IMMSI Group

Share Capital Euro 205,941,272.16=fully paid up
Registered office: Pontedera (Pisa) Viale R. Piaggio, 25
Company Registry Office of Pisa and Personal Tax Code 04773200011
R.E.A. Pisa 134077

Half-year Financial Report
at 30th June 2008

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COMPANY BOARDS

Board of Directors	
President	Roberto Colaninno (1)
Vice-president	Matteo Colaninno
CEO	Roberto Colaninno
Advisors	Giangiacomo Attolico Trivulzio
	Michele Colaninno
	Franco Debenedetti (3), (4)
	Daniele Discepolo (2), (5)
	Luciano La Noce (3), (4)
	Giorgio Magnoni
	Gianclaudio Neri
	Luca Paravicini Crespi (3), (5)
	Riccardo Varaldo (4), (5)

(1) Director in charge of internal audit

(2) *Lead Independent Director*

(3) Member of the Appointments Committee

(4) Member of the Remuneration Committee

(5) Member of the Internal Control Committee

Board of Statutory Auditors	
President	Giovanni Barbara
Standing auditors	Attilio Francesco Arietti
	Alessandro Lai
Substitute Auditors	Mauro Girelli
	Elena Fornara (6)

(6) Appointed on 7th May 2008

Supervisory Body	Enrico Ingrillì
	Giovanni Barbara
	Alessandro Bertolini
General Managers	Daniele Bandiera
	Michele Pallottini
Manager in charge of preparing the Company's corporate accounting documents	Alessandra Simonotto
Independent auditors	Deloitte & Touche S.p.A.

FINANCIAL HIGHLIGHTS

		1st half		2007
(amounts in ML€)		2008	2007	statutory
Income statement (reclassified)				
Net sales		900.3	968.6	1,692.1
Gross industrial margin		272.4	292.9	498.4
Operating costs		-190.6	-186.5	-361.8
Operating earnings		81.8	106.4	136.6
Pre-tax earnings		63.9	88.8	103.5
Net earnings		47.3	51.5	60
.minority interest		0.4	0.3	0.4
.Group		46.9	51.2	59.6
Gross margin on net sales	%	30.3	30.2	29.5
Operating earnings on Net Sales	%	9.1	11.0	8.1
Net earnings on net sales	%	5.3	5.3	3.5
Gross operating margin=EBITDA (from operations)		**128.2**	**145.9**	**226.1**
Gross operating margin on net sales	%	14.2	15.1	13.4
Balance sheet				
Net working Capital		18.7	5.6	-0.4
Net tangible assets		237.5	252.4	248.6
Net intangible assets		636.0	637.6	637.5
Financial assets		0.9	1.0	1.0
Provisions		-138.5	-147.8	-145.4
Net capital employed		**754.5**	**748.8**	**741.2**
Net financial position		326.9	277.1	269.8
Shareholders' equity		427.7	471.7	471.4
Sources of funds		**754.5**	**748.8**	**741.2**
Minority interest capital		1.4	0.9	1.1
Change in net financial position				
Opening net financial position		**-269.8**	**-318.0**	**-318.0**
Cash flow from operations (earnings+amortisation)		93.6	91.1	149.5
(Increase)/Decrease in working capital		-19.1	14.6	20.6
(Increase)/Decrease in net investments		-33.7	-42.2	-88.3
Net change in pension provisions and other provisions		-6.9	-4.0	-6.3
Change in shareholders' equity		-91.0	-18.5	-27.3
Total Changes		***-57.1***	***40.9***	***48.2***
Closing net financial position		**-326.9**	**-277.1**	**-269.8**

KEY FIGURES BY BUSINESS SECTOR AT 30TH JUNE 2008

BUSINESS		2W: Piaggio Gilera Vespa	2W: Derbi	2W: Aprilia	2W: M. Guzzi	LTV	OTHER	**TOTAL**
	1st half 2008	191.9	21.5	61.5	4.2	91.8	1.8	**372.7**
Sales volumes	1st half 2007	210.6	21.0	66.8	6.2	84.3	6.8	**395.8**
(units/000)	Change	-18.7	0.4	-5.3	-1.9	7.5	-5.1	**-23.1**
	Change %	-8.9	2.0	-7.9	-31.4	8.9	-74.2	**-5.8**
	1st half 2008	439.3	40.1	172.9	35.1	199.6	13.3	**900.3**
Net sales	1st half 2007	468.4	37.3	192.0	50.4	188.5	32.0	**968.6**
(ML €)	Change	-29.1	2.8	-19.2	-15.3	11.1	-18.7	**-68.3**
	Change %	-6.2	7.5	-10.0	-30.3	5.9	-58.4	**-7.0**
	at 30th June 2008	3,600	356	1,112	215	2,225	52	**7,560**
Employees	At 30th June 2007	3,732	388	1,073	249	2,039	134	**7,615**
(n.)	Change	-132	-32	39	-34	186	-82	**-55**
	Change %	-3.5	-8.2	3.6	-13.7	9.1	-61.2	**-0.7**
Investments								
	1st half 2008	2.6	0.7	5.3	0.6	1.8	4.1	**15.1**
- Fixed Assets	1st half 2007	9.6	2.0	1.9	0.9	1.1	0.7	**16.2**
(ML €)	Change	-7.0	-1.3	3.4	-0.3	0.8	3.4	**-1.1**
	Change %	-72.9	-65.3	178.9	-36.2	71.4	485.7	**-6.8**
	1st half 2008	7.3	0.5	9.5	1.7	3.5		**22.5**
- R&S Capex	1st half 2007	8.0	1.4	9.4	2.6	4.5		**25.9**
(ML €)	Change	-0.69	-0.94	0.13	-0.9	-0.98		**-3.4**
	Change %	-8.6	-65.3	1.4	-34.6	-21.9		**-13.1**

KEY FIGURES BY GEOGRAPHICAL AREA AT 30TH JUNE 2008

		ITALY	REST EUROPE	AMERICA	INDIA	ASIA PACIFIC	OTHER	**TOTAL**
	1-1/30-6 2008	100.7	157.6	15.1	81.3	14.2	3.8	**372.7**
Sales volumes	1-1/30-6 2007	114.1	177.7	13.5	73.6	13.5	3.4	**395.8**
(units/000)	Change	-13.3	-20.1	1.7	7.7	0.6	0.4	**-23.1**
	Change %	-11.7	-11.3	12.2	10.4	4.5	12.2	**-5.8**
	1-1/30-6 2008	305.0	389.3	45.4	122.6	27.1	10.9	**900.3**
Net sales	1-1/30-6 2007	343.8	434.8	46.2	111.3	23.4	9.0	**968.6**
(ML €)	Change	-38.8	-45.5	-0.9	11.4	3.7	1.9	**-68.3**
	Change %	-11.3	-10.5	-2.0	10.2	15.8	21.6	**-7.0**
	at 30th June 2008	4,855	695	65	1,875	50	20	**7,560**
Employees	At 30th June 2007	5,082	699	56	1,736	27	15	**7,615**
(n.)	Change	-227	-4	9	139	23	5	**-55**
	Change %	-4.5	-0.6	16.1	8.0	85.2	33.3	**-0.7**
Investments								
	1-1/30-6 2008	11.3	1.0	0.1	1.1	1.6		**15.1**
- Fixed Assets	1-1/30-6 2007	12.5	2.0	0.2	1.0	0.5		**16.2**
(ML €)	Change	-1.2	-1.0	-0.1	0.2	1.1		**-1.1**
	Change %	-9.6	-50.5	-52.4	15.8	220.0		**-6.8**
	1-1/30-6 2008	20.2	0.5	0.1	1.7			**22.5**
- R&S Capex	1-1/30-6 2007	20.6	1.5	0.3	3.5			**25.9**
(ML €)	Change	-0.4	-1.0	-0.2	-1.8			**-3.4**
	Change %	-1.9	-65.5	-66.7	-51.8			**-13.1**

GROUP OPERATING HIGHLIGHTS DURING THE FIRST HALF OF 2008

During the first half of 2008, the Piaggio Group sold a total of 372,700 vehicles world-wide, 279,100 of which were in the two-wheeler business, 91,800 in the Commercial Vehicles business, and 1,800 as part of the BMW five-year order.

With regard to the two-wheeler business, such performance took place within a particularly difficult market context in the Group's main reference areas. Demand has indeed decreased compared to the first half of the previous financial year both in Italy (-8%) and in Europe (-5%), whereas a slight expansion was recorded in North America (+1% globally, but +66% in the scooter sub-segment in the United States), in South America (+29%), and South East Asia (+2%). In this context, sales of the Vespa brand exceeded the 63,900 units (+3.0% with respect to the 1st half of 2007) confirming the world-wide success of the brand on strong-expansion markets. Derbi sales (+2.0%) were also on the increase.

With regard to the commercial vehicles business, in India the business carried on growing with a 10.4% increment of sold units, equal to 81,300 vehicles.

With respect to the above-mentioned dynamics, **consolidated net sales** for the first half of 2008 reached, as a consequence, 900.3 ML€ (-7.0% compared to the same period in 2007).

Such decrease in net sales was influenced not only by a decrease in sales in the two-wheeler sector, but also by the heavy reduction of the five-year BMW order (- 15.1 ML€ with respect to the same period the previous year) and the revaluation of the Euro against the Dollar, of the India Rupee and of the British Sterling (with a negative impact on net sales of around 19 ML € compared to 2007). With regard to spare parts and accessories, which recorded slightly decreasing net sales, it is to be pointed out that the first half of 2007 benefited from a dealers' restocking phase.

The **gross industrial margin** for the period is equal to 272.4 ML€ compared to 292.9 ML€ in the first half of 2007. The incidence on net sales starts growing again (30.3% in comparison with 30.2% in the same period of 2007), despite an increase in the cost of raw materials.

Operational expenditures were on the increase by 4.1 ML€ compared to 2007 (+2.3%), also because of higher amortisation of the period due to investments on new models and engines carried out during the past few years.

The **consolidated EBITDA** was 128.2 ML€, equal to 14.2% of net sales, on the decline compared to 145.9 ML€, equal to 15.1% of net sales in the first half of 2007.

Operating earnings reached 81.8 ML€, compared to 106.4 ML€ of the first half of 2007 (-23.1%), with amortisation for 46.3 ML€ (+6.7 ML€ +16.9% compared to the first half of 2007).

In the first half of 2008, Piaggio Group reported **pre-tax earnings** of 63.9 ML€ (-28.0% compared to the same period in 2007) and **net profits** of 47.3 ML€ (-8.2% compared to the same period in 2007), after a 16.6 ML€ of taxation, determined on the basis of the average tax rate expected for the entire financial year (37.3 ML€ at 30th June 2007), which takes into account the new deferred tax assets to be recorded by 31st December 2008.

The **Consolidated Net Financial Position** changed from –269.8 ML€ at 31st December 2007 to –326.9 ML€ at 30th June 2008. The 57.1 ML€ growth (49.8 ML€, compared to –277.1 ML€ recorded on the first half of 2007) was the result of the decision of paying off the Piaggio 2004-2009 warrants in cash for a total of 64.2 ML€, the distribution of dividends equal to 23.3 ML€, as well as the purchase of own shares (2.9 ML€ in the first half of 2008 and 10.0 in the second half of 2007).

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SIGNIFICANT EVENTS DURING FIRST HALF OF 2008

8th April 2008: almost all banks holding Piaggio & C S.p.A. 2004-2009 warrants issued by the company in the course of the acquisition operations of Aprilia S.p.A., have exercised them.

29th April 2008: the new Moto Guzzi V7 Classic was presented in Milan. The motorcycle features classic and timeless lines, equipped with a bicylindrical 750cc engine.

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

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

In the next three years, Piaggio Group will be facing international market challenges with regard to light mobility. The focus will be, in particular, on technological innovation, in order to compete on several world-wide markets as an innovative player, careful about consumption and environment.

The 2008-2010 Plan guidelines are based on:

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

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

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

11th June 2008: Piaggio Board of Directors resolved to proceed with the liquidation through cash settlement of the Piaggio & C S.p.A. 2004-2009 warrants for 63.9 ML€ and with the payment of the EMH financial instruments.

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

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

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

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

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

Interim Directors' Report

1. PIAGGIO GROUP FINANCIAL AND BUSINESS PERFORMANCE

1.1 Piaggio Group business results in the first half of 2008

Net Sales

Amounts in ML€	*1st half 2008*	*1st half 2007*	*Change*
2-wheeler	687.4	748.1	-60.7
Commercial vehicles	199.6	188.5	11.1
Other	13.3	32.0	-18.7
TOTAL NET SALES	**900.3**	**968.6**	**-68.3**

During the first half of 2008, the Piaggio Group sold a total of 372,700 vehicles world-wide, 279,000 of which were in the two-wheeler business, 91,800 in the Commercial Vehicles business, and 1,800 as part of the BMW five-year order.

With regard to the two-wheeler business, such performance was realised within a particularly difficult market context in the Group's main reference areas. Demand has indeed decreased compared to the first half of the previous financial year both in Italy (-8%) and in Europe (-4%). In particular, sales of the Vespa brand exceeded the 63,900 units (+3.0% compared to the first half of 2007) confirming the success of the brand at international level. Derbi sales (+2.0%) were also on the increase. On the other hand, on the decrease are the volumes of the Gilera brand (-1.6%), Piaggio (-16.2%), which last year benefited from the launch of some new models at the end of 2006, Aprilia (-7.9%), and Moto Guzzi (-31.4%).

With regard to the commercial vehicles business, in India the business carried on growing with a 10.4% increment of sold units, equal to 81,300 vehicles.

In the first half of 2008, consolidated net sales were equal to 900.3 ML€, 7.0%, decreasing compared to the same period in 2007. By analysing the performance of net sales in the reference sub-segments, the reduction is to be ascribed most of all to the above-mentioned reduction in demand in the two-wheeler sector and to the heavy reduction of the five-year BMW order, which is responsible for a 15.1 ML€ decrease compared to the same period last year. These were only partially mitigated by the growth of the commercial vehicles business. With respect to the same period in the previous year, the decrease of the two-wheeler sub-segment is mainly due to net sales reduction both in the scooter sector (- 41.0 ML€, - 8.0% compared to June 2007) and in the motorbikes sector (-18.0 ML€, -11.5%). The decrease regards mainly the Aprilia and Moto Guzzi brands, on the decline by 31.4 ML€, Piaggio – 45.7 ML€ and Vespa – 1.4 ML€ , whereas Gilera and Derbi saw an increase in sales respectively to ML€ 16.3 and 3.1. It is to be noted that the Vespa net sales contraction in the presence of growing volumes (+3% with respect to first half of 2007) was due to its sales concentration on countries heavily affected by the Euro revaluation.

From a geographical point of view, the Group's growth continues in strong economic development areas, such as Singapore, Japan, and Vietnam, where a new production plant, due to start functioning next year, is being built.

The commercial vehicles division closed the first quarter with 91,800 units sold, 8.9% up with respect to the first half of 2007. In particular, the growth of the Indian subsidiary continues, despite settlement signals in such strong expanding market during the past few years, which saw volumes growing by a further 10.4% (81,300 vehicles) and net sales by 10.2% compared to 30th June 2007. In local exchange rate, Piaggio Vehicles growth was equal to 21.3%.

The heading "Other" includes fundamentally engines net sales and net sales relative to the BMW order, 15.1 ML€ down compared to the same period last year.

The **gross industrial margin,** defined as the difference between "Net sales" and the corresponding "Cost of Sales" for the period, totalled 272.4 ML€, a 7.0% decrease compared to the first half of 2007. The incidence on net sales starts growing again (30.3% in comparison with 30.2% in the same period of 2007), despite an increase in the cost of raw materials. The gross industrial margin includes amortisation for 17.1 ML€ compared to 18.5 ML€ in the first half of 2008.

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

The **Operational expenditures** at 30th June 2008 totalled 190.6 ML€, 4.1 ML€ on the increase with respect to 186.5 ML€ in the same period of 2007. They consist of employee costs, costs for services and use of third parties assets, and additional operational expenditures net of operating income not included in the gross industrial margin. Operational expenditures also include amortisation for 29.2 ML€ (+8.1 ML€, +38.4% compared to the first half of 2007). Their growth is due to investments on new models and engines made during the past few years.

The above-reported dynamic of net sales and costs results in a **consolidated EBITDA** - defined as "Operating earnings" gross of the amortisation of the intangible assets arising from the consolidated income statement - on the decline compared to 2007 (128.2 ML€, 14.2% of net sales compared to 145.9 ML€, 15.1% of net sales).

With respect to the above-reported net sales and costs dynamic, **operating earnings** at 30th June 2008 were positive for 81.8 ML€, 24.6 ML€ down compared to 106.4 ML€ in the same period in 2007 (-23.1%). Profitability was also declining (measured as operating earnings in relation with net sales), equal to 9.1%, against 11.0% in the same period of 2007

Net financial charges totalled 18.0 ML€, compared to 17.6 ML€ in the same period of 2007, and they include 7.9 ML€ relating to the bond issued in 2005. The deterioration is mainly connected to the increased implementation charges for the reserve for severance indemnity.

In the first half of 2008, Piaggio Group recorded **pre-tax earnings** equal to 63.9 ML€ (-24.9 ML€ compared to the same period in 2007). The deterioration is connected to the contraction of the operating earnings.

Taxation for the period totalled 16.6 ML€ (37.3 ML€ at 30th June 2007), and they were determined on the basis of the average tax rate expected for the entire financial year.

Net profits at 30th June 2008 totalled 47.3 ML€ (- 4.2 ML€ compared to the same period in 2007).

1.2 Consolidated cash flow statement

The consolidated cash flow statement, prepared in accordance with the schedules envisaged by the IFRS international accounting standards, is presented in the "Consolidated Financial Statements and Explanatory Note at 30th June 2008"; the following is a comment relating to the summary statement shown in the Highlights.

Cash flow generated in the period were equal to 57.1 ML€.

Cash flow from operations, i.e. net earnings plus amortisation and depreciation, was 93.6 ML€. The positive impact of such flow benefited from the growth of working capital, which changed from -0.4 ML€ at 31st December 2007 to 18.7 ML€ at 30th June 2008, by the investment activities equal to 33.7 ML€, from the distributed dividends equal to 23.3 ML€, from the acquisition of own shares for 2.9 ML€, and from the reclassification of Piaggio Warrants from shareholders' equity reserve to financial debt for 64.2 ML€.

1.3 Piaggio Group balance sheet at 30th June 2008

Working capital – defined as the net sum of: trade receivables and other current and non-current receivables, inventories, trade payables and other long-term payables and current trade payables, other receivables (short and long-term tax receivables, deferred tax assets) and other payables (tax payables and other short-term payables) - stood at 18.7 ML€, rising both compared to the values at 31st December 2007 (19.1 ML€ net growth) and compared to the same period the year before (an actual difference of 13.1 ML€).

Tangible assets consist of properties, plant, machinery and industrial equipment, net of the accumulated depreciation, and assets intended for sale, as set out in more details in the "Explanatory Notes" to the Consolidated Financial Statements, namely in notes 16 and 27. At 30th June 2008, they totalled 237.5 ML€, 11.1 ML€ down compared to 31st December 2007 and 14.9 ML€ down compared to the same period the year before. Such reduction is only due to a temporary misalignment between the impact of the depreciation and the new capitalisation of works in progress.

Intangible assets consist of capitalised research and development costs and goodwill arising from the merger and acquisition operations undertaken within the Group since 2000 onwards, as set out in more details in the specific note of "Explanatory Notes" to the Consolidated Financial Statements. At 30th June 2008, they totalled 636.0 ML€, 1.5 ML€ down compared to 31st December 2007.

Financial assets, defined by the Directors as the total of equity investments and other non-current financial assets (see "Explanatory Notes" 18 and 19), totalled 0.9 ML€, essentially unchanged compared to 31st December 2007 and to the same period the year before.

