and on the predictable evolution of operations are described in the Directors' Report on Operations. At 31 December 2010, Immsi S.p.A. was directly controlled by Omniainvest S.p.A., a company owned by Omniaholding S.p.A..

The consolidated financial statements of the Immsi Group include the financial statements of the Parent Company Immsi S.p.A. and the Italian and international companies directly and indirectly controlled by it, approved by the relevant corporate functions of the respective companies.

The financial statements are expressed in euros since that is the currency in which most of the Group's transactions take place.

The amounts in the above schedules and in the Explanatory Notes on the consolidated accounting statements are stated in thousands of euros (if not otherwise indicated).

These financial statements are audited by Deloitte & Touche S.p.A. pursuant to the mandate granted by the Shareholders' Meeting in 12 May 2006 for the period 2006-2011.

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The Consolidated Financial Statements of the Immsi Group as of 31 December 2010 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 July 27/7/06 containing the "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated July 27/7/06 containing the "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28/7/06 July containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Legislative Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.

Moreover, international accounting standards have been uniformly adopted for all Group companies.

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

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

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Further to the revision of IAS 1 – Presentation of 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". These consolidated financial Statements are therefore composed of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and these additional and explanatory Notes on consolidated accounting statements.

With reference to Consob Resolution no. 15519 of 27 July 2006 it is pointed out that, as regards the financial schedules, specific Income statement and Statement of financial position schedules have been inserted with the evidence of significant related party dealings and non-recurring transactions. It is pointed out that no atypical or unusual operations have been carried out during year 2009 and 2010.

Consolidated income statement

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

Consolidated Statement of Comprehensive Income

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 separate indication of assets, liabilities, and shareholders' equity. In turn, assets and liabilities are reported in the Consolidated Financial Statements on the basis of their classification as current and non-current.

Consolidated cash flow statement

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

Consolidated statement of changes in shareholders' equity

Starting 1 January 2009, the statement of the Changes to the consolidated shareholders' equity has been reviewed as required by the reviewed version of IAS 1. It includes the total income statement, separately stating the amounts ascribed to the shareholders of the Parent Company and to the relevant stake of third parties, the amounts of the operations with shareholders acting in this quality and any effects of the retroactive application or of the retroactive determination in accordance with IAS 8. For each item a reconciliation is presented between the balance at the start and at the end of the period.

- B - CONSOLIDATION AREA

At 31 December 2010, the Immsi Group structure is the one attached at the end of the explanatory and additional Notes on the consolidated accounting statements. The scope of consolidation has changed compared to the Consolidated Financial Statements as of 31 December 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.

The Piaggio group consolidated portion of shareholders' equity, which stood at 57.59% at 31 December 2009, amounted to 53.75% at 31 December 2010. The change is the result of the combined effect of i) Immsi S.p.A.'s sale of 15 million Piaggio & C. S.p.A. shares to Banca IMI in March and November 2010; ii) the annulment of 24,247,007 of treasury stock held by Piaggio & C. S.p.A. (accounting for approximately 6.12% of the share total prior to annulment), as resolved by the company's Shareholders' meeting held on 16 April 2010, and iii) the further purchases of Piaggio shares made on the MTA market by Piaggio & C. S.p.A. itself.

It is to be noted, furthermore that, following ISM Investimenti S.p.A.'s purchase of 25% of the shares in subsidiary Is Molas S.p.A. from minority shareholders M.R.S. S.r.l. and G.F.C. S.p.A., ISM Investimenti S.p.A. has, since February 2010, held 85% of the Is Molas S.p.A. share capital.

What is more, during the 2010 year, subsidiaries Conam S.p.A. and Rodriquez Marine System S.r.l. were merged into the controlling company, Rodriquez Cantieri Navali S.p.A.: this transaction do not alter the comparability of the balance sheet and income results between the two periods of reference.

- C - CONSOLIDATION PRINCIPLES

The assets and liabilities, and income and costs, of consolidated companies are recognised on a global integration basis, eliminating the carrying amount of consolidated equity investments in relation to the relative shareholders' equity at the time of purchase or underwriting. The carrying amount of equity investments has been eliminated against the shareholders' equity of subsidiaries/affiliated companies, assigning to non-controlling interests under specific items the relative portion of shareholders' equity and relative net income due for the period, in the case of subsidiaries consolidated on a line-by-line basis.

The positive differences arising from the elimination of equity investments against the value of shareholders' equity at the date of first consolidation are recognised as greater values attributable to assets and liabilities, and the remainder as goodwill. In accordance with provisional regulations of IFRS 3, the Group has changed its accounting policy concerning goodwill to a forward-looking basis, as from the date of transition. Therefore, starting from the date of transition, the Group has stopped amortising goodwill, which instead has been tested for impairment.

The portion of shareholders' equity and operating profit of subsidiaries due to non-controlling interests has been entered as "Non-controlling interests Capital and Reserves" under shareholders' equity, and in the Income Statement as "Profit for the period of non-controlling interests".

Subsidiaries

Subsidiaries are companies in which the Group has a major influence. This influence exists when the Group has direct or indirect power to determine the financial and operational policies of a company in order to gain benefits from its operations. The acquisition of subsidiaries is recognised according to the acquisition method. The cost of acquisition is determined by the sum of present values at the date control of the given assets was obtained, liabilities borne or undertaken and financial instruments issued by the Group in exchange for control of the acquired company.

The identifiable assets, liabilities and potential liabilities of the acquired company that meet the

requirements for recognition provided for in IFRS 3 are recorded at their present values at the date of acquisition, apart from non-current assets (or disposal Groups) which are classified as held for sale in accordance with IFRS 5, that are recognised and accounted for at fair value minus costs to sell.

Goodwill arising from the acquisition is recognised as an asset and initially measured at cost, represented by the excess amount of the acquisition cost in relation to the portion of the Group in present values of identifiable assets, liabilities and potential liabilities that have been recognised.

The financial statements of subsidiaries are included in the Consolidated Financial Statements starting from the date when control is acquired until control ceases.

The portions of shareholders' equity and income attributable to non-controlling interests are separately indicated in the Consolidated Statement of Financial Position and Consolidated Income Statement respectively.

Affiliated companies

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

Jointly controlled companies

Jointly controlled companies are companies in which the Group has joint control of operations, as defined by contractual agreements. These joint venture agreements require the establishment of a separate entity in which each participating organisation has a share known as a joint control shares. The Group records joint control equity investments using the equity method.

As regards transactions between a Group company and a jointly controlled company, unrealised profits and losses are eliminated to an extent equal to the percentage of the equity investment of the Group in the jointly controlled company, with the exception of unrealised losses that constitute evidence of an impairment of the transferred asset.

Equity investments in other companies

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

Transactions eliminated during the consolidation process

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

Transactions in foreign currency

Transactions in foreign currency are recorded at the exchange rate in effect at the end of the reporting period and are translated at the exchange rate in effect at that date. Exchange differences arising when monetary items are settled or translated at rates different from those at which they

were translated when initially recognised in the period or in previous financial statements are reported in the income statement.

Consolidation of foreign companies

The separate financial statements of each company belonging to the Group are prepared in the currency of the primary economic environment in which they operate (the functional currency). For the purposes of the consolidated financial statements, the financial statements of each foreign entity are in Euros, which is the functional currency of the Group and the presentation currency of the consolidated financial statements.

All assets and liabilities of foreign companies in a currency other than the Euro which come under the scope of consolidation are translated, using rates of exchange in effect at the end of the reporting period (currency exchange rates method). Income and costs are translated at the average exchange rate of the period. Translation differences arising from the adoption of this method are classified as shareholders' equity until disposal of the equity investment. Average exchange rates for translating the cash flows of foreign subsidiaries are used in preparing the consolidated cash flow statement.

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

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

The exchange rates used to translate the financial statements of companies included in the scope of consolidation into euros are shown in the table (data rounded up to 2 decimal places):

	End of period exchange rate 31 December 2010	Average exchange rate 2010	End of period exchange rate 31 December 2009	Average exchange rate 2009
US Dollar	1.34	1.33	1.44	1.39
Pounds Sterling	0.86	0.86	0.89	0.89
Swedish Krona	8.97	9.54	10.25	16.62
Swiss Franc	1.25	1.38	1.48	1.51
Brazilian Real	2.22	2.33	2.51	2.77
Omani Rial	0.51	0.51	0.55	0.54
Indian Rupee	59.76	60.59	67.04	67.36
Singapore Dollars	1.71	1.81	2.02	2.02
Chinese Renminbi	8.82	8.97	9.84	9.53
Croatian Kuna	7.38	7.29	7.30	7.34
Japanese Yen	108.65	116.24	133.16	130.34
Vietnamese Dong	26,050.10	25,368.30	26,617.10	24,846.20

- D - ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The most significant accounting policies adopted to prepare the Consolidated Financial Statements as of 31 December 2010 are outlined below:

INTANGIBLE ASSETS

As provided for in IAS 38, an intangible asset which is purchased or self-created is recognised as an asset only if it is identifiable, controllable and future economic benefits are expected and its cost may be measured reliably.

Intangible assets with a finite life are measured at acquisition cost or production cost net of amortisation and accumulated impairment losses. Amortisation is referred to the expected useful life and commences when the asset is available for use.

The useful life is re-examined every year, or more frequently if there are events or circumstances that make a measurement update necessary, and any changes are made prospectively.

Goodwill

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at fair value at the date of acquisition. The positive difference between the acquisition cost and share of the Group in the present value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recorded instead in the income statement at the date of acquisition.

Goodwill is not amortised but tested annually for impairment, or more frequently if specific events or changed circumstances indicate that an asset may be impaired, as provided for in IAS 36 - Impairment of Assets. After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.

On the disposal of part of or an entire company previously acquired and from the acquisition of which goodwill arose, the corresponding residual value of goodwill is considered when measuring the capital gain or loss of the disposal.

During first-time adoption of IFRSs, the Group opted not to retroactively apply IFRS 3 - Business Combinations to acquisitions of companies that took place before 1st January 2004. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition of any impairment losses.

After 1 January 2004, and following acquisitions made during 2004, additional goodwill was generated, the amount of which was measured again in the light of the different values of shareholders' equity in the acquired companies in relation to provisions in IFRS 3.

Development costs

Development costs are recognised as assets only if all of the following conditions are met: the costs may be reliably measured and the technical feasibility of the product, the volumes and expected prices indicate that costs incurred during development will generate future economic benefits. Capitalised development costs include only costs incurred that may be directly attributed to the development process. Capitalised development costs are amortised on a systematic criterion basis, starting from the beginning of production through the estimated life of the product. All other development costs are recorded in the income statement when they are incurred.

Other intangible assets

As provided for in IAS 38 – Intangible Assets, other intangible assets which are purchased or self-created are recognised as assets if it is probable that use of the asset will generate future economic benefits and the cost of the asset can be reliably measured.

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

Other intangible assets recognised following the acquisition of a company are accounted for separately from goodwill, if their present value may be reliably measured.

The amortisation periods of intangible assets are shown below:

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

TANGIBLE ASSETS

Property, plant and equipment

The Immsi Group opted to use the cost method for the first-time adoption of IAS/IFRSs in preparing its financial statements, as provided for by IFRS 1. The fair value method was therefore not used to measure property, plant and equipment. Property, plant and equipment are therefore recognised at acquisition or production cost and are not revalued. In the case of an asset for which capitalisation is justified, the cost also includes the borrowing costs directly attributable to the acquisition, construction or production of the asset.

Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset they refer to. All other costs are recorded in the income statement when they are incurred. Property, plant and equipment under construction are measured at cost and depreciated starting from the period in which they are put into operation.

Depreciation is determined, on a straight-line basis, on the cost of the assets net of their relative residual values, based on their estimated useful life, adopting the rates indicated in the notes on this item.

Land is not depreciated.

Assets are depreciated by applying the criterion and rates indicated below:

Industrial and instrumental plants	from 3% to 5%
Light constructions	from 7% to 10%
Sports facilities – golf courses	5%
Generic/specific facilities	from 7.5% to 20%
Ovens and sundry equipment	15%
Robotic work centres	22%
Alarm and control/testing instruments	30%
Miscellaneous and small equipment and other tangible assets	from 12% to 40%

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

The Group has its own production plants even in countries where ownership rights are not allowed. Up until 2006, it classified the rentals paid in advance to obtain the availability of land where its production sites are situated as land, and relative portion of rent as depreciation, on the assumption that local laws did not allow for the acquisition of ownership, and the 90 year duration of the agreement classified it as a finance lease. From 2007 onwards and on the basis of clarification from IFRIC, the Group reclassified rentals paid in advance to obtain the availability of land where its production sites are situated as receivables. Profits and losses arising from the sale or disposal of assets are measured as the difference between the sale revenue and net book value of the asset and are entered in the income statement for the period.

Assets to be given free of charge are assets held by the Rodriguez group further to an agreement to lease public land which at the end thereof must be given free of charge and in perfect working order to the lessor and are depreciated according to the term of the lease.

Impairment

At the end of the reporting period, the Group reviews the book value of its tangible and intangible assets to determine whether there is any indication that these assets may be impaired (impairment test). If there is an indication that an asset may be impaired, the asset's recoverable amount is estimated to determine the amount of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the asset's cash generating unit.

The recoverable amount is the higher of an asset's fair value less costs to sell (if available) and its value in use. In measuring the value in use, estimated future cash flows are discounted at their fair value, using a rate net of taxes, which reflects current market changes in the fair value of money and specific risks of the asset.

If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss.

When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset (or of a cash generating unit), except for goodwill, is increased to the new value arising from an estimate of its recoverable amount, up to the net carrying amount applicable to the asset if no impairment loss had been recognised. The reversal of the impairment loss is immediately recognised in profit or loss.

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

Property investments

International accounting standards regulate the accounting treatment of property used for production or administrative purposes (IAS 16) differently from investment property (IAS 40). As provided for by IAS 40, non-instrumental property held to earn rentals and/or for capital appreciation and/or both is measured at fair value net of accumulated impairment losses.

Investment property is eliminated from the financial statements when it is disposed of or when it may not be used over time and future economic benefits from its sale are not expected.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal groups) that are classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

Non-current assets (and disposal groups) are classified as held for sale when it is expected that their carrying amount will be recovered through a sale rather than through their use in company

operations. This condition is only met when the sale is highly probable, the asset (or disposal group) is available for immediate sale and management is committed to a plan to sell, which should take place within 12 months of classification as held for sale.

FINANCIAL ASSETS

Financial assets are recognised and reversed from the financial statements, based on the trading date and are initially measured at cost, including any charges directly connected with the purchase. At subsequent end of reporting periods, the financial assets the Group intends and can retain up until maturity (securities held until maturity) are recognised at amortised cost based on the effective interest rate method, net of reversals for impairment losses.

Financial assets other than those held until maturity are classified as held for trading or for sale, and are measured at fair value at the end of each period. When financial assets are held for trading, profits and losses arising from changes in fair value are recognised in profit or loss for the period. In the case of financial assets held for sale, profits and losses arising from changes in fair value are directly recognised as shareholders' equity until the assets are sold or impaired; at this point, the overall profits/losses previously recognised as shareholders' equity are recognised in profit or loss for the period.

INVENTORIES

Inventories are recognised as the lower of the purchase or production cost, determined by assigning to products the costs directly incurred in addition to the portion of indirect costs reasonably attributable to the performance of production activities in normal production capacity conditions, and the market value at the end of the reporting period.

The purchase or production cost is determined based on the weighted average cost method.

As regards raw materials and work in progress, the market value is represented by the estimated net realisable value of corresponding finished products minus completion costs. As regards end products, the market value is represented by the estimated net realisable value (price lists).

The lower measurement based on market trends is eliminated in subsequent years, if the trends no longer exist.

Obsolete, slow moving and/or excess inventories are impaired in relation to their possible use or future realisation, in a provision for the impairment of inventories.

RECEIVABLES

Receivables are recorded at nominal value, adjusted to the estimated realisable value, and recognised in a provision for impairment. This provision is calculated based on recovery estimates with individual positions and overall risks of receivables being evaluated, taking into account guarantees.

When payment of amounts due exceeds standard terms of payment granted to clients, the receivable is discounted. With particular reference to the Piaggio group, to determine the effect, cash collection times were estimated applying a discount rate corresponding to the EURIBOR Swap 20 years plus a spread of listings for AA rating state securities AA to expected financial flows.

Long-term contract work in progress is valued on the basis of the contractual consideration accrued with reasonable certainty according to the criterion of the percentage completed, net of advances invoiced to the customers. The work progress status is measured by referring to the costs of contracts incurred up to the date of the financial statements as a percentage of the total

estimated costs for each contract. Any losses on such contracts are fully charged to the Income statement at the time they become known. With specific reference to the naval sector (Rodriquez group), the items on which work is currently underway comprise:

- building work covered by standard contracts, valued in terms of revenue based on the status reached at the close of the year, calculated, as far as the materials and work contracted out are concerned, with reference to the costs actually incurred compared with the costs forecast on the basis of updated estimates and, with regard to labour, with reference to the direct hours actually worked compared with the direct hours forecast. The figures, as calculated above, are adjusted, where necessary, by appropriate allocations covering future risks;
- building work for the company's own account and repair work, valued either at cost incurred or revenue achievable, whichever is the lower. To this end, they are entered as assets in the Statement of Financial position net of the write-down fund for boats and semi-finished items likely to prove hard to sell;
- finished items, exclusively comprising second-hand boats, are entered at purchase price or the replacement cost or resale value deducible from the market trend, whichever is the lower, applying the specific cost.

Factoring

The Group sells a significant part of its trade receivables through factoring. Factoring may be without recourse, and in this case no risks of recourse or liquidity exist, as corresponding amounts of the balance of trade receivables is reversed when the receivable is sold to the factor.

For factoring with recourse, the risk of non-payment and the liquidity risk are not transferred, and therefore relative receivables remain under shareholders' equity until payment by the client of the amount due. In this case any advance payments collected by the factor are recognised under payables as amounts due to other lenders.

CASH AND CASH EQUIVALENTS

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

FINANCIAL LIABILITIES

Financial liabilities are recognised based on amounts cashed net of relative transaction costs. After initial recognition, loans are measured at amortised cost, calculated using the effective interest rate. Financial liabilities hedged by derivatives are measured at present value, according to procedures established for hedge accounting and applicable to fair value hedge: profits and losses arising from subsequent measurements at present value, due to changes in interest rates, are recognised in profit or loss and offset by the effective portion of the loss and profit arising from subsequent measurements at present value of the hedged instrument.

DERIVATIVES AND MEASUREMENT OF HEDGING OPERATIONS

Group assets are primarily exposed to financial risks from changes in exchange and interest rates. The companies of the Group use derivatives (mainly currency forwards) to hedge risks arising from changes in foreign currency in particular irrevocable commitments and planned future transactions.

The use of these instruments is regulated by written procedures on the use of derivatives, in line with the risk management policies of the main companies of the Group.

Derivatives are initially recognised at cost, and adjusted to fair value at subsequent end of reporting periods.

Financial derivatives are only used with the intent of hedging, in order to reduce the exchange risk, interest rate risk and risk of changes in market prices. In line with IAS 39, financial derivatives may qualify for hedge accounting only when, at the start of the hedging, the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated.

When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:

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

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

LONG-TERM PROVISIONS

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

RETIREMENT FUNDS AND EMPLOYEE BENEFITS

With adoption of the IFRS, the reserve for termination benefit is considered an obligation with defined benefits to be recorded in accounts according to IAS 19 - Employee Benefits. As a result, severance must be recalculated by actuarial evaluations at the end of each period applying the Projected Unit Credit Method.

Payments for defined benefit plans are posted to the income statement in the period they are payable. Liabilities for post-employment benefits posted to the financial statements represent the present value of liabilities for defined benefit plans, adjusted to consider actuarial gains and losses relating to past services not accounted for and reduced to the fair value of plan assets. Net assets resulting from this calculation are limited to the value of actuarial losses and to the cost related to unaccounted for past services, plus the present value of any refunds and reductions in future contributions to the plan.

The Group decided not to use the "corridor method", which would allow it not to post the cost component (calculated using the method described) represented by actuarial gains or losses if this component does not exceed 10 percent. Note that the interest component on the charge related to employee plans is posted under financial charges.

STOCK OPTION PLAN

As provided for by IFRS 2 - Share-based Payment, the total amount of the present value of stock options at the date of assignment is recognised wholly in profit or loss under employee costs, with a counter entry recognised directly in shareholders' equity, if the grantees of the instruments representing capital become owners of the right on assignment. If a "maturity period" is required, in which certain conditions are necessary before grantees become holders of the right, the cost for payments, determined on the basis of the present value of options at the date of assignment, is recognised under employee costs on a straight-line basis for the period between the date of assignment and maturity, with a counter entry directly recognised in shareholders' equity.

Determination of fair value based on the Black Scholes method.

Changes in the present value of options subsequent to the date of assignment do not have any effect on initial recognition.

TAX ASSETS AND LIABILITIES

Deferred taxes are determined based on the temporary taxable differences between the value of the asset and liability and their tax value. Deferred tax assets are measured only to the extent to which it is likely that adequate future taxable sums exist against which the deferred taxes can be used. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent to which it is no longer likely that sufficient taxable income exists allowing for all or a portion of said assets to be recovered.

Deferred taxes are determined based on tax rates expected for the period in which the tax assets are realised, considering the rates in effect or which are known to come into effect. Deferred taxes are directly recognised in profit or loss, except for items directly recognised in shareholders' equity, in the case that relative deferred taxes are also recognised in shareholders' equity. In the case of reserves of undistributed profits of subsidiaries and because the Group is able to control distribution times, deferred taxes are allocated for the reserves when distribution is expected in the future.

PAYABLES

Trade payables falling due within normal business terms are not discounted and are recognised at their nominal value, considered representative of their settlement value.

RECOGNITION OF REVENUES

According to IFRS, sales of goods are recognised when the goods are dispatched and the company has transferred the significant risks and benefits connected with ownership of the goods to the purchaser.

Revenues are recognised net of returns, discounts, rebates and premiums, as well as taxes directly connected with the sale of the goods and provision of services.

The reporting criteria required by IAS 18 are applied to one or more operations as a whole when they are so closely connected that the commercial result cannot be valued without making reference to such operations as to a single whole, therefore the income from re-charging costs for materials and services is not given in the income statement as it is offset with the related costs that generated them.

Financial revenues are recognised based on an accrual principle.

GRANTS

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

With specific reference to the naval sector (Rodriquez group), the ministerial research grants, out of national and Community funds, due on the research costs incurred and capitalised, are entered under deferred income and will be offset against the amortisation and depreciation entries in the Income statement; where projects entail the building of a prototype, the subsidy granted for the costs incurred is entered in the Income statement account in proportion to the work progress status of the underlying construction. The ministerial grants for investment programmes, subsidised under Law 488/92 and specific to the renovation of the Rodriquez boatyards in Messina and Pozzuoli, are entered under Receivables based on the contribution due in proportion to the investment made; they are counterbalanced i) in the Income statement account with reference to the portion for the year in which the assets concerned were purchased and ii) under deferred income with reference to the portions falling under future amortisation/depreciation periods.

FINANCIAL INCOME

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

FINANCIAL CHARGES

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

DIVIDENDS

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

INCOME TAXES

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

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

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

Immsi S.p.A., together with subsidiaries Piaggio & C. S.p.A., Moto Guzzi S.p.A., Is Molas S.p.A., Apuliae S.p.A., Rodriguez Cantieri Navali S.p.A., Intermarine S.p.A. and Conam S.p.A., has exercised the option to join Group taxation as provided for in art.117 follow. of the Consolidated Act of Income Taxes, for 2007- 2009 corporate year, and during 2010 renewed for the three-year period 2010-2012, which other companies joined, i.e. during 2008 RCN Finanziaria S.p.A. for the three-year period 2008-2010 and, during 2009, ISM Investimenti S.p.A. and Rodriguez Marine System S.r.l. for the three-year period 2009-2011. Moreover, it should be noted that the following agreements ceased:

- Is Molas S.p.A., following the break in direct control by Immsi S.p.A. pursuant to art. 120 T.U.I.R.;
- Moto Guzzi S.p.A., following the merger of the latter with Piaggio & C. S.p.A.;
- Conam S.p.A. and Rodriguez Marine System S.r.l., further to said companies' merger into controlling company Rodriguez Cantieri Navali S.p.A., which took place in the 2010 year.

Each company which is party to the National Consolidated Tax Convention transfers its fiscal income (taxable income or fiscal loss) to the consolidating company. The latter records a receivable payable to the consolidated company which is equal to the amount of corporate income tax to pay. In the case of companies with fiscal losses, the consolidating company records a related payable equal to corporate income tax on the portion of the loss actually offset at a Group level.

EARNINGS PER SHARE

Earnings per share are calculated by dividing the income or loss attributable to parent company shareholders by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares. When calculating diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming the conversion of all the potential shares having a dilution effect. Even Group net earnings are adjusted to take account of the conversion effect, net of taxation.

USE OF ESTIMATES

The preparation of the financial statements and notes in compliance with IFRS requires management to make estimates and assumptions which have an impact on the values of assets and liabilities and on disclosure regarding contingent assets and liabilities at the end of the reporting period. Actual results could differ from estimates. Estimates are used to measure

intangible assets tested for impairment and to identify allocations for bad debts, for obsolete inventories, amortisation and depreciation, impairment of assets, employee benefits, taxes, restructuring provisions and other allocations and funds. Estimates and assumptions are periodically revised and the effects of any change are immediately recognised in profit or loss.

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

TRANSACTIONS WITH SUBSIDIARIES AND RELATED PARTIES

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

NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS FROM 1 JANUARY 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 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 – Distributions of Non-cash Assets to Owners:* 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 balance sheet situation 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 forwardlooking 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 the 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.

AMENDMENTS AND INTERPRETATIONS APPLIED AS FROM 1 JANUARY 2010 AND NOT RELEVANT TO 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 as of the date of this annual report:

- Interpretation of IFRIC 18 – Transfers of Assets from Customers;
- Amendment to IFRIC 9 – Reassessment of Embedded Derivatives and to IAS 39 – Financial instruments: Recognition and Measurement;
- IFRS 2 – Share-based Payment;
- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations;

- IFRIC 9 – Reassessment of Embedded Derivatives;
- Amendment to IFRS 2 – Share-based Payment: Share-based payment of the Group in cash.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS WHICH ARE NOT YET APPLICABLE AND ADOPTED IN ADVANCE BY THE GROUP

On 8 October 2009, the 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. The adoption of this amendment will not produce any effects on the valuation of financial statement items.

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 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.

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.

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 Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for application of the amendment.

On 7 October 2010 IASB published some amendments to IFRS 7 – Financial instruments: Disclosures, applicable for accounting periods commencing on or after 1 July 2011. The purpose is to improve understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for application of the amendments.

On 20 December 2010 the IASB issued a minor amendment to *IFRS 1 – First-time Adoption of International Financial Reporting Standards* to eliminate the reference to the date 1 January 2004 described as the date of transition to IFRS and to provide guidance on the presentation of financial statements following a period of hyperinflation. The amendment will be applicable as from 1 July 2011. At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for application of the amendments.

On 20 December 2010 the IASB issued a minor amendment to *IAS 12 – Income Taxes* which requires businesses to measure deferred tax assets and liabilities arising from an asset based on the manner in which the carrying amount of the asset will be recovered. Consequently *SIC 21 Income taxes – Recovery of Revalued Non-Depreciable Assets* – will no longer be applicable. The amendment will be applicable as from 1 January 2012. At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for application of the amendments.

- E - SEGMENT REPORTING

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 previous principle IAS 14 - Segment Reporting - required, on the other hand, that sectors (primary or secondary) be identified on the basis of risks and benefits which refer to the sectors themselves; the reporting system only represents the starting point for this identification.

The information for operating sectors presented below reflects the internal reporting utilised by management for making strategic decisions.

In this respect, as regards business areas, where possible information is provided relating to the property and holding sector, industrial and naval sectors.

Primary sector: business areas

Income statement

	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Naval sector</i>	<i>Immsi Group</i>
In thousands of euros				
Net revenues to third parties	5,736	1,485,351	113,231	1,604,318
Net intercompany revenues				0
NET REVENUES	5,736	1,485,351	113,231	1,604,318
OPERATING EARNINGS	-5,602	111,104	-11,731	93,771
Gain / loss on equity investments	0	5,240	0	5,240
Financial income				24,363
Financial charges				65,591
EARNINGS BEFORE TAXATION				57,783
Taxation				35,361
EARNINGS AFTER TAXATION FROM CONTINUING ASSETS				22,422
Gain (loss) from assets intended for disposal or sale				0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTEREST				22,422
Non-controlling interest earnings for the period				12,606
GROUP EARNINGS FOR THE PERIOD				9,816

Balance sheet

	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Naval sector</i>	<i>Immsi Group</i>
In thousands of euros				
Segment assets	407,848	1,545,538	357,308	2,310,694
Equity investments in associated companies	0	184	22	206
TOTAL ASSETS	407,848	1,545,722	357,330	2,310,900
TOTAL LIABILITIES	222,738	1,102,832	341,410	1,666,980

Other information

In thousands of euros	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Naval sector</i>	<i>Immsi Group</i>
Investments in tangible and intangible assets	998	96,195	867	98,060
Depreciation, amortisation and write-downs	688	87,761	3,622	92,071
Cash flow from operations	-11,371	122,541	-44,643	66,527
Cash flow from investments	25,133	-108,675	-673	-84,215
Cash flow from financing	17,156	-57,389	43,861	3,628

Secondary sector: geographical areas

The following table presents the Group income statement and balance sheet figures for 2010 in relation to the geographical areas “of origin”, that is, with reference to the country of the company which received the revenues or which owns the assets.