Provisions consist of pension and employee benefits provisions (see "Explanatory Notes" 33), other long-term provisions (see "Explanatory Notes" 31), the current portion of other long-term provisions (see "Explanatory Notes" 31), deferred tax liabilities (see "Explanatory Notes" 32), and totalled 138.5 ML€, 6.9 ML€ down compared to 31st December 2007.

Net financial debt at 30th June 2008 was 326.9 ML€ negative compared to 269.8 ML€ on 31st December 2007 and compared to 277.1 ML€ in the same period of 2007. The 57.1 ML€ increase compared to the period at 31st December 2007 is due mainly to the decision of paying off the 2004-2009 Piaggio Warrants in cash for a total of 63.9 ML€, although it was originally envisaged to issue of new shares. In addition to this, debt has increased also due to dividends paid out, the purchase of own shares and the above-described investment assets. This was only partially compensated by the positive performance of the previously described operating cash flow.
The breakdown of the net financial position, which is set out in more detail in the specific table in the "Explanatory notes", may be summarised as follows:

Amounts in ML€	*30th June 2008*	*31st December 2007*
Medium/long-term financial payables	(162.7)	(177.5)
Bond	(145.8)	(145.4)
Short-term financial payables	(130.3)	(66.6)
Financial assets	30.4	18.4
Liquid assets	81.5	101.3
Total	(326.9)	(269.8)

Shareholders' equity at 30th June 2008 totalled 427.7 ML€, against 471.4 ML€ at 31st December 2007. Following the implementation of the shareholders' resolution of 7th May 2008, in the month of May, dividends for a total of 23.3 ML€ were paid out. Moreover, on the basis of the decision of the Board of Directors of 11th June 2008 according to which the holders of the 2004-2009 Piaggio & C S.p.A. warrants shall be given a cash settlement, 64.2 ML€ were reclassified from reserve to financial payables. The "cash settlement" allows to optimise the company's asset structure and the capital's average cost ("WACC"). The relative financial commitment could be easily covered by means of bank loans at present not in use. On the other hand, the settlement through the assignation of Piaggio shares, considering the particular present depression of the share's market price, will damage the shareholders.
At 30th June 2008 the fully subscribed and paid-up share capital consists of 396,040,908 ordinary shares with a nominal value of € 0.52 each, totalling € 205,941,272.16.
During the six-month period, the Parent company, on the basis of the resolutions passed by the shareholders' meetings on 7th May 2007 and 24th June 2008, has purchased 2,090,000 own shares, 2,066,000 of which for the 2007-2009 stock option plan and 24,000 for the Company's ordinary shares acquisition and disposition plan, decided during the meeting on 24th June 2008.

Therefore, at 30th June 2008 the Parent company holds 9,430,000 own shares, equal to 2.381% of the share capital.

It is pointed out that in the last days of June, the Parent company issued instructions to purchase a further 1,160,210 own shares which, being processed in July, as provided by the accounting standards, will be recorded in the month of July.

1.4 Employees

The Group **employees** at 30th June 2008 were 7,560 compared to 6,847 units at 31st December 2007.

The increase in the number of staff is in line with the seasonal nature of the business where production and sales are concentrated in the months of spring and summer, when staff are hired on fixed-term contracts.

	Average number		Number at	
Number of people	*1st half 2008*	*1st half 2007*	*30-Jun-08*	*31-Dec-07*
Senior Management	110	115	111	111
Middle Management	420	401	435	425
Clerical staff	1,933	1,841	1,958	1,878
Manual labour	5,022	5,088	5,056	4,433
Total	*7,485*	*7,445*	*7,560*	*6,847*

2. SIGNIFICANT SUBSEQUENT EVENTS AFTER FIRST HALF 2008

3rd July 2008: the cash settlement of the 2004-2009 Piaggio & C S.p.A. warrants and of the EMH financial instruments was made.

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

During the month of July the Parent company has concluded the activities preliminary to the definition of the process of merging by incorporation of Moto Guzzi.

During the month of July the Parent company has continued the activity of purchase of own shares servicing the Company’s ordinary shares purchase and disposition plan passed by the Shareholders’ Meeting of 24th June 2008. At 28th July 2008, the total number of own shares in the Company’s portfolio totalled 15,871,188 at an average purchase price of € 2.3556.

3. OPERATING OUTLOOK: PROSPECTIVE FOR THE CURRENT FINANCIAL YEAR

The operating outlook will be particularly oriented towards increased productivity and control of expenditures, in line with what had occurred in the first half of the year. With regard to sales performance, expectations are confirmed of a substantial growth in the areas outside Europe and of a regularisation of the seasonal nature of the business in Europe.

4. DEALINGS WITH RELATED PARTIES

Net sales, costs, payables and receivables at 30th June 2008 involving parent companies, subsidiaries and associated companies relate to the sale of goods or services and are the result of arm's length transactions.

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

Information about the dealings with related parties, including those requested by the Consob communication of 28th July 2006, are shown in the Annex E of the Explanatory Notes to the consolidated financial statement.

5. THE MARKET

5.1 THE TWO-WHEELER business

In the first half of 2008, the world market for motorised 2-wheelers exceeded 19 million of vehicles sold, a 12%[1] drop compared to the same period in 2007.

Asia remained the undisputed number one market also for the first half of 2008: despite a strong decline in sales, China proved to be the first world-wide market with more than 7 million of vehicles sold (-28%[1] compared to the first half of 2007).

In second place was India again, although with a slight contraction (-1% compared to the period January-June 2007) with 3.6 million vehicles sold.

The positive trend in South East Asia continued with sales above 5 million vehicles (+2% compared to first half of 2007): among the countries in this area, Indonesia covered around 44% of sales and, with almost 2.3 million vehicles, grew by 11% compared to the same period in 2007; Vietnam remained the second market in the area, in spite of a strong contraction (-19% compared to January-June 2007) linked to macro-economic difficulties; 787 thousand units sold in the first half of 2008. Thailand was third and, after a strong decline in 2007, decreased further (-6%) with more than 780 thousand units sold.

The Japanese market was down compared to the same period the year before; around 265 thousand units sold with sales volumes 20% down.

With volumes slightly over 600 thousand units, in the first half of 2008 North America recorded a mild increase compared to the first half of 2007 (+1%). United States kept a relative weight in the area with more than 90% sales totalling more than 550 thousand units sold.

South America was still strongly on the increase, +29% compared to the first half of 2007; such expansion was almost exclusively generated by Brazil which represents 90% of the area with over a million units sold and 32% increase in the first half of the year compared to the first half of 2007.

Europe, the main reference area for the Piaggio Group, came to a standstill with a 5% drop in sales compared to the first half of 2007, -4% of which from the scooter business and -7% from the motorcycle business. Both sections over 50cc (-6%) and 50cc (-3%) were down; in particular in the over 50 section, scooters record by -6% and motorcycles -7%. Also the 50cc sections recorded negative results both for scooters (-2%) and motorcycles (-14%).

The scooter market

Italy

The Italian market for scooters closed the first half of 2008 with 220 thousand registrations, 6% down compared to almost 235 thousand in the same period of 2007.

[1] The market trend is influenced by new and more accurate estimates about the Chinese market that highlight volumes for 2007 slightly lower than those indicated in the previous report. By introducing new values for 2007, the world-wide and Chinese market trends were positive respectively by +7% and +15%.

The 50cc segment was progressing by 1%, with 64 thousand units in the first half of 2008, whereas the market of over 50cc sold around 156 thousand units with a 9% drop compared to the first half last year.

Europe

The scooter market in Europe shows in the first half of 2008 a decrease in volumes, from 736 thousand units in the first half of 2007 to 707 thousand units in the first half of 2008 (-4%).
After several years of growth, the segment of the 50cc scooters recorded a -2% negative trend, going from 363 thousand units in the first half of 2007 to 356 thousand in 2008.
Also the segment of the over 50cc scooter suffered from a contraction with 351 units against the 374 thousand in the same period of 2007 (-6%).
Among the main nations, Italy is the most important market with 220 thousand units, followed by France with 124 units and Spain whose sales suffered from a sharp drop to 81 thousand units; Germany with 57 thousand units and Great Britain with 19 thousand units follow.
The French market decreased by 1% compared to the previous year, from 126 thousand to 124 thousand units. The drop was generated by the 50cc scooters (-6%), whereas the over 50cc scooters still show a positive trend (+6%)
After several years of considerable growth, the Spanish market, with slightly more than 81 thousand vehicles, is decreasing sharply (-23%) compared to the same period in 2007 (105 thousand vehicles); such result concerns in equal manner both the over 50cc segment (-20%) and the 50cc segment (-26%).
The German market is on the increase by +17% (with slightly over 57 thousand vehicles sold). The trend is positive both for the 50cc market (+18%) and for the over 50cc scooters (+17%).
Finally, the English market, is slightly below 19 thousand vehicles, 5% down compared to the same period in 2007 both for the 50cc segment (-3%) and the over 50cc segment (-6%).

North America

The scooter market in North America, in the first half of 2008 shows a considerable expansion (+59%), with more than 56 thousand units. In particular the United States, which represent almost 90% of the reference area, record a definitively positive trend (+66%), with over 49 thousand units. Both over 50cc (+60%) and 50cc (+72%) sections are positive.

The motorbike market

Italy

In the first half of 2008, the motorbike market (including the 50cc motorbikes) decreased by 11%, with 95 thousand units against the 107 thousand units of the first half of 2007. The decline is mainly due to the recorded decrease of the sub-segment of the 126-750cc motorbikes, with 58 thousand units sold in the first half of 2007 to 49 thousand in the first half of 2008 (-17%). A slight decrease also for the registrations of 50 (-5%) and > 750 cc. (-4%) motorbikes, whereas 51-125cc motorbikes suffer from a sharp fall (-14%; 4.7 thousand vehicles in the first half of 2008 against 5.5 thousand in 2007).

Europe

The motorbike market in Europe (19 countries) decreased from 561 thousand units in the first half of 2007 to 519 thousand units in the same period of 2008 (-7%). The 50cc segment posted a decrease from 51 thousand units to 45 thousand units (-11%), whereas the >50cc segment was -7% down, from 510 thousand units in the first half of 2007 to 474 thousand units in the same period of 2008.

After Italy, the key markets are France (92 thousand units), Germany (78 thousand units), Spain (71 thousand units) and Great Britain (52 thousand units).

In Europe, the main segment is that of medium displacement motorbike between 126 and 750cc, where the Group is present with its Aprilia, Moto Guzzi, and Derbi brands. This segment is followed by maxi motorbike with displacement of 750cc and higher, where the Group is present with its Aprilia and Moto Guzzi brands.

In the first half of 2008, the over 750cc sub-segment was 4% down in all countries.

In the area consisting of the above-mentioned countries, the sub-segment of the medium displacement motorbikes between 126 and 750cc. suffered from a decreased compared to the same period in the previous year (-8%), as a consequence of a decrease in the Italian (-17%), Spanish (-15%), and German (-13%) markets. Such fall was only partially mitigated by the positive performance of the French market (+8%) and by the stability of the English one.

The sub-segment of 51-125 cc motorbikes, which dropped by 12% compared to the same period in 2007, suffered from the negative trend of the Italian (-14%), Spanish (-33%), German (-10%), and English (-6%) markets. Against the run of the market is the French market (+2%), numerically the most important after Italy, in terms of units sold.

NORTH AMERICA

In the first half of 2008, the motorcycle market in the United States recorded a general decreasing trend (-5%), mainly due to a fall in the lower displacement segments (up to 125 cc.), which recorded a fall by more than 20%. These two segments represent 8% of the total US motorbike market. Lower was the decrease for the higher displacement segments (stable the 126-750 cc. segment and –6% the > 750 cc. segment).

5.2 COMMERCIAL VEHICLES Business

In the first months of 2008, the European market of light commercial vehicles (vehicles with a Gross Vehicle Weight ≤ 3.5 tons) recorded a slight decline compared the same period in 2007 (-2.0% ACEA source, January-June period referred to Western Europe Countries)

On the Italian domestic market (source: ANFIA deliveries declared by the manufacturing houses N1 Market), growth for the period from January to June was +3.2%, with 129,539 units against the 125,568 units in the first half of 2007.

The 3-wheeler Indian market, successfully operated in by Piaggio Vehicle Private Limited, a subsidiary of Piaggio & C. S.p.A., increased from 190,019 units sold in the course of the first half of 2007 to 173,978 in the first half of 2008 (-8.4%).
In this market, the segment of passenger vehicles (3 + 6 seats), reported sales of 122,271 units (+5.6%), whereas the Cargo segment presented a contraction higher than 30%, decreasing from 74,299 units to 51,707 units sold.
The Indian market of the 4-wheeler commercial vehicles shows, on the contrary, a positive trend rising from 87,496 units in the first half of 2007 to 96,032 in 2008 (+9.8%). In particular, the market growth is supported by the segment in which Piaggio Vehicle Private Limited entered during 2007 with the new 4-wheel Ape Truk. Indeed, the Sub 1.ton (N1) segment rose from 39,096 units to 51,670 units in 2008 (+32.3%).

6. THE REGULATORY FRAMEWORK

Two wheeler

Italy

The Financial Act 2008 introduced measures to ensure incentives for the purchase of Euro3 type-approved motorcycles with a displacement between 51 and 400cc, upon scrapping of a vehicle without community type-approval for pollution (so-called Euro0). Upon ANCMA request, the Financial Act provides for the possibility to obtain the above-mentioned incentives for scrapping a Euro0 moped, as an alternative to scrapping of a motorbike.
As regards the insurance rates applied to two-wheeled vehicles in Italy - which according to DOXA-ANCMA statistics are the greatest barrier to purchasing a scooter - there is no specific news to report. Depending on the geographic area and the age of the driver, average premiums for general liability motorcycle policies have either risen higher or remained at the very high levels of the two years before.

Europe

As of 1st January 2008, EU Countries were given the so-called end-of-line derogation provided by the Framework Directive (Directive no. 2002/24/EC), which allows to continue the registration for further 12 months - after the expiry date of the Euro2 type-approval - for those motorcycles which, in the previous period, were sold in volumes lower than 5,000 units/per year in the 27 Countries of the community. This derogation allows Constructors one more year to sell and register those vehicles with a numerically limited production. The Piaggio Group took advantage from it for a few scooter and motorcycle models.

The European Commission together with the Italian Minister of Transports have defined the type-approval procedures for mopeds and motorcycles with particular technological innovations, as the hybrid ones, whose specific features are not taken into account in the regulations in force. The document prepared by Piaggio - as a proposal of modification to the community regulations in force at present - was examined and welcomed in Brussels: the European Commission will take care of issuing, in a short time, a specific directive for the adaptation of the current regulations.

Contacts between Piaggio, ACEM (European Motorcycle Manufacturers Association), and European Commission have continued in order to reach an agreement on future limits of pollution and noise. It is expected that such discussions will still continue until mid 2009.

Commercial vehicles

With regard to commercial vehicles, after the publication of the latest pollution limits (phase Euro5 and Euro6, pursuant to EU Regulation 715/2007), the whole sector is still waiting to know the implementation requirements, pursuant to the Regulation itself at Community level, to date not yet issued. Failing such requirements, it is not possible to obtain the type-approval in compliance with the new regulations.

7. THE PIAGGIO GROUP

7.1 THE TWO-WHEELER BUSINESS

	1st half 2008		*1st half 2007*		*Change %*		*Change*	
	Volumes Sell in	Net sales	Volumes Sell in	Net sales				
	(units/000)	(ML €)	(units/000)	(ML €)	Volumes	Net sales	Volumes	Net sales
Piaggio	104.7	195.3	124.9	241.0	-16.2%	-18.9%	-20.2	-45.7
Gilera	23.3	64.7	23.7	48.4	-1.6%	33.7%	-0.4	16.3
Vespa	63.9	127.6	62.0	129.0	3.0%	-1.1%	1.9	-1.4
Derbi	21.5	36.3	21.0	33.2	2.0%	9.4%	0.4	3.1
Aprilia	61.5	152.4	66.8	168.8	-7.9%	-9.7%	-5.3	-16.4
M. Guzzi	4.2	31.2	6.2	46.2	-31.4%	-32.5%	-1.9	-15.0
Total	**279.2**	**607.5**	**304.7**	**666.6**	**-8.4%**	**-8.9%**	**-25.5**	**-59.1**
Of which scooters								
Piaggio/Vespa/Gilera	190.3	385.4	208.3	414.8	-8.6%	-7.1%	-18.0	-29.4
Derbi	5.1	7.7	4.5	5.7	13.6%	35.3%	0.6	2.0
Aprilia	43.9	75.7	49.1	89.3	-10.6%	-15.2%	-5.2	-13.6
Total Scooters	**239.3**	**468.8**	**261.9**	**509.8**	**-8.6%**	**-8.0%**	**-22.5**	**-41.0**
Of which motorcycles								
Piaggio/Vespa/Gilera	1.6	2.3	2.3	3.6	-32.1%	-36.4%	-0.8	-1.3
Derbi	16.3	28.5	16.5	27.4	-1.1%	4.0%	-0.2	1.1
Aprilia	17.6	76.7	17.7	79.5	-0.3%	-3.5%	-0.1	-2.8
M. Guzzi	4.2	31.2	6.2	46.2	-31.4%	-32.5%	-1.9	-15.0
Total Motorcycles	**39.8**	**138.7**	**42.8**	**156.7**	**-6.9%**	**-11.5%**	**-2.9**	**-18.0**
Spare parts and Accessories		79.9		81.5		-2.0%	0.0	-1.6
TOTAL	**279.2**	**687.4**	**304.7**	**748.1**	**-8.4%**	**-8.1%**	**-25.5**	**-60.7**

In the first half of 2008, Piaggio Group was heavily penalised by the bad performance of the Italian market, which recorded a 8.0% fall compared to the corresponding period of the previous financial year. The decrease affected both the scooter and the motorbike sector. Considering the handled brands, Piaggio, Gilera, Vespa, Derbi, Aprilia, and Guzzi, the Group has sold in the 2-wheeler business a total of 279,200 units (- 8.4% compared to the first half of 2007), with a net turnover of 687.4 ML€ (- 8.1%) including spare parts and accessories. In particular, net sales in the scooter sector were equal to 468.8 ML€ (-8.0%), whereas in the motorbike sector were equal to 138.7 ML€ (-11.5%).

Focussing on the single brands, in the first half of 2008 Gilera, in spite of a slight reduction of units sold (from 23,770 to 23,300 units sold; -0.4% compared to the same period the previous year), posted a 33.7% increase in net sales thanks to the commercialisation of Fuoco and GP800 models.

Vespa has slightly increased volumes (+ 3.0%), but suffered from a 1.1% contraction in net sales due to the Euro revaluation. Volumes of the Piaggio brand were 16.2% down compared to the first half of 2007.
With regard to Derbi, compared to the first half of 2007, both volumes are up: 21.5 thousand units compared to 21.0 thousand (+2.0%), and net sales with 36.3 ML€ compared to 33.2 ML€ (+9.4%).
With regard to the Aprilia brand, earnings for first half of 2008 with 61.5 thousand units sold and 152.4 ML€ turnover (respectively –7.9% and –9.7% compared to the same period in 2007) are influenced by reduction in volumes mainly in the scooter sub-segment.
In the first half of 2008, Moto Guzzi reached a volume of 4,200 sold motorbikes compared to 6,200 in the same period of 2007 (-31.4%) and net sales equal to 31.2 ML€ compared to 46.2 ML€ in the same period of the previous year (-32.5%).

7.2 The TWO-WHEELER products range

The Piaggio, Vespa, and Gilera range, consisting of a wide series of products, constantly in the first place in sales, allows the Group to cover several market segments. The best-sellers in the first half of 2008 are Vespa LX (more than 37 thousand units sold) followed by Piaggio Liberty and Beverly, both with around 21 thousand units sold; always considerable the contribution of Vespa GTS with around 16 thousand vehicles sold in the first half of 2008. Not less relevant was the performance of Piaggio Fly and Zip which, respectively with 15 thousand and 14 thousand units sold, always record considerable volumes.
Finally, also the new vehicles launched in the last part of 2007 had a good performance: Vespa S, in the 50cc to 150cc versions, sold almost 11 thousand units; Gilera top-of-the-range GP800 sold in excess of 4 thousand units and Piaggio X7, 7 thousand units.
The Aprilia motorbikes range saw the launch of Aprilia Dorsoduro 750, Aprilia RX, and SX 125 cc. in the first half of 2008.

With regard to scooter, it is to be pointed out the launch on the market of Sportcity ONE and the important restyling of the third-edition of Sportcity with liquid-cooling system (CU3E). Also Scarabeo offers a completely renewed range in 2008: an important restyling and a new engine with “double ignition” for the top-of-the-range Scarabeo 500.

In the first half of 2008, Moto Guzzi proposed a new series of aesthetic-quality features for all models. The Griso 8v range was expanded thanks to the newly adopted red race colour. In March California Vintage was proposed with a lunar white colour and anthracite graphics in order to enhance the class.
Always in March, Moto Guzzi increased its offer to the market by introducing in the maxi-enduro segment the Stelvio 1200 4V, whereas April saw the launch of Moto Guzzi V7 Classic, whose preview was presented at the last show in Milan.
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Also Derbi enriched its range of motorcycles with the new version of Senda 50 cc. and its new models, Mulhacén Café 125 and Terra Adventure 125, with which Derbi extends its offer in the 125cc market.
Further, a new special version of the MULHACÉN CAFÉ 659 ANGEL NIETO was launched. The motorbike is dedicated to the world champion Àngel Nieto, the pilot who most contributed to make the name Derbi well-known in the race world.

With regard to the Derbi scooter range, the first half of 2008 saw the launch of the new Rambla 125/250i, dedicated to city riders.

7.3 THE COMMERCIAL VEHICLES BUSINESS

	1-1/30-6 2008		*1-1/30-6 2007*		*Change %*		*Change*	
	Volumes Sell in (units/000)	Net sales (ML €)	Volumes Sell in (units/000)	Net sales (ML €)	Volumes	Net sales	Volumes	Net sales
Ape	81.7	121.8	78.3	121.9	4.3%	0.0%	3.4	0.0
Minivan	3.8	37.0	3.7	33.6	2.4%	10.3%	0.1	3.5
Quargo/Ape Truk	6.0	21.6	2.0	13.1	207.4%	64.9%	4.1	8.5
Microcars	0.1	0.7	0.2	1.8	-63.1%	-62.6%	-0.1	-1.1
Atv	0.1	0.4	0.0	0.1	825.0%	454.3%	0.1	0.3
Spare parts and Accessories		18.1		18.2		-0.4%	0.0	-0.1
TOTAL	**91.8**	**199.6**	**84.3**	**188.5**	**8.9%**	**5.9%**	**7.5**	**11.1**
Of which India								
Vehicles	*81.3*	*115.4*	*73.6*	*104.8*	10.4%	10.1%	*7.7*	*10.6*
Spare parts and Accessories		*7.2*		*6.5*		11.5%		*0.7*
Total India	**81.3**	**122.6**	**73.6**	**111.3**	**10.4%**	**10.2%**	**7.7**	**11.4**
Of which Europe								
Vehicles	*10.5*	*66.1*	*10.7*	*65.6*	-1.6%	0.8%	*-0.2*	*0.5*
Spare parts and Accessories		*10.9*		*11.7*		-6.9%		*-0.8*
Total Europe	**10.5**	**77.0**	**10.7**	**77.3**	**-1.6%**	**-0.4%**	**-0.2**	**-0.3**
TOTAL	**91.8**	**199.6**	**84.3**	**188.5**	**8.9%**	**5.9%**	**7.5**	**11.1**

The Commercial Vehicles Division closed the first half of 2008 with almost 92 thousand units sold, with a 8.9% increase compared to the first half of 2007, whereas in the same period the turnover rose from 188.5 ML€ in the first half of 2007 to 199.6 ML€ in the first half of 2008 (+5.9%). Net sales generated in Europe totalled 77.0 ML€, whereas in India 122.6 ML€.

On the European market, Piaggio sold 10,524 units with a slight decline compared to the same period in 2007 (-1.6%). It is to be pointed out the "mix effect" on net sales. The good success of the Porter product line, also thanks to the launch of the new low-environmental impact "eco.solution", stabilised indeed the net sales trend (slight 0.4% decline with 69.8 ML€ in 2008 against 70.8 ML€ in the same period of 2007).

On the 3-wheeler Indian market, despite 8.4% market decrease, Piaggio Vehicles continues to grow and becomes market leader. Sales rose from 72,429 in the first half of 2007 to 74,811 in the first half of 2008, with a +3.2% increase.

In particular, Piaggio Vehicles consolidates its role as market leader in the Cargo segment (good transport) and as a reference follower, dynamic and innovative, in the Passenger segment (passenger transport).

Further, the positive trend of Ape Truk continues, the four-wheel vehicle intended for the Indian market. Indeed, in the first half of this year, 4,686 units were sold to the local market.

With regard to the European product range, the first months of 2008 saw the launch on the market of Porter Eco.power with double fuel supply, petrol, and LPG. The focus on the environmentally-friendly range and Pontedera-based company commitment in the development of eco-friendly solutions, ideal for the professional and commercial use in urban areas, is securing positive results for the Porter range, both in terms of sold units and in terms of generated turnover.

7.4 RESEARCH AND DEVELOPMENT

Company	1st half 2008			1st half 2007		
Amounts in ML€	Capitalised	Costs	Total	Capitalised	Costs	Total
Piaggio & C.	18.6	11.4	30.0	18.3	12.4	30.8
of which						
2W Piaggio/Gilera/Vespa	7.3	8.2	*15.5*	8.0	7.5	*15.5*
2-wheeler Aprilia	9.5	2.6	*12.1*	9.4	4.0	*13.3*
LTV	1.8	0.6	*2.4*	1.0	1.0	*2.0*
Nacional Motor	0.5	0.7	1.2	1.5	0.9	*2.4*
M. Guzzi	1.7	0.2	1.9	2.5	0.1	*2.6*
PVPL and diesel	1.7		1.7	3.5	0.2	*3.7*
Total	**22.5**	**12.3**	**34.8**	**25.8**	**13.6**	**39.4**

Also in the first half of 2008, Piaggio Group continued its policy aimed at maintaining technological leadership in the sector, setting aside for R&D activities overall resource for 34.8 ML€ (30.0 ML€ of which in Piaggio & C. S.p.A., 1.2 ML€ in Nacional Motor, 1.9 ML€ in Moto Guzzi, and 1.7 ML€ in Piaggio Vehicles, including development of the new diesel engine for the Indian market), which represents 3.9% of net sales, of which 22.5 ML€ capitalised in intangible assets.

In particular, the research activities relating to product innovation and production technology projects, absorbed resources for 2.2 ML€; development activities, for the remaining 32.6 ML€ especially regarded new vehicles and new engines (with a special focus on ecology).

Following the development activities regarding new 2-wheeler products, for an overall cost of 28.5 ML€, 13.4 ML€ of which for the Piaggio and Gilera Vespa brand, 12.0 ML€ for the Aprilia brand, 1.2 ML€ for the Derbi brand, and 1.9 ML€ for Moto Guzzi, the offer benefited from the beginning of production of the new models Vespa GTS 300, Gilera Runner ST/SP, Piaggio Carnaby 250 and Beverly Tourer, and Moto Guzzi Stelvio.

As regards the LTV activity, total costs in the first half of 2008 totalled 4.1 ML€, referred to the development of the diesel engine, besides the updates of the other vehicles of the range.

7. 5 PRODUCTION

Pontedera Plants

In the course of 2008 continues, within the Engines plant, the upgrading of workshop 2bis, 1st and 2nd bay west side, with the new layout of the engine components' machining: connecting rods and cylinders.

In April 2008, works for the installation of new boilers in the central heating plant, used for the production of technological heat for the two-wheel paintwork plants and for the heating of the engine factory. The project estimates a first phase of dismantling and radical demolition of the old systems and, from September 2008, the installation of new boilers, each providing 11MW. The system, which will benefit from a significant increase in efficiency compared to the previous one, will be completely operative by November 2008.

With regard to after sales component in Pontedera, activities have been started for the restoration of premises to be used as a school for the technical service in the "service centre" building, which will be operative from November 2008.

With regard to the experimental area in Pontedera, activities have been started for the upgrading of the prototype fitting unit, which include works for the reconstruction of floors, suspended ceilings and frames, as well as a new internal layout. Works are expected to be completed by September 2008.

Moreover, activities have been started for the extension in the LTV experimental area of 2 new engine cells for the development of the new 1200cc turbo diesel for the Porter and the new aspirated diesel engine 1000 for the Quargo Ape Truck. Works, started in June, are expected to be completed in October 2008.

Scorzè Plant

No relevant news are to be reported.

Mandello Del Lario Plant

Site upgrading plans were presented to the civil service (non-industrial works and plants) for the request of permission to undertake these works. The start of the works, with regard to the first phase of the total operation, is planned for September 2008. Works for this first phase will last until the end of April 2009.

Baramati Plant

The construction of the new building for the production of twin-cylinder engine 1200cc continues.

HANOI Plant

Construction works of the new building for the production of Vespa vehicles continues in Hanoi. The building is almost completely covered and the internal installations for the production systems are expected to start in August 2008. The plant will start producing in the course of 2009.

Environmental Certification and Safety at the Workplace

The activities for the management and maintenance of the safety and environmental certifications according the ISO 14001 and OHSAS 18001 standards continue.

8. HUMAN RESOURCES AND QUALITY SYSTEMS

8.1 Organisational Development

The first half of 2008 was marked by a gradual innovation of the organisational structure, whose aim was to provide the Group with increased rapidity and efficiency to reach the objectives of "world-wide" growth. After the establishment of the Commercial Vehicles Division at the end of 2007, two excellence technical centres were created, where all styling and engineering activities, linked to the scooter and motorcycle division respectively, will be carried out. A new quality management system was also defined which, besides having a central guidance function, will be characterised by specific responsibilities in the product development and manufacturing "core" processes. Finally, the organisational "structure" was modified which, besides consolidating the specialisation per lines of business (in particular: two-wheeler, that is to say scooters and motorcycles and the 3/4-wheel light commercial vehicles), will add strategic value to the key geographical areas for the business development:

- Europe – with a specialisation on the Italian Market
- Asia Pacific,
- Americas

without losing specific focus on the emerging markets.

An organisation whose aim is:

- to pursue a product/brand strategy which, through a "product development and racing" department, is able to develop innovation to support the distinguishing product and brand characteristics;
- to strengthen the commercial network, co-ordinated through management specialised per geographic areas, in order to better understand the client's needs.

The new organisational model is also characterised by the new working mechanisms whose objective is to create a strong involvement of the "Executive and Senior Managers" during strategic decision moments. More specifically, an involvement on key terms is to be understood, such as: markets development, level of investment per business strategic area. Another cornerstone is the establishment of the "Business Ethics Committee" which will lead the Group's development towards organisational behaviours aligned with the best international practices of Corporate Social Responsibility.

Further, a particular effort was made for the detailed implementation of the organisation, already completed in the first half of the year.

Together with the "Master Project", the "Business International Engineering Project" was activated, with the aim of employing in the company young people with personal and professional characteristics able to stimulate a future style of management oriented towards innovation and competitive comparison, with a vocation for an international career development.

8.2 Employees

In the first half of 2008, the overall Group workforce – meaning not only the Group employees world-wide but also people involved in Piaggio's operations under temporary contracts - was 7,577 people, 4,895 of whom were working in Italy. These data, fundamentally stable compared to the first half of 2007, are the result of a steady growth in Asia Pacific, which represented the Group's area of major industrial development ("Piaggio Vietnam" and "Diesel Engines" projects), and of an optimisation of the organisational efficiency in Europe. These data reconfirmed the good level of "flexibility" of the organisation, compared to the market dynamics and to the opportunities given by the reengineering of ongoing processes, also in function of the new organisational structure.

Personnel management activities enabled the strengthening of the workforce mix, with a growth rate of professional and/or specialised workforce dedicated to product and process development and innovation equal to +4.9% (middle management grew from 7.1% to 7.3% of the total workforce).

5,755 people permanently work in the Group, 4,239 of whom work in Italy; the total increase was 108 units.

8.3 Industrial relations

The first half of 2008 was full of commitments.

Activities continued from the second half of 2007 and regarded the application of the new national contract in the metalworker sector, which expired on 30 June 2007, and the renewal of the supplementary agreement for the Pontedera productive unit - which expired on 31 December 2007.

In particular, in line with the new system of relations established in 2007, activities relevant to the supplementary agreement focussed on two main levels. On the one hand, they focussed on the national "platform", where modalities of information and discussion on thematic areas regarding the Group as a whole needed to be defined, and on the other hand, at plant level regarding specific aspects, such as: working hours, premises and safety, organisation at workplace, etc. Negotiations are still in progress.

During the six-month period, all contractual instruments were activated (shift working, flexitime, cyclical "vertical" part-time employment contracts, fixed-term contract and staff leasing) to be able to cope efficiently with the two-wheeler market season demand.

As a confirmation of the "quality" of the trade union relations, work absences due to strikes for strictly corporate reasons, although in presence of the renewal of the supplementary agreement, were in line with those announced in 2007 (3.5 hours in the six month period); total abstentions were equal to 15,327 hours, on the increase compared to the announced strikes for national issues (safety at work and the renewal of the National Labour Collective Agreement, equal to 14,324).

No recourse to redundancy fund was made during these six months.

9. OTHER INFORMATION

9.1 Corporate

During the six-month period, the Group's corporate structure changed as a consequence of the following operations:

- On 12 March 2008 Simest S.p.A. purchased an equity in Piaggio Vietnam Co. Ltd., by means of which the share capital is distributed as follows: Piaggio & C. S.p.A. for 51%, Piaggio Vespa BV for 36.5%, and Simest S.p.A. for 12.5% of the share capital.
- On 8 April 2008, the company Piaggio Indochina Pte Ltd., already in voluntary liquidation, was liquidated.
- On 25 June 2008, local authorities approved the merger for the incorporation of Aprilia Motorrad GmbH in Piaggio Deutschland Gmbh. Such merger has effect as of 1 January 2008.

It is also pointed out that the following transactions took place:

1. disposal on 10 January 2008 of the equity (0.5%) held in Geofor Patrimonio S.p.A. in favour of Pisa Municipality.

9.2 Disputes

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

Leasys Spa has also filed an appeal by injunction, claiming payment of some invoices relating to costs incurred by Leasys for servicing the mopeds rented by Leasys to Poste Italiane S.p.a. The Company has opposed the injunction because the servicing in question and the related costs were not the Company's responsibility under the supply contract.

On 25 May 2006, Piaggio & C. S.p.A. brought a case against some companies of the Case New Holland Group (Italy, Holland, and USA), in order to recover damages under contractual and non-contractual responsibility relating to the execution of a supply and development contract of a new family of utility vehicles. At the hearing on 16 March 2007, the judge granted the application of the provisions of article 183 of the Italian Code of Civil Procedure for the filing of motions and set a hearing for 17 October 2007 in order to discuss the motions of the parties. At the above-mentioned hearing, it was decided to postpone the hearing in order to assign the case to a new Judge, and a new hearing was set for 2 July 2008.

In a writ received on 29 May 2007, Gammamoto S.r.l., a former Aprilia dealer for Rome, brought a case against the Company for contractual and non-contractual responsibility. The Company has opposed the injunction fully disputing the validity of Gammamoto's claims and objecting to the incompetence of the Judge in charge.

At the first hearing of 26 March 2008, the Judge rejected the motions of the parties, believing that the territorial declinatory objection, raised by the Company, was able to define the dispute, remanding the case to 24 September 2008 for the clarification of the conclusions.

Regarding the tax disputes involving the Parent company Piaggio & C. S.p.A., an appeal was filed with the purpose of contesting a tax assessment notice notified to the Company regarding the year 2002. The said assessment was the result of a control of the Tax office in 2007 at the Company premises on the basis of observations contained in the Report on Findings drawn up in 2002 following a general control. In relation to the above dispute, the Company has not deemed it necessary to make provisions in consideration of the positive indications expressed by professionals in charge of the defence.

The main tax disputes of the other companies of the Group, regard P&D S.p.A. in liquidation, Piaggio Espana SA incorporated in Nacional Motor S.A., Nacional Motor S.A., and Piaggio Vehicles PVT Ltd.

More in particular, with regard to P&D S.p.A. in liquidation, there are disputes arising from assessment notices issued by the Tax authorities for the tax periods 1993, 1994, 1995-1997, and 2000-2002 following a control made in 1999, resulting in the drawing up of the relative Report on Findings.

Against the assessment notices, the Company obtained a favourable judgement of the Court of First and Second Instance for the years 1993 and 1994. The General Prosecutor of the State lodged an appeal before the Supreme Court of Cassation against the said decisions of Court of Second Instance and the company P&D submitted prompt counter appeals and interlocutory appeals. In May 2008, the said pending suits were discussed before the Court of Cassation which, with correlated ordinances, decided to remand the cases for a new hearing, in order to take a decision in conjunction with those regarding the years 1995-1997.

As concerns these latest years, P&D obtained favourable decisions in the first degree by the Judges of the Pisa Provincial Tax Commission, whereas Florence Regional Tax Commission passed an unfavourable judgement with regard to P&D, by declaring the legitimacy of the assessment notices ordering to pay expenses. The company has opposed the decision by filing an appeal before the Supreme Court of Cassation, followed by a counter appeal by the State Prosecutor. To date, a date for the discussion hearing is yet to be appointed.

Finally, with regard to the assessment notices for the years 2000, 2001, and 2002, P&D S.p.A. appealed before Pisa Provincial Tax Commission, but the judgement was put in remand awaiting the outcome of the Cassation judgement on the disputes regarding the previous years.

In relation to the above-described dispute, the Company has not deemed it necessary to make provisions in light of the favourable decisions issued by the Tax Commissions from time to time involved in the matter – at least, until the most recent ruling of the Florence Regional Commission which is the only exception - and in consideration of the positive indications expressed by the professional experts engaged by the defence, as well as authoritative professionals contacted for this purpose, regarding the existence of valid reasons to appeal the Supreme Court’s ruling against

P&D and on the reasonable likelihood of a positive outcome to the proceedings currently pending before the competent judicial authorities.
With regard to Nacional Motor S.A., there are tax disputes before the Supreme Court (the highest court of judgement), for which the company has arranged to allocate the contested sums or has already provided for the payment of the contested amounts.
Finally, with regard to Piaggio Vehicles PVT Ltd, there are several disputes regarding different years from 1998 to 2003. The company has not deemed it necessary to make provisions in consideration of the positive indications expressed by professionals contacted for this purpose.

9.3 Corporate Governance

No relevant news are to be reported with respect to what was published in the 2007 financial statement, to which reference is made here for a closer examination.

9.4 Stock Option Plan

With regard to the 2007-2009 incentive scheme passed by shareholders on 7th May 2007 for the top management of the Company or of its Italian and/or foreign subsidiaries pursuant to art. 2359 of the Italian Civil Code, as well as for managing directors of the above-said subsidiaries ("**2007-2009 Plan**"), it is pointed out that, at 30th June 2008, 6,510,000 option rights were assigned with a corresponding number of shares.
It is also pointed out that at the date of publication of this report, the plan for the purchase of 10,000,000 own ordinary shares, equal to 2.52% of the share capital, servicing the 2007-2009 Plan, was completed. The purchase of 10,000,000 own shares took place on the market at an average weighted price of Euro 3.0367, for an overall disbursement of Euro 30,367,026.00, 26,829,743.66 of which already recorded in the 2007 financial statement.