The distribution of revenues by the geographical area of “destination”, that is, with reference to the customer’s country, is analysed in the comments to this Note under the Income statement net revenues.

Income statement

In thousands of euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Net revenues to third parties	946,456	112,906	388,882	20,964	135,110	1,604,318
Net intercompany revenues						0
NET REVENUES	946,456	112,906	388,882	20,964	135,110	1,604,318

Balance sheet

In thousands of euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Segment assets	2,003,941	47,667	177,955	29,305	51,826	2,310,694
Equity investments in associated companies	158	3			45	206
TOTAL ASSETS	2,004,099	47,670	177,955	29,305	51,871	2,310,900

In thousands of euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Total receivables*	120,057	46,459	10,322	2,812	13,968	193,618
Total payables **	423,558	72,162	87,228	1,699	16,775	601,422

* Contract work in progress and Amounts due from the Tax authorities are not included.

** Payables for Current taxation and Financial liabilities are not included.

Other information

In thousands of euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Investments in tangible and intangible assets	73,260	900	18,200	100	5,600	98,060
Depreciation, amortisation and write-downs	81,111	1,491	5,054	515	3,900	92,071

- F - INFORMATION ON THE MAIN ASSET ITEMS

Amounts are stated in thousands of euros unless otherwise indicated.

- F1 - INTANGIBLE ASSETS 831,386

Net intangible assets at 31 December 2010 total 831,386 thousand euros, a 11,121 thousand euros increase compared to 31 December 2009, as detailed below:

In thousands of euros	Gross amounts				
	Balance at 31.12.2009	Increases	Change in consolidation area	Other movements	Balance at 31.12.2010
Development costs	199,178	40,004	0	(44,358)	194,824
Concessions, patents, industrial and similar rights	160,391	18,364	0	6,842	185,597
Trademarks and licences	173,806	0	0	(25,399)	148,407
Goodwill	617,415	0	0	(11,288)	606,127
Other intangible assets	7,448	772	0	(1,893)	6,327
TOTAL	1,158,238	59,140	0	(76,096)	1,141,282

The table below illustrates the changes in amortisation relating to the above items:

In thousands of euros	Accumulated amortisation				Net amounts	
	Balance at 31.12.2009	Amortisation	Change in consolidation area	Other movements	Balance at 31.12.2010	Balance at 31.12.2010
Development costs	111,160	26,473	0	(41,898)	95,735	99,089
Concessions, patents, industrial and similar rights	135,498	14,070	0	483	150,051	35,546
Trademarks and licences	83,349	9,060	0	(25,399)	67,010	81,397
Goodwill	3,433	0	0	(11,288)	(7,855)	613,982
Other intangible assets	4,533	862	0	(440)	4,955	1,372
TOTAL	337,973	50,465	0	(78,542)	309,896	831,386

N.B.: The "Other movements" item includes the reductions for fully amortised intangible assets, translation differences relating to financial statements in foreign currencies, reclassifications and write-downs.

Development costs

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 as to allow the recovery of the costs incurred. This item includes assets under construction for 53,735 thousand euros which instead represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.

With particular reference to the Piaggio group, the new projects capitalized during 2010 mainly refer to the new models Piaggio Beverly, MP3 Hybrid and to the new engines intended for scooters (350cc) and commercial vehicles (petrol and diesel). During 2010 development costs were directly ascribed to the Income statement for around 22.8 million euros.

With reference to the naval sector, it should be remembered that in the last few years the Rodriguez group had already started two important research projects called "Hydrofoils with immersed wing" and "Enviroaliswath".

With reference to the first project – for a total value of around 32 million euros – 8,366 thousand euros have been capitalized at 31 December 2010, amortized for 2,879 thousand euros. With reference to the second project – for a total value of around 22 million euros – 6,457 thousand euros have been capitalized at 31 December 2010, amortized for 991 thousand euros. It should be remembered that the above items have been amortized until the year ending on 31 December 2004

at a rate of 20% a year. Beginning from 2005 the capitalized multi-year development costs of research are no longer amortized until the completion of the project and they will restart when they begin to generate revenue. For the project named "Pia-Lightprop", 1,501 thousand euros of fully amortized costs have been capitalised.

For further details regarding the activities of research and development carried on by the companies in the Immsi Group please refer to the paragraph "Research & Development".

Concessions, patents, industrial and similar rights

The balance of this item, equal to 35,546 thousand euros at 31 December 2010, is mainly related to the Piaggio group that has recorded software, patents and know-how for a total of 35,413 thousand euros, of which fixed assets in progress for 774 thousand euros. Patents and know-how primarily refer to the Vespa, GP 800, MP3, RSV4 and MP3 vehicles and 1200 cc engine and NT3 prototype. The increases of the period mainly refer, as regards the software, to the implementation of the new release of SAP in Piaggio & C. S.p.A., to the SRM platform and programs in the sales area.

It is also to be noted that other Immsi Group companies, too, have entered the item "software" in the case of the Rodriguez group, for integrated naval architecture, structural design and nesting, hydraulic and electronic system design programmes and, in the case of subsidiary Is Molas, for the hotel management programme and other applications.

Trademarks and licences

The trademarks and licences with a finite life item, totalling 81,397 thousand euros, is as follows:

In thousands of euros	Net Value at 31 December 2010	Net Value at 31 December 2009
Guzzi brand	27,422	30,468
Aprilia brand	53,882	59,869
Minor brands	93	120
Total Brands	81,397	90,457

The gross value of the Aprilia brand is 89,803 thousand euros, while that of Moto Guzzi is 36,559 thousand euros. The values of the Aprilia and Moto Guzzi brands are based on the investigation of an independent third party carried out in 2005. These brands are amortised over a period of 15 years.

Goodwill

The goodwill registered by the Group has unchanged compared to the balances calculated at the end of 2009 and its composition is detailed in the following table:

In thousands of euros	Net balance at 31.12.2010
Acquisition of 100% of Piaggio & C. S.p.A. by Piaggio Holding N. BV (in 2003)	405,985
Acquisition of 2.81% of Piaggio & C. S.p.A. by Piaggio Holding N. BV (in 2006)	14,620
Acquisition of 31,25% of Piaggio Holding N. BV by Immsi S.p.A. (in 2003)	3,480
Acquisition of 5.23% of Piaggio & C. S.p.A. by Immsi S.p.A. (in 2004) / Sale of 2.32% of Piaggio & C. S.p.A. by Immsi S.p.A. in 2008	3,643
Acquisition of 17.7% of Piaggio Holding N. BV by Immsi S.p.A. (in 2004 and 2006)	64,756
Acquisition of 2.22% of Piaggio & C. S.p.A. by Immsi S.p.A. (in 2007 and 2008)	7,143
Acquisition of 100% of Aprilia S.p.A. by Piaggio & C. S.p.A. (in 2004)	79,705
Acquisition of 66.49% of Rodriguez S.p.A. by RCN Finanziaria S.p.A. (in 2004)	30,337
Acquisition of 33.51% of Rodriguez S.p.A. by RCN Finanziaria S.p.A. (in 2005)	2,001
Acquisition of 2.37% of RCN Finanziaria S.p.A. by Immsi S.p.A. (in 2007)	1,286
Other acquisitions / changes	1,026
TOTAL	613,982

Goodwill derives from the greater value paid compared to the corresponding portion of the investee companies' shareholders' equity at the time of the purchase, reduced by the related cumulative amortisation until 31 December 2003. During first-time adoption of the IFRS, in fact, the Group chose not to apply *IFRS 3 – Business combinations* retroactively to company acquisitions prior to 1 January 2004; consequently, the goodwill generated on acquisitions prior to the IFRS transition date was maintained at the previous value, calculated in accordance with Italian accounting standards, subject to verification and the recording of any impairment. As of 1 January 2004 goodwill is no longer amortised: the recoverable value of the cash-generating unit, to which the single goodwills have been attributed, is verified by determining the current value and submitted to an impairment test, applying the method required by the International Accounting Standard IAS 36. Such value has been estimated on the basis of:

- the current value of the future financial flows over a multi-year forecasting period that are estimated to be generated by the continuous use of the assets referred to the single cash generating units (method of “Discounted Cash Flow” in its “Unlevered” version); and
- by the terminal value attributable to them (estimated according to the perpetuity growth method), so as to reflect the residual value that each cash-generating unit is expected to generate beyond the planning horizon and representative of the current value of the future cash flows subsequent to the period of explicit projection of the financial data forecast.

It should be borne in mind, lastly, that goodwills recoverability is checked at least once a year (at 31 December), even failing indicators of a possible loss of value.

With reference to the Piaggio group cash-generating unit, the impairment test was arranged in-house by the Immsi S.p.A. company management, whereas for the Rodriguez group cash-generating unit, the Parent Company called in independent third consultants to draw up an impairment report to support the Parent Company's Board of Directors for the purposes of the application of the procedure set out in accounting standard IAS 36.

As concerns the Piaggio group, it has been considered reasonable to consider the Piaggio cash-generating unit coincident with the Piaggio group as a whole (Piaggio & C. S.p.A. and its subsidiaries). Therefore all the considerations related to the estimate of the utilization value of the cash-generating unit and to its use for the purposes of the impairment test were developed considering the Piaggio group at consolidated level. It should be noted that the book value of the goodwill allocated to the cash-generating unit Piaggio group is equal to around 579.5 million euros. The main hypotheses and assumptions used in determining the recoverable value of the cash generating unit are related to i) the use of forecast economic and asset data of the Piaggio group; ii) the discount rate used for making the estimated expected cash flows current; iii) the use of the expected growth rate for the calculation of the terminal value consistently with the approach of the perpetuity growth. With respect to the values of point i), the analyses have been based on a hypothesis of future financial flows concerning a four-yearly time horizon and referable to an evolutionary scenario inferable:

- from the 2011 Budget of Piaggio group, approved by the Board of Directors meeting of Piaggio & C. S.p.A. on 30 November 2010, for data related to year 2011;
- from the 2010-2013 Plan of the Piaggio group, approved by the Board of Directors meeting of Piaggio & C. S.p.A. on 22 September 2010 for data related to years 2012 and 2013;
- from the forecast financial data referred to year 2014 that are estimated by applying to the 2013 data contained in the above 2010-2013 Plan, the “g rate” differentiated by *cash-generating unit*, as described below.

In particular, as regards the rates of growth of sales related to the period covered by the forecast data considered, reference has been made to external sources that are representative of the expected growth of the reference markets. With reference to the value of point ii), for discounting the estimated expected cash flows, a weighted average discount rate calculated beginning from the discount rates related to the different geographical areas of operation of the Piaggio group for its own *cash-generating units* has been used, that reflect the current market evaluations of the cost of money and that take account of the specific risks of the business and of the geographical area in which the different cash-generating units of the Piaggio group operate. In particular, to establish the cost of its equity (“Ke”) according to the CAPM (“*Capital Asset Pricing Model*”) we have considered a) a long-term risk-free rate; b) a variable market risk premium for the different areas of operation of the group; c) Beta coefficients taking into account also the Beta coefficients of the principal listed companies that are comparable to the Piaggio group. The cost of debt (“Kd”) net of taxes has been estimated taking account of the financial structure of the Piaggio group and of the main listed companies comparable to the Piaggio group as well as – prudentially in order to mitigate the positive impact of the current expansive monetary policy - a long-term risk-free rate. The weighted average discount rate (“WACC”) used for the purposes of the impairment test net of taxes is therefore estimated equal to 9.1%. With respect to point iii), it is noted that in drawing up the impairment test, the terminal value was determined using a weighted average perpetual growth rate (“g rate”), calculated based on different “g rate” values set by Piaggio group for its own *cash-generating units*: such a weighted average “g rate” has been therefore estimated equal to 1.9%. The conducted analyses have not highlighted any losses of value: therefore, no devaluation has been reflected in the data of the separate or consolidated Financial statements of Immsi Group at 31 December 2010. It should therefore be noted that in correspondence with the aforesaid values of the basic assumptions considered, the goodwill test regarding the Piaggio group cash-generating unit was passed with a broad margin. In addition, also on the basis of the indications contained in the joint Document Banca d’Italia/Consob/Isvap no. 2 of 6 February 2009 and in the Document Banca d’Italia/Consob/Isvap no. 4 of March 2010, sensitivity analysis has been carried out on the results of the test in relation to the change in basic assumptions such as the perpetual growth rate in processing the terminal value (“g rate”) and the discount rate (WACC), that condition the estimate of the utilization value of the Piaggio group cash-generating unit: the impairment test was passed in all reasonably considered cases. In this respect, it should be noted that the variations in the values assigned to the basic assumptions considered have grown, prudentially, to the joint consideration (“Worst Case Scenario”) of a reduction in the rate of perpetual growth (“g rate”) of 0.5 percentage points, at the same time as an increase in the WACC of 0.5 percentage points.

As concerns the Rodriquez group, it has been considered reasonable to consider the Rodriquez cash-generating unit coincident with the Rodriquez group as a whole (Rodriquez Cantieri Navali S.p.A. and its subsidiaries). Therefore all the considerations related to the estimate of the utilization value of the cash-generating unit and to its use for the purposes of the impairment test were developed considering the Rodriquez group at consolidated level. It should be noted that the book value of the goodwill allocated to the Rodriquez group cash-generating unit is equal to around 34.4 million euros. The main hypotheses and assumptions used in determining the recoverable value of the cash generating unit are related to i) the use of forecast economic and asset data of the Rodriquez group; ii) the discount rate used for making the estimated expected cash flows current; iii) the expected growth rate for the calculation of the terminal value consistently with the approach of updating the perpetuity growth. With respect to the values of point i) the analyses were based on forecast data related to the period 2011-2014 approved at the time of the Board of Directors meeting of Rodriquez Cantieri Navali S.p.A. respectively on 30 November 2010 with reference to the 2011 Budget and on 9 February 2011 with reference to the figures stated in the economic-financial forecast for 2012-2014, supplemented – for impairment test purposes alone – by the Rodriquez Cantieri Navali S.p.A. Board of Directors’ forecast covering a further reference year (2015), which inertly repeats the last year of the aforementioned forecast. With reference to the value of point ii), for making the estimated expected cash flows current of the Rodriquez group, a

discount rate has been used that reflects the current market evaluations of the cost of money and that takes account of the specific risks of the business and of the geographical area in which the Group operates. In particular, the cost of equity (“Ke”) has been determined according to the CAPM (“*Capital Asset Pricing Model*”). For this purpose, we have considered a) a long-term risk-free rate; b) a market risk premium related to the Italian market, main reference market of the group; c) a Beta coefficient calculated by taking into account also the Beta coefficient of companies’ sample comparable to the group and operating in the leisure and defense shipbuilding sector. The cost of debt (“Kd”) net of taxes has been estimated taking account of the expected financial structure of the RCN group and a panel of listed companies comparable to the Rodriguez groups as well as – prudentially in order to mitigate the positive impact of the current expansive monetary policy - a long-term risk-free rate. The weighted average discount rate used for the purposes of the impairment test net of taxes is therefore estimated equal to approximately 7.9%. With respect to point iii), it is noted that in drawing up the impairment test, the terminal value was determined using a prudentially estimated perpetual growth rate (“g rate”) prudentially estimated at 1.5%, consistent with what set out in the accounting standard IAS 36 and not higher than the current inflation rate for the Eurozone. The conducted analyses have not highlighted any losses of value regarding the goodwill test allocated to the Rodriguez group cash-generating unit: therefore, no devaluation of this goodwill has been reflected in the data of the consolidated Financial statements of Immsi Group at 31 December 2010. In addition, also on the basis of the indications contained in the joint Document Banca d’Italia/Consob/Isvap no. 2 of 6 February 2009 and in the Document Banca d’Italia/Consob/Isvap no. 4 of March 2010, sensitivity analysis has been carried out on the results of the test in relation to the change in basic assumptions such as the perpetual growth rate in processing the terminal value (“g rate”) and the discount rate (WACC), that condition the estimate of the utilization value of the Rodriguez group cash-generating unit: the goodwill test allocated to the Rodriguez group cash-generating unit was passed in all reasonably considered cases. In this respect, it should be noted that the variations in the values assigned to the basic assumptions considered have grown, prudentially, to the joint consideration (“*Worst Case Scenario*”) of a reduction in the rate of perpetual growth (“g rate”) of 0.5 percentage points, at the same time as an increase in the WACC of 0.5 percentage points.

Considering that the analyses conducted to estimate the recoverable value both for the Piaggio group cash-generating unit and for the Rodriguez group cash-generating unit has also been determined on the basis of estimates, the Group cannot assure that there will not be a loss in value of the goodwill in future periods.

Owing to the current context of the crunch in the markets of reference and in the financial markets, the different factors – both inside and outside the identified *cash-generating units* – used in drawing up the estimates could in the future be reviewed. The Group will constantly monitor these factors and the possible existence of future losses in value.

Other intangible assets

The “Other intangible assets with a finite life” item, totalling 1,372 thousand euros, mainly includes charges held by Piaggio Vietnam.

- F2 - TANGIBLE ASSETS	302,010
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Net tangible assets at 31 December 2010 total 302,010 thousand euros, compared to 298,375 thousand euros at 31 December 2009, and comprise property assets of the Piaggio group for 256,759 thousand euros, of the Rodriguez group for 26,323 thousand euros, of Is Molas S.p.A. for 18,343 thousand euros and of Immsi S.p.A. for 548 thousand euros. The following table details this item:

In thousands of euros	Gross amounts					
	Balance at 31.12.2009	Increases	Decreases	Change in consolidation area	Other movements	Balance at 31.12.2010
Land	49,527	0	0	0	(422)	49,105
Property	150,937	3,858	(2,492)	0	1,980	154,283
Plant and machinery	359,905	15,141	(2,800)	0	7,098	379,344
Industrial and commercial equipment	470,600	15,523	(2,025)	0	170	484,268
Assets to be given free of charge	16,964	19	0	0	0	16,983
Other assets	49,867	3,750	(1,000)	0	6	52,623
TOTAL	1,097,800	38,291	(8,317)	0	8,832	1,136,606

The table below shows the changes in depreciation for the above items:

In thousands of euros	Accumulated amortisation						Net amounts
	Balance at 31.12.2009	Depreciation	Applications	Change in consolidation area	Other movements	Balance at 31.12.2010	Balance at 31.12.2010
Land	766	0	0	0	(116)	650	48,455
Property	44,965	4,478	(1,152)	0	719	49,010	105,273
Plant and machinery	273,930	14,475	(2,542)	0	1,593	287,456	91,888
Industrial and commercial equipment	425,122	17,107	(1,832)	0	21	440,418	43,850
Assets to be given free of charge	13,025	1,052	0	0	0	14,077	2,906
Other assets	41,617	2,397	277	0	(1,306)	42,985	9,638
TOTAL	799,425	39,509	(5,249)	0	911	834,596	302,010

N.B.: The "Other movements" item includes the translation differences relating to financial statements in foreign currencies, reclassifications and write-downs.

The tangible assets are amortized at rates considered fit to represent their useful life and in any case according to a plan of fixed rate amortization for which reference is made to paragraph *D – Accounting standards and measurement criteria*.

Among the tangible assets at 31 December 2010 there are 2,906 thousand euros related to entirely freely transferable assets owned by the Rodriguez group represented by light and fabricated constructions, and related costs of restructuring, built on State land in the Municipality of Messina.

The amortisation of the buildings built on State land is performed according to the residual duration of the concession with expiration in December 2013. These assets, held because of a concession agreement, at its expiry, must be freely and in a perfect state of operation transferred to the granting body.

Land and property

Land and industrial property refer to production facilities of the Piaggio group located in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcellona (Spain), Baramati (India) and Vinh Phuc (Vietnam), to the industrial complex of the Rodriguez group in Sarzana and to the tourism/hotel structure managed by Is Molas S.p.A. in the Municipality of Pula (Cagliari). The item also includes some lands and buildings belonging to the Piaggio group at Pisa and Lugnano which were transferred by the parent company in December 2009 to a property fund, consolidated on a line-by-line basis.

At 31 December 2010, the net value of the land and property owned under finance leases is 8,006 and 5,425 thousand euros respectively, exclusively referring to the property lease agreement for the facility of the Piaggio group located at Mandello del Lario.

Lastly, it should be pointed out that the Group has registered 10,241 thousand euros for fixed assets in progress on properties owned.

Plant and machinery

The “Plant and machinery” item refers essentially to the production facilities of the Piaggio group located in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcellona (Spain), Baramati (India) and Vinh Phuc (Vietnam), as well as the structures owned by the Rodriguez group and the facilities located in the tourism/hotel complex managed by Is Molas S.p.A., for a net overall amount (excluding assets held under finance leases) of 91,798 thousand euros. The Group has registered 19,013 thousand euros for fixed assets in progress and as a whole it uses plant and machinery completely amortised for a gross value of around 22,881 thousand euros. Furthermore, the Rodriguez group has plant and machinery held under finance leases for a net book value of 90 thousand euros.

Industrial and commercial equipment

The “Industrial and commercial equipment” item, totalling 43,850 thousand euros, comprises essentially the production equipment of Piaggio & C. S.p.A., Nacional Motor S.A., Piaggio Vehicles Pvt. Ltd, Piaggio Vietnam Co Ltd and the Rodriguez group. The balance includes construction in progress for 13,333 thousand euros mainly recorded by the Piaggio group and fully depreciated equipment still in use totalling 5,260 thousand euros recorded by the Rodriguez group. The main investments in equipment regarded moulds for the new vehicles launched during 2010 or expected to be launched within the first half of 2011, moulds for new engines and specific equipment for the assembly lines.

Other assets

The “Other assets” item comprises vehicles, furniture, office fittings and EDP systems. The other assets are registered for a total value of 9,638 thousand euros, net of cumulative depreciation, and includes assets held under finance leases for 22 thousand euros. The Group uses fully depreciated assets with a gross value of 3,971 thousand euros and recorded fixed assets in progress for 1,913 thousand euros.

Guarantees

At 31 December 2010, the Group has land and property encumbered by mortgages or pledges in favour of financial institutions to guarantee bank loans, for which reference is made to paragraph / – *Commitments, risks and guarantees*.

- F3 - PROPERTY INVESTMENTS	73,262
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At 31 December 2010 property investments were registered in the Immsi Group for 73,262 thousand euros, completely referable to the Parent Company Immsi S.p.A..

As described more fully in the Report and Financial Statements of the Immsi Group at 31 December 2008, at the end of the year 2008 Management modified the classification of the property located in Rome – Via Abruzzi into a non-instrumental investment property, as defined by IAS 40, since the initial intended use was no longer representative of its actual use. Reference is made to the explanatory and additional Notes on the consolidated financial statements contained in the Report of the Directors and Financial Statements of the Immsi Group at 31 December 2008 for additional details on the reasons that have led to this change in intended use and to the related accounting method. To this regard, we can briefly note that the greater value measured at the time of modifying the classification was registered in a specific shareholders' equity reserve, net of the related tax effect. The investment moreover is no longer subject to a process of amortization starting from the year 2009 as required by the international accounting standards.

The increase of 625 thousand euros compared to the value recorded at 31 December 2009 is for work of renovation and restructuring sustained during 2010.

In addition, it should be remembered that the valuation of the real estate investment at issue is based on a survey performed by an external advisor that estimated the fair value at the end of 2010

at no less than the value of registration in the financial statements at 31 December 2010.

The criteria of evaluation used imply the block sale in the current state of lease of the property immediately available, applying in a weighted manner both the comparative method, based on the comparison between the asset at issue and other similar ones recently transferred or currently offered on the same market or on competing markets, and the revenue method, based on the current value of the potential future income from a property, and the synthetic multiparameter coefficient method. Among the parameters used in applying the comparative method are the age, wear, state of maintenance and location, as well as the distribution of the surfaces, the building consistence, the type of construction and the predictable duration. The parameters used in determining the market value with the method of income are: the annual gross income deriving from leasing the property at current rates, the rate of capitalization and the costs to the owners such as ICI (property tax), insurance, administration and register tax. In order to calculate the multi-factor value by coefficients, specific coefficients were assigned to the characteristics of each office, such as storey, natural lighting, aspect and use.

The current global crisis of the financial system has created a widespread and alarming degree of uncertainty in the real estate market of the whole world. In this scenario it is possible that prices and values can encounter a period of extreme volatility until the market has recovered conditions of stability. The persistent lack of liquidity produces an objective difficulty in concluding transactions of sale in the short term.

· F4 · EQUITY INVESTMENTS **206**

The “Equity investments” item at 31 December 2010 comprises:

In thousands of euros	<i>Balance at 31.12.2009</i>	<i>Increases</i>	<i>Decreases</i>	<i>Revaluations / Write-downs</i>	<i>Reclassifications</i>	<i>Balance at 31.12.2010</i>
Equity investments in subsidiaries	0	0	0	0	0	0
Equity investments in associated companies and joint ventures	251	0	0	(45)	0	206
TOTAL	251	0	0	(45)	0	206

The decrease relates wholly to the depreciation of the shareholding held in the Tunisian company S.A.T. – Societé d’Automobiles et Triporteurs S.A..

The table below details the equity investments at 31 December 2010:

Equity investments	% Group	Book value at 31 December 2010
Valued using the equity method:		
Piaggio China Co. LTD	99.99%	0
Aprilia World Service Holding do Brasil Ltda ***	99.99%	0
Aprilia Brasil S.A.***	51.00%	0
Valued using the cost method:		
Rodriquez Mexico ***	50.00%	0
Total subsidiaries		0
Valued using the equity method:		
Zongshen Piaggio Foshan Motorcycle Co. LTD.	45.00%	0
Total joint-ventures		0
Valued using the cost method:		
S.A.T. Societé d’Automobiles et Triporteurs S.A.	20.00%	0
Acciones Depuradora Soc. Coop. Catalana Limitada.	22.00%	3
Pont - Tech, Pontedera & Tecnologia S.c.r.l.	20.44%	181
Consorzio CTMI - Messina	41.54%	22
Total associated companies		206
TOTAL		206

*** Inactive companies or companies in liquidation

The equity investment in Zongshen Piaggio Foshan Motorcycles Co. Ltd has been classified under Joint ventures in relation to the agreement signed on 15 April 2004 between Piaggio & C. S.p.A. and Foshan Motorcycle Plant, on one side, and the Chinese company Zongshen Industrial Group Company Limited on the other side. Piaggio & C. S.p.A.'s equity investment in Zongshen Piaggio Foshan Motorcycles is equal to 45%, of which 12.5% is held through the direct subsidiary Piaggio China Company Ltd. The book value of the equity investment is equal to zero and reflects the adjusted pro-quota shareholders' equity to take account of the criteria of evaluation adopted by the Group.

The following table summarises the main financial highlights of the joint venture:

<i>In thousands of euros</i>	Situation at 31 December 2010	
	Zongshen Piaggio Foshan Motorcycle Co.	45% Piaggio group
Operating capital	1,552	698
Total non-current assets	12,925	5,816
NET INVESTED CAPITAL	14,477	6,515
Reserves	1,099	495
Financial position	3,074	1,383
Shareholders' equity	10,304	4,637
TOTAL SOURCES OF FUNDS	14,477	6,515

- F5 - OTHER FINANCIAL ASSETS	117,826
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- Non-current portion

The other non-current financial assets, equal to 80,165 thousand euros, remained unchanged compared to the value at the end of 2009 and are entirely represented by financial assets available for sale represented by the investment in Alitalia – Compagnia Aerea Italiana S.p.A. and other minor companies related to the Piaggio group. In this respect, it should be remembered that the shareholding in Alitalia – Compagnia Aerea Italiana S.p.A. by the Parent Company Immsi S.p.A. is equal to 7.08% of the deliberated capital. In the light of the information made publicly available by the aforesaid company regarding the operational trend, that substantially confirm results in line with the industrial plans, it is reckoned that the fair value of the investment corresponds to the book value registered at the time of acquisition of the investment.

- Current portion

Other current financial assets total 37,661 thousand euros at the year end, showing a 11,421 thousand euros increase compared to 31 December 2009 and are detailed in the table below:

<i>In thousands of euros</i>	<i>Balance at 31.12.2010</i>	<i>Balance at 31.12.2009</i>
Financial assets	37,651	26,228
Financial receivables	10	12
TOTAL	37,661	26,240

The above item chiefly covers Italian Government securities purchased by Piaggio & C. S.p.A. for 23,051 million euros and available for sale and the shareholding in Unicredit held by Parent company IMMSI S.p.A. for 14,388 million euros. The increase in the overall value of the current financial assets is mainly referred to the increase in financial business conducted by the Piaggio group (at 31 December 2009, the group held only certificates of deposit issued by an Indian social security institution to the tune of 4,127 million euros, purchased by the group's Indian subsidiary with a view to making efficient use of its temporary liquidity), partially compensated for by the decrease in fair value of Immsi S.p.A.'s stake in Unicredit (which fell from 21,778 million euros at

31 December 2009 to 14,388 million euros at 31 December 2010).

- F6 - AMOUNTS DUE FROM THE TAX AUTHORITIES	52,308
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Current and non-current amounts due from tax authorities total 52,308 thousand euros and are as follows:

- Non-current portion

In thousands of euros	<i>Balance at 31.12.2010</i>	<i>Balance at 31.12.2009</i>
Amounts due from the tax authorities for VAT	515	648
Amounts due from the tax authorities for income tax	3,137	4,040
Other amounts due from the tax authorities	317	4,029
TOTAL	3,969	8,717

It should be reminded that Immsi S.p.A. has undersigned with the subsidiary companies Piaggio & C. S.p.A., Apuliae S.p.A., Rodriquez Cantieri Navali S.p.A., Intermarine S.p.A., RCN Finanziaria S.p.A. and ISM Investimenti S.p.A. fiscal consolidated contracts, under which Immsi S.p.A., as the consolidating company, has registered in its own financial statements receivables from the tax authorities for non-current taxes, related to withholdings suffered and IRES advance payments made, transferred from the companies included in the national fiscal consolidation, for 2,922 thousand euros, whose use is supposed to be following the current year in the light of the expected industrial plans. The taxation of the Group calculated for the year 2010 has expressed a consolidated fiscal loss, therefore during 2010 no advance payments will be made to the account of IRES income tax.