Rights	No. options	Average exercise price (Euros)	Market price (Euro)
Rights existing at 31.12.2007	6,510,000	3.55	2.309
° of which exercisable in 2007	0		
New rights granted in first half of 2008	70,000		
Rights exercised in first half 2008			
Rights that expired in first half of 2008	(70,000)		
Rights existing at 30.06.2008	6,510,000	3.55	
° of which exercisable at 30.06.2008	0		

9.5 Plan to adapt the internal control systems for group companies with registered offices outside the EU

Regulatory framework

Consob ruling no. 16530 dated 25 June 2008 amended articles 36 and 39 of the regulation approved with ruling no. 16191/2007 ("Regulation on Markets") with reference to the conditions for admitting to trading companies that control companies established and regulated by the laws of countries outside the European Union.

The new text of art. 36 states:

"1. The shares of companies with control over companies established and regulated under the laws of non-EU countries may be admitted to trading on an Italian regulated market provided that said controlling companies:

a) make subsidiary financial statements, prepared for the purpose of the consolidated financial statements and including at least the balance sheet and income statement, available to the public. Said financial statements are made available to the public by methods pursuant to Part III, Title II, Chapter II, Section V of the regulation adopted by Consob resolution no. 11971/1999, and subsequent amendments

b) obtain the articles of association and composition and powers of the control bodies from the subsidiaries;

c) ensure that the subsidiaries:
   - provide the parent company auditor with information necessary to perform annual and interim audit of the parent company;
   - use an administrative and accounting system appropriate for regular reporting to the management and auditor of the parent company of income statement, balance sheet and financial data necessary for preparation of the consolidated financial statements. The control body of the parent company shall notify Consob and the

market management company without delay of any event or circumstance resulting in the inappropriateness of said system to comply with the aforementioned conditions.

2. The provisions of subsection 1 shall not apply to subsidiaries deemed to be of no material significance, identified pursuant to the provisions of Title VI, Chapter II of the regulation adopted by Consob resolution no. 11971/1999, and subsequent amendments."

Art. 39 of the Regulation on Markets provides, further, that companies with listed shares pursuant to the above-mentioned art. 36, conform to the new regulations by 16 November 2008.

State of implementation of the Adjustment plan

With reference to the Adjustment plan adopted by the Company and already explained in the Quarterly Financial Report at 30 September 2007 ("Plan"), it is pointed out that activities for the identification of risks within the single balance heading have been set out and the Company proceeded to define and analyse the standard processes and controls, also by implementing a "customisation" of the relative administrative procedures by means of their adjustment to the single concerned corporate businesses.

During the first half of 2008, the Company has started the activities for the definition of the boundary of the administrative-accounting control activities provided by the Plan, taking into account the significance and relevance parameters adopted in the recent Consob ruling no. 16530/2008.

In the light of these new criteria, the non-European subsidiaries with significant relevance pursuant to the new art. 36 of the Regulation on Markets are the following:

- Piaggio Vehicles Pvt Ltd
- Piaggio Group of America Inc..

The following non-European subsidiaries will be excluded from the Company's plan:

- Piaggio Group Japan Corporation;
- Piaggio China Co Ltd;
- Piaggio Asia Pacific PTE Ltd
- Piaggio Hrvatska Do.o.

* * *

Milan, 31st July 2008

for the Board of Directors
President and CEO
Roberto Colaninno

Piaggio Group

Abbreviated half-year financial report

Consolidated financial statements and Explanatory Note at 30th June 2008

INCOME STATEMENT

In thousands of euro	Notes	1st half 2008	1st half 2007	Change
Net Sales	4	**900,333**	**968,567**	**(68,234)**
of which with related parties		*56*	*0*	*56*
Cost for materials	5	532,409	581,537	(49,128)
of which with related parties		*23,801*	*22,287*	*1,514*
Costs for services and use of third party assets	6	161,608	168,787	(7,179)
of which with related parties		*718*	*663*	*55*
Cost of employees	7	133,740	123,590	10,150
Depreciation of tangible assets	8	20,155	20,358	(203)
Amortisation of intangible assets	8	26,181	19,198	6,983
Other operating income	9	70,223	65,348	4,875
of which with related parties			*2,407*	*(2,407)*
Other operating costs	10	14,646	14,070	576
of which with related parties		*4*	*0*	*4*
Operating earnings		**81,817**	**106,375**	**(24,558)**
Income/(loss) from equity investments		47	(1)	48
Financial income	11	9,486	4,533	4,953
Financial charges	11	(27,472)	(22,135)	(5,337)
of which with related parties		*2*	*0*	*2*
Pre-tax earnings		**63,878**	**88,772**	**(24,894)**
Taxation for the period	12	**16,609**	**37,267**	**(20,658)**
Earnings from continuing activities		**47,269**	**51,505**	**(4,236)**
Assets intended for disposal:				
Gain or loss from assets intended for disposal	13			
Consolidated net earnings		**47,269**	**51,505**	**(4,236)**
Attributable to:				
Shareholders of the parent company		**46,896**	**51,220**	**(4,324)**
Minority interest		**373**	**285**	**88**
Earnings per share (figures in €)	14	**0.12**	**0.13**	**(0.01)**
Earnings diluted per share (figures in €)	14	**0.12**	**0.12**	**0.00**

BALANCE SHEET

In thousands of euro	Notes	At 30th June 2008	At 31st December 2007	Change
ASSETS				
Non-current assets				
Intangible assets	15	635,996	637,535	(1,539)
Property, plant and machinery	16	237,537	248,595	(11,058)
Investment property	17			0
Equity investment	18	719	725	(6)
Other financial assets	19	165	235	(70)
of which with related parties		*0*	*58*	*(58)*
Long-term tax receivables	20	13,809	7,821	5,988
Deferred tax assets	21	26,373	33,532	(7,159)
Trade receivables	22	650	0	650
Other receivables	23	9,850	8,877	973
of which with related parties		*830*	*830*	*0*
Total non-current assets		**925,099**	**937,320**	**(12,221)**
Assets intended for sale	27			
Current assets				
Trade receivables	22	289,004	121,412	167,592
of which with related parties		*900*	*2,042*	*(1,142)*
Other receivables	23	18,050	20,345	(2,295)
of which with related parties		*1,172*	*226*	*946*
Short-term tax receivables	20	14,620	19,621	(5,001)
Inventories	24	282,438	225,529	56,909
Other financial assets	25	30,362	18,418	11,944
of which with related parties		*58*	*58*	*0*
Cash and cash equivalents	26	81,565	101,334	(19,769)
Total current assets		**716,039**	**506,659**	**209,380**
TOTAL ASSETS		**1,641,138**	**1,443,979**	**197,159**

In thousands of euro	Notes	At 30th June 2008	At 31st December 2007	Change
SHAREHOLDERS' EQUITY AND LIABILITIES'				
Shareholders' equity				
Share capital and reserves attributable to the shareholders of the parent company	28	426,263	470,397	(44,134)
Share capital and reserves attributable to minority shareholders	28	1,438	1,050	388
Total shareholders' equity		**427,701**	**471,447**	**(43,746)**
Non-current liabilities				
Financial liabilities falling due beyond one year	29	308,497	322,921	(14,424)
Trade payables	30	57	0	57
Reserves for pension and employee benefits	33	61,178	62,204	(1,026)
Other long-term reserves	31	20,110	19,969	141
Tax payables	34	2	0	2
Other long-term payables	35	7,686	20,746	(13,060)
Deferred tax liabilities	32	34,438	39,514	(5,076)
Total non-current liabilities		**431,968**	**465,354**	**(33,386)**
Current liabilities				
Financial liabilities falling due within one year	29	130,304	66,614	63,690
Trade payables	30	524,481	347,460	177,021
of which with related parties		*10,463*	*4,781*	*5,682*
Tax payables	34	27,042	9,683	17,359
Other short-term payables	35	76,870	59,662	17,208
of which with related parties		*233*	*180*	*53*
Current portion other long-term reserves	31	22,772	23,759	(987)
Total current liabilities		**781,469**	**507,178**	**274,291**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,641,138**	**1,443,979**	**197,159**

CASH FLOW STATEMENT

This table shows the causes of the changes in liquid assets net of short-term bank overdrafts, in accordance with IAS no. 7.

In thousands of euro	1st half 2008	1st half 2007
Operating activities		
Consolidated net earnings	46,896	51,220
Minority interest	373	285
Taxation for the period	16,609	37,267
Depreciation of property, plant and machinery	20,155	20,358
Amortisation of intangible assets	26,181	19,198
Non-monetary costs for stock options	875	943
Provision to reserves for risks and reserves for pensions and employee benefits	12,824	16,284
Write-downs / (Revaluations)	1,542	1,211
Losses / (Gains) on the disposal of property, plant and machinery	(12)	(676)
Losses / (Gains) on the disposal of intangible assets	(2,596)	(5)
Financial income	(1,632)	(4,533)
Financial charges	18,881	22,135
Income from government assistance	(4,330)	
Portion earnings of associated companies	6	
Change in working capital:		
(Increase)/Decrease in trade receivables	(168,242)	(162,767)
(Increase)/Decrease other receivables	1,322	7,708
(Increase)/Decrease in inventories	(56,909)	(24,735)
(Increase)/Decrease in trade payables	177,078	126,352
(Increase)/Decrease other payables	4,148	20,693
Increase/(Decrease) in reserves for risks	(9,093)	(7,473)
Increase/(Decrease) in reserves for pensions and employee benefits	(5,422)	(16,014)
Other changes	9,692	16,139
Cash generating by operating activities	88,346	123,590
Interest paid	(23,591)	(18,000)
Taxation paid	(5,656)	(4,800)
Cash flow from operating activities (A)	59,099	100,790
Investment activity		
Investment in property, plant and machinery	(13,786)	(13,871)
Sale price, or repayment value, of property, plant and machinery	98	1,366
Investment in intangible assets	(23,775)	(27,516)
Sale price, or repayment value, of intangible assets	2,596	18
Sale price of equity investments		20
Loans provided		(5)
Repayment of loans provided	58	
Purchase of financial assets	(11,944)	(1,017)
Sale price of financial assets	12	
Collected interests	9,543	3,400
Cash flow of the investment activities (B)	(37,198)	(37,605)
Financing activities		
Increase in share capital		6,264
Purchase of own shares	(2,870)	(16,812)
Outflow for dividends paid	(23,322)	(11,881)
Loans received	22,877	6,858
Outflow for repayment of loans	(36,760)	(19,972)
Loans on leases received		13
Repayment of finance leases	(344)	(475)
Cash flow of the funding activities (C)	(40,419)	(36,005)
Increase / (Decrease) in cash (A+B+C)	(18,518)	27,180
Opening balance	94,862	66,639
Exchange differences	417	(1,110)
Closing balance	76,761	92,709

The following table shows the details of the cash and cash equivalents at 30th June 2008 and at 30th June 2007.

Amounts in €/000	At 30th June 2008	At 30th June 2007
Cash and cash equivalents	81,565	97,835
Current account overdrafts	(4,804)	(5,126)
Closing balance	76,761	92,709

NET FINANCIAL POSITION

In thousands of euro	Notes	At 30th June 2008	At 31st December 2007	Change
Medium/long-term financial payables:				
Medium/long-term bank loans	29	(133,727)	(147,912)	14,185
Amounts due under leases	29	(9,386)	(9,746)	360
Amounts due to other lenders	29	(10,934)	(11,409)	475
Aprilia Instruments	29	(8,683)	(8,474)	(209)
Total		*(162,730)*	*(177,541)*	*14,811*
Bond	29	(145,767)	(145,380)	(387)
Short-term financial payables:				
Current account overdrafts	29	(4,804)	(6,472)	1,668
Current account payables	29	(3,328)	(12,601)	9,273
Amounts due to factoring companies	29	(19,549)	(9,332)	(10,217)
Bank loans	29	(28,504)	(28,502)	(2)
Amounts due under leases	29	(711)	(695)	(16)
Amounts due to other lenders	29	(2,702)	(2,690)	(12)
Aprilia Instruments	29	(70,706)	(6,322)	(64,384)
Total		*(130,304)*	*(66,614)*	*(63,690)*
Other current financial assets				
Financial receivables due from third parties	25	435	435	0
Financial receivables due from associated companies	25	58	58	0
Securities	25	29,869	17,925	11,944
Total		*30,362*	*18,418*	*11,944*
Liquid assets	26	81,565	101,334	(19,769)
Total net financial position		**(326,874)**	**(269,783)**	**(57,091)**

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

Amounts in €/000	
Increase/decrease in cash from the cash flow statement	**(18,518)**
Outflow for repayment of loans	36,760
Repayment of finance leases	344
Loans received	(22,877)
Loans on leases received	0
Repayment of loans provided	(58)
Purchase of financial assets	11,944
Sale of financial assets	(12)
Exchange differences	417
Present value impact of EMH financial instrument not included in the IAS cash flow statement since it does not involve a monetary change	(178)
Present value impact of the APRILIA SHAREHOLDER financial instrument not included in the IAS cashflow statement since it does not involve a monetary change	(210)
Reclassification Aprilia Instruments	(64,206)
Non-monetary change in financial receivables and financial payables (amount included in the other changes of the operating activities in the cash flow statement)	(497)
Change in net financial position	**(57,091)**

CHANGES IN SHAREHOLDERS' EQUITY 1st January 2008 / 30th June 2008

In thousands of euro	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group consolidation reserve	Group conversion reserve	Stock option reserve	Earnings (losses) for previous periods	Earnings (losses) for the period	***Consolidated Group shareholders' equity***	***Minority interest capital and reserves***	**TOTAL SHAREHOLDERS' EQUITY**
At 1st January 2008	202,124	3,493	4,273	62,703	(5,859)	993	(293)	6,576	136,826	59,561	470,397	1,050	471,447
Translation of accounts in foreign currency							(5,335)				(5,335)	15	(5,320)
Change in IAS reserves				(60,378)				875			(59,503)		(59,503)
Allocation of profits			3,224						33,015	(36,239)	0		0
Distribution of dividends										(23,322)	(23,322)		(23,322)
Purchase of own shares	(1,087)								(1,783)		(2,870)		(2,870)
Earnings for the period										46,896	46,896	373	47,269
At 30th June 2008	201,037	3,493	7,497	2,325	(5,859)	993	(5,628)	7,451	168,058	46,896	426,263	1,438	427,701

CHANGES IN SHAREHOLDERS’ EQUITY 1st January 2007 / 30th June 2007

In thousands of euro	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group consolidation reserve	Group conversion reserve	Stock option reserve	Earnings (losses) for previous periods	Earnings (losses) for the period	***Consolidated Group shareholders’ equity***	Minority interest capital and reserves	**TOTAL SHAREHOLDERS’ EQUITY**
At 1st January 2007	203,170	32,961	723	59,819	(4,113)	993	(852)	4,827	70,587	69,976	**438,091**	607	**438,698**
Translation of accounts in foreign currency							1,074				**1,074**	7	**1,081**
Change in IAS reserves				1,875				943			**2,818**		**2,818**
Allocation of profits			3,550						66,426	(69,976)	**0**		**0**
Distribution of dividends									(11,881)		**(11,881)**		**(11,881)**
Exercising of stock options	2,771	3,493									**6,264**		**6,264**
Purchase of own shares	(2,376)								(14,436)		**(16,812)**		**(16,812)**
Losses covered		(32,961)			(1,746)				34,707		**0**		**0**
Earnings for the period										51,220	**51,220**	285	**51,505**
At 30th June 2007	203,565	3,493	4,273	61,694	(5,859)	993	222	5,770	145,403	51,220	**470,774**	899	**471,673**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
AT 30th June 2008

A) GENERAL ASPECTS

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Company Registry Office of Pisa. The addresses of its registered office and the locations where the Group's main activities are conducted are shown in the introduction to the file of the half-year report documents. The main activities of the Company and its subsidiaries (the Group) are described in the Directors' report.
This financial statements are expressed in Euros (€) since that is the currency in which most of the Group's transactions take place. The foreign businesses are included in the consolidated financial statement in accordance with the principles set forth in the following notes.

CONSOLIDATION AREA

At 30th June 2008, the structure of Piaggio Group was that attached to the Interim Directors' report and is taken as also referred to here.
The consolidation area is unchanged compared to the consolidated financial statements at 31st December 2007 and at 30th June 2007 following the closing of the liquidation procedure of Piaggio Indochina PTE Ltd. These somewhat limited changes does not alter the comparability of the income results between the two periods.

1. Compliance with INTERNATIONAL ACCOUNTING STANDARDS

The consolidated financial report for the Piaggio Group at 30th June 2007 was prepared in conformity with the International Accounting Standards (IAS/IFRS) in force on that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as being in conformity with the provisions established in Article 9 of Legislative Decree no. 38/2005 (CONSOB ruling no. 15519 dated 27/7/06 regarding "Provisions for the presentation of financial statements", CONSOB ruling no. 15520 dated 27/7/06 regarding "Changes and additions to the Issuer Regulation adopted by ruling no. 11971/99", CONSOB communication no. 6064293 dated 28/7/06 regarding "Corporate reporting required in accordance with article 114, paragraph 5 of Legislative Decree 58/98"). Account was also taken of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC").
This half-year Report has therefore been prepared in accordance with IAS 34 – *Interim financial reporting*.

In addition, international accounting standards have been uniformly applied throughout all Group companies.
The interim financial statements of the subsidiaries used for the consolidation have been duly adapted and reclassified, where necessary, in order to make them conform to the international accounting standards and to the standard classification criteria used in the Group.

Drafting the interim financial statements requires the management to make estimates and assumptions that have an effect on the value of net sales and costs, of the assets and liabilities and on the information regarding potential assets and liabilities at the financial statement date. If such estimates and assumptions made by the management should, in the future, differ from the actual situation, they will be changed as appropriate in the period in which the circumstances change.

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

The Group's activities, especially those regarding the 2-wheeler sub-segment, are subject to significant seasonal changes in sales during the year.

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

This consolidated financial report is subject to audit by Deloitte & Touche S.p.A..

It is also pointed out that, in order to permit data to be compared in a clearer manner, the details of the costs of service and other operating income have been revised with respect to what published in the half-year financial report at 30 June 2007, without altering the total value of the other single balance headings.

OTHER INFORMATION

We point out that information regarding significant events after the half-year reporting date and the operating outlook is provided in a specific paragraph of this Report.

2. Form and content of the financial statements

Form of the consolidated financial statements

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

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

Consolidated income statement

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

Consolidated balance sheet

The consolidated balance sheet is presented in opposite sections with separated indication of assets, liabilities, and shareholders' equity.

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

Change in consolidated shareholders' equity

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

Content of the consolidated financial statements

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

3. Consolidation principles and evaluation criteria

The consolidated financial statements at 30th June 2008 include, using the line-by-line method, the financial statements of the parent company and the companies in which the Piaggio & C. Group holds the majority of voting rights, and in any case of all the companies in which it exercises a dominant influence, the list of which is supplied in Section I.

At 30th June 2008 Piaggio & C. S.p.A. subsidiaries and associated companies are divided as follows:

	Subsidiaries			*Associated*			*Total*
	Italy	*Abroad*	*Total*	*Italy*	*Abroad*	*Total*	
Companies:							
- consolidated on a line-by-line basis	4	19	23				23
- consolidated on an equity basis		3	3		1	1	4
- valued at cost				3	2	5	5
Total companies	**4**	**22**	**26**	**3**	**3**	**6**	**32**

<u>*3.1 Consolidation principles*</u>

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

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

The portion of shareholders' equity and net earnings of the subsidiaries pertaining to minority interest have been recorded respectively in a specific item under shareholders' equity called "Minority interest capital and reserves" and in the Income statement in a heading called "Minority interest"

<u>*Subsidiaries*</u>

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

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

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

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

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

Associated companies

These are companies in which the Group exercises significant influence, but not joint control, over their financial and operating policies. The consolidated financial statements include the portion due to the Group of the associated companies' earnings, recorded using the equity method, from the date on which such significant influence starts until it ceases to exist. Should the Group portion of the associated company's losses exceed the book value of the equity investment in the financial statements, then the value of the equity investment is reversed and the portion of further losses is not recorded, except and to the extent that the Group is obliged to answer for them.

Joint control companies

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

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

Equity investments in other companies

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

Transactions eliminated in the consolidation process

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

Transactions in foreign currency

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

Consolidation of foreign companies

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

All the assets and liabilities of foreign companies in a currency other than the Euro falling within the consolidation area are converted by using the exchange rates in force at the reference date of the financial statements (current exchange rate method). Income and costs are converted at the average rate for the period. Exchange rate differences arising from the application of this method are classified as an item of shareholders' equity until the equity investment is disposed of. In preparing the consolidated cash flow statement, average exchange rates have been used to convert the cash flows of the foreign subsidiaries.

During first-time adoption of the IFRS, the cumulative exchange rate differences generated by the consolidation of foreign companies outside the Euro zone have not been reversed, as allowed by IFRS 1 and therefore have been maintained.

Conversion differences that arise from the comparison between opening shareholders' equity converted at current exchange rates and the same converted at historic exchange rates, as well as the differences between the earnings for the period expressed at average exchange rates and those expressed at current exchange rates, are charged to the shareholders' equity item "Other reserves".

The exchange rates used for the conversion into Euros of the financial statements of the companies included in the consolidation area are shown in the table below.

Currency	*Exchange rate at 30th June 2008*	*Average exchange rate at*	*Exchange rate at 31st December*	*Average exchange rate at*
US Dollar	1.57640	1.53088	1.47210	1.32935
Pound Sterling	0.79225	0.77527	0.73335	0.67466
Indian Rupee	67.7974	62.42401	58.02100	56.72952
Singapore Dollar	2.14460	2.12315	2.11630	2.03157
Chinese Renminbi	10.80510	10.80115	10.75240	10.25892
Croatian Kune	7.23650	7.26977	7.33080	7.35837
Japanese Yen	166.44000	160.56261	164.93000	159.64356

3.2 Accounting standards

Net sales recognition

According to IFRS, sales of assets are recognised when the goods are shipped and the company has transferred risks and benefits connected with ownership of the assets.

Net sales are recognised net of returns, discounts, rebates and premiums, as well as taxes directly connected with the sale of the merchandise and performance of the services. Financial revenues are recognised based on an accrual principle.

Contributions

Capital grants are recognised in the financial statements if they are of certain collection and are charged to the income statement according to the useful life of the asset against which they are distributed.

Operating grants are recognised in the financial statements if they are certain and are credited to the income statement in relation to the costs against which they are distributed.

Financial income

Financial income is booked according to the accrual principle. This income includes interest earned on invested reserves, positive exchange rate differences and income arising from financial instruments when not compensated as part of hedge transactions. Interest income is posted in the income statement when it accrues, considering the actual yield.

Financial charges

Financial charges are booked according to the accrual principle. These include interest payments on financial payables calculated using the actual interest method, exchange rate losses and losses on derivative financial instruments. The share of interest charges of financial *lease* payments is charged to the income statement using the actual interest method.

Dividends

Dividends booked to the income statement, earned by minority shareholdings, are recognised on an accrual basis, which means the time when the credit arises pursuant to the resolution to distribute dividends by the subsidiary.

Income taxes

Taxes represent the amount of current and deferred taxes.

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

Taxes are booked under the item "Tax payable" net of advances and withholdings. Taxes payable in the event of distribution of the suspended reserves shown in the financial statements of the individual Group companies are not allocated since distribution is not expected.

Profit per share

Profits per share are calculated by dividing profits or losses attributed to parent company shareholders by the weighted average of the ordinary shares in circulation during the period. Diluted profits per share are calculated by dividing profits or losses attributed to parent company shareholders by the weighted average of the ordinary shares in circulation, adjusted to take account of the effects of all the potential ordinary shares with a diluting effect. Shares related to the *stock option* plan and those related Aprilia warrants are considered potentially issuable shares. The adjustment to make to the number of *stock options* for calculating the adjusted number of shares is determined by multiplying the number of the *stock options* by the subscription costs and dividing it by the market price of the share.

Intangible assets

Pursuant to the provisions of IAS 38, an intangible asset acquired and produced internally is booked under assets only if it can be identified, controlled and is expected to generate future economic benefits and its cost can be reliably determined.

Intangible assets having a finite life are recognised at purchase or production cost net of amortisation and accumulated value impairment. Amortisation is charged for the entire useful life of the asset and begins to be charged when the asset enters operation.

Goodwill

If companies are acquired, the assets, liabilities and potential liabilities acquired with it and identifiable are recognised at their *fair value* at the purchase date. The positive difference between the purchase cost and the Group share in the fair value of such assets and liabilities is classified as goodwill and is booked to the financial statements as an intangible asset. Any negative difference is booked to the income statement at the time of purchase.

Goodwill cannot be amortised, but is subject to revaluation annually, or more frequently, if specific events take place or circumstances indicate that the asset has suffered value impairment, in order to identify value impairment, pursuant to the IAS 36 - *Asset value impairment* . After the initial valuation, goodwill is recognised at cost, net of any accumulated value impairment.

At the time of sale of part of or the entire company acquired and whose acquisition has led to goodwill, the corresponding residual value of goodwill is taken into account in calculating the gain or loss on the sale.

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

After 1st January 2004, pursuant to the acquisitions taking place in 2004, additional goodwill was generated, whose amount was re-determined in light of the diverse values absorbed by the shareholders' equity of the acquired companies, pursuant to the provisions of IFRS 3.

Development costs

Costs of developing vehicle and engine production projects are booked to assets only if the following conditions are met: the costs can be reliably determined and the technical feasibility of the product, volumes, and expected prices indicate that the costs incurred during development generate future economic benefits. Capitalised development costs only include the costs incurred that can be attributed directly to the development process.

Capitalised development costs are amortised on a systematic basis, beginning with the start of production along the entire estimated life of the product.

All other development costs are posted to the income statement when incurred.

Other intangible assets

Other intangible assets acquired or produced internally are booked with assets pursuant to the provisions of IAS 38 - *Intangible Assets*, if it is probable that the asset will create future economic benefits and the cost of the asset can be measured reliably.

These assets are recognised at the purchase or production cost and are amortised on a straight-line basis for the estimated useful life, if the asset has a finite life. Intangible assets with an indefinite useful life should not be amortised but should be subject to an *impairment* test annually,

or more frequently, each time there is an indication that the asset may have been subject to impairment.
Other intangible assets valued after acquisition of a company are booked separately from goodwill, if their current value can be measured reliably.
Below is a chart of the amortisation periods of the various categories of Intangible Assets:

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

Property, plant and machinery

The Piaggio Group has decided to adopt the cost method on first-time application of the IAS/IFRS, as allowed by IFRS 1. For the measurement of property, plant and machinery, therefore, the preference was not to use the *fair value* method. Property, plant and machinery were booked at the purchase or production cost and were not revalued. For an asset that justifies capitalisation, the cost also includes any financial charges that are directly attributable to acquisition, construction or production of the asset.
Costs incurred subsequent to the purchase are capitalised only if they increase the future economic benefits in the asset to which they refer. All the other costs are posted to the income statement when incurred. Tangible assets in progress are recognised at cost and are depreciated as of the year in which they begin to be used.
Depreciation is charged on a straight-line basis on the cost of the assets, net of the respective outstanding values, according to the estimated useful life of the asset while applying the rates given in the notes to this category.
Land is not depreciated.
Assets held under financial *lease* contracts, through which the Group essentially assumes all the risks and benefits related to ownership, are recognised as Group assets at their current value, or if less, at the effective value of the minimum payments due for the *lease*. The corresponding liability toward the landlord is posted with financial payables. The assets are depreciated by applying the criteria and rates used for owned assets.
Rentals in which the landlord essentially retains the risks and benefits related to ownership of the assets are classified as operating *leases*. Costs referring to operating *leases* are booked systematically to the income statement for the entire duration of the *lease* contract.
Gains and losses arising from sales or disposals of assets are determined as the difference between the sales revenue and the net book value of the asset and are booked to the income statement.

Impairment

At year-end, the Group reviews the book value of its tangible and intangible assets to determine if there are indications that these assets have incurred *impairment*. If impairment is found, the realisable amount of these assets is estimated to determine the amount to write-down. If it is not possible to estimate the recoverable value of an asset individually, the Group makes estimates of

the recoverable value of the cash-generating unit to which the asset belongs.
The recoverable amount is the higher of the net sale price and the use value. In evaluating the value of use, estimated future cash flows are discounted to the current value using a rate gross of taxes, which reflects current market assessments of the actual value of the cash and the specific risks of the asset.
If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than the respective book value, the book value of the asset is reduced to the lesser recoverable value. Value impairment is measured in the income statement immediately, provided the asset is represented by land or buildings other than real estate investments, recognised at revalued values, in which case the loss is charged to the respective revaluation reserve.
Should the recorded impairment loss be no longer valid, the carrying value of the asset (or the cash generating unit) is reversed 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 had not been made. The restored value is posted to the income statement.
An intangible asset with an indefinite life is subject to impairment tests every year, or more frequently, if there is an indication that the asset may have suffered impairment.

Investment property

International accounting standards regulate separately fixed assets used for production or administration (IAS 16) and fixed assets for investment (IAS 40). According to the provisions of IAS 40, fixed assets and buildings that are not instrumental and are held only for the purpose of earning lease revenues and/or increasing wealth are recognised at cost, net of depreciation and impairment.
Property investments are eliminated from the interim financial statements when they are sold or disposed of or when the investment is not utilisable and future economic benefits are not expected in the event of its sale.

Non-current assets held for sale

Non-current assets (and asset groups being divested) classified as held for sale are valued at the lesser of their previous book value and the fair value, net of the costs of sale.
Non-current assets (and asset groups being divested) are classified as held for sale when it is expected that their book value will be recovered by a sale transaction instead of through use in company operations. This condition is fulfilled only when the sale is highly probable, when the asset (or the group of assets) is available for immediate sale in its current conditions and when company management has undertaken a commitment for the sale, which is expected to take place within twelve months from the date of classification of this item.

Financial assets

Financial assets are booked to and removed from the financial statements on the trading date and are initially valued at cost, including charges directly related to acquisition.
At subsequent financial statement dates, financial assets that the Group has the intention and the capacity to hold to maturity (securities held to maturity) are posted at the amortised cost, according to the actual interest rate method, net of the devaluation made to reflect losses in value.
Financial assets other than those held to maturity are classified as held for trading or available for

sale, and are valued at the *fair value* at the end of each period. When financial assets are held for trading, the gains and losses arising from changes to the *fair value* are posted to the income statement; for financial assets available for sale, gains and losses arising from changes to the *fair value* are posted directly to shareholders' equity until these are sold or have been subject to value impairment; at that time, total gains or losses previously posted in shareholders' equity are posted to the income statement.

Inventories

Inventories are booked at the lesser of purchase or production cost - determined by attributing to products all costs directly incurred and the share of indirect costs reasonably attributed to production activities under normal use conditions - and the fair value at the end of the period.

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

For raw materials and work in progress, the fair value is represented by the presumed net realisable value of the corresponding finished products, minus completion costs; for finished products, it is represented by the presumed net realisable value (list prices).

Any impairment determined based on market performance is eliminated in subsequent periods if the conditions no longer apply.

Obsolete, slow-moving and/or surplus inventory are devalued to reflect their possible use or future realisation by booking to an inventory write-down reserve.

Receivables

Receivables are booked at their adjusted par value, to adapt them to the presumed realisable value, by booking a devaluation reserve. This reserve is calculated based on the valuations of recovery made during an analysis of the individual positions and the overall risk of the total receivables, considering guarantees.

When collection of the amount payable is deferred beyond the ordinary terms applied to customers, the receivable is time-discounted. For the purposes of determining this effect, collection times are estimated by applying a discount rate to the expected cash flows, corresponding to the Euribor *Swap* 20-year rate plus a *spread* of quotations for government bonds having a AA *rating*.

Factoring transactions

The Group assigns a significant part of its trade receivables with *factoring* transactions. The assignments can be without recourse and in this case, do not imply risks of regression, nor liquidity risks, resulting in cancellation of the corresponding amounts of the balance of receivables from clients at the time of assignment to the factor.

For non-recourse assignments, since neither the risk of default nor liquidity risks are transferred, the respective receivables are posted in the balance sheet until payment is made by the assigned debtor. In this case, any advances collected by the factor are posted under payables to other lenders.

Cash and cash equivalents

The item related to cash and cash equivalents includes cash, bank accounts, deposits returnable on demand, and other short-term highly liquid financial investments which can be quickly converted into cash and are subject to minimal risk of value impairment.

Financial liabilities

Financial liabilities are valued based on the amounts collected, net of the accessory charges to the transaction. After this initial valuation, loans are valued using the amortised cost method, calculated by applying the actual interest rate. Financial liabilities hedged with derivative instruments are booked at the current value, according to the methods established for *hedge accounting*, applicable to the *fair value hedge*: gains and losses arising from subsequent valuations to the current 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 current value of the hedged instrument.

Derivative instruments and hedge accounting

Group business is exposed primarily to financial risks arising from changes in interest and currency exchange rates. The Group uses derivative instruments (mainly forward currency contracts) to hedge risks arising from changes in foreign currency in certain irrevocable commitments and expected future transactions. Use of these instruments is regulated by written procedures on the use of derivatives, which is consistent with the *risk management* policies of the Group.

Derivative instruments are initially posted at cost and adjusted to the *fair value* at subsequent account closing dates.

Derivative financial instruments are used exclusively to hedge, in order to reduce the currency exchange, interest rate and market price change risk. In compliance with IAS 39, derivative financial instruments can be accounted for using the methods established for *hedge accounting* only when, at the start of the hedging, (i) there is the formal designation and documentation of the hedge report, (ii) it is presumed that the hedge is highly effective, (iii) the effectiveness can be accurately measured and (iv) the hedging is highly effective during all the accounting periods for which it is designated.

When the financial instruments possess the characteristics to be accounted for in *hedge accounting*, the following accounting treatment is applied:

- *Fair value hedge*: If a derivative financial instrument is designated as a hedge for exposure to the change in current value of an asset or liability, attributable to a particular risk that can affect the income statement, the gain or loss arising from subsequent valuations of the current value of the hedge instrument are posted to the income statement. The gain or loss on the covered item, attributable to the hedged risk, changes the book value of this item and is reported on the income statement.
- *Cash flow hedge:* If an instrument is designated as a hedge against exposure to changes in the cash flows of an asset or liability posted to the financial statements or a highly probable transaction and which could affect the income statement, the effective portion of the gains or losses of the financial instrument is posted under shareholders' equity. Accumulated gains or losses are cancelled from shareholders' equity and are accounted for in the income statement in the period when the hedged transaction occurs. Gains or losses associated with a hedge or the part of a hedge that has become ineffective are booked immediately to the income statement. If a hedge instrument or a hedge relationship ends, but the hedged transaction has not taken place, accumulated gains or losses that had been

booked to shareholders' equity are posted to the income statement as soon as the respective transaction takes place. If the hedged transaction is no longer considered likely, any unrealised suspended gains or losses in shareholders' equity are posted immediately to the income statement.

If *hedge accounting* cannot be applied, any gains or losses arising on the valuation of the current value of the derivative financial instrument are booked immediately to the income statement.

<u>Long-term reserves</u>

The Group allocates a reserve for risks and charges when it has an obligation, legal or implicit, toward another party and it is probable that Group resources will be necessary to fulfil the obligation and when a reliable estimate can be made of the amount of the obligation.

Estimated differences are reflected in the income statement of the period when the change occurred.

If the effect is considerable, the provisions are calculated by time- discounting the estimated future cash flows at an estimated discount rate gross of taxes that can reflect the current market valuations of the current value of the cash and the specific risks related to the liability.

<u>Reserve for pension and employee benefits</u>

With adoption of the IFRS, the reserve for severance indemnity is considered an obligation with definite benefits to account for according to IAS 19 - *Employee benefits* . As a result, it must be recalculated by making actuarial evaluations at the end of each period by applying the *Projected Unit Credit Method*.

Payments for plans with definite contributions are posted to the income statement in the period they are payable. Liabilities for benefits payable subsequent to the employment relationship posted to the interim financial statements represent the current value of liabilities for definite benefit plans, adjusted to consider actuarial gains and losses relating to past services not accounted for and reduced to the *fair value* of the planned activities. 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 current 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.

<u>Stock option plan</u>

According to the provisions of IFRS 2 - Share based payments, the total amount of the current value of the *stock option* at the date of assignment is recognised in the income statement with payroll costs with the item recognised directly to shareholders' equity if the assignees of the capital instruments become titleholders at the time of assignment. If there is a "maturation period" when certain conditions must occur before the assignees become titleholders, the cost for compensation, determined based on the current value of the options at the date of assignation, is recognised with payroll costs based on constant rates for the entire interim period between the date of assignation and the date of maturation, with the item recognised directly under shareholders' equity.

The *fair value* is determined with the *Black Scholes* method.

Changes in the current value of the options subsequent to the date of assignment have no effect on the initial assessment.

Tax assets and liabilities

Deferred taxes are determined based on the temporary taxable differences between the value of assets and liabilities and their taxable value. Deferred tax assets are accounted for only in the amount in which it is probable that future taxable income will be produced, against which to apply the positive balance. The carrying value of deferred tax assets is reviewed at the end of each period and is decreased if it is unlikely that sufficient taxable earnings will be produced to recover all or part of these assets.

Deferred taxes are calculated based on the tax rates expected to be applied in the period in which these differences arise, considering the rates in effect or those of known future emanation. Deferred taxes are charged directly to the income statement, except for those related to items recognised directly to shareholders' equity; in this case, the related deferred taxes are also charged to shareholders' equity.

Deferred tax assets and liabilities are offset when there is a legal right to compensate current tax assets and liabilities and when they refer to taxes due to the same tax authority and the Group intends to settle the current tax assets and liabilities on a net basis.

Payables

Payables are recognised at their face value, which is considered representative of their payment value.

Use of estimates

Drafting the financial statements and the respective notes in application of the IFRS requires management to make estimates and assumptions that have an effect on the value of the assets and liabilities and on the disclosure related to potential assets and liabilities at the financial statement date. Final earnings could differ from these estimates. Estimates were used to evaluate the tangible and intangible assets that underwent the *impairment test* (see § "Asset Impairment") besides to detect the provisions for credit risks, for inventory obsolescence, amortisation, write-downs of assets, benefits to employees, taxes, restructuring reserves, and other provisions and reserves. Estimates and assumptions are periodically reviewed and the effects of every change are reflected immediately in the income statement.

Dealings with associated companies and related parties

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

New accounting standards

On 30th November 2006, IASB issued the IFRS 8 accounting standard – *Operating Segments*, effective from 1st January 2009, replacing IAS 14 – *Segment Reporting*. The new accounting standard requires the company to base the segment reporting on the element used by the management to take their operating decisions, therefore, it requires the identification of the operating segments on the basis of internal reporting, which is regularly revised by the management for the allocation of the reserves to the different segments for performance analysis purposes. At the date of issue of this half-year report, the process of approval of the standard by the European Union competent bodies had not been completed yet and the Group is considering the effects arising from the adoption of such standard.

On 29th March 2007, IASB issued a revised version of IAS 23 – *Financial charges* which will be applicable as of 1st January 2009. In the new version, it was removed the option according to which companies can post immediately to income statement the financial charges incurred due to assets for which usually a determined period of time is required to prepare the said asset ready for use or sale. The standard will be applicable prospectively to the financial charges relative to capitalised goods as of 1st January 2009. At the date of issue of this financial statement, the competent bodies of the European Union had not completed yet the process of approval necessary for the application of such standard.