- Current portion

In thousands of euros	<i>Balance at 31.12.2010</i>	<i>Balance at 31.12.2009</i>
Amounts due from the tax authorities for VAT	42,696	24,864
Amounts due from the tax authorities for income tax	2,691	2,150
Other amounts due from the tax authorities	2,952	584
TOTAL	48,339	27,598

Amounts due from tax authorities within 12 months mainly refer to VAT receivables of the Piaggio group, increased compared to 31 December 2009 mainly because of the increase in the VAT credit of Piaggio & C. S.p.A. and of the Indian associate company of the Piaggio group.

- F7 - DEFERRED TAX ASSETS	76,000
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At 31 December 2010, net deferred tax assets falling due within 12 months total 2,826 thousand euros while those falling due beyond 12 months amount to 73,174 thousand euros.

The Piaggio group has recognised 46,294 thousand euros of deferred tax assets compared to 46,462 thousand euros recorded at 31 December 2009. Compared with the 2009 year – which was marked by higher deferred tax entries – the 2010 year has, largely, seen a break-even between uses of applications and further deferred tax assets entries, in consideration of the impact made both by the temporary variations and by the fiscal losses offsetable against income that will be generated in future tax periods.

The deferred tax assets accrued by the Rodriquez group and recognized in relation to the

reasonable certainty of achieving future taxable income sufficient to absorb them, total 19,068 thousand euros and are calculated mainly on tax losses suffered by group companies and on the asset timing differences. The related fiscal benefit has been measured solely on the fiscal losses and on the temporary differences for which there is the probability of accomplishing taxable amounts able to absorb them, taking account of the industrial plans drawn up by the companies of the Rodriguez group and considering the results expected by the national fiscal consolidation underlying the Parent Company Immsi S.p.A. that Rodriguez Cantieri Navali S.p.A. and Intermarine S.p.A. joined.

The deferred tax assets accrued by Is Molas S.p.A. total 6,820 thousand euros and they refer to temporary differences that emerged in the 2010 and previous years, losses of the years 2004-2005 brought forward without limit, to the losses of the years 2006 (which may be carried over into the five subsequent years) and 2007 (for the part that found no compensation in the Immsi Group's taxable income in the period in which Is Molas S.p.A. joined the IMMSI group's tax consolidation scheme), 2008, 2009 and 2010 plus the surplus negative interest and assimilated non-deductible charges for the 2008, 2009 and 2010 years brought forward in the following years.

As regards the measurements to define the deferred tax assets, the Group mainly took account of i) the tax regulations in the various countries in which it operates, their impact in terms of timing differences and any tax benefits deriving from the use of prior tax losses in consideration of their falling due; ii) the expected financial results in the medium term for each individual company and of the economic and tax repercussions of the implementation of the reorganisation. In view of the above considerations and also for the sake of prudence, the tax benefits deriving from the losses carried forward and from temporary differences were not fully recognised.

Gross deferred tax assets are as follows:

In thousands of euros

	Taxable income	Fiscal effect	Recorded	Not recorded
Timing differences for reserve provisions	118,511	34,806		
Other timing differences	74,327	21,838		
Total reserves and other timing differences	192,838	56,644	51,258	5,386
Fiscal losses	156,940	46,814	32,070	14,744
Grand total at 31 December 2010	349,778	103,458	83,328	20,130

In particular, the Piaggio group has not recognised 20.1 million euros of deferred tax assets against prior losses and other temporary differences.

- F8 - TRADE RECEIVABLES AND OTHER RECEIVABLES 334,887

- Non-current portion

Trade receivables and other receivables included under non-current assets total 15,741 thousand euros against 16,702 thousand euros at 31 December 2009 and are detailed below:

In thousands of euros

	<i>Balance at 31.12.2010</i>	<i>Balance at 31.12.2009</i>
Amounts due from subsidiaries	138	138
Amounts due from associated companies	305	330
Other receivables	15,298	16,234
TOTAL	15,741	16,702

The receivables from subsidiaries comprise credits from Aprilia World Service Holding do Brasil Ltda., whereas the receivables from associated companies comprise credits from the Fondazione Piaggio.

Among the other non-current receivables, there are mainly 851 thousand euros of guarantee deposits, 134 thousand euros of amounts advanced to employees besides prepaid expenses for 10,261 thousand euros. Among the other receivables there are moreover trade receivables expiring over 12 months registered by the Rodriguez group and completely depreciated for 1,203 thousand euros.

- Current portion

Trade receivables and other receivables included under current assets are as follows:

In thousands of euros	Balance at 31.12.2010	Balance at 31.12.2009
Trade receivables	115,394	134,224
Amounts due from associated companies	1,259	1,293
Amounts due from joint ventures	2,332	517
Other receivables	200,161	140,851
TOTAL	319,146	276,885

The "Trade receivables" item comprises amounts due from normal sales transactions, stated net of a bad debt reserve detailed as follows:

In thousands of euros	
Balance at 31.12.2009	33,554
Increases on provisions	1,181
Decreases for applications	(483)
Other changes	450
Balance at 31.12.2010	34,702

The Piaggio group transfers on a regular basis its trading receivables mainly with the "pro-soluto" and "pro-solvendo" clause [i.e., without and with recourse]. The contractual structure that the group formalized with major Italian and foreign factoring companies essentially reflects the need to optimize the monitoring and management of the credit as well as offering its customers an instrument for financing their own warehouse. At 31 December 2010 the "pro-soluto" sold trade receivables not due yet altogether amount to 75,617 thousand euros on which the group received the consideration before the natural expiration of the credit for 72,396 thousand euros.

At 31 December 2010 the "pro-solvendo" receivables sold both to factoring firms and to banks amount to 26,852 thousand euros and are offset in the current liabilities.

The balance of receivables from associated companies refers mainly to receivable for 1,096 thousand euros from the Consorzio CTMI, while the receivables from joint ventures refer to a credit with Zongshen Piaggio Foshan Motorcycle Co. Ltd..

"Other receivables" include accrued income and prepaid expenses of 5,605 thousand euros, advances to suppliers for 32,269 thousand euros basically registered by Intermarine for the Finnish Navy order, 1,067 thousand euros for advances to employees and 447 thousand euros relating to government grants received by the Rodriguez group. Finally the other receivables include the equivalent value of the works in progress to order net of the advance payments received, referable

entirely to the Rodriguez group, whose composition is detailed as follows:

In thousands of euros	<i>Balance at 31.12.2009</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance at 31.12.2010</i>
Contract work in progress gross of advances	326,068	41,608	(20,796)	346,880
Contractual advances received from customers	245,880			205,611
Contract work in progress net of advances	80,188			141,269
Costs incurred	278,727			297,978
Margins recorded (net of losses)	47,341			48,902

It is noted the recording of mortgages in favour of banks on constructions of Rodriguez Cantieri Navali S.p.A. for the Oman contract totalling 45,953 thousand euros.

· F9 ·	ASSETS INTENDED FOR DISPOSAL	22,136
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The net book value of the assets intended for sale recorded by the Rodriguez group amounts to 22,136 thousand euros and it refers to the property of Pietra Ligure acquired at the public auction of the State in the month of December 2007 for a total of 19.1 million euros and accounted in the buildings destined to be dismissed in relation to the contracts and obligations undersigned by Rodriguez Cantieri Navali S.p.A..

· F10 ·	INVENTORIES	310,275
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Inventories are measured at the lower of cost and market value and total 310,275 thousand euros at the year end and comprise:

In thousands of euros	<i>Balance at 31.12.2010</i>			<i>Balance at 31.12.2009</i>		
	<i>Cost</i>	<i>Write-down</i>	<i>Net</i>	<i>Cost</i>	<i>Write-down</i>	<i>Net</i>
Consumables	34	0	34	34	0	34
Raw materials	108,526	(15,032)	93,494	119,393	(15,167)	104,226
Work in progress and semi-finished products	80,225	(852)	79,373	75,327	(852)	74,475
Finished products	169,147	(31,773)	137,374	169,151	(23,736)	145,415
TOTAL	357,932	(47,657)	310,275	363,905	(39,755)	324,150

The above write-downs were necessary for the presence of raw materials no longer usable in the production process and obsolete or slow-moving finished products and goods.

At 31 December 2010, the Piaggio group recognises, net of write-downs, inventories for 240,066 thousand euros referred to components, accessories, 2-wheeled and 4-wheeled vehicles. The Rodriguez group contributes 47,595 thousand euros, mainly raw materials and semi-finished products and contract work in progress as well as internal construction and repairs. Finally, Is Molas S.p.A. records 22,614 thousand euros of inventories at the year end relating to the hotel business, as well as work in progress and semi-finished products represented by land, volumes, costs for services and consultancy for the property development project relating to the allotment located in Is Molas - Cagliari.

· F11 ·	CASH AND CASH EQUIVALENTS	190,604
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Cash and cash equivalents at the year end total 190,604 thousand euros against 206,508 thousand euros at 31 December 2009, as detailed in the table below:

In thousands of euros	Balance at 31.12.2010	Balance at 31.12.2009
Cheques	2	8
Cash and cash equivalents	440	387
Securities	39,799	9,107
Amounts due from banks within 90 days	150,363	197,006
TOTAL	190,604	206,508

This item covers cash, current bank accounts, deposits refundable on demand and other short-term high-liquidity financial investments readily convertible into cash and subject to an insignificant risk of variation in value.

In particular, the item Securities covers spot against forward transactions entered into by IMMSI S.p.A. and Piaggio & C. S.p.A. (for the sums of 14,799 thousand euros and 25,000 thousand euros respectively).

The decrease in Receivables from banks due at less than 90 days is chiefly due to a reduction in the cash and cash equivalents held by the Piaggio group at the end of the year, which fell from 190,796 thousand euros at 31 December 2009 to 129,475 thousand euros at 31 December 2010.

- G - INFORMATION ON THE MAIN LIABILITIES ITEMS

Amounts are stated in thousands of euros unless otherwise indicated.

- G1 - SHAREHOLDERS' EQUITY 643,920

Shareholders' equity at 31 December 2010 stands at 643,920 thousand euros, of which 422,793 thousand euros being consolidated Group shareholders' equity and 221,127 thousand euros referring to non-controlling interest capital and reserves.

Below is a reconciliation between shareholders' equity and earnings for the period of the Parent Company and the consolidated figures.

In thousands of euros	Shareholders' equity	Earnings for the period
Shareholders' equity and earnings for the period as recorded in the financial statements of the Parent Company Immsi S.p.A.	454,227	16,858
Dividends derecognition from subsidiaries of the Parent Company	n/a	(14,156)
Pro rata earnings and shareholders' equity of investee companies	534,760	11,974
Eliminating the book value of the equity	(566,194)	n/a
Eliminating the effects of other intragroup transactions and records	0	(4,860)
TOTAL	422,793	9,816

Share capital

At 31 December 2010, the share capital of Immsi S.p.A., fully subscribed and paid up, comprises 343.2 million ordinary shares of nominal value 0.52 euros each, for a total of 178,464,000.00 euros.

It is noted that at 31 December 2010 the company held 2,670,000 shares of treasury stock, purchased on the stock market during 2008, at an average price of 0.7784 euros. In conformity with the provisions of the applicable international standards, the nominal value of the purchases of treasury stock, equal to 1,388 thousand euros, has been carried to direct deduction from the share capital.

Each ordinary share entitles the holder to a proportionate part of distributable profits and of the shareholders' equity resulting from any liquidation, as well as to unlimited voting rights.

Legal reserve

The legal reserve comprises reserves allocated following the distribution of profits of Immsi S.p.A. from the year 2000 to the year 2009, in accordance with the provisions of law and totals 4,853 thousand euros at the year end.

Other reserves

This item totals 192,671 thousand euros. The share premium reserve includes the consideration of the shares underwritten following the increase in share capital of Immsi S.p.A. in 2005 and 2006 for an overall amount of 95,216 thousand euros.

Other reserves also include the reserve generated from the Group's transition to international accounting standards as of 1 January 2004, equal to 5,300 thousand euros, details of which are in the Report to the Financial Statements at 31 December 2005, also available on the www.immsi.it website.

The stock option reserve amounts to 5,811 thousand euros while the reserve allocated to the evaluation of the financial instruments is equal to 2,928 thousand euros.

The details of the item "Other reserves" are shown below:

In thousands of euros										
	<i>Extraordinary reserve</i>	<i>Share premium reserve / share capital increase</i>	<i>IAS transition reserve</i>	<i>Reserves as per Law 413/91</i>	<i>Legal reserves</i>	<i>Translation reserve</i>	<i>Stock Option reserve</i>	<i>Financial instrument measurement reserve</i>	<i>Other reserves</i>	<i>Total other reserves</i>
Balances at 31 December 2009	7,103	95,216	5,300	4,602	1,153	(2,948)	4,387	10,514	59,950	185,277
Other changes							1,424		11,615	13,039
Overall earnings for the period						1,941		(7,586)		(5,645)
Balances at 31 December 2010	7,103	95,216	5,300	4,602	1,153	(1,007)	5,811	2,928	71,565	192,671

Retained earnings

The earnings carried forward total 38,377 thousand euros and refer to cumulative Group earnings.

Non-controlling interest capital and reserves

At 31 December 2010 the balance of share capital and reserves attributable to third party shareholders totals 221,127 thousand euros, a 18,115 thousand euros increase compared to 31 December 2009, mainly for the profit share for the period owing to non-controlling shareholders and for the reduction in the share owing to the Parent Company Immsi S.p.A. in Piaggio & C. S.p.A. following the sale of Piaggio & C. S.p.A. shares on the MTA, only partially reduced for the distribution of dividends.

- G2 - FINANCIAL LIABILITIES 875,522

Financial liabilities total 875,522 thousand euros at 31 December 2010. The part recorded under non-current liabilities amounts to 476,165 thousand euros, against 484,207 at 31 December 2009, while the part included among current liabilities totals 339,357 thousand euros, a 34,638 thousand euros increase compared to the year end 2009.

The attached tables summarise the financial liabilities by type of financial debt:

- Non-current portion

In thousands of euros		
	Balance at 31.12.2010	Balance at 31.12.2009
Bonds	139,007	137,665
Amounts due to bank	292,286	311,733
Amounts due under finance leases	7,471	8,329
Amounts due to other lenders	37,401	26,480
TOTAL	476,165	484,207

- Current portion

In thousands of euros	Balance at 31.12.2010	Balance at 31.12.2009
Amounts due to bank	370,899	334,684
Amounts due under finance leases	791	800
Amounts due to subsidiaries	92	90
Amounts due to other lenders	27,575	29,145
TOTAL	399,357	364,719

The composition of the debt is the following:

In thousands of euros	Balance at 31.12.2010	Balance at 31.12.2009	Nominal value at 31.12.2010	Nominal value at 31.12.2009
Bonds	139,007	137,665	150,000	150,000
Amounts due to bank	663,185	646,417	665,180	647,879
Amounts due under finance leases	8,262	9,129	8,262	9,129
Amounts due to subsidiaries	92	90	92	90
Amounts due to other lenders	64,976	55,625	64,976	55,625
TOTAL	875,522	848,926	888,510	862,723

The following prospectus shows the reimbursement plan for the debt at 31 December 2010 of the Group:

In thousands of euros	Nominal value at 31.12.2010	Portions falling due within 12 months	Portions falling due in 2012	Portions falling due in 2013	Portions falling due in 2014	Portions falling due in 2015	Portions falling due beyond
Bonds	150,000	0	0	0	0	0	150,000
Amounts due to bank	665,180	371,451	130,299	36,618	30,703	29,944	66,165
Amounts due under finance leases	8,262	791	827	866	5,778	0	0
Amounts due to subsidiaries	92	92	0	0	0	0	0
Amounts due to other lenders	64,976	27,575	9,872	1,588	1,596	8,944	15,401
TOTAL	888,510	399,909	140,998	39,072	38,077	38,888	231,566

The following table analyzes the financial debt by currency and interest rate:

In thousands of euros	Balance at 31.12.2009	Balance at 31.12.2010	Nominal value at 31.12.2010	Interest rate at 31.12.2010
Euro	825,458	822,328	835,622	3.38%
Vietnamese Dong	3,594	7,158	7,158	16.00%
Japanese Yen	0	2,918	2,918	1.38%
Swiss Franc	0	3,597	3,597	1.21%
Indian Rupee	876	0	n/a	n/a
US Dollar	18,998	39,521	39,215	1.60%
TOTAL	848,926	875,522	888,510	3.41%

Amounts due to banks mainly include the following loans:

Immsi S.p.A.

- a 42,829 thousand euros loan (nominal value 43,444 thousand euros) granted by the pool of banking firms composed of Banca Popolare di Lodi, Efibanca and Cassa di Risparmio di Lucca Pisa Livorno at a rate equal to the 6-month Euribor increased by 2.35% maturing June 2019

and the reimbursement in 18 constant half-yearly instalments beginning 31 December 2010. At the same time as starting the financing the company stipulated with Banca Aletti and Efibanca a contract to hedge the variable rate with a fixed rate equal to 2.41% on 75% of the nominal value of the loan. The loan, which is secured by a 92 million euros mortgage on the building in via Abruzzi, 25 – Rome and by a bonded securities deposit in which there must always be Piaggio shares for an amount equal to at least 10 million euros, envisages two covenants (complied with at 31 December 2010) to be calculated in relation to the ratio between financial liabilities and shareholders' equity, and to the ratio between rental instalments and interest on the loan itself;

- Bullet – Multi Borrower financing granted by Intesa Sanpaolo for a total of 70 million euros, with maturity at December 2011, and variable reference rate equal to Euribor increased by 1.75%, of which 25 million euros granted to Immsi, 30 million euros disbursed to ISM Investimenti and 15 million euros disbursed to Rodriquez Cantieri Navali. This financing is guaranteed by the lien on 45 million Piaggio & C. S.p.A. shares;
- a revolving credit line granted by the bank Monte dei Paschi di Siena for a total of 20 million euros and entirely used by the Company at 31 December 2010. The line, expiring at April 2011 and rate of reference equal to the variable Euribor increased by 1.25%, is guaranteed by the lien on 12.9 million Piaggio & C. S.p.A. shares and envisages meeting a covenant regarding the minimum IMMSI Group shareholders' equity;
- a revolving credit line granted by Banca Popolare di Lodi for 20 million euros, of which 16 million used at 31 December 2010, guaranteed by 10.6 million Piaggio & C. S.p.A. shares expiring at May 2012 and a rate of reference equal to the variable Euribor increased by 2%;
- loan granted by Meliorbanca for 14,832 thousand euros (nominal value 15,000 thousand euros), fully used at 31 December 2010, falling due in December 2012, at the variable reference rate equal to Euribor increased by 1.75%. The credit line is guaranteed by the lien on 9.4 million Piaggio & C. S.p.A. shares, and it envisages two covenants (complied with at 31 December 2010), to be calculated from the ratio between net financial position/EBITDA and net financial position/shareholders' equity at IMMSI Group level;
- contract of stock loan from Immsi S.p.A. to Banca Akros that, with the loan of 9,290,000 Unicredit shares, requires delivery by the intermediary of cash collateral for an amount of 13,935 thousand euros represented by the market value of the stock at the date of subscription net of a spread that absorbs any downward swing of the stock. The contract, with expiration at revocation, requires a fee equal to 0.05% and negative interest equal to EONIA increased by 0.70%, calculated on the cash collateral disbursed from Banca Akros;
- a revolving credit line granted by Unicredit for 25 million euros, used for 12.8 million euros at 31 December 2010 and rate of reference equal to the variable Euribor increased by 1.75%;
- two credit lines for an amount of 10 and 15 million euros respectively, granted by Intesa Sanpaolo for Immsi S.p.A. and used entirely, both with rate of reference equal to the variable Euribor increased by a 1.75% spread, and expiring in July 2011.

Piaggio group

- a 117,857 thousand euros medium-term loan from the European Investment Bank to finance Research & Development investments planned for the period 2009-2012. The loan will fall due in February 2016 and has an initial amortization 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 2010 period, these parameters were comfortably met;
- a 89,396 thousand euros (par value 90,000 thousand euros) medium-term loan from a pool of banks granted in July 2009 to Piaggio & C. S.p.A. by Banca Nazionale del Lavoro as banking agent and paid in August 2009. The loan will fall due in August 2012, with an initial grace period of 18 months and three six-monthly instalments. The economic terms provide for a variable interest rate linked to the six-month Euribor rate plus an initial margin of 1.90%. This margin may vary from a minimum of 1.65% to a maximum of 2.20% based on the Net financial

debt / Ebitda ratio (as of 31 December 2010 this margin was equal to 1.65%). Guarantees are not issued. However in line with market practice, some financial parameters must be complied with. It should be noted that, in reference to the 2010 period, these parameters were comfortably met;

- 55,250 thousand euros (par value 55,500 thousand euros) loan to Piaggio & C. S.p.A. from Mediobanca and Banca Intesa San Paolo. In April 2006, this loan was syndicated to a restricted pool of banks and is part of a more articulated loan package. The loan package consisted of an initial instalment of 150,000 thousand euros (nominal value) which has been fully drawn on (as of 31 December 2010 55,500 thousand euros was still due) and a second instalment of 100,000 thousand euros to be used as a credit line (as of 31 December 2010 still not used). The structure envisages a 7-year term, with a grace period of 18 months and 11 six-monthly instalments with the last maturity on 23 December 2012 for the loan instalment, a variable interest rate linked to the six-month Euribor rate to which a variable spread between a maximum of 2.10% and a minimum of 0.65% is added depending on the Net Financial Debt/EBITDA ratio (as of 31 December 2010 this margin was equal to 0.90%). For the instalment relating to the credit line there is a commitment fee of 0.25%. Guarantees are not issued. However in line with market practice, some financial parameters must be complied with. It should be noted that, in reference to the 2010 period, these parameters were comfortably met;
- a 18,750 thousand euros five-year unsecured loan from Interbanca entered into in September 2008;
- a 614 thousand euros loan from Interbanca in accordance with Law 346/88 regarding subsidies for applied research, secured by a mortgage lien on property;
- 2,691 thousand euros 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;
- a 1,374 thousand euros subsidised loan from Intesa San Paolo under Law 346/88 regarding applied research;
- a 3,104 thousand euros subsidised loan from Banca Intesa San Paolo under Law 346/88 regarding applied research;
- a 1,500 thousand euros 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;
- 7,178 thousand euros (nominal amount USD/000 10,000) the first instalment of a medium-term loan for a total of USD/000 19,000 from International Finance Corporation (a World Bank member) to the subsidiary Piaggio Vehicles Private Limited on which interest matures at a variable rate plus a margin of 2.55%. The loan will fall due on 15 January 2018 and has an amortization quota of six-monthly instalments from January 2014. A guarantee has been provided by the parent company Piaggio & C. S.p.A. and, in line with market practice, some financial parameters must be met. It should be noted that, with reference to the 2010 period, these parameters were comfortably met.

RCN group

- a loan financing contract with Intesa Sanpaolo for a total of 56.7 million euros, of which 1.7 million euros correlated with the insurance indemnities concerning the flooding of the Sarzana yard and 55 million euros as a revolving line correlated with the future receipts on the order with the Finnish Navy. The revolving loan had been used for 46.5 million euros at 31 December 2010 and the line correlated with the insurance indemnities for 1.7 million, the latter sum having been repaid in January 2011;
- seven-year loan agreement with Banca Popolare Italiana for the initial sum of 8 million euros, backed by a 16 million-euro mortgage on the Intermarine building in Sarzana, and with the first capital repayment instalment due 24 months after disbursement. The loan still outstanding at 31 December 2010 amounted to 5.3 million euros. The loan is covered by a rate hedge

agreement for the whole amount, which converts the variable rate into a fixed rate for the duration of the loan agreement. The rate has been set at 4.20% plus a 130-basis point spread;

- overdraft facility for advancing and factoring on contracts for 20.8 million euros granted by Banca Carige, 7.8 million euros of which had been used at 31 December 2010, leaving a remainder of 13 million euros;
- Monte Paschi di Siena discounting line for a remaining 2 million euros, to be repaid in four quarterly instalments in 2011.

Is Molas S.p.A.

- loan granted by Monte dei Paschi di Siena to Is Molas S.p.A., with validity till revocation and usable for cash, for a total of 20 million euros equal to the actual debt for capital, interest and accessory burdens accrued and payable;
- financing of 5 million euros granted by Banca Popolare di Lodi to Is Molas S.p.A., assisted by a 1st degree mortgage on the "Le Ginestre" real estate complex for a duration of 7 years, stipulated on 26 November 2009; the terms of the mortgage require 2 years of preammortization at the Euribor three months rate increased by a spread of 2.25% repayable in deferred quarterly instalments. With reference to this financing a contract has been stipulated to hedge the rate, from variable to fixed-interest rate, falling due in 2012.

The item Bonds amounting to 139,007 thousand euros (par value of 150,000 thousand euros) refers to the high yield debenture loan issued on 4 December 2009 by Piaggio & C. S.p.A., maturing on 1 December 2016 with a semi-annual coupon with fixed annual nominal rate of 7%. The Standard & Poor's and Moody's rating agencies confirmed BB and Ba2 ratings respectively in 2010, both revising the outlook upwards from negative to stable. It is to be reported that, as of 31 December 2010, Omniaholding S.p.A. held 2.9 million euros in connection with the aforementioned bond issue.

Payables for financial leasing refer mainly to leases granted by Unicredit Leasing to the subsidiary Moto Guzzi S.p.A. (merged in Piaggio & C. S.p.A.) for 8,262 thousand euros.

Overall, amounts due to other lenders are equal to 64,976 thousand euros, of which 27,575 falling due within one year, as detailed below:

- subsidized loans granted to Piaggio group totalling 14,1 million euros granted by the Ministry of Economic Development and by the Ministry of University and research pursuant to legislation to encourage exports and investment in research and development (non-current portion equal to 9,8 million euros);
- two non-current shareholder loans respectively of 6 and 7.3 million euros by Intesa Sanpaolo (shareholder of the company) to RCN Finanziaria S.p.A. convertible into shares;
- shareholder financing for 14.3 million euros with duration equal to 10 years acknowledged by IMI Investimenti S.p.A. (Intesa Sanpaolo group) to ISM Investimenti S.p.A.;
- advances from factoring operations on pro-solvendo transfer of trade receivables equal to 23,3 million euros entirely related to the Piaggio group.

- G3 - TRADE PAYABLES AND OTHER PAYABLES**601,422**

Trade payables and other payables total 601,422 thousand euros, of which 595,445 thousand euros falling due within one year. Trade payables and other current payables are detailed below:

In thousands of euros	<i>Balance at 31.12.2010</i>	<i>Balance at 31.12.2009</i>
Trade payables	493,382	458,907
Amounts due to subsidiaries	21	14
Amounts due to associated companies	12,061	12,645
Amounts due to parent companies	0	4
Other payables	89,981	102,587
TOTAL	595,445	574,157

The "Other current payables" item is detailed below:

In thousands of euros	<i>Balance at 31.12.2010</i>	<i>Balance at 31.12.2009</i>
Amounts due to employees	29,009	37,859
Liabilities connected to hedging instruments	63	343
Advances from customers	812	2,367
Amounts due for agent commissions	0	397
Amounts due to partners and shareholders	3	3
Amounts due for guarantee deposits	1,034	1,035
Amounts due to company boards	196	326
Amounts due to social security institutions	11,547	12,111
Other amounts due to third parties	1,640	3,614
Other amounts due to subsidiaries	25	28
Accrued expenses	134	316
Deferred income	8,250	6,215
Other payables	37,268	37,973
TOTAL	89,981	102,587

Amounts due to employees include holidays accrued and not used, and other amounts to be paid at the end of December, whereas amounts due to social security institutions largely comprise the sums due to said institutions for the contributions payable by the companies and by their employees on wages and salaries paid in December and the sums set aside for the long-term occupational mobility taken up by the Piaggio & C. S.p.A. personnel who exited the group under the downsizing plans implemented.

Current trade payables with related parties at 31 December 2010, equal to 12,665 thousand euros, mainly refer to purchases from Piaggio Foshan Motorcycles.

- G4 - RESERVES FOR SEVERANCE INDEMNITY AND SIMILAR OBLIGATIONS**63,254**

The reserve for pension and similar obligations amounts to 63,254 thousand euros at 31 December 2010. The reserve is detailed below:

In thousands of euros	<i>Balance at 31.12.2009</i>	<i>Provisions</i>	<i>Applications</i>	<i>Other movements</i>	<i>Balance at 31.12.2010</i>
Employees' severance indemnity reserves	62,076	9,648	(13,864)	202	58,062
Other reserves	4,726	1,331	(865)	0	5,192
TOTAL	66,802	10,979	(14,729)	202	63,254

The Other funds are composed of the funds for personnel set aside by the foreign companies and the supplementary indemnity fund for customers, that represents the indemnities owing to the agents of the Piaggio group in case of the agency contract winding up due to events not ascribable to them.

The uses refer to the liquidation of indemnities already set aside in preceding years while the allocations correspond to the indemnities matured in the period.

In the other movements there are the interest cost and the actuarial gain of the period as well as the transfers to the funds of complementary social security. The technical valuations have been made chiefly on the basis of the following hypotheses:

- Annual discounted technical rate: 4.50%
- Annual inflation rate: 2.00%
- Annual TFR* increase rate: 3.00%

* staff severance fund

- G5 -	OTHER LONG-TERM RESERVES	48,575
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The balance of other long-term reserves, including the portion falling due within 12 months, totals 48,575 thousand euros at the end of December 2010, a 8,830 thousand euros decrease compared to 31 December 2009. The other reserves recognised in the financial statements are detailed below:

In thousands of euros	<i>Balance at 31.12.2009</i>	<i>Provisions</i>	<i>Applications</i>	<i>Other movements</i>	<i>Balance at 31.12.2010</i>	<i>Of which current portion</i>
Product warranty reserve	22,101	14,768	(16,278)	63	20,654	14,377
Reserve for risks on equity investments	5,522	0	(5,285)	0	237	42
Contractual risks reserve	10,029	0	(1,864)	17	8,182	1,384
Other provisions for risks and charges	19,753	17,605	(9,974)	(7,882)	19,502	12,983
TOTAL	57,405	32,373	(33,401)	(7,802)	48,575	28,786

The product warranty reserve relates to provisions made by the Piaggio group for 17,012 thousand euros and by the Rodriguez group for 3,642 thousand euros, for technical support for products that are estimated to be carried out in the contractual warranty period. As regards the forecasts made by the Piaggio group, this period varies according to the type of goods sold and the market, and is also determined by the customer take-up to commit to planned maintenance. The Rodriguez group allocates this reserve for maintenance under guarantee to be carried out in the future years on naval vessels under construction delivered during the year and/or in previous years, assessed on the basis of the estimate of costs incurred in the past for similar vessels.

The significant reduction in the reserve for risks on equity investments, down from 5,522 thousand euros at 31 December 2009 to 42,000 euros at 31 December 2010, is due to the freeing up of the sum set aside against the stake in the Zongshen Piaggio Foshan joint venture (5,285 thousand euros) in the light of the latter's positive economic performance. The sum freed up is counterbalanced in the Income Statement account under Earnings on Equity Investments.

The provision for contractual risks refers largely to burdens that could derive from the negotiation of a supply contract in progress by the Piaggio group.

Other provisions for risks and charges particularly comprise the provision for legal risks set aside by the Piaggio group for 5,306 thousand euros and the provision related to the negative margin referring to the completion of the Oman order of Rodriguez Cantieri Navali S.p.A. for 6,722 thousand euros.

- G6 - DEFERRED TAX LIABILITIES**53,935**

The “Deferred tax liabilities” item refers to tax payables provisioned by the individual companies on the basis of applicable national laws. The balance is offset by 5,846 thousand euros of deferred tax assets, consistent by due date and by nature. Deferred tax liabilities are mainly recorded by the Piaggio group for 32.3 million euros, by the Parent company Immsi S.p.A. - that has registered about 20.1 million euros of net deferred tax liabilities at 31 December 2010 mainly for the evaluation at fair value of the real estate investment in Rome – and by the Rodriguez group that has registered deferred tax liabilities for around 1.5 million euros.

- G7 - CURRENT TAXATION**24,272**

The “Current taxation” item, which includes tax payables allocated in relation to tax charges referring to individual companies on the basis of applicable national laws, increases by 3,523 thousand euros compared to the year end of 2009, and it results as follows:

In thousands of euros	Balance at 31.12.2010	Balance at 31.12.2009
Amounts due for income tax	4,207	1,792
VAT payables	5,713	3,273
Amounts due for withholding tax	7,182	9,784
Amounts due for local taxes	0	6
Other payables	7,170	5,894
TOTAL	24,272	20,749

VAT payables refer exclusively to the Piaggio group.

Amounts due for withholding tax refer mainly to withholdings on salaries, on termination payments and self-employed income.

The item Other Payables also includes – for the sum of 3,361 thousand euros – the payables relating to the objections raised by the Agenzia delle Entrate [*i.e.*, Italian Inland Revenue]. to the withholding taxes on the bond issued by Piaggio Finance and reimbursed in 2009, full details of which are given in the paragraph on *Disputes in Progress* to be found in the Directors’ Report on Operations

H – INFORMATION ON THE MAIN INCOME STATEMENT ITEMS

Amounts are stated in thousands of euros unless otherwise indicated.

Before analysing the individual item, it is pointed out that the general information on costs and revenues is contained in the Report on operations, in accordance with art.2428 of the Italian civil code.

- H1 - NET REVENUES **1,604,318**

The revenues from sales and services at 31 December 2010 total 1,604,318 thousand euros, a 0.6% decrease (-9,917 thousand euros) compared to the same period of the previous year. The decrease is attributable, in particular, to the naval sector (-8,402 thousand euros, -6.9%) and to the industrial sector (-1,531 thousand euros, -0.1%).

This item is stated net of premiums given to the customers of the Piaggio group (dealer) and it does not include transport costs recharged to customers and the recovery of advertising costs invoiced, which are shown under other operating income. Moreover, revenues do not include recharges for condominium fees, offset with the related costs incurred by the Parent Company.

Below is a division of the revenues, net of premiums given to customers, by business sectors and by geographical area of destination, that is, referring to the nationality of the customer.

By business sector

In thousands of euros	Year 2010		Year 2009	
	Amount	%	Amount	%
Property and holding sector	5,736	0.4%	5,720	0.4%
Industrial sector (Piaggio group)	1,485,351	92.6%	1,486,882	92.1%
of which Two-Wheeler business	988,104	61.6%	1,065,417	66.0%
of which Commercial Vehicle business	497,247	31.0%	421,465	26.1%
Naval sector (Rodríguez group)	113,231	7.1%	121,633	7.5%
TOTAL	1,604,318	100.0%	1,614,235	100.0%

By geographical area of destination

In thousands of euros	Year 2010		Year 2009	
	Amount	%	Amount	%
Italy	451,256	28.1%	567,265	35.1%
Other European countries	592,035	36.9%	594,563	36.8%
Rest of the World	561,027	35.0%	452,407	28.0%
TOTAL	1,604,318	100.0%	1,614,235	100.0%

The type of products sold and of the sectors in which the Group operates is such that revenues are seasonal, the first six months being more favourable than the second six-month period.

- H2 - COSTS FOR MATERIALS**935,393**

Costs for materials total 935,393 thousand euros, compared to 933,661 thousand euros in the previous year. In particular, the percentage incidence on the net revenues of this item increased, passing from 57.8% in 2009 to 58.3% in the current period, chiefly on account of the larger proportion of overall group output that the commercial vehicles manufactured by the Piaggio group. It should be remembered that this item does not include the recharged costs for an equal amount to customers and the costs relating to assets intended for sale, recorded separately in the specific Income statement item. The table below details the contents of the item:

In thousands of euros	Year 2010	Year 2009
Change in inventories of finished products, work in progress and semi-finished products	5,356	5,492
Change in capitalised piecework	(292)	(1,406)
Purchase of raw materials and consumables	919,197	932,543
Change in raw materials and consumables	11,132	(2,968)
TOTAL	935,393	933,661

It is to be noted that the above item includes 40,582 thousand euros in costs relating to purchases of scooters from the Chinese associated company Zongshen Piaggio Foshan, that are marketed on the European and Asian markets.

- H3 - COSTS FOR SERVICES AND THE USE OF THIRD PARTY ASSETS**308,808**

Costs for services and use of third party assets total 308,808 thousand euros and are detailed in the table below:

In thousands of euros	Year 2010	Year 2009
Transport costs	49,187	49,229
Product warranty costs	14,947	15,194
Advertising and promotion	32,149	31,941
Work performed by third parties	47,446	53,248
External maintenance and cleaning costs	9,157	7,875
Personnel costs	19,167	17,516
Technical, legal, tax, administrative consultancy, etc.	34,665	37,400
Sundry commercial expenses	19,083	24,023
Energy, telephone, postage costs, etc.	19,540	18,038
Services provided	1,069	1,204
Insurance	5,607	5,227
Cost of company boards	6,240	4,912
Sales commissions	1,196	3,555
Part-time staff and staff of other companies	244	1,309
Accessory purchase costs	2	57
Other costs	33,268	39,240
TOTAL COSTS FOR SERVICES	292,967	309,968
Rental instalments of business property	5,922	5,537
Rental instalments for cars, office machines, etc.	542	661
Operating lease instalments for plant and machinery	62	102
Other instalments	9,315	9,610
TOTAL COSTS FOR USE OF THIRD PARTY ASSETS	15,841	15,910
TOTAL COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	308,808	325,878

The 17,070 thousand-euro reduction in the above item was largely generated by the constant cost monitoring conducted within the various group companies and spheres of business.

- H4 - PERSONNEL COSTS	260,045
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Personnel costs comprise the following:

In thousands of euros	Year 2010	Year 2009
Salaries and wages	189,833	192,851
Social security costs	51,795	54,071
Employee leaving indemnity	9,648	9,292
Pension and similar obligations	1,331	1,059
Stock options	2,650	723
Other costs	4,788	5,122
TOTAL	260,045	263,118

The table below shows the average number of employees by category. For more details on personnel, refer to the specific paragraph in the Report on operations:

numbers	Year 2010	Year 2009
Senior managers	128	134
Middle managers and employees	2,764	2,686
Manual workers	5,165	4,821
TOTAL	8,057	7,641

It is pointed out that the average number of employees is influenced by the presence of seasonal workers in the summer months (fixed-term contracts) with 1,300 staff at 31 December 2010.

The cost of the personnel is decreased in an absolute value of 3,073 thousand euros in relation to the values recorded in the last year (-1.2%). This decrease is chiefly attributable to the Piaggio group, which showed a considerable drop in average unit cost over the year, achieved by making full use of the Vietnamese works, which operated for only six months in 2009. This made it possible to mitigate the increase due to the growth in the average work force, which occurred largely at the Piaggio group's Indian and Vietnamese associated companies.

Finally, in connection with personnel costs, stock option charges, as required by the international accounting standards, to the tune of 2,650 million euros were recorded. With reference to the incentive plan 2007-2009 deliberated by the Shareholders' Meeting of Piaggio & C. S.p.A. on 7 May 2007 and reserved for the executives of the company or of Italian and/or foreign companies controlled by it in accordance with art.2359 of the Italian civil code, as well as for the directors with proxies in the aforesaid subsidiaries ("2007-2009 Plan"), it is noted that the following changes occurred during the year:

- on 4 January 2010, 500,000 options were assigned at an exercise price of 1.892 euros. On the date of assignment of the options, the market price of the underlying financial instruments was equal to 2,004 euros;
- on 6 February 2010, 75,000 rights of option expired;
- on 30 September 2010, 90,000 rights of option expired.

Therefore, as of 31 December 2010, 8,430,000 option rights had been assigned for a corresponding number of shares. On 13 January 2010, 500,000 rights of option expired.

Readers are reminded that detailed information on the Plan for 2007-2009 is available in the reports published by Piaggio & C. S.p.A. pursuant to Art.84-bis of the CONSOB Regulation on Issuers and may also be consulted on the company's official site, www.piaggiogroup.com, in the Investors/Comunicati Finanziari section.

As previously indicated in the section on consolidation principles, the cost for fees, corresponding to the present value of options which the company determined applying the Black-Scholes valuation model using average historical fluctuations of Company shares and the average interest rate on loans with the same duration as the contract validity, is recognised under employee costs on a straight-line basis for the period between the allocation and maturity date, with the counter entry directly recognised as shareholders' equity.

In accordance with CONSOB regulations, the following table shows the options allocated to directors, general managers and senior managers with strategic responsibilities:

	Office held	Options held at the beginning of the year			Options allocated during the year			Options exercised during the year			Options expired during the year	Options held at the end of the year		
		N°. of options	Average exercise price	Average maturity	N°. of options	Average exercise price	Average maturity	N°. of options	Average exercise price	Average maturity		N°. of options	Average exercise price	Average maturity
Roman Maurizio*	General Manager of Operations				500,000	1.892	1/03/2012					500,000	1.892	1/03/2012
Pallottini Michele	General Manager of Finance	750,000	1.216	31/07/2013								750,000	1.216	31/07/2013
		1,500,000	1.826	13/06/2012								1,500,000	1.826	13/06/2012
Total		2,250,00			500,000							2,750,000		

* left the Piaggio group on 13 January 2011.

- H5 - DEPRECIATION OF TANGIBLE ASSETS	39,509
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A summary of the depreciations of tangible assets at 31 December 2010 is provided below. The depreciation rates are listed under the "Tangible assets" item:

In thousands of euros	Year 2010	Year 2009
Depreciation of property	4,478	4,393
Depreciation of plant and machinery	14,475	13,553
Depreciation of industrial and commercial equipment	17,107	19,146
Depreciation of assets to be given free of charge	1,052	1,145
Depreciation of other assets	2,397	2,653
DEPRECIATION OF TANGIBLE ASSETS	39,509	40,890

- H6 -	AMORTISATIONS OF FINITE LIFE INTANGIBLE ASSETS	50,465
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Amortizations of intangible assets with a finite life recognised in 2010 total 50,465 thousand euros, which comprises the following:

In thousands of euros	Year 2010	Year 2009
Amortisation of development costs	26,473	32,085
Amortisation of concessions, patents, industrial and similar rights	13,992	17,138
Amortisation of trademarks and licences	9,060	9,194
Amortisation of software	78	76
Amortisation of other intangible assets with a finite life	862	1,032
AMORTISATION OF INTANGIBLE ASSETS	50,465	59,525

As specified 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 tests carried out at 31 December 2010 confirmed the full recoverability of the amounts recorded in the financial statements: for further details, readers are referred to Explanatory and Additional Note F1 – Intangible Assets.

- H7 -	OTHER OPERATING INCOME	136,458
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The “Other operating income” item comprises:

In thousands of euros	Year 2010	Year 2009
Gains on disposal of tangible assets	2,323	138
Sponsorships	5,135	5,695
Grants	4,670	10,052
Recovery of sundry costs	45,568	53,992
Licence rights	3,320	3,387
Sale of materials and sundry equipment	956	516
Insurance settlements	11,825	11,103
Increases for capitalised internal construction	37,093	35,204
Reversal of provisions for risks and other provisions	486	584
Active instalments	552	11,459
Other operating income	24,530	18,934
TOTAL	136,458	151,064

The other operating income has decreased compared to the preceding year mainly for a decrease in the positive instalments for the lease of racing bikes as a result of the Piaggio group not taking part in the Moto2 World motorcycling Championship.

“Recovery of sundry costs” (less the amount in reduction of costs incurred) are related to transport costs recharged to customers, the charges for which are classified under “Costs for services and use of third party assets”.

Finally, it should be noted that the item “Other income” of year 2009 included the amount of 2,063 thousand euros referred to the Piaggio group’s lower outflow over the year on account of the extinction of the financial instruments issued for the purchase of incorporated company Aprilia.

- H8 - OTHER OPERATING COSTS**52,785**

The "Other operating costs" item totals 52,785 thousand euros at 31 December 2010 and comprises the following:

In thousands of euros	Year 2010	Year 2009
Losses on disposal of tangible assets	42	224
Taxation (not on the income)	4,728	5,126
Loss in value of tangible assets	33	215
Loss in value of intangible assets	36	2,262
Provisions for product warranty	14,768	16,264
Provisions for disputes	278	0
Provisions for future and other risks	17,327	13,076
Write-down of trade receivables (including provisions to bad debt reserve)	2,028	4,955
Other operating costs	13,545	16,673
TOTAL	52,785	58,795

Overall, other operating costs decreased by 6,010 thousand euros compared to the previous year basically further to the minor write-downs recorded by Piaggio group.

- H9 - EARNINGS ON EQUITY INVESTMENTS**5,240**

The item referred to shows a positive balance of 5,240 thousand euros at 31 December 2010 and chiefly regards to net income from equity investments recorded by the Piaggio group and referring to the restoration of value of the stake in the Zongshen Piaggio Foshan joint venture (for 5,285 thousand euros), and the write-down of the stake held in Tunisian associate company S.A.T. – Société d'Automobiles et Triporteurs S.A. (for 45 thousand euros).

- H10 - FINANCIAL INCOME**24,363**

Financial income recognised by the Group in 2010 is detailed below:

In thousands of euros	Year 2010	Year 2009
Interest receivable	3,051	3,621
Interest receivable for delayed payments	0	4,502
Gains on disposal of securities	0	3,680
Exchange gains	20,111	10,737
Dividends	12	601
Other income	1,189	1,171
TOTAL	24,363	24,312

Financial income for 2010 proved largely in line with the figure recorded over the 2009 year. This trend is the outcome of the almost full compensation between opposing events: the 9.374 million-euro increase resulting from the growth in currency exchange gains, recorded primarily by the Piaggio group (and partially offset by the increase in exchange losses), and the absence of i) the interest that fell due in 2009 on late payments entered by subsidiary Intermarine S.p.A. for payables from the customer *Guardia di Finanza* (i.e., Revenue Tax Corps) and ii) failing gains for 3,680 thousand euros made by parent company Immsi S.p.A. in November 2009 on the sale of 2.5 million Unicredit shares at the price of approximately 2.68 euros per share.

- H11 - FINANCIAL CHARGES**65,591**

The financial charges at 31 December 2010 are detailed below:

In thousands of euros	Year 2010	Year 2009
Interest payable on bank loans	15,073	19,901
Interest payable on loans from third parties	5,314	5,502
Interest payable on bonds	11,846	12,440
Other interest payable	934	1,131
Fees payable	965	684
Charges for reductions and/or depreciation of loans	14	1
Exchange losses	21,513	12,705
Financial component of retirement funds and staff severance fund (TFR)	10	2
Other charges	9,922	4,362
TOTAL	65,591	56,728

The financial charges in 2010 increased by 8,863 thousand euros as a result of i) the 8.808 thousand-euro increase in currency exchange losses, more than fully offset by the 9,374 thousand-euro rise in exchange gains (see Note H10 – Financial Revenues), ii) recording the charges resulting from the completion of the tax inspection conducted in the Piaggio group in 2010, further details of which will be found in the comments set out in the *Disputes in Progress* paragraph. The other charges items are lower, chiefly as a result of the reduction in the reference variable interest rates and the refinancing of the bond issued by the Piaggio group with less costly funding sources.

- H12 - TAXATION**35,361**

The expected income tax charge at 31 December 2010 for the companies consolidated on a line-by-line basis amounts to 35,361 thousand euros and comprises the following:

In thousands of euros	Year 2010	Year 2009
Current taxation	41,562	49,187
Deferred tax liabilities	(6,201)	(28,512)
TOTAL	35,361	20,675

Taxation is about 61.2% of earnings before taxation compared to 40.6% of the previous year. The 2010 tax rate considerably increased compared to 2009 mainly due to a lower registration of deferred tax liabilities related to losses shown prior to 2009, with particular reference to the Piaggio group.

The entry into the National Fiscal Consolidation for the years 2007-2009 and 2010-2012 by the Parent Company Immsi S.p.A., Piaggio & C. S.p.A., Rodriquez Cantieri Navali S.p.A., Intermarine S.p.A. and Apuliae S.p.A. and for the years 2008-2010 by RCN Finanziaria S.p.A. and for the years 2009-2011 by ISM Investimenti S.p.A., allowed these companies to register deferred income taxes for 7.6 million euros in the light of the forecast results within the framework of the Immsi Group.

Below is a reconciliation between the theoretical tax burden and the actual tax burden:

In thousands of euros	TOTAL
Earnings before taxation	57,783
Theoretical rate (27.5%)	
Theoretical income tax	15,890
Tax effect arising from the difference of foreign rates differing from the Italian ones	-112
Effect arising from the changes on the earnings before taxation in pursuance of the tax regulations	8,789
Reverse deferred taxation liabilities allocated in the previous years on temporary changes	-6,115
Reverse deferred tax assets allocated in the previous years on temporary changes	10,674
Reverse deferred tax assets allocated in the previous years on fiscal losses	6,767
Tax effect arising from income taxes from abroad	3,223
Other differences	-4,580
Income taxes referred to previous years	1,027
Fiscal effects arising from deferred taxation liabilities allocated on temporary changes	8,001
Fiscal effect arising from deferred tax assets allocated on temporary changes and on fiscal losses	-17,775
Tax on dividend distribution	4,704
Income tax recognised in the financial statements (IRES)	30,493
IRAP	4,868
Income tax recognised in the financial statements	35,361

The impact of the IRAP rate was determined separately in that this tax is not calculated on earnings before taxation.

- H13 - GAIN/LOSS ON THE DISPOSAL OF ASSETS	0
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At the balance sheet date there are no gains or losses from assets intended for sale or disposal, as well as for the previous year.

- H14 - EARNINGS FOR THE PERIOD	9,816
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The Immsi Group earnings for the period total 22,422 thousand euros, of which 12,606 pertaining to non-controlling interest.

- I - COMMITMENTS, RISKS AND GUARANTEES

The main guarantees provided by lending institutions on behalf of Piaggio & C. S.p.A in favour of third parties are:

Type	Amount in thousands of euros
Guarantee of Banca Intesa Sanpaolo issued in favour of the La Spezia Customs Authority	300
Guarantee issued by Unicredit for the Group for USD 5,500,000 to guarantee the credit line of USD 10,000,000 plus interest granted by ANZ to the subsidiary Piaggio Vietnam and fully drawn on	4,116
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	299
Guarantee issued by Piaggio & C. for USD 19,500 thousand to support the credit line of an equal amount granted by I.F.C. to the subsidiary Piaggio India	
- of which drawn	7,484
- of which undrawn	6,736
Guarantee issued by Piaggio & C. for EUR 15,000 thousand to support the credit line of an equal amount granted by I.F.C. to the subsidiary Piaggio Vietnam	
- of which drawn	-
- of which undrawn	15,000
Guarantee issued by Piaggio & C for USD 5,500,000 to support the credit line of USD 10,000 thousand plus interest granted by ANZ to the subsidiary Piaggio Vietnam and fully drawn on	
- of which drawn	3,041
- of which undrawn	1,075
Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Group Americas for USD 26,000 thousand	
- of which drawn	19,383
- of which undrawn	75
Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Group Japan for USD 4,000 thousand	
- of which drawn	2,918
- of which undrawn	76
Guarantee of BCC-Fornacette to Livorno Customs Authorities	200
Guarantee of MPS to AMA SpA – Rome to guarantee contract obligations for the supply of vehicles	226
Guarantee of Banca Intesa Madrid to Soc. Estatal De Correos Tel. issued on 13-08-2007 to guarantee supplies	192
Guarantee of Banco di Brescia issued to the local authorities of Scorzé to guarantee payment of urbanisation charges	166
Guarantee of Banca di Credito Cooperativo di Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	204
Guarantee of Banca di Credito Cooperativo di Fornacette issued for the Group to AMA SpA – Rome to guarantee contract obligations for the supply of vehicles	500
Guarantee of Monte dei Paschi di Siena issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	391
Guarantee of Monte dei Paschi di Siena issued to Foshan Nanhai-China, to guarantee contract obligations for the supply of vehicles	555
Guarantee of Monte dei Paschi di Siena issued to Akrapovic, to guarantee contract obligations for the supply of vehicles	365
Guarantee of Monte dei Paschi di Siena issued to Daihatsu, to guarantee contract obligations for the supply of vehicles	405
Guarantee of Monte dei Paschi di Siena issued to Chen Shin Rubber, to guarantee contract obligations for the supply of vehicles	303

Furthermore, it should be remembered that at 31 December 2010, the Piaggio group owns land and property encumbered by mortgages or pledges in favour of financial institutions for 614 thousand euros to guarantee bank loans gained in previous years.

The main commitments and guarantees recorded by the Rodriguez group are detailed below:

TYPE	In thousands of euros
Indirect guarantees in favour of third parties	152,080
Direct guarantees of the group in favour of third parties	1,636
Other risks	4,915
Obligation to buy naval vessels	766

The indirect guarantees in favour of third parties, amounting to 152,080 thousand euros, are chiefly guarantees issued on current orders placed by customers; the latter include:

- the Defence Ministry (for 29,830 thousand euros), based on the performance bond and the guarantees issued for the sums received as advance instalments on the Gaeta Class Minesweeper Modernisation contract signed by subsidiary Intermarine in 2009;
- the Finnish Navy (for 63,895 thousand euros), based on the contract to supply three minesweepers, comprising 12,240 thousand euros for the contractual guarantee issued by Rodriguez Cantieri Navali S.p.A., jointly secured by Intermarine, and 51.655 million euros for guarantees for the sums received as advance instalments;
- Guardia di Finanza General Command (for 21,793 thousand euros), based on the deposits and guarantees on the current contracts;
- the Sultanate of Oman (for 25,207 thousand euros), based on the contract to supply five catamarans;
- other guarantees for 11,355 thousand euros.

The direct guarantees in favour of third parties expressed in their utilization values.

The other risks total 4,915 thousand euros and include 3,711 thousand euros referred to the maximum penalty by virtue of the commitment undertaken by Intermarine under the Industrial Participation contract (obligation to promote the exportation of Finnish products) underwritten together with the construction contract for the Finnish Navy amounting to 176 million euros and the undertaking to build the Colombiera Bridge for 1 million euros. They also include, by way of a commitment, the presumable figure of 203 thousand euros, already estimated by the company in previous years, for the "Messina City Council Dispute over the Land Concession" arising out of a Rodriguez Cantieri Navali S.p.A. dispute with Messina City Council that arose in the sixties and centres on the City Council's demand for the return of the government-owned area in the "Zona Falcata," occupied by a company warehouse, and the consequent demand for payment of the rent thereon. It is not possible to quantify any liabilities incumbent on the company in this connection; see the *Disputes in Progress* paragraph for further information on the subject.

The obligation to buy naval vessels refers for 766 thousand euros to contractual obligations to take in exchange second-hand boats, as part of the consideration, if payment has not been received by the customer upon delivery of the new boats.

It is to be noted that, in connection with the Finnish Navy contract, the Rodriguez group has signed a contract with supplier Atlas for the supply of a weapons system for installation on the three minesweepers; the terms of the contract, which is worth 81 million euros overall, largely mirror the terms received from the Finnish customer. Moreover, Atlas, via its parent company, ThyssenKrupp AG, has issued Intermarine with a 4 million-euro performance guarantee (5% of the contract) and bank guarantees for an overall sum of 12.2 million euros against the advance instalments of 33.3 million euros remitted by Intermarine in 2007, 2008 and 2009.

In addition, the Rodriguez group has signed a 108.6 million-euro contract with supplier Thales Underwater Systems Ltd. in connection with the Gaeta Class Minesweeper Modernisation contract; Thales has consequently issued Intermarine with bank guarantees for 14.3 million euros overall. The guarantees it has thus received provide the group with a significant counter-guarantee against the liability entered into with the customer.

Lastly, it should be pointed out that, to partially guarantee amounts due to banks by the Rodriguez group, two mortgages were released, relating to buildings located in Sarzana (Intermarine S.p.A.) for 16 million euros and Pozzuoli (Conam S.p.A.) for 2 million euros, respectively.

As regards Is Molas S.p.A., the amount of the commitment with the Municipality of Pula for the completion of the primary and secondary urbanisation works relating to the Is Molas allotment and deriving from the contract signed on 28 January 2005 and the Additional Act signed on 23 May 2006 is 7,395 thousand euros; a guarantee was provided by Industria e Finanza S.p.A. and Etruria S.p.A. in favour of the Municipality of Pula to cover this commitment.

The Parent company has issued 92 million euros of mortgage (building in via Abruzzi – Rome) to guarantee the 46 million euros loan received in June 2010 from Efibanca, Banca Popolare di Lodi and Cassa di Risparmio di Lucca Pisa Livorno.

Against this loan, Immsi is bound during the period of duration of the contract to channel the lease revenues into a fixed deposit account keeping a minimum deposit equal to the amount of the interest instalment nearest the due date and to deposit Piaggio shares for a minimum of 10 million euros by way of security.

Immsi S.p.A. received guarantees for a total of 662 thousand euros and guarantee deposits for 34 thousand euros to cover the existing lease contracts at 31 December 2010.

Intesa Sanpaolo has moreover issued a revocable signed credit line equal to 0.4 million euros that Immsi has used for 350 thousand euros for the Cassa di Previdenza Integrativa (supplementary social security fund) of the personnel of Istituto San Paolo di Torino, with which Immsi stipulated in the month of December 2008 a contract to lease property located in Milan – via Broletto.

In the month of December 2010, Bullet – Multi Borrower financing was renewed for a total of 70 million euros with Intesa Sanpaolo (of which 25 million euros granted to Immsi, 30 million euros granted to ISM Investimenti and 15 million euros granted to Rodriguez Cantieri Navali). This financing, with expiration at the end of 2011, is guaranteed by lien on 45 million Piaggio shares equal to 140% of the value of the financed capital.

It is noted that the Company in view of the revolving credit line granted by Banca Popolare di Lodi for 20 million euros, has deposited 10.6 million Piaggio shares, whereas it has deposited 9.4 million and 12.9 million Piaggio shares respectively as collateral for the loans made by Mediobanca in late 2010, for 15 million euros, and by MPS in 2009, for 20 million euros.