On 6th September 2007, IASB issued a revised version of IAS 1 – *Presentation of financial statements* which will be applicable as of 1st January 2009. The new version of the standard requires that the company presents in a schedule of changes to shareholders' equity, all changes due to transactions with shareholders. All transactions generated with minority interest ("comprehensive income") should instead be reported in a "comprehensive income" schedule or in two schedules (income statement and "comprehensive income" schedule). In any case, the changes generated by transactions with minority interest cannot be reported in the schedule of changes to shareholders' equity.
At the date of issue of this half-year financial statement, the competent bodies of the European Union had not completed yet the process of approval necessary for the application of such standard.

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

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

On 17 January 2008, IASB issued an amendment to IFRS 2 – *Share-based payment - vesting conditions and cancellations* according to which, for the purpose of evaluating the share-based transactions, only service conditions and performance conditions can be considered vesting conditions. The amendment also specifies that the same accounting treatment should be applied, also in case an entity cancels a grant of equity instruments.
At the date of issue of this half-year financial statement, the competent bodies of the European Union had not completed yet the process of approval necessary for the application of such amendment.

On 14 February 2008, IASB issued an amendment to IAS 32 – *Financial instruments: presentation* and to IAS 1 – *Presentation of financial statements – Puttable instruments and obligations arising on liquidation*. In particular, the standard requires companies to classify the puttable instruments and financial instruments that impose an obligation on the company to hand over to a minority interest a share of the equity investment in the company's assets as equity instruments. Such amendment should be applied as of the 1st January 2009.
At the date of issue of this half-year financial statement, the competent bodies of the European Union had not completed yet the process of approval necessary for the application of such amendment.

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

- IFRS 5 – *Non-current assets held for sale and discontinued operations*. The amendment, which is effective as of 1st January 2010, establishes that if an enterprise is engaged in a disposal plan entailing the loss of control over a subsidiary, all assets and liabilities of the subsidiary should be reclassified as held for sale, also if after the disposal the company will still retain a minority equity in the subsidiary.

- IAS 16 – *Property, plant and machinery* The amendment, which is effective as of 1st January 2009, establishes that enterprises whose typical business is renting, should reclassify in the inventory goods that needs to be located and are held for sales. Subsequently, gains or losses arising from their disposal, should be recorded as net sales. The amounts paid to build or purchase goods to be allocated to others, as well as the amounts collected from the subsequent sale of such goods, form, for the purpose of the cash flow statement, cash flows arising from operating activities (and not from investment activities).

- IAS 19 – *Employee benefit*. The amendment is to be applied prospectively as of 1st January 2009 to the changes to benefits made following such date. It clarifies the definition of cost/income relative to past service rendered by employees and it establishes that in case of reduction of a plan, the effect to be immediately posted to the income statement should only include the reduction of benefits relative to future periods, whereas the effect arising from possible reductions due to past service periods, should be held as a negative cost relative to past services rendered by the employees.

- IAS 20 – *Accounting for government grants and disclosure of government assistance*. The amendment, which is to be applied prospectively as of 1**st** January 2009, establishes that benefits arising from government grants at an interest rate much lower than the market one, should be considered as government assistance and should therefore follow the recognition rules established by IAS 20.

- IAS 23 – *Financial charges*. The definition of financial charges has been reassessed. The amendment should be applied as of the 1st January 2009.

- IAS 28 – *Investments in associated companies*. The amendment, which should be also applied only prospectively as of 1st January 2009, establishes that in case of equity investment evaluated with the shareholders' equity method, a possible impairment should not be allocated to single assets (and in particular to the possible goodwill) that form the equity's book value, but to the value of the equity as a whole. Therefore, in the presence of conditions for a subsequent revaluation, such revaluation should be recognised in full.

- IAS 28 – *Investments in associated companies* and IAS 31 *Investments in joint ventures*. Such amendments, which should be applied as of 1st January 2009, provide that additional information be supplied also for equity investments in associated companies and joint ventures evaluated at fair value according to IAS 39. Consistently, IFRS 7 – *Financial instruments: disclosures* and IAS 32 - *Financial instruments: presentation* were modified.

- IAS 29 – *Financial reporting in hyperinflationary economies*. The previous version of the standard did not explain that some assets and liabilities could be recorded in the financial statement according to the current value, rather than according to the historical cost. In order to take into consideration such possibility, the amendment should be applied as of 1st January 2009.

- IAS 36 – *Impairment of assets*. The amendment, which is to be applied as of 1st January 2009, provides that additional information be provided in case the company determines the recoverable amount of the cash-generating units by using the discounted cash flow method.

- IAS 38 – *Intangible assets.* The amendment, which should be applied as of 1st January 2009, establishes the posting to income statement of promotional and advertising costs. It also establishes that in case the enterprise incurs charges from which future economic benefits are expected without being recorded as intangible assets, these should be posted to the income statement when the enterprise itself has the right to access the good, if it is the purchase of goods, or when the service is rendered, if it is the purchase of services. Finally, the standard was modified to enable the enterprises to adopt the method of the produced units to determine the amortisation of finite life intangible assets.

- IAS 39 – *Financial instruments: recognition and measurement*. The amendment, which is to be applied as of 1st January 2009, clarifies how to calculate the new effective interest rate of a financial instrument at the end of a fair value hedge accounting. Moreover, it clarifies that the prohibition to reclassify as financial instrument with adaptation of the fair value to income statement, should not be applied to the derivative financial instruments that can no longer be qualified as hedging instruments or that become hedging instruments. Finally, to avoid conflicts with the new IFRS 8 – *Operating segments*, it eliminates references to a sector's hedging instrument designation.

- IAS 40 – *Investment property.* The amendment, which is to be applied prospectively as of 1st January 2009, establishes that the investment properties under construction should fall within the scope of IAS 40, rather than IAS 16.

At the date of issue of this half-year financial statement, the competent bodies of the European Union had not completed yet the process of approval of the above-described improvements.

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

instrument can be held by every company part of the Group, and that, in case of disposal of the equity, for the determination of the value to be reclassified from the shareholders' equity to the income statement, IAS 21 – *The effects of changes in foreign exchange rates* should be applied. The interpretation should be applied as of 1st January 2009.
At the date of issue of this half-year financial statement, the competent bodies of the European Union had not completed yet the process of approval necessary for its application.

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

- IFRIC 12 – *Service Concession Arrangements* (applicable from 1st January 2008);
- IFRIC 13 – *Customer loyalty programmes* (applicable from 1st January 2009);
- IFRIC 14 – *The limit on a defined benefit asset, minimum funding requirements and their interaction;*
- IFRIC 15 – *Agreements for the construction of real estate.*

B) INFORMATION BY SECTOR

Primary sector: light wheeled transport market

The Piaggio Group is one of the world leaders in the sector of "light wheeled transport", a sector which the Group helped to define with the introduction in the 1940s of the "Vespa" and "Ape" models. This sector regards two-, three- and four-wheel vehicles for private or business use which allow the user to enjoy greater mobility, by virtue of their safety, manoeuvrability and low environmental impact features.

The vehicles produced are marketed internationally under the Piaggio, Aprilia, Moto Guzzi, Gilera, Derbi, Vespa and Scarabeo brands.

The products are marketed mainly through dealers, whether they be two-, three- or four-wheel vehicles.

Within the light transport sector, the Piaggio Group operates on the basis of *policies* which are common to all the companies/products, by establishing specific management *policies* so as to reflect the search for a common identity within which to direct the global strategies.

The scope of application of these *policies* concerns various aspects of company management, such as the credit and discount management system for customers, the means of procuring production materials, cash management and the central *corporate* functions.

Credit management is implemented in accordance with a centrally established *policy*, in order to identify a common language to enable the various companies to operate on the basis of a standard reference model aimed at assessing the level of credit risk, the reliability of the *dealer*, the payment terms, and the establishment of reporting models to be used in order to carry out effective and timely monitoring of the related data.

The means of procurement are implemented world-wide on the same basis. In this light, the Group operates by seeking to take advantage of benefits from synergy arising mainly from shared parts common to different vehicles and shared suppliers for different Group companies.

Cash management is handled centrally by the parent company so as to concentrate the financial resources needed to be able to implement investments aimed at generating benefits for all the parts of the Group, by monitoring break-even times.

The development of new products is managed singly for the whole Group on the basis of an approach which takes into account the various needs of the key markets.

At an organisational level, a system has been established which, through the integration of various *brands*, enables the realisation of global strategies aimed at looking for synergy to increase the value of the Group and emphasise its distinct features.

This synergy arises from the concentration of technical, industrial and other central activities which are co-ordinated by the Corporate Divisions thereby guaranteeing the dissemination and integration of specific functional skills.

In the light of the above considerations, the activities of the Piaggio Group and the related strategies, as well as the underpinning activities linked to Managerial Control, have been established in the single sector of "light wheeled transport".

The table below presents economic and financial figures for the Group at 30th June 2008:

In millions of euros	*Consolidated*
NET SALES	
Sales to third parties	900.2
Inter-sector sales	0.1
TOTAL NET SALES	**900.3**
Gross industrial margin	272.4
Net financial charges	(18.0)
Income/(loss) from equity investments	
Earnings before taxation	63.9
Income tax	16.6
Loss (gains) minority interest	(0.4)
NET EARNINGS	**46.9**
OTHER INFORMATION	
Increases in tangible and intangible assets	37.6

Secondary sector: market segments

In millions of euros	*2W*	*LTV*	*Other*	*Consolidated*
NET SALES				
Sales to third parties	687.3	199.6	13.3	900.2
Inter-sector sales	0.1			0.1
TOTAL NET SALES	**687.4**	**199.6**	**13.3**	**900.3**
Gross industrial margin				272.4
Net financial charges				(18.0)
Income/(loss) from equity investments				
Earnings before taxation				63.9
Income tax				16.6
Loss (gains) minority interest				(0.4)
NET EARNINGS				**46.9**
OTHER INFORMATION				
Increases in tangible and intangible assets				37.6

Third sector: geographical area

The following table gives the economic and financial figures for the Group in relation to the geographical "destination" areas at 30th June 2008, that is, based on the nationality of the customer or of the supplier/lender.

In millions of euros	*Italy*	*Rest of Europe*	*America*	*India*	*Asia Pacific*	*Rest of the world*	*Consolidated*
NET SALES							
Sales to third parties	304.9	389.3	45.4	122.6	27.1	10.9	**900.2**
Inter-sector sales	0.1						**0.1**
TOTAL NET SALES	305.0	389.3	45.4	122.6	27.1	10.9	**900.3**
BALANCE SHEET							
TOTAL ASSETS	1,239.5	253.4	32.4	88.2	19.8	7.8	**1,641.1**
TOTAL LIABILITIES	1,139.4	389.3	2.9	78.6	30.8	0.1	**1,641.1**

C) CONTENT AND MAIN CHANGES - INCOME STATEMENT

4. Net sales — €/000 900,333

Net sales are shown net of bonuses recognised to customers (dealers).
This heading does not include transport costs, which are recharged to customers (€/000 20,563) and advertising cost recoveries invoiced (€/000 5,427), which are shown under other operating income.
The net sales for disposals of Group core business assets essentially refer to the marketing of vehicles and spare parts in European and non-European markets.

Net sales by business sector

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

Amounts in €/000	*1st half 2008*		*1st half 2007*		*Changes*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
2-wheeler	687,405	76.35	748,102	77.2	(60,697)	-8.11
LTV	199,613	22.17	188,515	19.5	11,098	5.89
Other	13,315	1.48	31,950	3.3	(18,635)	-58.33
TOTAL	*900,333*	*100.00*	*968,567*	*100.0*	*(68,234)*	*-7.04*

Net sales by geographic area

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

Amounts in €/000	*1st half 2008*		*1st half 2007*		*Changes*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Italy	305,033	33.88	343,820	35.50	(38,787)	-11.28
Rest of Europe	389,324	43.24	434,849	44.90	(45,525)	-10.47
America	45,336	5.04	46,245	4.77	(909)	-1.97
India	122,613	13.62	111,257	11.49	11,356	10.21
Asia Pacific	27,117	3.01	23,410	2.42	3,707	15.84
Rest of the world	10,910	1.21	8,986	0.93	1,924	21.41
TOTAL	*900,333*	*100.00*	*968,567*	*100.0*	*(68,234)*	*-7.04*

In the first half of 2008, net sales decreased by €/000 68,234, following the contraction of general demand for 2-wheeler vehicles in the European Market due to the economic crisis which has hit the whole of the Western world, the reduction of the BMW order by €/000 15,050, as well as the exchange rate effect linked to the Euro revaluation with an impact of around €/000 19,000.

5. Costs for materials **€/000 532,409**

These totalled €/000 532,409, against €/000 581,537 at 30th June 2007. The 8.4% decline is connected to both the decrease in production and sales volumes and the changes made to the import contracts which, until last year, did not make a distinction between transport cost and cost of component. As a consequence, the percentage incidence on net sale went down, decreasing from 60.0% in the first half of 2007 to 59.1% in the current period.
The following table details the content of this financial statement heading:

In thousands of euros	*1st half 2008*	*1st half 2007*	*Change*
Purchase of raw materials, consumables and goods	592,157	606,648	(14,491)
Change in inventories of raw materials, consumables and goods	(34,236)	(9,606)	(24,630)
Change in work in progress of semifinished and finished products	(25,512)	(15,505)	(10,007)
Total cost for materials	*532,409*	*581,537*	*(49,128)*

This heading includes €/000 23,801 of costs relating to the purchase of scooters and engines from the Chinese subsidiary Zongshen Piaggio Foshan, which are respectively distributed on the European markets and assembled on scooters built in Italy.

6. Costs for services and use of third party assets **€/000 161,608**

A total of €/000 161,608, in the first half, showing a saving of €/000 7,179 compared to 30th June 2007.
Below is a breakdown of this heading:

In thousands of euros	*1st half 2008*	*1st half 2007*	*Change*
Employee costs	9,063	8,816	247
Maintenance and cleaning	3,641	3,693	(52)
Energy, telephone and telex	10,238	10,003	235
Commissions paid	2,038	2,221	(183)
Advertising and promotion	32,237	28,557	3,680
Technical, legal and tax consultancy and services	22,773	33,501	(10,728)
Company boards operating costs	1,458	1,561	(103)
Insurance	1,556	1,791	(235)
Third party work	21,187	21,730	(543)
Transport costs and spare parts	29,383	28,172	1,211
Sundry commercial expenses	3,963	4,846	(883)
Product warranty costs	8,104	8,214	(110)
Bank costs and factoring charges	3,221	3,636	(415)
Costs for use of third party assets	6,109	6,540	(431)
Other	6,079	4,960	1,119
Services from Parent company	558	546	12
Total cost for services	*161,608*	*168,787*	*(7,179)*

The costs for use include lease rentals for business properties of €/000 1,960, as well as lease payments for car hire, computers and photocopiers.

Third party work of €/000 21,187 refers to production parts.

The increase in transport costs is due on the one hand to an increased resorting to non-European suppliers for the purchase of components and on the other hand to changes in contracts for imported goods, which now make a distinction between the cost of transport and the cost of the component. Such increase is partially offset by the lower cost of purchased goods.

The heading "Other" includes costs for temporary work of €/000 1,590.

7. Employee cost €/000 133,740

Employee costs for the first half of 2008 totalled €/000 133,740, against €/000 123,590 for the same period the year before.

It is pointed out that the employee costs include €/000 875 relating to stock option costs, required by the international accounting standards.

Below is a breakdown of the headcount by actual number and average number:

	Average number		
Level	*1st half 2008*	*1st half 2007*	*Change*
Senior Management	110	115	(5)
Middle Management	420	401	19
Clerical staff	1,933	1,841	92
Manual labour	5,022	5,088	(66)
Total	7,485	7,445	40

	Number at		
Level	*30th June 2008*	*31st December 2007*	*Change*
Senior Management	111	111	0
Middle Management	435	425	10
Clerical staff	1,958	1,878	80
Manual labour	5,056	4,433	623
Total	7,560	6,847	713

8. Amortisation, depreciation and impairment costs — €/000 46,336

Below is a summary of the amortisation and depreciation for the first half of 2008, divided into the different categories:

In thousands of euros	*1st half 2008*	*1st half 2007*	*Change*
Property, plant and machinery			
Buildings	1,811	1,832	(21)
Plant and machinery	6,491	6,225	266
Industrial and commercial equipment	10,585	10,826	(241)
Other assets	1,268	1,475	(207)
Total depreciation of tangible assets	*20,155*	*20,358*	*(203)*

In thousands of euros	*1st half 2008*	*1st half 2007*	*Change*
Intangible assets:			
Development costs	15,523	10,253	5,270
Industrial patent rights and intellectual property rights	6,353	4,740	1,613
Concessions, licences, trademarks and similar rights	4,152	4,171	(19)
Other	153	34	119
Total depreciation of intangible assets	*26,181*	*19,198*	*6,983*

As set out in more detail in the paragraph on intangible assets, as of 1st January 2004, goodwill is no longer amortised, but is tested annually for *impairment*.
The *impairment test* carried out at 31st December 2007 confirmed the full recoverability of the amounts recorded in the financial statements.
Amortisation under the item "Concessions, licences, trademarks and similar rights" includes €/000 2,993 of amortisation of the Aprilia brand and €/000 1,079 for the Guzzi brand.

9. Other operating income €/000 70,223

This heading consists of:

In thousands of euros	*1st half 2008*	*1st half 2007*	*Change*
Operating grants	4,330		4,330
Increases in fixed assets from internal work	16,729	16,713	16
Sundry sales and income:			
- Rent receipts	6,731	3,407	3,324
- Capital gains on assets	19	687	(668)
- Sale of miscellaneous materials	404	298	106
- Recovery of transport costs	20,563	22,226	(1,663)
- Recovery of advertising costs	5,427	5,146	281
- Recovery of sundry costs	7,862	9,532	(1,670)
- Compensation	85	120	(35)
- Contingent assets	647	31	616
- Licence rights and know-how	755	284	471
- Sponsorship	2,596	3,759	(1,163)
- Service supply	38	1	37
- Other income	4,037	3,144	893
Total other operating income	*70,223*	*65,348*	*4,875*

Other operating income remained essentially stable compared to the first half of 2007.
The rent receipts refer mainly to income for the rent of racing bikes to the teams which compete in the World Motorcycling Championship.
The heading recovery of transport costs refers to costs recharged to customers, the charges for which are classified under "services".
Operating grants represent the benefit arising from the Tax Credit for Research and Development activities pursuant to art. 1, par. 280-284 of Law no. 296/2006.

10. Other operating costs **€/000 14,646**

This heading consists of:

In thousands of euros	*1st half 2008*	*1st half 2007*	*Change*
Non-income tax and duties	2,538	2,579	(41)
Capital losses from disposal of assets	7	11	(4)
Various subscriptions	526	541	(15)
Write-downs of receivables in working capital	1,542	1,202	340
Allocation of provisions	8,428	8,006	422
Other operating costs	1,605	1,731	(126)
Total	*14,646*	*14,070*	*576*

Overall, other operating costs increased by €/000 576. This change is mainly due to the higher provisions to reserve for risks.

11. Net financial income/(charges) **€/000 (17,986)**

Below is the breakdown of financial charges and income:

In thousands of euros	*1st half 2008*	*1st half 2007*	*Change*
Income from third parties:			
- Interest received from customers	4	33	(29)
- Interest on bank and postal accounts	1,252	718	534
- Interest on financial receivables	380	126	254
- Other	705	618	87
Total	*2,341*	*1,495*	*846*
Exchange gains	7,145	3,038	4,107
Total financial income	*9,486*	*4,533*	*4,953*

In thousands of euros	*1st half 2008*	*1st half 2007*	*Change*
Charges:			
Financial charges paid to associated companies	2	0	2
Financial charges paid to others:			
- Interest on bank accounts	419	436	(17)
- Interest on bond	7,894	7,807	87
- Interest on bank loans	4,995	4,983	12
- Interest paid to other lenders	3,563	2,974	589
- Cash discounts for customers	682	833	(151)
- Bank charges on loans	209	209	0
- Interest paid on leases	234	251	(17)
- Charges implementation reserves for severance indemnities	1,630	883	747
- Other	144	126	18
Total financial charges paid to others	19,770	18,502	1,268
Total	*19,772*	*18,502*	*1,270*
Exchange losses	7,700	3,633	4,067
Total financial charges	*27,472*	*22,135*	*5,337*
TOTAL FINANCIAL INCOME (CHARGES)	*(17,986)*	*(17,602)*	*384*

The negative balance of financial income (charges) in the first six months of 2008 was of €/000 17,986, an increase compared to the €/000 17,602 for the same period in 2007. The €/000 384 worsening is mainly due to the increase in the charges for the implementation of the reserve for severance indemnities. This was only partly offset by the reduction in average net debt for the period.