It is, lastly, reported, with reference to the stake held by Immsi S.p.A. in Piaggio & C. S.p.A., that Immsi S.p.A. has deposited 35 million shares in a fixed deposit account as guarantee for the loan granted to Intermarine S.p.A. by Intesa Sanpaolo for a total of 56.7 million euros, of which 1.7 million euros correlated with the insurance indemnities concerning the flooding of the Sarzana yard, reimbursed in January 2011, and 55 million euros as a revolving line correlated with the future receipts on the order with the Finnish Navy of which 46.5 million euros had been drawn at 31 December. It is also pointed out in this connection that Immsi S.p.A. undersigned an independent first request guarantee for a maximum amount of 33.8 million euros and a comfort letter in favour of Intesa Sanpaolo. The subsidiary corresponds remuneration to Immsi in proportion to the amounts disbursed by the bank.

Immsi, as part of the supply contract for five catamarans to the Sultanate of Oman for which the Rodriguez group obtained a guarantee from a pool of banks for an amount of 84.5 million US dollars to guarantee payment of the consideration envisaged in the contract signed with the Sultanate of Oman for 90 million US dollars, counter-guaranteed the “performance bond” and the “advanced payment bond” issued by the above banks for a maximum amount of 60 million US

dollars by issuing a bank guarantee and a letter of patronage for any part exceeding such amount in relation to Rodriquez Cantieri Navali S.p.A.'s obligations to channel payments.

Work on building the catamarans for the Sultanate of Oman continued over the 2010 year. Acceptance of the third vessel, No. 354, out of the overall order for five catamarans was signed in December; following delivery, the customer duly released the guarantees on the advance instalments received for 15.5 million USD, so the actual exposure on Rodriquez Cantieri Navali S.p.A. vis-à-vis the banks at 31 December 2010 fell below the 60 million USD limit guaranteed by IMMSI. Indeed, 33.4 million USD of the performance bond, post-delivery bond and advance instalments received part of the line had actually been drawn at the end of 2010.

The two vessels still under completion at the Messina boatyard are scheduled for delivery before the end of 2011. As a result of the new delivery schedule and of the expiry dates for the guarantee lines issued in favour of the customer by the banks, Rodriquez Cantieri Navali has asked the guarantor banks for a waiver, which was signed in February 2011, and an extension of the guarantee lines that expired in 2010.

Immsi guarantees the financing renewed during the year to Rodriquez Cantieri Navali S.p.A. with a letter of patronage from Monte dei Paschi di Siena and used at 31 December 2010 for 2 million euros.

Following the contract stipulated between the Finnish Navy and the subsidiary Intermarine S.p.A. for the construction of three minesweepers, the Finnish Navy granted in December 2007 and January 2008 three advance payments equal to 16.3 million euros, 0.6 million euros and 32 million euros, respectively. These advance payment are guaranteed, for an amount equal to 115% of the sum received, through insurance guarantees issued by SACE, which has stated its willingness to issue said guarantees provided there is the co-obligation of Immsi S.p.A., which is remunerated in proportion to the sums secured. In consideration of the progress made, the first of the aforementioned guarantees has been reduced to 115% of 12.3 million euros.

With reference to the Rodriquez group, we lastly note that if the indirect parent company Immsi S.p.A. loses control over the contracting companies, the following agreements could be modified or be extinguished: low-interest loans for a total of 27.2 million euros granted by Banca Carige and guarantee for an amount of 2.7 million euros issued by Efibanca.

Lastly, it is reported that, against the 30 million-euro loan granted to ISM Investimenti S.p.A. by Intesa Sanpaolo, IMMSI has undertaken, in the interests of IMI Investimenti, to grant a shareholder loan for the sum that proves necessary to enable ISM to repay its debt in full.

- L - RELATED PARTY DEALINGS

Reference should be made to the Report on operations as regards the main business relations of Group companies with related parties.

- M - FINANCIAL POSITION

The Immsi group net financial position at 31 December 2010 is shown below. Further details of the main components are provided in the tables in the Report on operations and the related information below them:

In thousands of euros	31.12.2010	31.12.2009
Cash and cash equivalent	-190,604	-206,508
Other short-term financial assets	-23,273	-4,462
Medium/long-term financial assets	0	0
Short-term financial payables	399,357	364,719
Medium/long-term financial payables	476,165	484,207
Net financial debt	661,645	637,956

- N - DIVIDENDS PAID

The dividends paid out in 2010 (related to a distribution of profits for the year 2009, as per deliberation of the shareholders' meeting of 27 April 2010) amount to 10,216 thousand euros, equal to 0.03 euro per common stock. In addition, it should be remembered that the Company distributed no dividends during the year 2009, in order to further strengthen its assets, also in light of the duration and the implications of the crisis of the international markets. The Parent company did not issue shares other than ordinary shares.

- O - EARNINGS PER SHARE

Earnings per share

Earnings is calculated by dividing the net income attributable to Parent company shareholders by the average weighted number of ordinary shares in circulation during the period, from which any own shares held are excluded. The average number of shares in circulation is calculated by using the principle of retrospectively applying the changes in the number of shares in circulation.

	31.12.2010	31.12.2009
Net profit attributable to ordinary shareholders (in thousand euros)	9,816	16,210
Average weighted number of shares in circulation during the year	340,530,000	340,530,000
Basic earnings per share	0.029	0.048

Diluted earning per share

Diluted earning per share is calculated by dividing the net income for the year attributable to Parent company Ordinary Shareholders by the average weighted number of shares in circulation during the year, taking account of the diluting effect of potential shares. Excluded from this calculation are any treasury shares held. In determining the average number of potential shares in circulation, the average fair value of the shares referred to the individual period of reference is used.

The Company has no category of potential ordinary shares and treasury stock at 31 December 2010, therefore the diluted income per share coincides with the above basic earning per share.

- P - INFORMATION ON FINANCIAL INSTRUMENTS

Below we summarise the information related to the financial instruments, the risks connected with them, as well as the "sensitivity analysis" in accordance with the requirements of IFRS 7 that came into force on 1 January 2007.

The following table shows the financial instruments of the Immsi Group registered in the financial statements at 31 December 2010 and at 31 December 2009:

In thousands of euros	31 December 2010	31 December 2009
ASSETS		
NON-CURRENT ASSETS		
Other financial assets	80,000	80,000
Financial receivables	0	0
Financial assets	80,000	80,000
CURRENT ASSETS		
Other financial assets	37,661	26,240
Financial receivables	10	12
Financial assets	37,651	26,228
LIABILITIES		
NON-CURRENT LIABILITIES		
Financial liabilities	476,165	484,207
Bonds	139,007	137,665
Amounts due to bank	292,286	311,733
Amounts due under finance leases	7,471	8,329
Amounts due to other lenders	37,401	26,480
CURRENT LIABILITIES		
Financial liabilities	399,357	364,719
Amounts due to bank	370,899	334,684
Amounts due under finance leases	791	800
Amounts due to subsidiaries	92	90
Amounts due to other lenders	27,575	29,145

Note: some values contained in the previous table and referred to FY2009 have been re-exposed for comparative homogeneity with FY2010.

Financial assets

The non-current assets in the Financial Assets item include the stake held by IMMSI S.p.A. in Altailia – Compagnia Aerea Italiana S.p.A. (asset available for sale at its fair value), whereas the current financial assets include 23,051 thousand euros covering the subscription of Italian government securities purchased by Piaggio & C. S.p.A. (valued at their fair value) and 14,388 thousand euros covering the stake held by Immsi S.p.A. in Unicredit (valued at its fair value).

Current and non-current liabilities

The current and non-current liabilities are fully commented upon within the illustrative note in the paragraph on the financial liabilities. In this section the debt is divided by type and detailed by expiration.

Lines of credit

At 31 December 2010 the Immsi Group has irrevocable credit lines available until expiry amounting to 815.7 million euros. For further details please refer to the Explanatory note G2 on Financial liabilities.

Management of financial risks

In the Piaggio group the governance of the Treasury functions and management of the financial risks is centralized. The treasury operations are performed in the sphere of policy and formalized guidelines, valid for all the companies in the group.

Deposit and current correspondent account contracts for settling intragroup and treasury transactions are kept up among the Rodriguez group companies; since May 2007, what is more, Rodriguez Cantieri Navali S.p.A. and Intermarine S.p.A. have concluded a mutual financial

assistance contract to their joint advantage.

Management of capital and liquidity risk

The Parent Company Immsi S.p.A. operates with financing for the Group's subsidiaries or by issuing guarantees finalized at facilitating their supply, the above operations are regulated under normal market conditions.

With particular reference to the Piaggio group, cash flows and the company's credit line needs are monitored or managed centrally under the control of the Group's Cash management in order to guarantee an effective and efficient management of the financial resources as well as optimising the debt's maturity standpoint. The company finances the temporary cash requirements of Group companies by providing direct or indirect short-term loans regulated in market conditions.

For greater coverage of the risk of liquidity, at 31 December 2010 the Immsi Group had unused credit lines available for 369,283 thousand euros (341,403 thousand euros at 31 December 2009) of which 185,496 with expiration within 12 months and 183,787 thousand euros with following expiration.

Management of the exchange rate risk

The Group operates in an international context where transactions are conducted in currencies different from Euro. This exposes the Group to risks arising from exchange rates fluctuations: currency exchange rate risk hedging contracts are entered into solely by the Piaggio group and by Rodriquez Cantieri Navali S.p.A..

In particular the Piaggio group even since 2005 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 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 financial statements 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 policy also 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") by recourse to derivative contracts. The exposure of these hedging operations is therefore represented by foreign receivables and payables forecast by the 2011 sales and purchases budget. The total of receivables and payables was broken down into quarters, based on historical monthly data and relative hedging was exactly allocated to the average weighted maturity date. Future receivables and payables will therefore be recognised in 2011. To hedge the business risk, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders. As of 31 December 2010 the total fair value of hedging instruments accounted for on a hedge accounting basis was equal to 227 thousand euros. During 2010, losses under other components of the Statement of comprehensive income were recognised amounting to 227 thousand euros and losses from other components of the Statement of comprehensive income were reclassified under profit/loss for the period amounting to 127 thousand euros.

The net balance of cash flows in the main currencies during 2010 is shown below, whereas for

derivatives contracts based on exchange rates applicable as of 31 December 2010:

	Amounts in million of euros	
	Cash-Flow 2010	Cash-Flow 2009
Pound sterling	14.5	25.1
Indian rupee	64.8	32.6
Croatian kuna	3.8	4.7
US dollar	(62.8)	(9.6)
Canadian dollar	1.9	4.5
Swiss franc	16.7	14.5
Vietnamese Dong	58.2	32.6
Chinese yuan*	(59.3)	(53.4)
Japanese Yen	(33.0)	(34.0)
Total cash flow in foreign currency	4.8	17.0

*flow settled in euro

As regards contracts in place to hedge the exchange risk of foreign transactions (business risk), as of 31 December 2010 Piaggio & C. S.p.A. had in place the following forward purchase contracts (accounted for on a regulation date basis):

- for a value of CHF/000 4,715 corresponding to 3,777 thousand euros (valued at the forward exchange rate), with average maturity on 17 February 2011;
- for a value of GBP/000 3,480 corresponding to 4,076 thousand euros (valued at the forward exchange rate), with average maturity on 14 February 2011;
- for a value of JPY/000 15,000 corresponding to 139 thousand euros (valued at the forward exchange rate), with average maturity on 18 January 2011;
- for a value of USD/000 4,095 corresponding to 3,096 thousand euros (valued at the forward exchange rate), with average maturity on 18 January 2011.

and forward sales contracts:

- for a value of CAD/000 6,385 corresponding to 4,749 thousand euros (valued at the forward exchange rate), with average maturity on 19 January 2011;
- for a value of CHF/000 5,625 corresponding to 4,251 thousand euros (valued at the forward exchange rate), with average maturity on 27 February 2011;
- for a value of GBP/000 3,270 corresponding to 3,814 thousand euros (valued at the forward exchange rate), with average maturity on 17 February 2011;
- for a value of JPY/000 158,500 corresponding to 1,432 thousand euros (valued at the forward exchange rate), with average maturity on 3 February 2011;
- for a value of SEK/000 1,000 corresponding to 109 thousand euros (valued at the forward exchange rate), with average maturity on 2 March 2011;
- for a value of USD/000 970 corresponding to 734 thousand euros (valued at the forward exchange rate), with average maturity on 10 February 2011.

As regards contracts in place to hedge the exchange risk of forecast transactions (business risk), as of 31 December 2010 the Parent Company had in place forward purchase contracts for a value of CNY/000 230,000 corresponding to 25,711 thousand euros (valued at the forward exchange rate) with average maturity on 20 April 2011 and USD/000 6,000 corresponding to 4,333 thousand euros (valued at the forward exchange rate) with average maturity on 27 April 2011 and forward sales contracts for CHF/000 20,500 corresponding in total to 15,450 thousand euros (valued at the forward exchange rate) with average maturity on 20 June 2011 and GBP/000 13,200 corresponding in total to 15,309 thousand euros (valued at the forward exchange rate) with average maturity on 8 June 2011.

Also the Rodriguez group covers the risks deriving from swings in the rates of exchange through specific operations tied to the single orders that require billing in currencies other than the euro.

Forward sales contracts with maturity dates staggered from January 2011 to September 2011 were outstanding at 31 December 2010 for an overall sum of 13.7 million USD at the average exchange rate of 1.3182. It is also to be noted that the non-current assets include 2.2 million euros deposited as security for the Oman credit contract (deposit account), tied and subject to lien in favour of the banks for the interest attributable to the guarantees used on the capital line (exchange value of 3 million USD). These resources are taken into consideration in the flows to be generated in 2011, on which exchange rate options and forward sales are still outstanding.

In terms of risk and hedging policy, the revenues and work underway are valued at fixed exchange rates, given that the Rodriguez group has fixed the exchange rate for the residual receipts.

In consideration of the above, hypothesizing an appreciation of 3% of the mean exchange rate of the euro on the portion of the economic exposure not covered on the main currencies observed in 2010, the consolidated operating income would be reduced by around 0.1 million euros.

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 31 December 2010, variable rate debt, net of financial assets, was equal to around 460 million euros. Consequently a 1% increase or decrease in the Euribor above this net exposure would have generated higher or lower interest of approximately 4,600 thousand euros per year.

The overall fair value of the hedge instruments entered in accordance with the hedge accounting principle was negative to the tune of 823 thousand euros at 31 December 2010. Earnings for 102 million euros emerged over the 2010 year in the schedule of the other components of the overall profit and loss account and earnings for 229 thousand euros from the other components of the overall Income Statement were reclassified to operating profits.

Credit risk

The Group considers its exposure to the risk of credit to be the following:

In thousands of euros	31 December 2010	31 December 2009
Cash and cash equivalent	190,604	206,508
Financial assets	23,263	4,450
Financial receivables	10	12
Trade receivables	115,394	134,224
Total	329,271	345,194

The Piaggio 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.

With reference to the Rodriguez group, that by business type can present concentrations of credits with a few customers, it is noted that for the subsidiary Intermarine division the most significant customers under the quantitative profile are represented by public bodies while in general the

production to order requires substantial advance payments by the customer with advancement of the works thereby reducing the credit risk.

Hierarchical fair value valuation levels

As regards financial instruments recorded in the balance sheet situation 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 taken from an active market in terms of assets and liabilities under valuation;
- level 2 – directly (prices) or indirectly (price-derived) 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, based on fair value hierarchical levels.

In thousands of euros	Level 1	Level 2	Level 3
Assets valued at fair value	37,439		80,000
Other assets		1,113	
Total assets	37,439	1,113	80,000
Liabilities valued at fair value			
Other liabilities		(2,162)	
Total liabilities	0	(2,162)	0
Balance at 31 December 2010	37,439	(1,049)	80,000
In thousands of euros	Level 1	Level 2	Level 3
Balance at 31 December 2009	21,778	(1,027)	80,000
Gain and (loss) recognised in the income statement		102	
Increases / (Decreases)	15,661	(124)	
Balance at 31 December 2010	37,439	(1,049)	80,000

During 2010 transfers between Levels did not take place.

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND EQUITY INVESTMENTS AT 31 DECEMBER 2010

Pursuant to CONSOB Resolution 11971 of 14 May 1999 and subsequent amendments thereto (Article 126 of the Regulations), a list of the IMMSI Group companies and its major equity investments it is set out below. The list states the companies, divided according to consolidation procedure. The following information is also shown for each company: its corporate name, its registered headquarters and nationality and its share capital in the original currency. The percentage stakes owned by IMMSI S.p.A. or other group companies are also stated. The percentage of Ordinary Shareholders' Meeting votes is also shown in a separate column where it differs from the equity percentage held in the share capital.

Company Name	Currency	Share Capital (subscribed and paid-up)	% of Share Capital owned	% voting rights (if different)
LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS ON A LINE-BY-LINE BASIS				
Immsi S.p.A. Mantova (MN) – Italy Parent Company	Euro	178,464,000.00		
Apuliae S.p.A. Lecce (LE) – Italy Immsi S.p.A. equity investment: 85.00%	Euro	1,520,000.00	85.00%	
ISM Investimenti S.p.A. Mantova (MN) – Italy Immsi S.p.A. equity investment: 71.43%	Euro	5,000,000.00	71.43%	
Pietra S.r.l. Milano (MI) – Italy Immsi S.p.A. equity investment: 77.78%	Euro	40,000.00	77.78%	
Is Molas S.p.A. Pula (CA) – Italy ISM Investimenti S.p.A. equity investment: 85.00%	Euro	7,510,000.00	85.00%	
Immsi Audit S.c.a.r.l. Mantova (MN) – Italy Immsi S.p.A. equity investment: 25.00% Is Molas S.p.A. equity investment: 25.00% Piaggio & C. S.p.A. equity investment: 25.00% Rodriguez Cantieri Navali S.p.A. equity investment: 25.00%	Euro	40,000.00	100.00%	
RCN Finanziaria S.p.A. Mantova (MN) – Italy Immsi S.p.A. equity investment: 63.18%	Euro	32,135,988.00	63.18%	
Piaggio & C. S.p.A. Pontedera (PI) – Italy Immsi S.p.A. equity investment: 53.05%	Euro	205,941,272.16	53.05%	53.75%
Aprilia Racing S.r.l. Pontedera (PI) – Italy Piaggio & C. S.p.A. equity investment: 100.00%	Euro	250,000.00	100.00%	
Aprilia World Service B.V. Amsterdam – Holland Piaggio & C. S.p.A. equity investment: 100.00%	Euro	6,657,500.00	100.00%	
Atlantic 12 – Fondo Comune di Investimento Immobiliare Milano (MI) – Italy Piaggio & C. S.p.A. equity investment: 100.00%	Euro	19,500,000.00	100.00%	
Derbi Racing S.L. Barcellona – Spain Nacional Motor S.A. equity investment: 100.00%	Euro	3,006.00	100.00%	
Moto Laverda S.r.l. *** Noale (VE) – Italy Piaggio & C. S.p.A. equity investment: 100.00%	Euro	80,000.00	100.00%	
Nacional Motor S.A. Barcellona – Spain Piaggio & C. S.p.A. equity investment: 100.00%	Euro	1,588,422.00	100.00%	
P & D S.p.A. *** Pontedera (PI) – Italy Piaggio & C. S.p.A. equity investment: 100.00%	Euro	416,000.00	100.00%	
Piaggio Asia Pacific PTE Ltd. Singapore Piaggio Vespa B.V. equity investment: 100.00%	SGD	100,000.00	100.00%	

Company Name	Currency	Share Capital (subscribed and paid-up)	% of Share Capital owned	% voting rights (if different)
Piaggio Deutschland Gmbh Kerpen – Germany Piaggio Vespa B.V. equity investment: 100.00%	Euro	250,000.00	100.00%	
Piaggio Espana S.L.U. Madrid – Spain Piaggio & C. S.p.A. equity investment: 100.00%	Euro	426,642.00	100.00%	
Piaggio France S.A.S. Clichy Cedex – France Piaggio Vespa B.V. equity investment: 100.00%	Euro	1,209,900.00	100.00%	
Piaggio Finance S.A. Luxembourg - Luxembourg Piaggio & C. S.p.A. equity investment: 99.99%	Euro	31,000.00	99.99%	
Piaggio Group Americas, Inc. New York - USA Piaggio Vespa B.V. equity investment: 100.00%	USD	561,000.00	100.00%	
Piaggio Group Japan Yokohama – Japan Piaggio Vespa B.V. equity investment: 100.00%	YEN	3,000,000.00	100.00%	
Piaggio Hellas S.A. Athens – Greece Piaggio Vespa B.V. equity investment: 100.00%	Euro	2,704,040.00	100.00%	
Piaggio Hrvatska D.o.o. Spalato – Croatia Piaggio Vespa B.V. equity investment: 75.00%	HRK	400,000.00	75.00%	
Piaggio Limited Bromley Kent – UK Piaggio Vespa B.V. equity investment: 99.9996% Piaggio & C. S.p.A. equity investment: 0.0004%	GBP	250,000.00	100.00%	
Piaggio Portugal Limitada *** Lisbon – Portugal Piaggio Vespa B.V. equity investment: 100.00%	Euro	5,000.00	100.00%	
Piaggio Vehicles Private Limited Maharashtra – India Piaggio & C. S.p.A. equity investment: 99.999997% Piaggio Vespa B.V. equity investment: 0.000003%	INR	340,000,000.00	100.00%	
Piaggio Vespa B.V. Breda – Holland Piaggio & C. S.p.A. equity investment: 100%	Euro	91,000.00	100.00%	
Piaggio Vietnam Co. Ltd. Vinh Phuc – Vietnam Piaggio & C. S.p.A. equity investment: 51.00% Piaggio Vespa B.V. equity investment: 36.50%	VND	64,751,000,000.00	87.50%	
Piaggio Group Canada, Inc. Toronto – Canada Piaggio Group Americas, Inc. equity investment: 100.00%	CAD\$	10,000.00	100.00%	
Rodriquez Cantieri Navali S.p.A. Messina (ME) – Italy RCN Finanziaria S.p.A. equity investment: 100,00%	Euro	14,040,000.00	100.00%	
Intermarine S.p.A. Sarzana (SP) – Italy Rodriquez Cantieri Navali S.p.A. equity investment: 100.00%	Euro	10,000,000.00	100.00%	
Rodriquez Cantieri Navali do Brasil Ltda. Rio de Janeiro – Brazil Rodriquez Cantieri Navali S.p.A. equity investment: 100.00% less 1 share of 1 R\$ hold by Intermarine S.p.A.	R\$	1,068,150.00	100.00%	
Rodriquez Pietra Ligure S.r.l. Milano (MI) – Italy Rodriquez Cantieri Navali S.p.A. equity investment: 100.00%	Euro	20,000.00	100.00%	

Company Name	Currency	Share Capital (subscribed and paid-up)	% of Share Capital owned	% voting rights (if different)
EQUITY INVESTMENTS IN SUBSIDIARIES, ASSOCIATED AND JOINT CONTROL COMPANIES VALUED USING THE EQUITY METHOD				
Aprilia Brasil S.A.*** Manaus – Brazil Aprilia World Service Holding do Brasil Ltda equity investment: 51.00%	R\$	2,020,000.00	51.00%	
Aprilia World Service Holding do Brasil Ltda.*** San Paolo – Brazil Piaggio Group Americas Inc. equity investment: 99.99995%	R\$	2,028,780.00	99.99995%	
Piaggio China Co. LTD Hong Kong – China Piaggio & C. S.p.A. equity investment: 99.99999%	USD	12,100,000.00	99.99999%	
Zongshen Piaggio Foshan Motorcycle Co. LTD. Foshan City – China Piaggio & C. S.p.A. equity investment: 32.50% Piaggio China Co. LTD equity investment: 12.50%	USD	29,800,000.00	45.00%	
EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES VALUED USING THE COST METHOD				
Acciones Depuradora Soc. Coop. Catalana Limitada Barcelona – Spain Nacional Motor S.A. equity investment: 22.00%	Euro	60,101.21	22.00%	
Pont - Tech, Pontedera & Tecnologia S.c.r.l. Pontedera (PI) – Italy Piaggio & C. S.p.A. equity investment: 20.44%	Euro	884,160.00	20.44%	
S.A.T. Société d'Automobiles et Triporteurs S.A. Tunisi – Tunisia Piaggio Vespa B.V. equity investment: 20.00%	TND	210,000.00	20.00%	
Mitsuba Italia S.p.A. Pontedera (PI) – Italy Piaggio & C. S.p.A. equity investment: 10.00%	Euro	1,000,000.00	10.00%	
Rodriquez Engineering S.r.l. *** Messina (ME) – Italy Rodriquez Cantieri Navali S.p.A. equity investment: 100.00%	Euro	119,756.00	100.00%	
Rodriquez Mexico *** La Paz – Mexico Rodriquez Cantieri Navali S.p.A. equity investment: 50.00%	Pesos	50,000.00	50.00%	
Rodriquez Yachts S.r.l. *** Messina (ME) – Italia Rodriquez Cantieri Navali S.p.A. equity investment: 100.00%	Euro	22,289.00	100.00%	
Consorzio CTMI - Messina Messina (ME) – Italy Rodriquez Cantieri Navali S.p.A. equity investment: 41.538%	Euro	53,040.00	41.538%	
Fondazione Piaggio Onlus Pontedera (PI) – Italy Piaggio & C. S.p.A. equity investment: 50.00%	Euro	103,291.38	50.00%	

*** Non-operating company or company in liquidation.

Certification of the consolidated financial statements pursuant to art. 154-bis of the Ital.Legisl.Decree No. 58/98

The undersigned Roberto Colaninno, as Chairman of the Board of Directors, Michele Colaninno, as Managing Director and Andrea Paroli, Manager in charge of preparing the company accounts and documents of Immsi S.p.A., certify, also taking account of the provisions of art.154-bis, paragraphs 3 and 4 of the Ital.Legisl.Decree 58 of 24 February 1998:

- appropriateness in relation to the characteristics of the company and
- effective application

of the administrative and accounting procedures for forming the condensed financial statements at 31 December 2010.

To this regard no aspects of particular importance have emerged.

In addition, it is certified that the consolidated financial statements at 31 December 2010:

- were drawn up in conformity with the applicable international accounting standards recognized by the European Union in accordance with the regulation (CE) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the documentary results, the registers and the accounting records;
- are suited to provide a truthful and correct representation of the issuer's assets and liabilities, profit and loss and financial situation, as well as its consolidated subsidiaries.

The Report on operations includes a reliable analysis of the progress and result of management, as well as of the situation of the issuer and of the group of companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

23 March 2011

Chairman
Roberto Colaninno

Manager in charge of preparing the company
accounts and documents
Andrea Paroli

Managing Director
Michele Colaninno

IMMSI S.p.A.

Financial statements
at
31 December 2010

Below are the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows and Schedule of Changes in Shareholders' Equity, detailing the significant amounts relating to intragroup and Related Party dealings.

Statement of Financial Position

In thousands of euros

ASSETS	Notes	31/12/2010	31/12/2009
NON-CURRENT ASSETS			
Intangible assets	C1	9	0
Tangible assets	C2	548	607
- of which intragroup and Related Parties		71	108
Property investments	C3	73,263	72,638
Equity investments	C4	353,975	376,985
Other financial assets	C5	115,241	92,000
- of which intragroup and Related Parties		35,241	12,000
Amounts due from the tax authorities	C6	2,922	3,632
Deferred tax assets	C7	0	0
Trade receivables and other receivables	C8	3,645	2,780
- of which intragroup and Related Parties		3,450	2,775
TOTAL NON-CURRENT ASSETS		549,603	548,641
ASSETS INTENDED FOR DISPOSAL			
		0	0
CURRENT ASSETS			
Trade receivables and other receivables	C8	8,436	6,132
- of which intragroup and Related Parties		7,986	5,510
Amounts due from the tax authorities	C6	813	222
Other financial assets	C5	63,103	64,278
- of which intragroup and Related Parties		48,715	42,500
Cash and cash equivalents	C9	32,573	1,463
TOTAL CURRENT ASSETS		104,925	72,095
TOTAL ASSETS		654,528	620,736
LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		177,076	177,076
Reserves and retained earnings		260,293	263,080
Net earnings of the period	E11	16,858	14,529
TOTAL SHAREHOLDERS' EQUITY	D1	454,227	454,684
NON-CURRENT LIABILITIES			
Financial liabilities	D2	68,550	11,000
Trade payables and other payables		0	0
Reserves for severance indemnity and similar obligations	D3	273	227
Other long-term reserves		0	0
Deferred tax liabilities	D4	20,102	20,509
TOTAL NON-CURRENT LIABILITIES		88,925	31,736
LIABILITIES LINKED WITH ASSETS INTENDED FOR DISPOSAL			
		0	0
CURRENT LIABILITIES			
Financial liabilities	D2	101,846	125,171
- of which intragroup and Related Parties		0	180
Trade payables	D5	1,820	1,584
- of which intragroup and Related Parties		233	402
Current taxation	D6	296	376
Other payables	D5	7,413	7,186
- of which intragroup and Related Parties		6,733	6,340
Current portion of other long-term reserves		0	0
TOTAL CURRENT LIABILITIES		111,376	134,316
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		654,528	620,736

Income statement

In thousands of euros

	Notes	Year 2010	Year 2009
Financial income	E1	32,962	19,775
- of which intragroup and Related Parties		16,597	14,825
Financial charges	E2	(14,443)	(4,654)
- of which intragroup and Related Parties		(2)	(10)
Gain / loss on equity investments		0	0
Operating income	E3	4,758	4,628
- of which intragroup and Related Parties		2,033	2,039
Costs for materials		(45)	(49)
Costs for services and the use of third party assets	E4	(4,871)	(4,149)
- of which intragroup and Related Parties		(527)	(478)
Personnel costs	E5	(1,389)	(1,269)
Depreciation of tangible assets	E6	(167)	(148)
Impairment of goodwill		0	0
Amortisation of finite life intangible assets	E7	(4)	0
Other operating income	E8	188	398
- of which intragroup and Related Parties		110	146
Other operating costs	E9	(288)	(466)
EARNINGS BEFORE TAXATION		16,700	14,066
Taxation	E10	157	463
EARNINGS AFTER TAXATION FROM CONTINUING ASSETS		16,858	14,529
Gain (loss) from assets intended for disposal or sale		0	0
NET EARNINGS OF THE PERIOD	E11	16,858	14,529

Statement of Comprehensive Income

In thousands of euros

	Year 2010	Year 2009
NET EARNINGS OF THE PERIOD	16,858	14,529
Gains/(Losses) on evaluation at fair value of assets available for sale (AFS)	(7,287)	7,292
Gains/(Losses) on cash flow hedges	188	0
GROUP EARNINGS FOR THE PERIOD	9,759	21,821

The values presented in the above table are all given net of the corresponding fiscal effect.

Earnings per share

In euros

	Year 2010	Year 2009
Basic	0.0495	0.0427
Diluted	0.0495	0.0427

Statement of Cash Flows

In thousands of euros

This schedule illustrates the changes in cash and cash equivalents, net of short-term bank overdrafts (equal to zero at 31 December 2010).

	Notes	Year 2010	Year 2009
- Operating assets:			
Net earnings of the period	E11	16,858	14,529
Taxation	E10	(157)	(463)
Depreciation of tangible assets (including property investments)	E6	168	148
Amortisation of intangible assets	E7	4	0
Provisions for risks and for severance indemnity and similar obligations	D3	75	(43)
Write-downs / (Revaluations)	E2	10,250	20
Losses / (Gains) on disposal of tangible assets ((including property investments)		8	(3)
Losses / (Gains) on disposal of securities	E1	(15,110)	(4,928)
Interest receivable (1)	E1	(2,173)	(1,877)
Dividend income (2)	E1	(14,156)	(12,734)
Interest payable (3)	E2	3,877	4,652
- Change in working capital:			
(Increase) / Decrease in trade receivables (4)	C8	(2,711)	(3,146)
(Increase) / Decrease in trade payables (5)	D5	235	62
(Increase) / Decrease reserves for severance indemnity similar obligations	D3	(28)	(52)
Other changes (7)		2,155	(31,581)
Cash generated from operations		(705)	(35,416)
Interest paid (3)		(3,728)	(5,412)
Taxation paid		(516)	(148)
Cash flow from operations		(4,949)	(40,976)
Investments:			
Acquisition of subsidiaries, net of cash and cash equivalents	C4	(6,440)	(2,631)
Sale price of subsidiaries, net of cash and cash equivalents	C4	34,310	9,205
Investments in tangible assets (including property investments)	C2	(741)	(512)
Investments in intangible assets	C1	(13)	0
Sale price, or repayment value, of tangible assets (including property investments)		0	54
Loans provided (6)	C5	(39,456)	(43,130)
Repayment of loans (6)	C5	10,000	33,000
Transfer (purchase) of financial assets		0	20,000
Sale price of financial assets		0	6,703
Interests received		234	84
Dividends from equity investments (2)	E1	14,156	12,734
Cash flow from investments		12,050	35,507
Financing:			
Loans received	D2	115,382	52,395
Outflow for repayment of loans (8)	D2	(81,156)	(54,613)
Outflow for dividends paid to Parent company Shareholders	H	(10,216)	0
Cash flow from financing		24,010	(2,218)
Increase / (Decrease) in cash and cash equivalents	C9	31,111	(7,687)
Opening balance		1,462	9,149
Closing balance		32,573	1,462

(1) of which 2,107 thousand euros from financings granted to companies in the Group;

(2) of which 14,156 thousand euros for dividends paid out by Piaggio & C. S.p.A.;

(3) of which 2 thousand euros for interest paid to Apuliae S.p.A.;

(4) of which 3,152 thousand euros increased for trade receivables from companies in the Group;

(5) of which 46 thousand euros decreased related to payables to companies in the Group and other Related Parties;

(6) of which 11,000 thousand euros paid to Rodriguez group, 4,100 thousand euros to Is Molas S.p.A., 965 thousand euros to ISM Investimenti, 23,361 thousand euros to RCN Finanziaria S.p.A. and 10,000 thousand euros reimbursed by the Rodriguez group;

(7) of which 448 thousand euro increase with companies adhering to the fiscal consolidated agreements;

(8) of which 180 thousand euros reimbursed to Apuliae S.p.A..

Changes in Shareholders' Equity

In thousands of euros

	Share capital	Extraordinary reserve A - B - C	Share premium reserve A - B	Reserves for evaluation at fair value of financ. assets available for sale	Measurement reserve for Entities Under Common Control	Reserves for evaluation at fair value of hedging instruments	Property Investment Revaluation reserve	Reserves for revaluation L. 413/91 A - B - D	Legal reserve A	Other legal reserves A - B - D	Earnings reserves (IAS transition included) A - B - C	Earnings for the period	Shareholders' equity
Balances at 31 December 2008	177,076	7,103	95,216	3,103	65,087	0	41,171	4,602	3,265	1,153	17,842	17,245	432,863
Allocation of earnings to Legal Reserve									862			(862)	0
Allocation of earnings to Dividends													0
Allocation of earnings to Retained Earnings											16,383	(16,383)	0
Net earnings for the period				7,292								14,529	21,821
Balances at 31 December 2009	177,076	7,103	95,216	10,395	65,087	0	41,171	4,602	4,127	1,153	34,225	14,529	454,684
Allocation of earnings to Legal Reserve									726			(726)	0
Allocation of earnings to Dividends												(10,216)	(10,216)
Allocation of earnings to Retained Earnings											3,587	(3,587)	0
Net earnings for the period				(7,287)		188						16,858	9,759
Balances at 31 December 2010	177,076*	7,103	95,216	3,108**	65,087	188	41,171	4,602	4,853	1,153	37,812	16,858	454,227

Available for:

A: Loss balance

B: Share capital increase

C: Distribution to shareholders

D: Distribution to shareholders under tax suspension

Used in the three previous years:

* The decrement with respect to the balance at the end of 2007, of 178,464 thousand euros, refers to the nominal values of treasury stock acquired during 2008;

** The decrement with respect to the balance at the end of 2007, of 48,108 thousand euros, refers to the minor evaluation at fair value of the Unicredit security.

Explanatory and additional notes to the financial statements at 31 December 2010

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A – General aspects

Immsi S.p.A. (the Company) is a limited company established under Italian law and has registered offices in Mantova - P.zza Vilfredo Pareto, 3 and sub-offices in via Abruzzi, 25 – Rome and via Broletto, 13 – Milan. The main activities of the company and its subsidiaries (the Group) are described in the first section of the Directors' Report.

At 31 December 2009, Immsi S.p.A. was directly controlled by Omniainvest S.p.A., a company owned by Omniaholding S.p.A..

Following the coming into force of European Regulation no. 1606 in July 2002, Immsi S.p.A. has adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission, the updates of those pre-existing ones (IAS), as well as the documents of the International Financial Reporting Interpretations Committee (IFRIC) deemed applicable to the transactions carried out by the Company.

The Financial Statements of Immsi S.p.A. are drawn up in conformity with the provisions of Italian Legislative Decree D. Lgs. 58 dated 24 February 1998 in force at the date. The Company did not deem significant the presentation of information by sector, as established in IFRS 8.

The currency used in preparing these financial statements is the euro and the amounts are expressed in thousands of euros (unless otherwise indicated).

These financial statements are subject to audit by Deloitte & Touche S.p.A..

Presentation of the financial statements

The consolidated financial statements consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Cash Flow Statement, the Schedule of changes to Shareholders' Equity and the explanatory and additional Notes.

With reference to Consob Resolution no. 15519 of 17 July 2006 it is pointed out that, as regards the financial schedules, Income Statement and specific Statement of financial position have been inserted to evidence significant Related Party dealings and intragroup.

In relation to the options envisaged in IAS 1 "Presentation of Financial Statements", Immsi S.p.A. has opted to present the following types of accounting schedules:

- **Statement of Financial Position:** The Statement of Financial Position is presented in sections with Assets, Liabilities and Shareholders' Equity indicated separately. Assets and Liabilities are shown in the financial statements on the basis of their classification as current and non-current.
- **Income Statement:** The Income Statement is presented with the items classified by kind of costs. The Company, in the light of the evolution of the business in recent times that has involved a greater economic importance of the financial component in relation to the real estate and services component, has adopted from these financial statements a report on the Income Statement that highlights at the top of the chart the predominant business that Immsi S.p.A. is carrying on.
- **Statement of Comprehensive Income:** The Statement of Comprehensive Income of the year is presented in accordance with the provisions of reviewed version of IAS 1.
- **Cash Flow Statement:** The Cash Flow Statement is presented divided into areas generating cash flows, as indicated by international accounting standards. The Cashflow Statement adopted by Immsi has been prepared using the indirect method.
- **Schedule of Changes in Shareholders' Equity:** The Schedule of Changes in Shareholders' Equity is shown as required by international accounting standards. Starting 1 January 2009, the statement of the changes to the consolidated shareholders' equity has been reviewed as required by the reviewed version of IAS 1, which includes the comprehensive Income statement.

B - Accounting standards and measurement criteria

The accounting standards adopted in preparing this financial statements are the same as those applied in preparing the annual financial statements at 31 December 2009.

The directors have drawn up the financial statements on the basis of the historical cost principle modified as requested for evaluating certain financial instruments and with the presumption of the business continuing since, even in a difficult economic and financial context, the uncertainties found, as defined by IAS 1, are not significant and generate no significant doubts about the presumed continuity of the business.

No atypical, unusual or non-recurrent operations have been found during 2009 and 2010.

No exceptional cases occurred that required derogations to the norms of the law related to the financial statements of the year in accordance with art.2423, 4th paragraph, of the Italian civil code.

The international accounting standards adopted are listed below.

Intangible assets

An intangible asset is recorded only if it is identifiable, verifiable and it is likely to generate future economic benefits and its costs can be reliably determined.

Intangible assets with a finite life are recorded at purchase cost net of accumulated amortisation and cumulative impairment. Amortisation is equated to their expected useful life and starts when the asset is available for use.

Tangible assets

Property, plant and equipment are recorded at purchase or production cost, including directly attributable accessory charges, net of accumulated depreciation and impairment. For an asset whose capitalisation is justified, the cost also includes the financial charges which are directly attributable to the purchase, construction or production of the asset.

The costs incurred following the purchase are capitalised only if they increase the future economic benefits inherent in the asset to which they refer. All the other costs are recorded in the income statement when they are incurred.

Construction in progress is valued at cost and is depreciated from the period in which it comes into operation.

Depreciation is determined on a straight-line basis over the estimated useful life of the assets or, in the case of disposal, until the end of the complete previous year.

Land is not depreciated.

The Company does not hold any asset under financial lease contract at 31 December 2010.

The other tangible assets are depreciated applying the criterion and rates indicated below:

Plant and machinery	from 15% to 30%
Furniture and fittings, electrical machines	12%
Personal computers, hardware, EDP and telephone systems	20%
Motor vehicles	25%
Other equipment	15%

Property investments

As allowed by IAS 40, a non-instrumental property owned in order to obtain rents and/or for the appreciation of the property is valued at fair value net of the accumulated losses for the reduction in value.

The property investments are not subject to the process of amortisation and they are eliminated from the financial statements when they are sold or when the property investment is durably unusable and no future economic benefits are expected from its sale.

Equity investments

Equity investments in subsidiaries and associated companies are recorded at cost adjusted for any impairment.

The flows of purchase and sale related to the investments follow the criterion of FIFO.

Impairment

Tangible assets and equity investments in subsidiaries and associated companies are subjected to impairment tests annually, or more frequently, whenever there is an indication that the asset may have suffered impairment. If there is evidence that such assets have suffered a loss in value, it is immediately observed in the Income Statement.

With reference to the measuring of the equity investments, if any portion belonging to the Company of the investee's losses exceeds the book value of the equity investment and the Company is answerable for them, the value of the equity investment is reversed and the portion of any further losses is recorded as a provision in the liabilities.

Should the recorded write-down no longer be valid, the book value of the asset is increased to the new value arising from the estimate made of its recoverable value, but not more than the net carrying value that the asset would have had if the write-down for impairment losses had not been made. The restored value is posted to the Income statement.

Receivables

Receivables are recorded at their nominal adjusted value, in order to align them to their presumed realisable value, through the recording of a bad debt provision. This provision is calculated on the basis of the recovery assessments carried out by analysis of the individual positions and of the overall risk of all the receivables, taking account of any guarantees.

When the payment of the sum due is deferred beyond normal credit terms offered to customers and the financial effect associated with such deferral is significant, it is necessary to discount the receivable.

Cash and cash equivalents

This item includes cash in hand, on demand deposit accounts and other highly-liquid short-term financial investments, which are readily convertible into cash and have an insignificant risk of losing value.

Financial assets

The item financial Assets includes: assets measured at fair value recognized in the Income statement (held for trading), investments held at maturity, loans and receivables and the residual category for assets available for sale.

Included among financial assets are current securities, that is, short-term or negotiable securities that represent temporary investments of liquidity and do not meet the requirements for classification as cash equivalents. Their initial measurement takes account of the transition costs directly attributable to their purchase or issue.

After initial recognition at cost, financial instruments available for sale and these held for trading are measured at fair value. When financial assets are held for trading (fair value to profit and loss), the gains and losses arising from changes in the fair value are charged to the Income statement for the period. When financial assets are (available for sale), namely they are not classified as financial assets held for trading and they are not loans or receivables, the gains and losses arising from changes in the fair value are charged directly to shareholders' equity until the financial asset is sold or derecognised; at that moment the accumulated overall gains or losses, including the ones previously recognized in the shareholders' equity, are included in the Income statement of the period.

The investments held to maturity and not for purposes of negotiation (financings and credits originated during the characteristic activity) and all the financial activities with medium-long term preset maturities, for which there are no quotations available in an active market and whose fair value cannot be determined reliably, are valued according to the criterion of the amortised cost net of any devaluations operated to reflect losses in value.

The loans and receivables originated during the activity that Immsi S.p.A. does not hold for trading for which the fair value cannot be reliably determined, and they do not have a fixed maturity, are measured at purchase cost.

Financial liabilities

Financial liabilities include loans that are recognised at the cost represented by the original value of the sums received are recorded and reversed from the financial statements on the basis of their trade date. Non-current financial liabilities – which differ from the financial liabilities measured at fair value and recognized in the Income statement, are registered net of the accessory acquisition fees and, subsequently, are measured with the amortised cost method, using the effective interest rate. Financial liabilities hedged with derivative instruments are booked at the present value, according to the methods established for hedge accounting, applicable to the fair value hedge: gains and losses arising from subsequent valuations to the present value, due to changes in the interest rate, are posted to the income statement and are offset by the actual portion of the loss and the profit deriving from subsequent valuations at the present value of the hedged instrument.

Payables

Trade payables falling due within normal business terms are not discounted and are recognised at nominal value, deemed representative of their extinction value. The interest portion possibly included in the nominal value not accrued at the end of the period is deferred to future periods.

Employee benefits

With the adoption of the IFRS, the employees' severance indemnity, that will now be held by the company, is considered a defined benefit obligation to be recorded in accordance with IAS 19 "Employee Benefits", consequently, it must be recalculated using the "Projected Unit Credit Method", by undertaking actuarial valuations at the end of each period.

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

The interest element of the income or charge relating the employee plans discounting is set out in the under the “Financial income and charges” item.

Financial income and charges

Financial income is recorded on an accrual basis.

It includes interest income on invested funds and income arising from financial instruments.

Interest income is charged to the Income statement as it accrues, considering the effective yield.

Interests due on financial payables are calculated using the effective interest rate method.

Dividends recorded in the Income statement are recorded when, following the resolution to distribute a dividend is passed by the investee company, the related tax credit right arises.

Operating revenues and costs

The costs and revenues from the sale of assets are given in the financial statements only when the risks and the correlated benefits to the owners of the assets are considered transferred while, as concerns the services, costs and revenues, they are ascribed to the Income statement with reference to their advancement and the benefits achieved at the date of the financial statements.

The reporting criteria required by IAS 18 are applied to one or more operations as a whole when they are so closely connected that the commercial result cannot be valued without making reference to such operations as to a single whole, therefore the income from re-charging costs for materials and services sustained by Immsi S.p.A. on behalf of companies in the Group or third parties is not given in the Income statement as it is offset with the related costs that generated them.

Current taxation

The income taxes for the year are calculated using the tax rates in force at the balance sheet date and are recorded in the Income statement, except for income tax relating to items directly charged or debited to shareholders' equity, in which case the tax effect is recognized directly as a reduction or increase in shareholders' equity.

Other taxation unrelated to income is included in other operating costs.

Income tax for IRAP is recognised in the amounts due to the tax authorities net of advances while as for IRES it is noted, that since 2007 the Company has undersigned with some companies of the Group a national fiscal consolidated contract, therefore the payables, advance payments and withholdings suffered were transferred at the end of the year to the fiscal consolidated company. Immsi, as the consolidating company, has reported in its own financial statements both the amount due to the companies transferring fiscal losses and tax credits and the amount due to companies transferring a taxable amount set off respectively against the credit or the cumulative payables with the tax authorities.

Deferred taxation

Deferred taxation assets and liabilities are calculated on all of the temporary taxable differences between the book value and their tax value.

Deferred tax assets on tax losses are recognised only to the extent that the existence of adequate future taxable income of the Group against which to use this positive balance is considered likely.

The book value of deferred tax assets is subject to annual review and is reduced to the extent to which the existence of sufficient taxable income to allow the whole or partial recovery of such assets is no longer probable.

Assets for deferred taxation and the reserve for deferred taxation are offset when there is a legal right to offset and when the taxes are due to the same tax authority.

Deferred taxation is determined on the basis of the tax rates which are expected to be applied in the periods in which such temporary differences will occur or be extinguished.

Deferred taxation may not be discounted and is classified under non-current assets and liabilities.

Use of estimates

The preparation of the financial statements and the related notes in application of the IAS/IFRS requires Management to make estimates and assumptions that have an impact on the values of the assets and liabilities in the financial statements and on the information relating to contingent assets and liabilities at the financial statement date. The actual results may differ from such estimates. The estimates are used to measure provisions for risks on receivables, amortisation and depreciation, write-downs of assets, employee benefits, tax, and other provisions and reserves. These estimates and assumptions are periodically reviewed and the impact of each change is immediately reflected in the Income statement.

Considering the current global economic and financial crisis, assumptions about future trends reflect a significant degree of uncertainty. Consequently, the Group cannot rule out the possibility that next year's results will differ from estimates and may require adjustments that are even considerable and which are not foreseeable and cannot be estimated at present.

New accounting standards

The following accounting standards, amendments and interpretations have been applied by the Company since 1 January 2010 in a perspective way; nevertheless from their adoption, no accounting effects for the company have emerged:

- Amendment to IAS 39 – Financial instruments: Recognition and Measurement. The amendment clarifies application of the standard to define its scope in particular situations.
- Interpretation of IFRIC 17 – Distributions 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.
- 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.
- IAS 7 – Statement of Cash Flows. The amendment clarifies that only cash flows deriving from expenses resulting in the booking of assets within the Statement of financial position 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.

For brief details on the amendments and the effective interpretations from 1 January 2010 that discipline matters in hand not present within the company at the date of this balance sheet, as well as the accounting standards, amendments and interpretations not yet applicable and not adopted beforehand by the company, please refer to what is shown in the explanatory Notes to the Consolidated Financial statements of this Report.

C – Information on the main asset items

C1	Intangible assets	9
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During 2010 the company acquired a new accounting management program registered among the limited-life intangible assets and amortised straight-line in three years.

C2	Tangible assets	548
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The changes in tangible assets are detailed below:

In thousands of euros	Tangible assets
Situation at 31.12.09	607
- Capital amount	1,244
- Accumulated depreciation	(637)
Increases for investments	112
Decreases for depreciation	(167)
Decreases for disposals	(4)
- (Capital amount)	(15)
- Accumulated depreciation	11
Situation at 31.12.10	548
- Capital amount	1,341
- Accumulated depreciation	(793)

The item includes plant, furniture and furnishings, office machinery and electronics, motorcars and various equipment related to the offices of Mantua, Milan and Rome while the land, buildings, plant and machinery referred to the immovable property of Via Abruzzi – Rome are registered among the real estate investments.

The investments are substantially measured with the purchase of furniture and furnishings for the office in via Broletto – Milan that replaced the previous one in via Vivaio – Milan.

C3	Property investments	73,263
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The value of the property located in Rome – via Abruzzi has been registered since the end of 2008 among property investments, as defined by IAS 40, since it was no longer instrumental to the typical activity, whether of the Parent company or of the Group, yet rather as an asset usable to finance the other ongoing investment activities.

The value of the property was set on the basis of an independent survey and the criteria of evaluation used imply the block sale in the current state of lease of the property immediately available, applying three methods in a weighted manner: the comparative method, based on the comparison between the asset at issue and other similar ones recently transferred or currently offered on the same market or on competing markets; the revenue method, based on the current value of the potential future income from a property; the synthetic multiparameter coefficient method. Among the parameters used in applying the comparative method are the age, wear, state of maintenance and location, as well as the distribution of the surfaces, the building consistence, the type of construction, the predictable duration and the particular characteristics in its present destination. The parameters used in determining the market value with the method of income are: the annual gross income deriving from leasing the property at current rates, the rate of capitalization and the costs to the owners such as ICI (local property tax), insurance, administration

and register tax. In order to calculate the multiparameter coefficient method, specific coefficients were assigned to the characteristics of each office, such as storey, natural lighting, aspect and use. The current global crisis of the financial system has created a widespread and alarming degree of uncertainty in the real estate market of the whole world. In this scenario it is possible that prices and values can encounter a period of extreme volatility until the market has recovered conditions of stability. The persistent lack of liquidity produces an objective difficulty in concluding transactions of sale in the short term.

At the end of 2008 the Company had classified the net book value at the date of changing the intended use of buildings, land and equipment related to the aforesaid property, equal to 11,276 thousand euros, from tangible assets to real estate investment. At the same time these assets were revalued at their market value at the date of the change in registered use, equal to 72.1 million euros. The greater value has been registered in a specific shareholders' equity reserve, net of the related tax effect. The following investments have been taken to increase the property since they are confirmed by the above survey.

The investment is no longer subject to a process of amortisation starting from the year 2009 as required by the international accounting standards.

The value registered in the financial statements includes 296 thousand euros for work in progress that will be completed and will produce their utility as of the year 2011.

The proceeds from leasing referred to the property in question and registered among the operational income amount to 3,057 thousand euros. The costs connected with it substantially refer to routine maintenance and operational management of the property. These costs are mostly recharged to the tenants as per condominium regulations. Revenues arising from the recharge of costs for materials and services incurred by Immsi S.p.A. on behalf of tenants are not shown in the Income statement as they are offset by the related costs that generated them, as required by IAS 18 according to which the commercial result of operations that as a whole are closely connected, cannot be valued without making reference to these operations as a single whole.

On the owned property in Rome there is a mortgage equal to 92 million euros to guarantee the financing obtained in 2010 from a pool of banks (Efibanca, Cassa di Risparmio Lucca Pisa Livorno and Banca Popolare di Lodi) for 46 million euros whose extinction is due in the month of June 2019.

C4	Equity investments	353,975
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Equity investments in subsidiaries are detailed below:

Company name and Head office	Share capital	Shareholders' equity	Net earnings	% of Share Capital owned	Pro rata shareholders' equity	Difference between pro rata shareholders' equity and book value	No. of shares (unit)	Book value
In thousands of euros								
Apuliae S.p.A. - Lecce	1,520	1,101	-119	85.00%	936	-311	2,000,000	1,247
ISM Investimenti S.p.A. - Mantova	5,000	45,969	-1,931	71.43%	32,835	-3,625	5,000,000	36,460
Piaggio & C. S.p.A. - Pontedera (PI) *	203,348	338,306	18,848	53.75%	181,839	-85,303	371,793,901	267,142
RCN Finanziaria S.p.A. - Mantova	32,136	48,294	-4,361	63.18%	30,514	159	64,271,976	30,355
Pietra S.r.l. - Milano	40	23,550	-25	77.78%	18,317	-443	n/a	18,761
Immsi Audit S.C. a R.L. - Mantova	40	33	4	25.00%	8	-2	n/a	10

* share capital net of treasury stock.

APULIAE S.p.A.

The equity investment in Apuliae S.p.A, is recognised in the financial statements for the amount underwritten upon establishing the company in December 2003, equal to 85% of the share capital, increased by the amount paid for a future increase in share capital in January 2004 for 2 millions euros. As a consequence of the extended suspension of the restructuring activities relating to the “ex Colonia Scarciglia” building in Santa Maria di Leuca (Lecce), during 2006 Immsi wrote down its shareholding by 2,453 thousand euros. The Extraordinary Shareholders’ Meeting of Apuliae S.p.A. held in 2008 resolved, partial coverage of the losses accumulated at 31 December 2007 equal to 2,490 thousand euros by writing down the shareholders’ equity and zeroing the reserve of 2 million euros paid by Immsi.

It is common knowledge that the entire area in Santa Maria di Leuca (province of Lecce) the confiscation has been ordered of the whole area in Santa Maria di Leuca, in the Municipality of Castrignano del Capo (LE) where the construction of a hotel and a spa centre was planned. The reasons for the confiscation consisted in matters of legitimacy concerning the title of ownership of the property as well as presumed dissimilarities in the works compared to the current urbanistic tools in the relevant area.

In 2009 it was ordered the acquittal of all the accused for misfeasance and no right to proceed due to the prescription of the town-planning aspects. There remains the civil dispute between the Province of Lecce and the State concerning the ownership of the property. In said judgement Apuliae appeared in court with a request to quantify damages.

In 2010, the Province of Lecce ordered the annulment of the deliberation of 2002 with which it started the tender procedure to assign the construction and management of the former Colonia Scarciglia. Apuliae will compete in any invitations to tender issued by the province, and the Apuliae investment programme is still in abeyance for this reason.

ISM INVESTIMENTI S.p.A.

Immsi S.p.A. acquired at the end of the year 2008 a stake equal to 100% in Ballo in Maschera S.r.l., then transformed into ISM Investimenti S.p.A.. The body of shareholders of this company was at the same time expanded with the entry in the capital of the minority shareholder IMI Investimenti S.p.A.. The company ISM Investimenti S.p.A. has, after the aforesaid capitalization, acquired from Immsi S.p.A. the shares, equal to 60% of the capital, related to the investment in Is Molas S.p.A., previously held directly by Immsi S.p.A., paying an amount equal to 84 million euros. The operation responds to the strategy of Immsi to concentrate some of the Group’s business of tourist-real estate development in a specific company, with the objective of associating partners with these initiatives that strengthen the asset base. On the basis of the agreements between the shareholders, Immsi S.p.A. has maintained control of Is Molas S.p.A..

It is to be noted that the company issued convertible financial instruments early in 2010 and, in particular, 1,654,902 equity financial instruments (SFPs), comprising 1,262,746 Category A SFPs in favour of shareholder Immsi S.p.A. and no. 392,156 Category B SFPs in favour of shareholder IMI Investimenti S.p.A. were subscribed at the unit price of 5.10 euros. The administrative rights vested in the SFPs are set out in and governed by the corporate Bylaws concerned. The two shareholders’ stakes remained unchanged at 31 December 2010 compared with the previous year following said operation, amounting to 71.43% for Immsi and 28.57% for shareholder IMI Investimenti.

The value of the registered investment is 3,625 thousand euros greater than the pro-quota shareholders’ equity. This difference is believed to be recoverable even in the light of the project for residential and tourist-hotel development presented by the indirect subsidiary Is Molas S.p.A..

PIAGGIO & C. S.p.A.

The shareholding of Immsi S.p.A. in Piaggio & C. S.p.A. in the assets at 31 December 2010 for 267,142 thousand euros, decreased over 31 December of the previous year for 19,200 thousand euros. The variation depends on the block sale to the counterparty Banca IMI, of no. 15 million

shares, for overall 34,310 thousand euros. These operations, jointly with the purchases on the market of shares of treasury stock made by Piaggio & C. S.p.A. took the shareholding from 57.59% at 31 December 2009 to 53.75% at 31 December 2010.

The portion of share capital at 31 December 2009 was 85,303 thousand euros more than the proquota shareholders' equity. This difference is considered by the Directors to be recoverable in relation to the development plans of the company as backed up by the impairment test carried out on 31 December 2010.

It is to be noted, indeed, that the conducted analyses have not highlighted any losses of value in terms of the book value of the stake held by Immsi S.p.A. in Piaggio & C. S.p.A. In particular, it is reported that, in correspondence with the values taken into consideration for the main basic assumptions considered for the impairment test (i.e. "g rate" equal to 1.9% and WACC estimated at 9.1%), the test regarding the verification of the value in use of the stake held in the Piaggio group was passed with a broad margin. In addition, also on the basis of the indications contained in the Document Banca d'Italia/Consob/Isvap no. 2 of 6 February 2009 and in the document Banca d'Italia/Consob/Isvap no. 4 of March 2010, sensitivity analysis has been carried out on the results of the test in relation to the change in basic assumptions such as the perpetual growth rate in processing the terminal value ("g rate") and the discount rate (WACC), that condition the estimate of the utilization value of the Rodriguez group cash-generating unit. The impairment test was passed in all reasonably considered cases. It should be noted that the variations in the values assigned to the basic assumptions considered have grown, prudentially, to the consideration ("Worst Case Scenario") of an increase in the WACC of 0.5 percentage points.