12. Taxation €/000 16,609

Income tax for the first half of 2008, calculated in accordance with IAS 34, is estimated at €/000 16,609, equivalent to 26% of earnings before taxation, equal to the best estimate of the average weighted rate expected for the entire financial period.

13. Gain/(loss) from assets intended for disposal or sale

At the end date of the interim report, there were no gains or losses from assets intended for disposal or sale.

14. Earnings per share

Earnings per share are calculated as follows:

		1st half 2008	*1st half 2007*
Net earnings	€/000	47,269	51,505
Earnings attributable to ordinary shares	€/000	47,269	51,505
Number of ordinary shares in circulation at 1/1		396,040,908	390,712,148
Number of shares issued in the period		-	5,328,760
Average number of ordinary shares in circulation during the period		396,040,908	395,128,247
Earnings per ordinary share	€	0.12	0.13
Adjusted average number of ordinary shares		396,040,908	414,022,812
Diluted earnings per ordinary share	€	0.12	0.12

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

D) CONTENT AND MAIN CHANGES - CONSOLIDATED BALANCE SHEET - ASSETS

15. Intangible assets €/000 635,996

The table below details the breakdown of intangible assets at 30th June 2008 and at 31st December 2007, as well as the changes for the period.

Amounts in €/000	Book value at 31 December 2007	Increases	Amortisation	Disposals	Reclassifications	Exchange differences	Book value at 30 June 2008
R & D costs	68,833	22,448	(15,523)		54	(1,200)	74,612
Patent rights	25,390	1,302	(6,353)		(2)		20,337
Concessions, licences and trademarks	98,172		(4,152)				94,020
Goodwill	444,480	2,144					446,624
Other	660	25	(153)		(99)	(30)	403
Total	*637,535*	*25,919*	*(26,181)*	*0*	*(47)*	*(1,230)*	*635,996*

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

Development costs €/000 74,612

Development costs include costs for products and engines in projects for which there is an expectation, for the period of the useful life of the asset, to see net sales at such a level in order to allow the recovery of the costs incurred. It also includes assets under construction for €/000 25,621 which represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.

In relation to development costs in the first half of 2008, the new projects capitalised refer mainly to the new Piaggio MP3 hybrid, Vespa GTS 300, Aprilia RSV 1000 4c, Naked 1200 cc, Moto Guzzi Stelvio and 1400 cc engine, Derbi DRV Evo 50 cc, Derbi Mulhacen Cafè, Derbi Terra 125 cc, India LTV diesel engine, and Porter update.
Development costs included under this item are amortised on a straight-line basis over 3 years, in consideration of their residual usefulness.
In the first half of 2008, some 12,331 million Euros of development costs were charged directly to the income statement.

Industrial patents and intellectual property rights €/000 20,337

This heading comprises mainly software and patents and know-how (€/000 9,650 and €/000 10,687, respectively) mostly relating to Vespa, MP3, and GP800. It includes assets under construction for €/000 2,366.

The increases for the period refer mainly to software for the implementation of applications for the marketing, administration and production areas.

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

Concessions, licences and trademarks €/000 94,020

The heading *Concessions, licences and trademarks* equal to €/000 94,020, consists of:

In thousands of euros	*Net value at 30th June 2008*	*Net value at 31st December 2007*
Guzzi	24,854	25,933
Aprilia	68,850	71,843
Laverda	233	310
Minor brands	83	86
Total	*94,020*	*98,172*

The gross value of the Aprilia brand is €/000 89,803 whereas the Guzzi brand is valued at €/000 32,391.

The values of the Aprilia and Moto Guzzi brand are based on the appraisal by an independent expert, drafted during 2005. These trademarks are amortised in a period of 15 years.

In relation to the acquisition of the Aprilia Group, in December 2004 the company issued warrants and financial instruments in favour of Aprilia and selling shareholders' creditor banks, exercisable in the periods determined by the respective regulations starting from the approval of the consolidated balance sheet at 31st December 2007, and whose commitments can be summed up as follows:

- Piaggio 2004/2009 warrants for an overall issue price of €/000 5,350.5, which envisages a realisable amount proportionate to the differential between the Group's economic value at the exercise date and a grid of threshold values variable depending on the different exercise periods. It was also established that the maximum realisable value can never exceed the overall issue price by twelve times, equal to €/000 64,206 and that it can be settled, with reserved faculty by the issuer, both by cash and by means of handover of the Company's shares provided that they are listed on the MTA of the Italian Stock Exchange. The Company, already from the 2005 financial statement, has recorded in a special equity reserve the fair value of such commitment, on the assumption that the realisable value could be settled by handing over shares, after having at the same time started the process for the floatation of the Company and being in possession of the resolution by the Shareholders' Extraordinary Meeting to increase the reserved capital through the issue of up to a maximum of 25 million shares. During the first half of 2008, almost all banks holding the warrants, has provided to exercise them. The realisable value of the equity's rights due to the owners of the 9,959 exercised warrants was equal to € 63,942,755.40 as from an estimation given by an independent estimator on 5th June. On 11th June, Piaggio's Board of Directors decided to proceed with the liquidation by cash settlement by 3rd July 2008. Following such resolution, steps were taken to reclassify to financial debt to what was previously classified among shareholders' equity reserves. At 30th June 2008, 41 warrants for a value of € 263,244,60 were not exercised yet.

- EMH 2004/2009 financial instruments for a global nominal value of €/000 10,000, which will give the right following the approval of the balance sheet at 31st December 2009 of a minimum guaranteed sum of €/000 3,500, besides a maximum realisable value of €/000 6,500 proportionate to the differential between the Group's economic value at the exercise date and a grid of threshold values higher than those established for the Piaggio 2004/2009 warrants, variable in relation to the different exercise periods. The realisable value of the equity's rights due to the owners of the EMH instruments was equal to € 6,500,000 as from estimation given by an independent estimator on 5th June 2008. On 11th June 2008, Piaggio's Board of Directors decided to proceed with the liquidation by cash settlement by 3rd July 2008.
- Aprilia shareholder 2004/2009 financial instruments which envisage a realisable value that can never exceed €/000 10,000 proportionate to the differential between the Group's economic value at the exercise date and a grid of threshold values and dependent on the total payment by the Company of the maximum amount, inclusive of the minimum guaranteed, of the value envisaged for the Piaggio 2004/2009 warrants and for the EMH 2004/2009 financial instruments.

In conformity with the main content of the aforementioned contractual agreements, by virtue of which, among other things, the final purchase cost is dependent on the achievement of specific income and balance sheet parameters, iin the light of the final results and forecasts of the 2008-2010 Business Plan, the adjustment of the initial purchase cost, which was considered certain for the Warrants and for the EMH financial instruments and likely for Aprilia financial instruments, was estimated at €/000 79,389 and was charged to goodwill.

As this amount is deferred, the cost is represented by the current value determined according to the following parameters:

		at 30th June 2008			at 31st December 2007	Change (A-B)
Amounts in €/000	Value	Actual Value (A)	Time	Discount rate	Actual Value (B)	
Warrant	64,206	64,206	0	6.94%	62,450	1,756
EMH instrument	6,500	6,500	0	6.94%	6,322	178
Aprilia shareholder instrument	10,000	8,683	2.1	6.94%	8,473	210
Total	80,706	79,389			77,245	2,144

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

Goodwill €/000 446,624

The following table summarises structure of the goodwill:

In thousands of euros	*At 30th June 2008*	*At 31st December 2007*
Piaggio & C.	330,590	330,590
Nacional Motor	31,237	31,237
Piaggio Vehicles	5,408	5,408
Aprilia	79,389	77,245
Total	*446,624*	*444,480*

Goodwill derives from the greater value paid compared to the corresponding share of the investee companies' shareholders' equity at the time of the purchase, less the related accumulated amortisation until 31st December 2003. During first-time adoption of the IFRS, the Group opted not to retroactively apply IFRS 3 - *Business Combinations* to acquisitions of companies that took place before 1st January 2004; as a result, the goodwill generated on acquisitions prior to the date of transition to IFRS was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and calculation of value impairment.

For all the transactions listed below, the difference between the book value of the equity investment and the net book value has been attributed to goodwill.

The transactions which gave rise to this heading are:

- the acquisition by MOD S.p.A. of the Piaggio & C. Group, completed during 1999 and 2000 (net value at 1st January 2004: €/000 330,590)
- the acquisition by Piaggio & C. S.p.A. of 49% of Piaggio Vehicles Pvt. Ltd from Greaves Ltd completed in 2001 (net value at 1st January 2004: €/000 5,192). To this may be added the subsequent acquisition by Simest S.p.A. of a 14.66% stake in the share capital of Piaggio Vehicles Pvt. Ltd;
- the acquisition by Piaggio & C. S.p.A., of 100% of Nacional Motor S.A. in October 2003, at a price of €/000 35,040 with goodwill net of amortisation of €/000 31,237 at 1st January 2004.

As specified in setting out the accounting principles, from 1st January 2004 goodwill is no longer amortised, but is annually, or more frequently if specific events or changed circumstances indicate the possibility of it having been impaired, tested for impairment, in accordance with the provisions of IAS 36 *Reduction in assets values (impairment test)*.

The recoverable value of the cash-generating units to which the individual goodwill amounts have been attributed is verified through the determination of the value in use.
The main assumptions used in determining the value in use of the *cash-generating units* are related to the discount rate and the growth rate. In particular, the Group has adopted a discount rate which reflects the current market assessments for the cost of borrowing and takes account of the specific risk attributable to the Group: this rate, gross of tax, is 8.0%. The forecasts for the cash-generating units derive from those in the most recent budgets and plans prepared by the Group for the next three years, extrapolated for the following years on the basis of medium-/long-term growth rates equal to 1.5%.
The *impairment test* carried out at 31st December 2007 confirmed that there was no need to make any changes to the values recorded in the financial statements. The *business plan* prepared by the Group, which predicts a positive performance over the next three years, provides reassurance on the appropriateness of the figures used. During first half of 2008, there were no events such as to indicate that an asset might have been impaired.
The €/000 2,144 increase recorded in the half year was due to the measurement of the financial instruments linked to the purchase of the Aprilia Group, as described in the previous paragraph.

Other intangible assets €/000 403

A total of €/000 403 and they mainly consist of the charges paid for obtaining permissions from the Vietnamese government for a new plant.

16. Property, plant and machinery **€/000 237,537**

The table below details the breakdown of tangible assets at 30th June 2008 and at 31st December 2007, as well as the changes for the period.

Amounts in €/000	*Net value at 31st December 2007*	*Increases*	*Depreciation*	*Disposals*	*Reclassifications*	*Exchange differences*	*Value at 30th June 2008*
Land	32,848						32,848
Buildings	86,949	2,171	(1,811)		31	(1,451)	85,889
Plant and machinery	68,341	2,206	(6,491)		(200)	(3,011)	60,845
Equipment	51,949	7,000	(10,585)	(4)	141		48,501
Other	8,508	2,409	(1,268)	(82)	113	(226)	9,454
Total	*248,595*	*13,786*	*(20,155)*	*(86)*	*85*	*(4,688)*	*237,537*

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

Land €/000 32,848

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

Buildings €/000 85,889

The *Buildings* heading, net of accumulated depreciation, comprises:

In thousands of euros	*At 30th June 2008*	*At 31st December 2007*	*Change*
Industrial buildings	81,676	84,035	(2,359)
Ancillary buildings	523	418	105
Lightweight constructions	348	380	(32)
Assets under construction	3,342	2,116	1,226
Total	*85,889*	*86,949*	*(1,060)*

Industrial buildings refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India), Hanoi (Vietnam).
At 30th June 2008, the net values of assets held under leases were as follows:

In thousands of euros	*At 30th June 2008*
Mandello del Lario facility (land and building)	14,025
EDP systems (other intangible assets)	11
Total	14,036

Future lease rental commitments are detailed in note 29.

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

Plant and machinery €/000 60,845

Plant and machinery, net of the accumulated depreciation, consists of:

In thousands of euros	*At 30th June 2008*	*At 31st December 2007*	*Change*
Non-specific plants	32,537	38,111	(5,574)
Automatic machinery	8,037	9,490	(1,453)
Ovens and sundry equipment	819	900	(81)
Other	14,152	14,987	(835)
Assets under construction	5,300	4,853	447
Total	*60,845*	*68,341*	*(7,496)*

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

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

Industrial and commercial equipment €/000 48,501

Industrial and commercial equipment is largely made up of production equipment for Piaggio & C. S.p.A., Moto Guzzi S.p.A., Nacional Motor S.A. and Piaggio Vehicles Pvt. Ltd. and includes assets under construction for €/000 6,769.
The main investment in equipment concerned moulds for the new vehicles launched during the half year or for which launch is planned in the second half of the year, moulds for new engines and specific equipment for the assembly lines.
Industrial and commercial equipment is depreciated using rates considered appropriate by the Group companies to represent its useful life and in particular:

- testing and monitoring equipment: 30%;
- miscellaneous equipment: 25%.

Other tangible assets €/000 9,454

Other tangible assets, net of accumulated depreciation, consist of:

In thousands of euros	At 30th June 2008	*At 31st December 2007*	*Change*
EDP systems	2,873	3,199	(326)
Office furniture and equipment	2,415	2,631	(216)
Vehicles	1,246	1,426	(180)
Other	627	767	(140)
Assets under construction	2,293	485	1,808
Total	*9,454*	*8,508*	*946*

Guarantees

At 30th June 2008, the Group had land and buildings encumbered by mortgage liens or privileges in favour of Interbanca to secure a €/000 1,229 loan provided in accordance with Law 346/88 regarding subsidies for applied research received in previous years.

17. Property investments €/000 0

There is no investment property at the end date of the half year financial statements.

18. Equity investments €/000 719

The Equity investments heading comprises:

Amounts in €/000	*At 30th June 2008*	*At 31st December 2007*	*Change*
Equity investments in subsidiaries			
Equity investments in joint ventures			
Equity investments in associated companies	719	725	(6)
Total	*719*	*725*	*(6)*

Changes for the period are shown in the following table:

In thousands of euros	Book value at 31 December 2007	Increases	Provisions	Disposals/Write -downs	Book value at 30 June 2008
Subsidiaries					
Valued using the equity method:					
Piaggio China Co. LTD					
Aprilia Brasil SA					
Aprilia World Service do Brasil Ltd					
Total subsidiaries					
Joint venture					
Valued using the net shareholders' equity method:					
Zongshen Piaggio Foshan Motorcycles Co. Ltd – China					
Total joint venture					
Associated companies					
Valued at cost:					
SA.T.S.A. – Tunisia	45				45
Acciones Depuradora Soc. Coop.	3				3
Motoride.com – Milan (in liquidation)	496			(6)	490
Pontech Soc. Cons. S.c.r.l. – Pontedera	181				181
Total associated companies	*725*			*(6)*	*719*

As regards Motoride.com in liquidation, on the basis of information currently available, it is believed that the value of the equity investment is recoverable.

Equity investment in joint ventures €/000 0

The equity investment in Zongshen Piaggio Foshan Motorcycles Co. Ltd has been classified under *joint ventures* in relation to the agreement signed on 15th April 2004 between Piaggio & C. S.p.A. and its historic partner Foshan Motorcycle Plant, on the one side, and the Chinese company Zongshen Industrial Group Company Limited, on the other.

Piaggio & C. S.p.A.'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 remained unchanged and equal to zero compared to 31st December 2007.

In relation to the bank loans provided to the subsidiary Zongshen Piaggio Foshan Motorcycle Co. Ltd, Group companies have issued overall bank guarantees of €/000 11,355.

The following table summarises the main financial highlights of the joint venture:

Zongshen Piaggio Foshan Motorcycle Co.	Financial statements at 30th June 2008	
		45%
In thousands of euros		
NET TRADE RECEIVABLES	11,642	5,239
TRADE RECEIVABLES DUE FROM Piaggio Group	745	335
INVENTORIES	6,781	3,052
TRADE PAYABLES	(4,103)	(1,846)
AMOUNTS DUE TO Piaggio Group	(9,790)	(4,406)
OTHER RECEIVABLES	1,502	676
OTHER AMOUNTS DUE TO Piaggio Group	9	4
OTHER PAYABLES	(4,693)	(2,112)
WORKING CAPITAL	**2,093**	**942**
TANGIBLE ASSETS	15,154	6,819
INTANGIBLE ASSETS	10	5
TOTAL FIXED ASSETS	*15,164*	*6,824*
NET CAPITAL EMPLOYED	**17,257**	**7,766**
Other reserves	391	176
RESERVES	**391**	**176**
FINANCIAL PAYABLES	15,661	7,048
SHORT-TERM FINANCIAL RECEIVABLES AND CASH	(3,441)	0
FINANCIAL POSITION	**12,220**	**(1,549)**
SHARE CAPITAL	23,687	5,499
OTHER RESERVES	31,659	10,659
RETAINED EARNINGS	(53,203)	14,246
EARNINGS OF PERIOD	2,503	(23,941)
SHAREHOLDERS' EQUITY	**4,646**	**1,126**
TOTAL SOURCES OF FUNDS	**17,257**	**2,091**

(*) percentage Group ownership

Equity investments in associated companies — €/000 719

The €/000 6 reduction for the period is due to the write-down made regarding Motoride.com. as a result of the losses incurred by the same.

19. Other non-current financial assets €/000 165

Amounts in €/000	*At 30th June 2008*	*At 31st December 2007*	*Change*
Financial receivables due from associated companies	0	58	(58)
Equity investments in other companies	165	177	(12)
Total	*165*	*235*	*(70)*

The heading financial receivables due from associated companies includes the non-current portion of the loan granted to the Fondazione Piaggio.

The following table shows the changes in equity investments in other companies:

In thousands of euro	Book value at 31 December 2007	Increases	Reclassifications	Disposals	Book value at 30 June 2008
Other companies:					
Valued at cost:					
Sviluppo Italia Liguria S.c.p.a. (formerly Bic Liguria S.p.A.)	5				5
Consorzio Pisa Ricerche	76				76
A.N.C.M.A. – Rome	1				1
GEO.FOR. S.p.A. – Pontedera	47				47
GEO.FOR. Patrimonio S.p.A. – Pontedera	12			(12)	
E.CO.FOR. S.p.A. – Pontedera	2				2
Consorzio Fiat Media Center – Turin	3				3
S.C.P.S.T.V.	21				21
Other	5				5
IVM	5				5
Mitsuba FN Europa S.p.A.	0				0
Acciones Depuradora	0				0
Total other companies	177			(12)	165

The €/000 12 reduction is due to the disposal, on 10th January 2008, of the equity (0.5%) in Geofor Patrimonio S.p.A. in favour of the Pisa Municipality.

20. Current and non-current tax receivables **€/000 28,429**

Tax receivables of €/000 23,334 consists of:

Amounts in €/000	*At 30th June 2008*	*At 31st December 2007*	*Change*
VAT receivables	13,177	18,496	(5,319)
Receivables for tax for which a refund has been claimed	8,826	7,689	1,137
Other receivables due from the public authorities	6,426	1,257	5,169
Total tax receivables	*28,429*	*27,442*	*987*

Tax receivables included under non-current assets totalled €/000 13,809, compared to €/000 7,821 at 31st December 2007, while tax receivables included under current assets totalled €/000 14,620 compared to €/000 19,621 at 31st December 2007.