For further details regarding the impairment test conducted and the assumptions underlying it, readers are referred to the comments made in the Explanatory and Additional Notes on the IMMSI Group's consolidated financial statements.

It is to be reported, lastly, that 118,4 million Piaggio shares are tied up as follows:

- 10.6 million shares deposited as security against the 20 million-euro revolving line of credit granted by Banca Popolare di Lodi;
- 12.9 million shares deposited as a lien against the 20 million-euro revolving line of credit granted by Monte dei Paschi di Siena;
- 45 million Piaggio shares deposited as a lien securing the Bullet - Multi-Borrower loan for the overall sum of 70 million euros concluded with Intesa Sanpaolo;
- 35 million Piaggio shares deposited as a lien securing the loan for the max. sum of 56.7 million euros granted by Intesa Sanpaolo to Intermarine S.p.A.;
- 5.5 million Piaggio shares deposited as security against the 2010-2019 loan equal to 46 million euros concluded with the pool of banks consisting of Efibanca, Banca Popolare di Lodi and Cassa di Risparmio di Lucca Pisa Livorno;
- 9.4 shares deposited as a lien against the 15-million euro loan granted by Meliorbanca at the year end.

RCN Finanziaria S.p.A.

The 63.18% equity investment is recognised in the financial statements at the year end for an amount of 30,355 thousand euros, a 10,250 thousand euros decrease compared to the amount at 31 December 2009. This drop in value derives from the need to adjust the book value of the stake held by Immsi S.p.A. to its recoverable value (value in use), as established in the light of the impairment test conducted: for further details regarding said test and the related underlying hypotheses, refer to the comments in the explanatory and additional Notes to the consolidated financial statements of the Immsi Group. It is to be noted out at this point that the devaluation in question was also necessitated by the persistence of a profound crisis in the pleasure and passenger boat sectors that even led to the cancellation of a number of orders already placed. No significant scope for growth is foreseen for those sectors in the short term: the Rodriguez group will thus conduct its business along lines of minimising costs and drawings on financial resources pending a market recovery that it is to be hoped will make it possible to achieve economic break-

even in the medium term. It should, moreover, be borne in mind that RCN Finanziaria S.p.A. subscribed and paid up a 30 million-euro capital increase in favour of subsidiary Rodriguez Cantieri Navali S.p.A. during the 2010 year. This operation proved necessary to meet the Rodriguez group's short-term financial requirements and led to an increase for the same amount in the book value of the stake held by RCN Finanziaria S.p.A. in Rodriguez Cantieri Navali S.p.A..

PIETRA S.r.l.

At the end of 2006, Immsi S.p.A. acquired a 77.78% equity investment in Rodriguez Pietra Ligure S.r.l. (transformed into Pietra S.r.l. in early 2007), recognised in the financial statements for an amount of 18,761 thousand euros, the amount paid upon the initial underwriting, equal to 16 thousand euros, and at the subsequent increases in share capital, 3,889 thousand euros during 2006 and in 2007 for 14,856 thousand euros.

This company, established in December 2006 by Rodriguez Cantieri Navali S.p.A., was then sold to the two current shareholders (Immsi S.p.A. and Intesa San Paolo S.p.A.), so as to be able to sign an agreement to sell the future receivable relating to the Pietra Ligure shipyard project with Rodriguez Cantieri Navali S.p.A. itself.

In parallel with the transfer of the credit, Rodriguez Cantieri Navali S.p.A. granted Pietra S.r.l. the stock rights for the acquisition of the entire stake in the Newco, contributor of the industrial complex together with the area transferred from the State, at the price of 300 thousand euros. The option is subject to the condition of suspension of the non-stipulation of the final contract of sale of the shareholding to which Rodriguez Cantieri Navali S.p.A. and the promissory purchaser committed themselves by effect of the stated preliminary contract.

In relation to the goals of the company, the 443 thousand euros difference between the book value and the pro-rata shareholders' equity is deemed recoverable.

Lastly, it is noted that, on 12 December 2008, a company was established called IMMSI Audit Società Consortile di Internal Auditing del Gruppo Immsi a R.L. (IMMSI Audit S.c. a r.l.), undersigning 25% of the shareholders' equity by Immsi S.p.A. equal to 10 thousand euros.

C5	Other financial assets	178,344
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Other non-current financial assets, equal to 115,241 thousand euros, include two convertible shareholder loans underwritten by the Parent Company for RCN Finanziaria S.p.A., in 2005 for 12 million euros, renewed until April 2012, unless revoked in advance, and in May 2010 for 22.8 million euros, besides the interests, falling due in 2015.

This item also includes the investment in Alitalia – Compagnia Aerea Italiana S.p.A. for the remaining 80 million euros. In this connection remember that at the end of 2008 the Company participated in the project of acquisition, through the Italian Company Compagnia Aerea Italiana – CAI, now Alitalia – Compagnia Aerea Italiana S.p.A., of assets, business units, corporate complexes, businesses and relations underlying the Alitalia group and the Air One group. Immsi S.p.A. holds, at the date of approval of these financial statements by the Board of Directors, 47,341,361 Alitalia – Compagnia Aerea Italiana S.p.A. shares for a total net outlay equal to 80 million euros.

The company considered the book value of the aforementioned stake, which represented the investment's fair value as of 31 December 2010.

Current financial assets amount at 31 December 2010 at 63,103 mila euro. This item includes 48,715 thousand euros relating to short-term loans disbursed by the Parent Company to the subsidiaries, of which around 6.2 million euros granted during 2010 net of the reimbursements received. In particular, 19 million euros were disbursed to Rodriguez Cantieri Navali S.p.A., 15.57 million euros to RCN Finanziaria S.p.A., 9.4 million euros disbursed to Is Molas S.p.A., 2 million euros for financing granted to Intermarine S.p.A., 0.43 million euros to Pietra S.r.l. and 2.315 million euros disbursed to ISM Investimenti S.p.A..

Lastly, current financial assets include the shareholding in Unicredit equal to 9,294,879 shares, evaluated at fair value represented by the price of the security at the end of 2010 for an overall amount equal to 14,388 thousand euros. The value of the investment has decreased compared to the end of 2009 for a total of 7,390 thousand euros.

At the end of the year the value of the investment is thus detailed:

In euros	Purchase cost		Market Value	
	unit	overall	unit	overall
Unicredit	1.209	11,238,600	1.548	14,388,472

With reference to the Unicredit shares, it is specified that in December 2007 the Company undersigned a security loan contract guaranteed by cash collateral with Banca Akros, therefore 9,290,000 shares are bound at 31 December 2010. Contractually the undersigned agreements between the parties do not modify the ownership of the securities subject of the loan but they solely transfer the rights and duties deriving from their possession for the duration of the contract, therefore the shareholding is registered in the assets of Immsi for a liability equal to the liquidity disbursed by the Bank as collateral.

In fact, the existing revocation contract with Banca Akros, with the loan of the above Unicredit shares, requires delivery by the intermediary of cash collateral for an amount of 13,935 thousand euros represented by the market value of the stock net of a spread that absorbs any downward swing. The contract, with expiration at revocation, requires a fee equal to 0.05% and negative interest equal to EONIA increased by 0.7%, calculated on the cash collateral disbursed from Banca Akros.

The remaining shares in the portfolio at 31 December 2010, equal to 4,879 thousand shares, are released.

C6	Amounts due from the Tax authorities	3,735
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It is reminded that the Company, jointly with the subsidiary companies Piaggio & C. S.p.A., Apuliae S.p.A., Rodriquez Cantieri Navali S.p.A., Intermarine S.p.A., RCN Finanziaria S.p.A. and ISM Investimenti S.p.A. has exercised the option to join Group taxation as provided for in art.117 follow. of the Consolidated Act of Income Taxes. The option exercised by the first 4 companies, expired in 2009, has been renewed until 2012. The agreement undersigned with RCN Finanziaria, expired during 2010, shall be renewed for another three-year period, while for ISM Investimenti S.p.A. the option will expire in 2011.

In the light of the contracts signed with each subsidiary, Immsi S.p.A., as the consolidating company, has registered in its own financial statements **receivables from the tax authorities for non-current taxes**, related to withholdings suffered and IRES advance payments made, transferred from the companies included in the national fiscal consolidation, for 2,922 thousand euros, whose use is on a medium-term basis. The taxation of the Group calculated for the year 2010 has expressed a fiscal loss, therefore in year 2011 no advance payments will be made to the account of IRES income tax.

Current amounts due from tax authorities amount to 813 thousand euros consisting of:

In thousands of euros	Current amounts due from tax authorities
Retained receivables and IRAP advance payments	143
Amounts due from the tax authorities for VAT	94
Amounts due from the tax authorities for reimbursements	60
Amounts due ex art.43-ter DPR (Presidential Decree) 602/73	516
Current amounts due from tax authorities	813

C7	Deferred tax assets	0
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The company has entered deferred tax assets for a total of 781,000 euros, including 376,000 euros covering temporary differences for deductible costs in subsequent years and 405,000 euros covering the fiscal loss shown in 2010, the recoverability of which under the national tax consolidation system in the coming years has been confirmed.

This item is completely offset by the deferred tax liabilities, as they relate to the same income taxes due to the Tax authority.

C8	Trade receivables and other receivables	12,081
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Non-current trade receivables and other receivables total 3,645 thousand euros and mainly refer to interest receivable accrued on the 12 million euros convertible shareholder loan provided to RCN Finanziaria S.p.A. in 2005 for 3,140 thousand euros and the mark to market value at the end of 2010, amounting to 188,000 euros, of the hedge instrument subscribed with Banca Aletti and Efibanca, with reference to 75% of the overall 46 million-euro 2010-2019 loan agreement and specifically hedging the interest rate fluctuation risk (IRS). Finally, the item includes active commission amounting to 311,000 euros paid by Intermarine S.p.A. for the counter-uarantee granted to SACE by Immsi in connection with the Finnish Navy contract, the collectability of which is set by contract at the expiry of said guarantee.

Current trade receivables and other receivables are substantially represented by trade receivables from third parties and from companies of the Group for contracts of lease, contracts of management, remunerations paid for appointments made to employees of the Parent Company and expenses charged for activities managed by Immsi S.p.A. on behalf of the subsidiaries. These receivables include intercompany receivables for 7,986 thousand euros particularly from the Rodriguez group for 3,188 thousand euros, Is Molas for 1,861 thousand euros, RCN Finanziaria for 1,583 thousand euros, the Piaggio group for 1,058 thousand euros and for the remainder from other companies of the Group.

Trade receivables are recorded net of a bad debt reserve prudently allocated for 728 thousand euros against the uncertain recoverability of approx. 690 thousand euros receivables due from Volare Group. In this respect, it is noted that Volare Group is subject to extraordinary administration since the end of 2004 and Immsi, proving its debts, has been admitted to the benefit. We are therefore awaiting the division of the assets of the former tenant of the property of Via Pirelli – Milan sold by Immsi during 2005.

The decrease in the bad debts provision compared with the previous year is due to the settlement of the dispute with Legal Service 2003 S.r.l., the Rome building's former tenant, whose accounts, filed with the Official Receiver, have revealed the non-existence of sums needed to pay off its secured creditors, of which Immsi S.p.A. is one, even partially.

The Company has no receivables due from foreign companies or receivables falling due beyond 5 years.

Finally, as security for rental agreements for the building at Via Abruzzi – Rome, Immsi S.p.A. received guarantees for 662 thousand euros and guarantee deposits recorded under other current receivables for 34 thousand euros.

C9	Cash and cash equivalents	32,573
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This item covers cash, current bank accounts, deposits refundable on demand and other short-term high-liquidity financial investments readily convertible into cash and subject to an insignificant risk of variation in value.

The cash holdings at the end of the period amount to 6,774 thousand euros, an increase compared

to 1,463 thousand euros reported at 31 December 2009 chiefly on account of the sale of 5 million Piaggio shares in 2010, the overall gross cash-in of which amounted to 12,220 thousand euros.

With the financing of 46 million euros received from the pool of banks Efibanca, Carilupili and Banca Popolare di Lodi with maturity in June 2019, Immsi must for the entire duration of the contract channel the revenues from leasing into a deposit account and keep a minimum amount there equal to the interest instalment nearest maturity. This sum, equal to 26 thousand euros at 31 December 2010, is to all intents and purposes unavailable until attainment of the minimum amount deposited for the payment of the interest instalment in expiration in June 2011.

It is to be noted, lastly, that two high-liquidity contracts at three months were subscribed at the end of 2010, in particular an 11 million-euro time deposit with the Istituto Interbanca and 14,799 thousand-euro repurchase agreement contract with Banca Popolare di Lodi.

D - Information on the main liabilities items

D1	Shareholders' equity	454,227
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Share capital

At 31 December 2010, the share capital of Immsi S.p.A. comprises 343.2 million ordinary shares with a nominal value of 0.52 euros each, for a total of 178,464,000 euros, fully subscribed and paid up.

In conformity with the provisions of the accounting international standards, the purchases of treasury stock purchased on the share market during 2008 (no. 2,670,000 Immsi shares), equal to 1.388 thousand euros, are carried to direct deduction from the shareholders' equity.

It is noted that the Ordinary Shareholders' Meeting of the Parent company held on 29 April 2009 approved the plan to purchase and dispose treasury stock and granted to the Board of Directors, in accordance with art. 2443 of the Italian civil code, the right to increase on one or more occasions, against payment and also in divisible amounts, within a period of five years from the date of the resolution. For closer examination, see the Report on Operations of 2009.

Each ordinary share entitles the holder to a proportionate part of distributable profits and of the shareholders' equity resulting from any liquidation, as well as to unlimited voting rights.

Other reserves and retained earnings

This item includes the legal reserve comprising provisions approved following the distribution of the profit for 4,853 thousand euros, legal reserves for a total of 1,153 thousand euros, the tangible asset revaluation reserve set up in accordance with Italian Law 413/91 by Sirti and transferred to Immsi following the demerger for 4,602 thousand euros, the extraordinary reserve for 7,103 thousand euros and the share premium reserve that includes the increase in share capital of 44,880 thousand euros in early 2005, as well as the consideration for the 2006 increase in share capital of 50,336 thousand euros.

Other reserves also include the reserve generated from financial instruments measurement available for sale, for 3,108 thousand euros. This reserve includes the fair value of the participation held in Unicredit and decreased by approx. 7,287 thousand euros following the lesser quotation of the security at the end of 2010 reduced by approx. 0.795 euros per share compared to what was seen at 31 December 2009.

The company has registered in other reserves 188 thousand euros related to the fair value of the hedging instrument subscribed during 2010 and, net of the related fiscal component, also the reserve for evaluation at fair value of the real estate investments for 41,171 thousand euros and the evaluation reserve under common control equal to 65,087 thousand euros, in conformity with the orientation of the OPI (Assirevi preliminary orientation on the subject of IFRS) no. 1, whose underlying operation is commented on in the Investments item.

Earnings reserves include 40,118 thousand euros related to retained earnings and the portion related to the purchase of treasury stock exceeding its nominal value for 690 thousand euros negative, and the transition reserve to international accounting standards for the difference.

During 2010, no dividends were paid out as resolved by the Ordinary Shareholders' Meeting on last 27 April, for overall 10,216 thousand euros.

D2	Financial liabilities	170,396
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Non-current financial liabilities include the financial debt beyond 12 months existing at 31 December 2010.

In particular the item includes the revolving credit line granted until May 2012 by the Banca Popolare di Lodi for a total of 20 million euros and used by the company at the end of 2010 for 16 million euros. The loan, if the reference rate is the variable rate Euribor increased by a 2% spread, is guaranteed by deposit of 10.6 million Piaggio shares.

The non-current liabilities also include the financing received at year end from Meliorbanca for nominal shares of 15 million euros, due at the end of 2012 at a variable rate Euribor increased by 1.80%. This is why the debt was registered by applying the amortised cost method for a net value of 14,832 thousand euros. This financing appears to be guaranteed by the lien on 9.4 million Piaggio shares and contemplates two covenants referred to the Immsi Group: leverage ratio (ratio between the net financial position and Ebitda) and gearing ratio (ratio between net financial position and shareholders' equity).

Lastly, we point out that in June 2010 the Company took out a loan with a pool of banking firms composed of Banca Popolare di Lodi (nominal shares 10.5 million euros), Efibanca (nominal shares 25 million euros) and Cassa di Risparmio di Lucca Pisa Livorno (nominal shares 10.5 million euros) at a rate equal to the variable Euribor increased by 2.35% maturing June 2019 and the reimbursement in 18 constant half-yearly instalments beginning 31 December 2010. The instalments repayable in 2011 are entered in the current portion. The financing is entered on the balance sheet using the amortised cost method, as provided for by international accounting standards, for a total of 37,718 thousand euros. Lastly it is reported that liabilities are secured by a 92 million euros mortgage on an owned building in via Abruzzi, 25 – Rome and by a bonded securities deposit in which there must always be Piaggio shares for an amount equal to at least 10 million euros, as well as by the canalisation into a term deposit account of the income from existing rental contracts on the same building up to the amount of the instalment of interest closest to being due.

The financing facility foresees two covenants, to date respected. The former, defined gearing ratio, is to be calculated as the ratio between the net financial liabilities and the latter, defined interest service cover ratio, is calculated as the ratio between the rental payments for the lease of the property in Rome and the interest on the financing. In case of failure to respect even just one of the two ratios, Immsi must state the reason and steps taken to restore the agreed conditions or the institute will have the right to terminate the financing contract.

To cover the risk of interest rate fluctuation for the cash flows deriving from starting the financing mentioned above, Immsi S.p.A. signed an *interest rate swap* type of hedging contract with Banca Aletti and Efibanca, which contemplates changing the variable rate with a fixed rate for the duration of the contract on 75% of the nominal value of the loan. The rate has been fixed at 2.41% in addition to a spread of 235 bp.

Current financial liabilities include as advanced, the current share of the loan of 46 million euros nominal value issued by the pool of banks in June 2010 expiring in 2019, for 5.111 million euros.

Current financial liabilities include moreover the collateral in cash received from Banca Akros with the Unicredit stock loan for 13,935 thousand euros, the comment on this is given under the item "Other Financial Assets".

In October 2009 the Monte dei Paschi di Siena bank granted a revolving line of credit for a total of 20 million euros entirely used by the company at 31 December 2010. The line, with maturity at April 2011 and reference of variable rate Euribor increased by 1.25%, is guaranteed by surety on 12.9 million Piaggio shares and contemplates respect of a covenant relative to the minimum value

of the consolidated shareholders' equity.

It is noted that Intesa Sanpaolo during 2008 granted two revolving credit lines for Immsi S.p.A. used entirely with reference rate equal to the reference of variable rate Euribor increased by 1,75% *spread*, of which the first one is for 10 million euros renewed in January 2010 until July 2011 and the second one for 15 million euros renewed in the month of June 2010 for 12 months.

In addition, during the month of December 2010, Bullet – Multi Borrower financing with Intesa Sanpaolo renewed until 31 December 2010 for a total of 70 million euros, of which 25 million euros granted to Immsi, 30 million euros granted to ISM Investimenti and 15 million euros granted to Rodriquez Cantieri Navali. This financing, whose reference of variable rate Euribor increased by 1,75% *spread*, is guaranteed by lien on 45 million Piaggio shares.

In early 2009 Company obtained a revolving line of credit for revocation granted by Unicredit for a total amount of 25 million euros, used for 12.8 million euros at 31 December 2010, at a reference of variable rate Euribor increased by 1,75% *spread*.

The revolving credit line for revocation granted by Intesa Sanpaolo for 4.6 million euros was not used at 31 December 2010.

Here below the details of the nominal financial payables by falling due date:

In thousands of euros	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Payables to banks	-101,846	-36,111	-5,111	-5,111	-5,111	-17,889	-171,179

D3	Reserves for severance indemnity and similar obligations	273
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Liabilities related to the reserve for severance indemnity total 273 thousand euros at the end of 2010. As foreseen by the Ital.Legisl.Decree 252/2005 and by the Ital.Law 296 of 27 December 2006, since Immsi has fewer than 50 employees, as regards the indemnities of the employees that did not choose to assign their indemnities to any other complementary social security, the Company will keep on managing such reserve until otherwise indicated by the personnel.

The new IFRS financial reporting identifies the liability relating to employees' severance indemnity using the actuarial measurement method. An estimate is made of the probable employment period in the company for each employee. The annual salary is increased by the rate of 3.5% for this period, and revalued on the basis of an inflation rate of 2%. A part (the legal portion) was set aside as employees' severance indemnity. The portion of employees' severance indemnity already accrued, and the portion that will accrue up to the foreseeable date of terminating the employment, is revalued on the basis of a rate of 3%, then discounted at a rate of 4.5%.

In consideration of the evolutionary character of the economic conditions, the evaluation of the liabilities according to IAS 19 could undergo variations according to the dynamics of the above technical-financial parameters.

The employee leaving indemnity reserve during the year is detailed below:

In thousands of euros	
Balance at 31.12.2009	227
Provisions for the year	75
Applications for employment termination or advances	0
Payment of additional social security contributions	-40
IAS19	11
Balance at 31.12.2010	273

D4	Deferred tax liabilities	20,102
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Deferred tax liabilities at 31 December 2010 total 20,102 thousand euros, net of the portion of deferred tax assets allocated for temporary differences and 2010 fiscal loss, offset by 781 thousand euros in that they are consistent for nature and the Tax authority.

Deferred tax liabilities are mainly recognised in relation to the measurement at fair value of the property investment in Rome equal to overall 19,652 thousand euros. Moreover, 44 thousand euros deferred tax liabilities are recognised, to measurement at fair value of the equity investment in Unicredit and deferred taxes for 1,187 thousand euros against lower amortisations, calculated during the acquisitions of the International Accounting Standards, of buildings and plant amortised net of the value of the land and the recoverable value at the end of its useful life.

D5	Trade payables and other payables	9,233
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Current trade payables refer to invoices received and not yet paid and to invoices to be received assessed according to the competence standard and total 1,820 thousand euros, of which 233 thousand euros to related parties and intercompany.

Among the **other current payables** Immsi S.p.A., as the consolidating company defined in the national fiscal consolidation undersigned with some companies in the Group, registered the liability with the companies that at the end of the period transferred fiscal losses and receivables for withholding taxes suffered and excesses of the Gross Operating Result not used internally for a total of 6,731 thousand euros.

Other current payables lastly includes mainly amounts due to social security institutions for 132 thousand euros, amounts due to employees for 210 thousand euros, amounts due to directors and auditors for 44 thousand euros, amounts due for guarantee deposits received for 34 thousand euros, accrued liabilities and deferred income for 259 thousand euros, of which 173 thousand toward companies in the Group.

At end of year 2010 there were no amounts due to foreign companies or payables falling due beyond 5 years.

D6	Current taxation	296
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The current taxes at 31 December 2010 are only represented by the withholdings operated on the income from employee and self-employed work for 376 thousand euros.

The Company during the year 2010 recorded a fiscal loss therefore no liabilities are registered for IRES. The amounts due to IRAP is offset by the the credit retained and carried forward from year 2009.

E - Information on the main Income Statement items

E1	Financial income	32,962
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Financial income for 2010 is as follows:

In thousands of euros	Year 2010	Year 2009
Dividends from subsidiaries	14,156	12,734
Gains on disposal of equity in subsidiaries	15,110	1,248
Interests and commission from subsidiaries	2,441	2,091
Interests receivable on a/c	66	11
Other financial income	1,189	3,691
Total	32,962	19,775

The increase compared to last year is essentially referable to the higher dividends paid by Piaggio & C. S.p.A. and to gain accomplished on the sale of 15 million Piaggio shares at an average price equal to 2,287 euro.

The financial income also includes the proceeds of 902,000 Euros, from granting the option rights relative to the Unicredit capital increase, begun at the beginning of 2010 and not subscribed to by Immsi and 278,000 euros recognised by the Banca Akros to Immsi S.p.A. against the securities loan contract guaranteed by collateral in cash, according to which there is recognition of an amount corresponding to the dividends received by the borrower, referred to the shares concerned in the contract.

E2	Financial charges	14,443
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Financial charges total 14,443 thousand euros and include 4,178 thousand euros of interest and charges accrued on bank loans, 2 thousand euros regarding the interests acknowledged to the subsidiary Apuliae S.p.A. against the interest-bearing deposit closed during the second part of the year, 10,000 euros as a financial component of the actuarial evaluation of liabilities for severance pay and other charges for 3 thousand euros.

Lastly, we report that the impairment test carried out on the shares held in the RCN Finanziaria S.p.A. made necessary a devaluation of 10,250 thousand euros, therefore the examination refers to shares in total assets.

E3	Operating income	4,758
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Operating income, equal to 4,758 thousand euros, include revenues for 1,701 thousand euros referred to service contracts with companies in the Group and proceeds for approximately 3,057 thousand euros arising from the rental of the property located in Rome, of which 332 thousand euros to companies of the Group, increased compared to 2009 due to the effect of the activity of renegotiation of the leasing contracts falling due.

Revenues arising from the recharge of costs for materials and services incurred by Immsi S.p.A. on behalf of Group companies or tenants are not shown in the Income statement as they are offset by the related costs that generated them, as required by IAS 18 according to which the commercial result of operations that as a whole are closely connected, cannot be valued without making reference to these operations as a single whole.

E4	Costs for services and use of third party assets	4,871
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Costs for services and use of third party assets, net of the costs recharged in accordance with IAS 18 as described above, total 4,871 thousand euros, of which about 527 thousand euros deriving from intragroup transactions and with related parties whose details are provided at the end of this explanatory Note.

Costs for services are detailed below:

In thousands of euros	Year 2010	Year 2009
Transport costs	5	2
External maintenance and cleaning expenses	556	265
Personnel costs	54	42
Technical, legal, tax, administrative consultancy, etc.	588	607
Advertising, promotional activities and materials	8	9
Energy, telephone, postal costs, etc.	117	93
Insurance	38	44
Board of Directors operating costs	2,705	2,250
Board of Statutory Auditors operating costs	136	133
Communication and publication costs	15	24
Auditing costs and listing rights	155	141
Condominium, security and porter costs	43	51
Bank charges and miscellaneous	90	15
Charges for property rentals	301	409
Charges for rents and other renting	60	64
Total	4,871	4,149

The increase compared to 2009 is attributable to costs sustained for renovations of the building located in Milan – via Broletto and recognition of the entire variable emolument for the special office of Managing Director held by Dr. Luciano la Noce, after death.

E5	Personnel costs	1,389
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Personnel costs recognised in 2010 refer to 1,031 thousand euros of salaries, 283 thousand euros of social security payments and 75 thousand euros of provisions for employees' severance indemnity. The evaluation of the Staff Severance Fund (TFR) has not suffered any variation after the coming into force of Ital.Legisl.Decree 252/2005 regarding supplementary benefit, as better described in the item "Reserves for severance and similar obligations".

Immsi S.p.A. currently has no employee stock option plan.

The average workforce paid in the year is 14 employees, of which 3 senior managers.

E6	Depreciation of tangible assets	167
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Depreciation of tangible assets referred to 2010 total 167 thousand euros and refer to electronic machines, hardware, vehicles, furniture and fittings and miscellaneous equipment. It should be remembered that since 2009 the buildings and plants relating to the property owned in Via Abruzzi 25 – Rome are no longer subject to depreciation. For further comment reference is made to the real estate Investments.

As regards investments during the year, it was deemed appropriate to apply the depreciation rates reduced by 50% due to their limited use. The Company also fully depreciated those assets of minor value whose use had essentially ended during the year.

E7	Amortization of intangible assets	4
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The company has placed in amortization the new management programme acquired during 2010, its total value being 13,000 euros.

E8	Other operating income	188
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At the end of the year, this item totals 188 thousand euros, net of income generated from recharged costs in accordance with IAS 18, and it mainly includes extraordinary income and income for emoluments repaid by the company's employees for company's office held within the Group.

E9	Other operating costs	288
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Other operating costs incurred during 2010 total 288 thousand euros and are decreasing compared to the previous year basically owing to the recording in year 2009 of the charges referred to the building amnesty for the property owned in Cusano Milanino until 2004.

The details of other operating costs are indicated below:

In thousands of euros	Year 2010	Year 2009
losses on disposal	8	15
ICI (local property tax)	211	212
risks on receivables	-	20
other taxes and duties	54	251
other operating charges	15	88
provisions for risks	-	- 120
Total	288	466

E10	Taxation	157
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With earnings before taxes equal to 16,700 thousand euros the income taxes of the year, calculated according to the legal rates in force at the end of 2010, are registered as a positive component of income for 157 thousand euros, equal to 636 thousand euros for taxes paid in advance and by tax charges for 479 thousand euros, since the greater components of income are composed of financial entries, such as dividends and capital gains commented under the entry of Financial income, subject to limited taxation, also by effect of the participation exemption, that reduces the taxable amount to 5% of the income made.

Remember that the Company has signed a contract of national fiscal consolidation with some subsidiary companies in order to optimize fiscal management also according to the Group's forecast industrial plans as described under the item Receivables from tax authorities.

A reconciliation between the theoretical tax burden and the actual tax burden follows:

IRES In thousands of euros	Income		Taxation	
	Earnings	Timing components	Current	Deferred
Earnings before taxation	16,700			
Theoretical tax charge (benefit)			4,593	
Timing differences taxable in later years	0	0	0	0
Timing differences deductible in later years	452	-452	124	-124
Reversal of timing differences arisen in previous years	-760	760	-209	209
Permanent differences that will not be reversed in later years	-16,654	0	-4,580	0
Total differences	-16,962	308	-4,665	85
Taxable income	-262			
Total tax charge (benefit) on income for the period			-72	85
Other amendments			-192	
Total tax charge (benefit) on income registered in the FS			-264	85

IRAP In thousands of euros	Income		Taxation	
	Earnings	Timing components	Current	Deferred
Value of gross production	-1,819			
Theoretical tax charge (benefit)			-88	
Financial charges/income	-1,644	0	-79	0
Timing differences taxable in later years	0	0	0	0
Timing differences deductible in later years	0	0	0	0
Reversal of timing differences arisen in previous years	-342	342	-16	16
Permanent differences that will not be reversed in later years	3,931	0	189	0
Total differences	1,945	342	94	16
Taxable income /Value of net production	126			
Total tax charge (benefit) on income for the period			6	16

Remember that, because of the national fiscal consolidation contract described under the entry of Receivables from the tax authorities, Immsi S.p.A. transferred a fiscal loss, prior to consolidation rectifications, partly offset by the taxable income transferred from other companies adhering to the taxation of the Group.

At the time of Group taxation, in addition, the quota of negative interest and assimilated costs not deducted by each company in the fiscal consolidation was deducted, in the limit of the capacity of Gross Operating Result not used by the other companies in the Group taxation as required by art.96 of the TUIR ("Testo Unico Imposte sui Redditi"). Immsi therefore profited from a decrease in the taxable amount equal to approximately 1.6 million euros corresponding to a fiscal benefit, net of the income acknowledged for the companies transferring ROL ("Reddito Operativo Lordo"), of 220 thousand euros.

The other IRES rectifications lastly include the fiscal benefit, substantially deriving from the greater payable accrued interest deducted by the Company for the greater ROL received in the consolidated area and observed at the time of the 2010 Tax Return, for a net effect equal to 192 euros.

E11	Net earnings of the period	16,858
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Immsi S.p.A. in the course of 2010 made a profit of 16,858 thousand euros up on the same period of the preceding year mainly due to the higher financial charges recorded during the year as commented on under the entry of Financial income.

F – Commitments, risks and guarantees

The Company has a mortgage (the building located in via Abruzzi – Rome) to secure the 92 million euros loan provided in June 2010 by Efibanca, Banca Popolare di Lodi and Cassa di Risparmio di Lucca Pisa Livorno for 46 million euros.

With this financing, Immsi must for the entire duration of the contract channel the revenues from leasing into a deposit account and keep a minimum amount there equal to the interest instalment nearest maturity and deposit at least 10 million euros of Piaggio shares as guarantee.

To guarantee the lease contracts in being at the date of 31 December 2010 Immsis S.p.A. received bank guarantees for a total of 662 thousand euros and guarantee deposits for 34 thousand euros.

Intesa Sanpaolo has moreover issued a revocable signed credit line equal to 0.4 million euros that Immsi has used for 350 thousand euros for the Cassa di Previdenza Integrativa (supplementary social security fund) of the personnel of Istituto San Paolo di Torino, with which Immsi stipulated in the month of December 2008 a contract to lease property located in Milan – via Broletto.

In the month of December 2010, Bullet – Multi Borrower financing was renewed for a total of 70 million euros with Intesa Sanpaolo (of which 25 million euros granted to Immsi S.p.A., 30 million euros granted to ISM Investimenti S.p.A. and 15 million euros granted to Rodriquez Cantieri Navali S.p.A.). This financing, with expiration at the end of 2011, is guaranteed by lien on 45 million Piaggio shares equal to 140% of the value of the financed capital.

It is noted that the Company in view of the revolving credit line granted by Banca Popolare di Lodi for 20 million euros has deposited 10.6 million Piaggio shares as a guarantee, whereas for surety for loans issued at the end of 2010 by Meliorbanca for 15 million euros and in 2009 by MPS for 20 million euros, the company has deposited 9.4 million and 12.9 million Piaggio shares respectively. Lastly, with reference to the participation held in Piaggio, we report that Immsi S.p.A. has deposited in surety 35 million shares in guarantee of the loan granted to Intermarine S.p.A. by Intesa Sanpaolo for a total of 56.7 million euros, of which 1.7 million correlated with the insurance indemnities concerning the flooding of the yard of Sarzana, reimbursed in January 2011, and 55 million euros as a revolving line correlated to the future collections of the order with the Finland Navy used at 31 December for 46.5 million euros. Therefore we note that Immsi S.p.A. signed an autonomous first request guarantee for a maximum amount of 33.8 million euros and a letter of commitment in favour of Intesa Sanpaolo. The subsidiary corresponds remuneration to Immsi in proportion to the amounts disbursed by the bank.

Immsi, as part of the supply contract for 5 catamarans to the Sultanate of Oman for which the Rodriquez group obtained a guarantee from a pool of banks for an amount of 84.5 million US dollars to secure payment of the consideration envisaged in the contract signed with the Sultanate of Oman for a value of 90 million US dollars, counterguaranteed the “performance bond” and the “advanced payment bond” issued by the above banks for an amount of 60 million US dollars and issued a letter of patronage for any part exceeding such amount in relation to Rodriquez Cantieri Navali S.p.A.’s obligations to channel payments.

Work on building the catamarans for the Sultanate of Oman continued over the 2010 year. Acceptance of the third vessel, No. 354, out of the overall order for five catamarans was signed in December; following delivery, the customer duly released the guarantees on the advance instalments received for 15.5 million USD, so the actual exposure on Rodriquez Cantieri Navali S.p.A. *vis-à-vis* the banks at 31 December 2010 fell below the 60 million USD limit guaranteed by IMMSI. Indeed, 33.4 million USD of the performance bond, post-delivery bond and advance instalments received part of the line had actually been drawn at the end of 2010.

The two vessels still under completion at the Messina boatyard are scheduled for delivery before the end of 2011. As a result of the new delivery schedule and of the expiry dates for the guarantee

lines issued in favour of the customer by the banks, Rodriquez Cantieri Navali has asked the guarantor banks for a waiver, which was signed in February 2011, and an extension of the guarantee lines that expired in 2010.

Immsi moreover guarantees the financing renewed during the year to Rodriquez Cantieri Navali S.p.A. with a letter of patronage from Banca Antonveneta and used at 31 December 2010 for 2 million euros.

Following the contract stipulated between the Finnish Navy and the subsidiary Intermarine S.p.A. for the construction of three minesweepers, the Finnish Navy granted in December 2007 and January 2008 three advance payments equal to 16.3 million euros, 0.6 million euros and 32 million euros, respectively. These advance payments are guaranteed, for an amount equal to 115% of the sum received, through insurance guarantees issued by SACE, which has stated its willingness to issue said guarantees provided there is the co-obligation of Immsi S.p.A., which is remunerated in proportion to the sums secured. In consideration of the progress made, the first of the aforementioned guarantees has been reduced to 115% of 12.3 million euros.

With reference to the Rodriquez group, we lastly note that if the indirect parent company Immsi S.p.A. loses control over the contracting companies, the following agreements could be modified or be extinguished: low-interest loans for a total of 27.2 million euros granted by Banca Carige and guarantee for an amount of 2.7 million euros issued by Efibanca.

Lastly, it is reported that, in view of the 30 million-euro loan granted to ISM Investimenti S.p.A. by Intesa Sanpaolo, Immsi has undertaken, in the interests of IMI Investimenti, to grant a shareholder loan for the sum that proves necessary to enable ISM to repay its borrowings in full.

G – Net financial position

The net financial debt at 31 December 2010 of Immsi S.p.A. is shown below. Further details on its components may be found in Notes to the financial statements above.

In thousands of euros	31/12/2010	31/12/2009
Cash and cash equivalent	(32,573)	(1,463)
Other short-term financial assets	(48,715)	(42,500)
Medium/long-term financial assets	(35,241)	(12,000)
Short-term financial payables	101,846	125,171
Medium/long-term financial payables	68,550	11,000
Net financial debt	53,867	80,208

The net financial debt amounts at 31 December 2010 to 53,678 thousand euros, a decrease over 31 December 2009 of 26,341 thousand euros, mainly due to the sale of 15 million Piaggio shares for 34,310 thousand euros and the subscription in ISM Investimenti S.p.A. of the degli Equity Financial Instruments for 6,440 thousand euro. Lastly, the Company disbursed 10,216 thousand euros dividends during 2010 and made investments in fixed assets for 754 thousand euro, as detailed below:

In thousands of euros	31/12/2010	31/12/2009
Cash generated internally	9,783	6,562
Change in net working capital	(349)	(34,775)
Net cash flow generated from operations	9,434	(28,213)
Payment of dividends by Parent company	(10,216)	0
Purchase of intangible assets	(13)	0
Purchase of tangible assets	(741)	(512)
Net decrease from property disposals	7	51
Acquisition of non-controlling equity investments, net of disposal	0	26,703
Acquisition of controlling equity investments, net of disposals	27,870	6,574
Other net movements	0	(1)
Change in net financial position	26,341	4,602
Initial net financial position	(80,208)	(84,810)
Closing net financial position	(53,867)	(80,208)

H - Dividends paid

Immsi S.p.A., as per the deliberation of the meeting on 27 April 2010, disbursed dividends (relating to 2009 profits) for total 10,216 thousand euros equal to 0.03 euro for 340,530,000 shares.

Remember that during the year 2009, Immsi S.p.A. had not distributed any dividends (relating to 2008 profits, in accordance with the shareholder resolution on 29 April 2009).

I - Earnings per share

The earnings per share are determined in accordance with IAS 33 and is calculated by dividing the net profit for the period of Immsi S.p.A. by the number of shares in circulation during 2010 net of treasury stock. No preferred shares were issued at 31 December 2010.

It should be noted that during 2008 the Company, in compliance with the resolution of the Meeting on 13 May 2008, purchased on the share market 2,670,000 of its own shares for a total of 2,078 thousand euros at an average price of 0.7784 euros.

Diluted earnings per share correspond to the basic profit in that there are no potential shares having a diluting effect.

Earnings per ordinary share for 2010 is as follows:

Profit for the year 2010 attributable to ordinary shares (in thousand euros)	16,858
Average number of shares in 2010	340,530,000
Earnings per share (in euro)	0.0495
Number of shares at 31.12.2010	340,530,000
Earnings per share (in euro)	0.0495

L - Group and Related Parties dealings

As regards the information to be provided on related party transactions in accordance with IAS 24 - Related Parties Disclosures, followed by the Group's companies, it should be pointed out that such transactions take place as part of normal operations at market conditions or as laid down under specific laws. No atypical or unusual transactions were carried out during the period to 31 December 2010.

It should be noted that, in compliance with the Regulations no. 17221 regarding Related Parties dealings issued by Consob on 12 March 2010 and subsequently amended by resolution no. 17389 of 23 June 2010, the Company endeavoured to adopt, within the legal terms, a new procedure aimed at regulating the approval practices for Related Party dealings as from 2011 approved by the Board on 30 November 2010.

The following table shows the impact of related party transactions on the income statement (excluding revenues from amounts recharged to subsidiaries and parent companies in accordance with IAS 18) and on each single item of the balance sheet of Immsi S.p.A. at 31 December 2010:

Main income and balance sheet headings	Amounts in €000	% incidence on balance sheet items	Description of the transactions
Transactions with Related Parties:			
<i>Current trade payables</i>	157	8.6%	<i>Legal advice provided by Studio d'Urso Gatti Bianchi e Associati</i>
	13	0.7%	<i>Tax advisory services provided by Studio Girelli e Associati</i>
<i>Costs for services and the use of third party assets</i>	193	4.0%	<i>Legal advice provided by Studio d'Urso Gatti Bianchi e Associati</i>
	30	0.6%	<i>Tax advisory services provided by Studio Girelli e Associati</i>
Transactions with Parent companies:			
<i>Tangible assets</i>	34	6.2%	<i>Fittings and motor vehicles provided by Omniainvest S.p.A.</i>
<i>Costs for services and the use of third party assets</i>	207	4.2%	<i>Rental of offices in Mantova provided by Omniaholding S.p.A.</i>
Operazioni verso Società Controllate:			
<i>Tangible assets</i>	37	6.9%	<i>Plants and fittings provided by Is Molas S.p.A.</i>
<i>Other non-current financial assets and receivables</i>	38,380	33.3%	<i>Convertible loans granted to RCN Finanziaria S.p.A. and interest</i>
	311	0.3%	<i>Commission from Intermarine S.p.A. for Sace counter-guarantee</i>
<i>Current trade receivables and other receivables</i>	3,188	37.8%	<i>Amounts due by the Rodriguez group for recharged costs, rental of offices</i>
	1,861	22.1%	<i>in Roma, interest, fees and consultancy contract</i>
	1,583	18.8%	<i>Amounts due by Is Molas S.p.A. for recharged costs, consultancy contract, repayment of emoluments and interest</i>
	1,058	12.5%	<i>Amounts due by RCN Finanziaria S.p.A. for recharged costs and interest</i>
	257	3.0%	<i>Amounts due by the Piaggio group for recharged costs, consultancy contract and repayment of emoluments</i>
	39	0.5%	<i>Amounts due by ISM Investimenti S.p.A. for recharged costs and interest</i>
			<i>Amounts due by Pietra S.r.l. for interest</i>
<i>Other current financial assets</i>	15,570	24.7%	<i>Loan granted to RCN Finanziaria S.p.A.</i>
	19,000	30.1%	<i>Loans granted to Rodriguez Cantieri Navali S.p.A.</i>
	2,000	3.2%	<i>Loan granted to Intermarine S.p.A.</i>
	9,400	14.9%	<i>Loans granted to Is Molas S.p.A.</i>
	2,315	3.7%	<i>Loan granted to ISM Investimenti S.p.A.</i>
	430	0.7%	<i>Loan granted to Pietra S.r.l.</i>
<i>Current trade payables</i>	63	3.4%	<i>Amount due to Piaggio & C. S.p.A. for recharged costs</i>
<i>Other current payables</i>	6,731	90.8%	<i>Payables from national tax consolidation agreement</i>
<i>Financial income</i>	14,156	42.9%	<i>Dividends from Piaggio & C. S.p.A.</i>
	1,222	3.7%	<i>Interest income from RCN Finanziaria S.p.A.</i>
	965	2.9%	<i>Interest income and guarantee fees from the Rodriguez group</i>
	192	0.6%	<i>Interest income from Is Molas S.p.A.</i>
	52	0.2%	<i>Interest income from ISM Investimenti S.p.A.</i>
	10	0.0%	<i>Interest income from Pietra S.r.l.</i>
<i>Operating income</i>	1,317	27.7%	<i>Consultancy & Assistance contract and rental of offices in Roma and Milano rented to Piaggio & C. S.p.A.</i>
	600	12.6%	<i>Consultancy & Assistance contract with Is Molas S.p.A.</i>
	112	2.4%	<i>Consultancy & Assistance contract and rental of offices in Roma rented to Rodriguez Cantieri Navali S.p.A.</i>

<i>Costs for services and the use of third party assets</i>	86	1.8%	<i>Internal audit activity presented by Immsi Audit S.C.a R.L.</i>
	63	1.3%	
<i>Other operating income</i>	51	27.2%	<i>Recharges to be received by Piaggio & C. S.p.A.</i>
	46	24.5%	<i>Repayment of emoluments by Piaggio & C. S.p.A.</i> <i>Repayment of emoluments by Is Molas S.p.A.</i>

Figures including non-deductible VAT.

In addition, it is noted that 45,000,000 Piaggio shares are deposited in lien with Intesa Sanpaolo as a guarantee for the Bullet – Multi Borrower financing renewed for 2010, for a total of 70 million euros of which 25 million euros granted to Immsi S.p.A., 30 million granted to ISM Investimenti S.p.A. and 15 million to Rodriquez Cantieri Navali S.p.A..

Immsi, as part of the contract for the supply of 5 catamarans to the Sultanate of Oman for which the Rodriquez group stipulated an endorsement credit contract with a pool of banks for an amount of 84.5 million U.S. dollars to guarantee payment of the consideration envisaged in the contract signed with the Sultanate of Oman for 90 million US dollars, counter-guaranteed the “performance bond” and the “advanced payment bond” issued by the above banks with the issue of a fidejussory guarantee for an amount of 60 million U.S. dollars and for any excess part with a letter of patronage in relation to Rodriquez Cantieri Navali S.p.A.’s obligations to channel payments. At the end of 2010 actual use of the line, for the performance bond, post delivery bond part and for loan advances received was 33.4 million US dollars.

Immsi guarantees the financing renewed during the year to Rodriquez Cantieri Navali S.p.A. with a letter of patronage from Monte dei Paschi di Siena and used at 31 December 2010 for 2 million euros.

It should be also noted that further to the contract stipulated between the Finnish Navy and the subsidiary Intermarine S.p.A. for the construction of three minesweepers, the Finnish Navy granted in December 2007 and January 2008 three advanced payments for total 48.9 million euros. These accounts are guaranteed, for an amount equal to 115% of the sum received, through insurance guarantees issued by SACE counter-guaranteed by Immsi S.p.A., who will receive remuneration proportionate to the above amounts. In consideration of the progress made, the first guarantee has been reduced to 115% of 12.3 million euros.

It is, lastly, reported, with reference to the stake held by IMMSI S.p.A. in Piaggio & C. S.p.A., that IMMSI S.p.A. has deposited 35 million shares in a fixed deposit account as guarantee for the loan granted to Intermarine S.p.A. by Intesa Sanpaolo for a total of 56.7 million euros, of which 1.7 million euros correlated with the insurance indemnities concerning the flooding of the Sarzana yard, reimbursed in January 2011, and 55 million euros as a revolving line correlated with the future receipts on the order with the Finnish Navy of which 46.5 million euros had been drawn at 31 December. It is also pointed out in this connection that Immsi S.p.A. undersigned an independent first request guarantee for a maximum amount of 33.8 million euros and a comfort letter in favour of Intesa Sanpaolo. The subsidiary corresponds remuneration to Immsi in proportion to the amounts disbursed by the bank.

With reference to the relations kept by the Rodriquez group, we lastly note that if the indirect parent company Immsi S.p.A. loses control over the contracting companies, the following agreements could be modified or be extinguished: low-interest loans for a total of 27.2 million euros granted by Banca Carige and guarantee for an amount of 2.7 million euros issued by Efibanca.

It is reported that, against the 30 million-euro loan granted to ISM Investimenti S.p.A. by Intesa Sanpaolo, IMMSI has undertaken, in the interests of IMI Investimenti, to grant a shareholder loan for the sum that proves necessary to enable ISM to repay its debt in full.

Lastly, Immsi has purchased plane tickets at normal market conditions through travel agencies that choose from the carriers with availability for the route and date. Under these terms there may be relations of a commercial nature with Alitalia – Compagnia Aerea italiana S.p.A. (not currently considered as a Related Party).

M - Risks and uncertainties

Financial instruments

With reference to the financial instruments, already commented on in the explanatory and additional Notes, the Parent Company has not found any differences between the fair value and the book value for all the items at issue, excluding the participation in Unicredit, the details of which can be found in the paragraph relative to current financial activities, since at 31 December 2010 the Company has no longterm fixed rate assets and/or liabilities for which it is necessary to recalculate the relative value according to the current market rates.

In thousands of euros	31 December 2010	31 December 2009
ASSETS		
NON-CURRENT ASSETS		
<i>Other financial assets</i>	115,241	92,000
Financial receivables	35,241	12,000
Financial assets	80,000	80,000
CURRENT ASSETS		
<i>Other financial assets</i>	63,103	64,278
Financial receivables	48,715	42,500
Financial assets	14,388	21,778
LIABILITIES		
NON-CURRENT LIABILITIES		
<i>Financial liabilities</i>	68,550	11,000
Amounts due to bank	68,550	11,000
CURRENT LIABILITIES		
<i>Financial liabilities</i>	101,847	125,171
Amounts due to bank	101,847	124,991
Amounts due to subsidiaries	0	180

Interest Rate Risk

As is known, the variations in the interest rates on the market can impact the fair value of a financial asset or liability.

Exposure to the market risk deriving from the variation in interest rates is mainly connected to the operations of medium and long term financing.

The following table illustrates the book value, for expiration in relation to 31 December 2010, of the Company's financial assets and liabilities, that are exposed to the risk of interest rates at 31 December 2010, divided depending on whether they are contractually subject to fixed or variable rates (net of any specific hedging instruments of the interest rate variation).

In thousands of euros	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Total fixed rate	-3,833	-3,833	-3,833	-3,833	-3,833	-13,417	-32,582
Total variable rate	-49,299	-20,278	-1,278	-1,278	21,963	-4,472	-54,642

An increase or decrease of 1% of the Euribor rate with reference to the net punctual exposure of Immsi S.p.A. would have produced greater or lesser interest for 546 thousand euros per year.

Price Risk

Concerning the price risk on the investments held by the Company and classified among the other financial assets available for sale, please refer to the comments under the item Financial Instruments.

Credit risk

The Company has credits with companies in the Group and third-party customers for which no insolvency risks are recognized that are not reflected in the related items of the financial

statements.

The following table gives an analysis by maturity of the item of Trade receivables, including the devalued or guaranteed payables, for the related comment please see the Notes on the financial statements.

In thousands of euros	31.12.2010	31.12.2009
Overdue receivables:		
0-30 days	242	2,658
30-60 days	16	115
60-90 days	807	57
> 90 days	6,992	3,473
Total overdue receivables	8,057	6,303
Total receivables on maturity	617	389
Total	8,674	6,692

Liquidity Risk

While the Company is not exposed to its own and specific risks of liquidity connected with its holding business, it could suffer from possibly critical situations concerning the subsidiaries, especially those for which it granted short-term financings. With reference to the position of payables, during 2010 the Company substantially renewed the credit lines falling due with new loans with similar expiry date as the ones replaced.

As concerns the risk of liquidity to which the Immsi Group is exposed, in relation to its own operational activity, please read the comments in the Notes on the consolidated financial statements.

Hierarchical fair value valuation levels

As regards financial instruments recorded under the Statement of financial position 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 (prices) or indirectly (price-derived) observable market inputs other than level 1 inputs;
- level 3 – inputs not based on observable market data.

With reference to the assets valued at fair value that have quotations on an active market held by Immsi S.p.A. (level 1) Unicredit shares in the portfolio at 31 December 2010 were equal to 9,294,879 shares, quoted altogether at the end of 2010 at 14,388 thousand euros.

The value of the investment has decreased compared at the end of 2009 for a total of 7,390 thousand euros following the negative trend of the price of the security during the year.

At 31 December 2010, among the non current financial activities is the hedging instrument (IRS) underwritten by 75% of the 2010-2019 loan for a total of 46 million euros, the fair value of which at the end of the accounting period is positive and in the amount of 188 thousand euros (level 2 hedging instruments).

The financial assets valued at fair value for which there are no observable market data (level 3) amount to 80,000 thousand euros and are represented by the investment held in Alitalia – Compagnia Aerea Italiana S.p.A..

The Company at 31 December 2010 has no financial liabilities valued at fair value.

N - Emoluments paid to members of the supervisory and management boards, to general managers and to senior managers with strategic responsibilities

In relation to the disclosure requirements established in art.78, paragraph 1 of the Issuers' Regulation regarding emoluments of any kind and for any reason paid to members of management and supervisory boards, to general managers and to senior managers with strategic responsibilities, even by subsidiaries, here below the information report:

FULL NAME	OFFICE HELD	PERIOD OF OFFICE	OFFICE TERMINATION	EMOLUMENTS FOR THE OFFICE	NON MONETARY BENEFIT	BONUSES AND OTHER INCENTIVES	OTHER PAYMENTS	TOTAL	
BOARD OF DIRECTORS									
Roberto Colaninno	Chairman BoD	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Director	40,000		Director of Piaggio Chairman and MD of Piaggio	40,000	2,180,000
				Chairman	850,000			1,250,000	
				TOTAL	890,000			1,290,000	
Carlo d'Urso	Deputy Chairman BoD	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Director	40,000				40,000
				TOTAL	40,000		(1)		
Luciano La Noce	Managing Director	01/01/10 03/08/10	03/08/2010	Director	23,562		Director of Piaggio Director of Is Molas Chairman of Is Molas Director of Apuliae	23,590	1,103,016
				Fix	600,000			11,781	
				Variable	400,000			40,000	
				TOTAL	1,023,562			4,083	
							TOTAL	79,454	
Michele Colaninno	Director	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Director	40,000	783	Director of Piaggio Director of Is Molas	40,000 ⁽²⁾	492,761
				TOTAL	40,000			20,000 ⁽²⁾	
Michele Colaninno	General Manager	01/01/10 31/12/10	Up to revocation	GM	250,000				
				Refund for lump-sum expenses	2,800				
								TOTAL	252,800
Michele Colaninno	Managing Director	27/08/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Fix	69,589				
				Variable	69,589				
				TOTAL	139,178				
Matteo Colaninno	Director	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Director	40,000		Director of Piaggio Deputy Chairman of Piaggio	40,000	140,000
				TOTAL	40,000			60,000	
								TOTAL	100,000
Mauro Gambaro	Director	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Director	40,000				45,000
				Member of Immsi IAC	5,000				
				TOTAL	45,000				
Giorgio Ciria	Director	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Director	40,000				45,000
				Member of Immsi IAC	5,000				
				TOTAL	45,000				

Giavanni Sala	Director	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Director	40,000				50,000
				Chairman of Immsi IAC	10,000				
				TOTAL	50,000				
Enrico Maria Fagioli Marzocchi	Director	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Director	40,000				40,000
				TOTAL	40,000				
Ruggero Magnoni	Director	27/08/10 31/12/10	next Shareholders' Meeting	Director	13,918				13,918
				TOTAL	13,918				

1: For further remunerations reference is made to the tables concerning the related party dealings

2: Emoluments for the office of Director of the Group subsidiaries and paid to Immsi S.p.A.

FULL NAME	OFFICE HELD	PERIOD OF OFFICE	OFFICE TERMINATION	EMOLUMENTS FOR THE OFFICE	NON MONETARY BENEFIT	BONUSES AND OTHER INCENTIVES	OTHER PAYMENTS	TOTAL
BOARD OF AUDITORS								
Alessandro Lai	Chairman of Board of Auditors	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Chairman	51,613		Standing Auditor of Piaggio	76,469
				Member of Supervisory Board Immsi	5,000			
				TOTAL	56,613			TOTAL
Gioannimaria Seccamani Mazzoli	Standing Auditor	01/01/10 08/11/10	08/11/2010	Standing Auditor	31,381			31,381
				TOTAL	31,381			
Leonardo Losi	Standing Auditor	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Standing Auditor	36,463			36,463
				TOTAL	36,463			
Gianmarco Losi	Alternate Auditor succeeded ⁽¹⁾	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Altern.Auditor succeeded	5,148			5,148
				TOTAL	5,148			
Mariapaola Losi	Substitute Auditor	01/01/10 31/12/10	Meeting to approve the Balance sheet closed at 31/12/2011	Substitute Auditor	0			0
				TOTAL	0			

(2) Alternate Auditor who took up the post of statutory Auditor on 8 November 2010, further the resignation of Gioannimaria Seccamani Mazzoli. Gianmarco Losi will hold the aforementioned post until the Issuer's next Shareholders' Meeting.

Immsi S.p.a. has not identified any other Managers holding strategic responsibilities compared to the General Manager.

It is notified, as required by paragraph 1-bis of the above-mentioned article of the Issuers Regulations, that the Company has not set in being any operations to favour the purchase or the subscription of shares in accordance with art.2358 of the Italian Civil code.

O - Auditing costs

In relation to the information obligations required by art.149-duodecies of the Issuers Regulations, on the subject of consideration pertaining to the year for the appointments conferred by Immsi S.p.A. to the auditing firm, it is reported that the compensations paid in 2010 to Deloitte & Touche S.p.A for rendering specific revision services amounted to 68,904 thousand euros, whereas the compensations paid for rendering services to companies and organisations belonging to the Deloitte network, such as analysis of the internal control system and verification of implementing the procedure for operations with correlated parties amounted to 19,700 thousand euros (in addition to fees and accessory charges).

Certification of the financial statements pursuant to art. 154-*bis* of the Ital.Legisl.Decree No. 58/98

The undersigned Roberto Colaninno, as Chairman of the Board of Directors, Michele Colaninno, as Managing Director and Andrea Paroli, Manager in charge of preparing the company accounts and documents of Immsi S.p.A., certify, also taking account of the provisions of art.154-*bis*, paragraphs 3 and 4 of the Ital.Legisl.Decree 58 of 24 February 1998:

- appropriateness in relation to the characteristics of the company and
- effective application

of the administrative and accounting procedures for forming the financial statements at 31 December 2010.

To this regard no aspects of particular importance have emerged.

In addition, it is certified that the financial statements at 31 December 2010:

- were drawn up in conformity with the applicable international accounting standards recognized by the European Union in accordance with the regulation (CE) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the documentary results, the registers and the accounting records;
- are suited to provide a truthful and correct representation of the issuer's assets and liabilities, profit and loss and financial situation.

The Report on operations includes a reliable analysis of the progress and result of management, as well as of the situation of the issuer, together with a description of the main risks and uncertainties to which they are exposed.

23 March 2011

Chairman
Roberto Colaninno

Manager in charge of preparing the company
accounts and documents
Andrea Paroli

Managing Director
Michele Colaninno