21. Deferred tax assets **€/000 26,373**

These totalled €/000 26,373 compared to €/000 33,532 at 31st December 2007. Deferred tax assets mainly consist in assets regarding the reversal of unrealised inter-company gains with third parties, tax losses of the parent company and Nacional Motor S.A., timing differences of the parent company, as well as the adjustment of the Group tax burden to the tax rate expected for the entire financial period.

22. Current and non-current trade receivables **€/000 289,654**

At 30th June 2008, trade receivables included in the long-term activities totalled €/000 650. At 31st December 2007, they were equal to €/000 0.
Trade receivables included in current activities total €/000 289,004 compared to €/000 121,412 at 31st December 2007. They consist of:

Amounts in €/000	At 30th June 2008	At 31st December 2007	Change
Current trade receivables:			
- due from clients	288,104	119,370	168,734
- due from Group companies valued at equity	745	1,064	(319)
- due from Parent company	39	920	(881)
- due from associated companies	116	58	58
Total	*289,004*	*121,412*	*167,592*

The €/000 167,592 increase is linked to the seasonal nature of the sales, which are concentrated in the spring and summer months.
Trade receivables due from Group companies valued at equity are amounts due from Piaggio Foshan relating to the sale of raw and semifinished materials.

Trade receivables due from associated companies are amounts due from Fondazione Piaggio and Cantieri Navali Rodriquez.

The trade receivables item comprises the receivables, referring to normal sale transactions, recorded net of a reserve for risks on receivables of €/000 23,586.

Changes in the reserve are as follows:

In thousands of euros	
At 31st December 2007	23,187
Provisions	1,542
Applications	(1,143)
At 30th June 2008	23,586

The Piaggio Group normally sells its receivables with and without recourse. The Piaggio Group has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its clients an instrument for funding their own inventories. At 30th June 2008, the trade receivables sold without recourse totalled €/000 191,938, of which the Piaggio Group received financial advances prior to the natural maturity of the receivables for a total of €/000 91,848. At 30th June 2008 the trade receivables sold with recourse totalled €/000 19,549 and have counter entry in the current liabilities.

23. Other current and non-current receivables €/000 27,900

Other receivables recorded under non-current assets totalled €/000 9,850 compared to €/000 8,877 at 31st December 2007, whereas those recorded under current assets are equal to €/000 18,050 against €/000 20,345 at 31st December 2007. They comprise the following:

Amounts in €/000	At 30th June 2008	At 31st December 2007	Change
Other non-current receivables:			
- due from Group companies valued at equity	440	440	0
- due from associated companies	390	390	0
- due from others	9,020	8,047	973
Total non-current portion	*9,850*	*8,877*	*973*

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

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

Amounts in €/000	At 30th June 2008	At 31st December 2007	Change
Other current receivables:			
Receivables due from parent company	1,022	226	796
Receivables due from Group companies valued at equity	9		9
Receivables due from associated companies	141		141
Receivables due from others	16,878	20,119	(3,241)
Total current portion	*18,050*	*20,345*	*(2,295)*

24. Inventories **€/000 282,438**

At 30th June 2008, this item totalled €/000 282,438, compared to €/000 225,529 at the end of 2007, and comprised:

Amounts in €/000	*At 30th June 2008*	*At 31st December 2007*	*Change*
Raw materials and consumables	113,916	99,214	14,702
Reserve for loss in value	(8,420)	(8,072)	(348)
	105,496	*91,142*	14,354
Work in progress	39,695	21,737	17,958
Reserve for loss in value	(852)	(852)	0
	38,843	*20,885*	17,958
Finished products and goods	156,079	131,156	24,923
Reserve for loss in value	(18,206)	(17,899)	(307)
	137,873	*113,257*	24,616
Payments on account	*226*	*245*	(19)
Total	*282,438*	*225,529*	*56,909*

The overall increase of €/000 56,909 is linked to the seasonal nature of the production cycle.

25. Other current financial assets **€/000 30,362**

This item comprises:

Amounts in €/000	*At 30th June 2008*	*At 31st December 2007*	*Change*
Financial receivables due from associated companies	58	58	0
Securities	29,869	17,925	11,944
Other	435	435	0
Total	*30,362*	*18,418*	*11,944*

€/000 29,869 refers to certificates of deposit issued by an Indian public social security body and purchased by the subsidiary Piaggio Vehicles Private Ltd. in order to make efficient use of emporary liquidity.
The heading financial receivables due from associated companies includes the current portion of the loan granted to the Fondazione Piaggio.

26. Cash and cash equivalents **€/000 81,565**

Cash and cash equivalents totalled €/000 81,565 against €/000 101,334 at 31st December 2007, as detailed below:

Amounts in €/000	*At 30th June 2008*	*At 31st December 2007*	*Change*
Bank and post office deposits	81,481	101,161	(19,680)
Cheques	32	0	32
Cash and assets in hand	52	173	(121)
Total	*81,565*	*101,334*	*(19,769)*

The heading mainly includes short-term and on demand bank deposits.

27. Assets intended for sale **€/000 0**

At 30th June 2008, there were no assets intended for sale.

CONTENT AND MAIN CHANGES - CONSOLIDATED BALANCE SHEET - LIABILITIES

28. Share capital and reserves €/000 426,263

Share capital €/000 201,037

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

In thousands of euros	
Subscribed and paid up capital	205,941
Purchase of own shares 2007	(3,817)
At 1st January 2008	202,124
Purchase of own shares in 1st half of 2008	(1,087)
At 30th June 2008	201,037

At 30th June 2008 the fully subscribed and paid-up share capital consists of 396,040,908 ordinary shares with a nominal value of € 0.52 each, totalling € 205,941,272.16.

During the period, following resolutions passed at shareholders' meetings on 7th May 2007 and 24th June 2008, the Parent company purchased 2,090,000 own shares, 2,066,000 of which were purchased in order to allow the implementation of the new 2007-2009 stock option plan and 24,000 to support the security performance.

Therefore, at 30th June 2008 the Parent company holds 9,430,000 own shares, equal to 2.381% of the share capital.

It is pointed out that in the last days of June, the Parent company issued instructions to purchase a further 1,160,210 own shares which, being processed in July, as provided by the accounting standards, will be recorded in the month of July.

In accordance with the provisions of international accounting standards, these purchases were recorded as a reduction in shareholders' equity.

At 30th June 2008, according to the shareholder ledger and available information, beyond Immsi S.p.A. (with 56.922% of the share capital), Deutsche Bank AG (with 2.74% of the share capital), Diego Della Valle & C. S.a.p.a. (with 2.01% of the share capital), and the Company itself (with 2.00% of the share capital), no shareholder holds an equity investment of more than 2% of the share capital.

Share premium reserve €/000 3,493

The share premium reserve at 30th June 2008 stood at €/000 3,493.

Legal reserve €/000 7,497

The legal reserve increased by €/000 3,224 as a result of the allocation of the earnings for the last period.

Other reserves and retained earnings €/000 167,340

This heading consists of:

Amounts in €/000	*At 30th June 2008*	*At 31st December 2007*	*Change*
Conversion reserve	(5,628)	(293)	(5,335)
Stock option reserve	7,451	6,576	875
Financial instruments' fair value reserve	2,325	62,703	(60,378)
IFRS transition reserve	(5,859)	(5,859)	0
Total other reserves	*(1,711)*	*63,127*	*(64,838)*
Consolidation reserve	993	993	0
Retained earnings	168,058	136,826	31,232
Total	*167,340*	*200,946*	*(33,606)*

The financial instruments' *fair value* reserve includes €/000 2,325 relating to the effect of recording the *cash flow hedge*. The €/000 60,378 change follows the reclassification between the financial payables of the 2004-2009 Piaggio warrants.

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

Distributed dividends €/000 23,322

During the month of May 2008, dividends for €/000 23,322 were paid. During 2007, dividends for €/000 11,881 were paid.

Group earnings (losses) for the period €/000 46,896

Minority interest capital and reserves €/000 1,438

This amount refers to the minority shareholders in Piaggio Hrvatska Doo.

Reconciliation statement between the shareholders' equity and the Parent company's earnings for the period, and shareholders' equity and earnings of the consolidated period.

Amounts in €/000	Earnings at 30th June 2008	Shareholders' equity at 30th June 2008
PIAGGIO & C. S.P.A.	**41,302**	**343,007**
Pro rata earnings and shareholders' equity of investee companies	11,843	79,257
Elimination of the book value of the equity investments of the parent company		(88,082)
Difference between the book value of equity investments valued at cost by the parent company and their valuation using the equity method and elimination entries of intercompany effects	(5,876)	93,520
Piaggio & C. Group	**47,269**	**427,701**

29. Current and non-current financial liabilities €/000 438,801

Non-current liabilities totalled €/000 308,497, compared to €/000 322,921 at 31st December 2007, in relation to the amortisation of Mediobanca Banca Intesa San Paolo loan, while current liabilities stood at €/000 130,304, against €/000 66,614 at 31st December 2007 following the decision to pay off the Piaggio 2004-2009 warrants in cash and the consequent reclassification among financial debts of €/000 64,206 previously recorded in a specific reserve of shareholders' equity. As is shown in the table on the net financial position included in the financial schedules, the Group's overall net debt was €/000 269,783 at 31st December 2007 against €/000 326,874 at 30th June 2008. The €/000 57,091 increase follows the decision to pay off the Piaggio 2004-2009 warrants in cash for a total value of €/000 63,943, rather than issuing new shares as it was originally envisaged. In addition to this, the debt increased also following the distribution of dividends, the purchase of own shares, and the above-described investment activities. This was only partially compensated by the positive performance of the operating cash flow.

The attached tables summarise the breakdown of financial debt at 30th June 2008 and at 31st December 2007, as well as the changes for the period.

Amounts in €/000	At 31st December 2007	Repayments	New issues	Reclass. to current portion	Other changes	At 30th June 2008
Non-current portion:						
Medium-/long-term loans	147,912			(14,366)	181	133,727
Bonds falling due beyond 12 months	145,380				387	145,767
Other medium-/long-term loans						
of which leases	9,746			(360)		9,386
of which due to other lenders	11,409			(475)		10,934
of which Aprilia instruments	8,474				209	8,683
Total other loans beyond 12 months	*29,629*	*0*	*0*	(835)	*209*	*29,003*
Total	*322,921*	*0*	*0*	*(15,201)*	*777*	*308,497*

Amounts in €/000	At 31st December 2007	Repayments	New issues	Reclass. from non-current	Other changes	At 30th June 2008
Current portion:						
Current account overdrafts	6,472	(6,472)	4,804			4,804
Current account payables	12,601	(12,601)	3,328			3,328
Payables due to factoring companies	9,332	(9,332)	19,549			19,549
Current portion of medium-/long-term loans:						
- of which leases	695	(344)		360		711
- due to banks	28,502	(14,364)		14,366		28,504
- due from others	2,690	(463)		475		2,702
. of which Aprilia instruments	6,322				64,384	70,706
Total current portion of medium-/long-term loans	*38,209*	(15,171)	*0*	*15,201*	*64,384*	*102,623*
Total	*66,614*	*(43,576)*	*27,681*	*15,201*	*64,384*	*130,304*

Group debt increased to €/000 49,266, as a result of the above mentioned decision to pay off the holders of Piaggio 2004-2009 warrants and EMH instruments

The breakdown of the debt is as follows:

Amounts in €/000	Book value at 30.06.2008	Book value at 31.12.2007	Nominal value at 30.06.2008	Nominal value at 31.12.2007
Bank loans	170,363	195,487	171,387	196,722
Bonds	145,767	145,380	150,000	150,000
Other medium-/long-term loans:				
of which leases	10,097	10,441	12,327	12,903
of which amounts due to other lenders	33,185	23,431	33,185	23,431
of which Aprilia instruments	79,389	14,796	80,706	16,500
Total other loans	122,671	48,668	126,218	52,834
Total	**438,801**	**389,535**	**447,605**	**399,556**

The table below shows the debt servicing schedule at 30th June 2008:

(In thousands of Euro)	Nominal value at 30.06.2008	Amounts falling due within 12 months	Amounts falling due beyond 12 months	Amounts falling due in 2nd half 2009	2010	2011	2012	Beyond
Bank loans	171,387	36,636	134,751	43,367	31,204	30,395	29,204	581
Bonds	150,000	0	150,000				150,000	
Other medium-/long-term loans:								
of which leases	12,327	1,154	11,173	576	1,150	1,148	1,148	7,151
of which amounts due to other lenders	33,185	22,251	10,934	2,094	2,360	2,324	2,214	1,942
of which Aprilia instruments	80,706	70,706	10,000		10,000			
Total other loans	126,218	94,111	32,107	2,670	13,510	3,472	3,362	9,093
Total	*447,605*	*130,747*	*316,858*	*46,037*	*44,714*	*33,867*	*182,566*	*9,674*

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

Amounts in €/000	Book value at 31.12.2007	Book value at 30.06.2008	Notional value at 30.06.2008	Applicable interest rate
euro	382,887	431,684	444,268	
Singapore Dollar	354	-	-	
Indian Rupee	3,296	3,215	-	
US Dollar	2,998	3,902	3,337	
Total currencies other than Euro	*6,648*	*7,117*	*3,337*	
Total	*389,535*	*438,801*	*447,605*	*6.825%*

Medium-term bank debt amounts to €/000 162,231 (€/000 133,727 of which non-current and €/000 28,504 current) and consists of the following loans:

- €/000 121,976 (nominal value €/000 123,000) loan provided to the parent company by Mediobanca and Banca Intesa San Paolo. In April 2006, this loan was syndicated to a restricted pool of banks and it is part of a more articulated loan package. Such package consists of a portion of €/000 150,000 nominal fully drawn and a portion of €/000 100,000 to be used as a credit line, which at 30*th* June 2008 was completely undrawn. The structure envisages a 7-year term, with a grace period of 18 months and 11 semi-annual instalments with the last maturity on 23*rd* December 2012 for the loan portion, a variable interest rate linked to the 6-month Euribor rate to which a variable margin of between a maximum of 2.10% and a minimum of 0.65% is added depending on the Net Financial Debt/ EBITDA ratio. In relation to the data recorded with the 2007 annual financial statements, this margin is confirmed at 0.90% for the first half of 2008. For the portion relating to the credit line there is a commitment fee of 0.25%. The agreement does not envisage the issue of guarantees, while, in line with market practice, it does require meeting some financial parameters. It should be noted that, in reference to this half-year figures, these parameters were comfortably met;

- a €/000 29,000 loan granted to the parent company by a pool of 14 banks at the time of the Aprilia acquisition for the purchase of an amount of 34 million Euros in non self-liquidating financial receivables claimed by the same lenders from Aprilia S.p.A. The conditions envisaged a fixed interest rate of 3.69% annually compounded and repayment in a single instalment of capital and interest at the final maturity, set for 31st December 2009;
- a €/000 1,229 loan provided by Interbanca in accordance with Law 346/88 regarding subsidies for applied research, secured by a mortgage lien on property;
- an interest-free loan of €/000 2,691 provided by Banca Antonveneta originally to a subsidiary of the Aprilia Group and, following the acquisition, taken on by the parent company with a single repayment date in 2011. The conditions envisage a market interest rate over the last two years based on the performance of the Piaggio 2004-2009 warrants;
- a €/000 1,545 subsidised loan provided by Efibanca, maturing on 27th December 2009;
- a €/000 2,290 subsidised loan provided by Banca Intesa San Paolo under Law 346/88 regarding applied research;
- a €/000 3,500 of payables due to Interbanca in its capacity of provider of the EMH instruments.

The bonds falling due after 12 months item (€/000 145,767 net book value) refers to the *high-yield* bond issued on 27th April 2005 by the subsidiary Piaggio Finance S.A. (Luxembourg), for a nominal amount of €/000 150,000, maturing on 30th April 2012 and with a semi-annual coupon with a fixed annual nominal rate of 10%. The bond issue was guaranteed by the parent company and in June 2007 benefited from an *upgrade* when Standard & Poor’s assigned the issue a rating of BB (previously BB-), in line with the issuer’s rating, along with a “stable” *outlook* remark; in July 2007, Moody’s also upgraded its *rating* to Ba2 (previously Ba3), with a “stable” *outlook* remark.

Medium-/long-term payables due to other lenders amount to €/000 122,671 of which €/000 29,003 falling due beyond 12 months and €/000 93,668 current portion of other loans. Their breakdown was as follows:

- finance leases for €/000 10,097 of which €/000 10,089 provided by Locat S.p.A. to Moto Guzzi S.p.A., and €/000 8 provided by Italease Factoring S.p.A. to Moto Guzzi & C. S.p.A.;
- payables due to Interbanca of €/000 6,500 as provider of the EMH financial instruments;
- Piaggio 2004-2009 warrants for €/000 64,206;
- €/000 8,683 Aprilia ex-shareholders financial instrument;
- subsidised loans for €/000 13,636 provided by Simest and by the Ministry of Production using regulations to encourage exports and investment in research and development (non-current portion of €/000 10,934);
- factoring operations with recourse and renegotiated €/000 19,549.

Financial instruments

Exchange rate risk

In the first half of 2008, exchange rate risk was managed in line with the *policy* introduced in 2006 which aims to neutralise the possible negative effects of the changes in exchange rates on company *cash-flow*, by hedging the business risk, which concerns the changes in company profitability compared to the annual business budget on the basis of a key change (the so-called "budget change") and of the settlement risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.

The exposure to business risk consists of the envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.

The exposure to settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency.

Referring to contracts which are made to hedge exchange rate risk on receivables and payables in foreign currency (settlement risk), at 30th June 2008 Piaggio & C. S.p.A. had the following forward sale contracts outstanding:

- USD/000 34,530 corresponding to €/000 22,197 (valued at the forward exchange rate);
- GBP/000 9,595 corresponding to €/000 12,117 (valued at the forward exchange rate);
- NOK/000 8,950 corresponding to €/000 1,126 (valued at the forward exchange rate);
- DKK/000 17,410 corresponding to €/000 2,333 (valued at the forward exchange rate);

- CHF/000 8,140 corresponding to €/000 5,073 (valued at the forward exchange rate);
- CAD/000 3,240 corresponding to €/000 2,080 (valued at the forward exchange rate);
- JPY/000,000 173 corresponding to €/000 1,061 (valued at the forward exchange rate);
- SGD/000 345 corresponding to €/000 163 (valued at the forward exchange rate);

and forward purchase contracts:

- CHF/000 845 corresponding to €/000 522 (valued at the forward exchange rate);
- JPY/000,000 165 corresponding to €/000 983 (valued at the forward exchange rate);
- SEK/000 695 corresponding to €/000 74 (valued at the forward exchange rate).

As regards contracts in place to hedge exchange rate risk on *forecast transactions* (business risk), at 30th June 2008 the parent company had forward purchase transactions of JPY/000,000 1,230 corresponding to €/000 7,777, and forward sales transactions for a value of CHF/000 8,270 corresponding overall to €/000 5,076 (valued at the forward exchange rate), CAD/000 2,400 corresponding to €/000 1,733 (valued at the forward exchange rate), and GBP/000 15,300 corresponding to €/000 21,695 (valued at the forward exchange rate).

With regard to the other Group's companies at 30th June 2008: for Piaggio Group America, there were forward sale transactions for a value of USD/000 7,100 corresponding overall to €/000 4,839 (valued at the forward exchange rate), for the company Piaggio Vehicles Private Ltd. forward sale transactions for a value of USD/000 1,500 corresponding to INR/000 60,295

30. Current and non-current trade payables **€/000 524,538**

At 30th June 2008, non-current trade payables totalled €/000 57, whereas there were no outstanding payables at 31st December 2007.
At 30th June 2008 current trade payables totalled €/000 524,481 against €/000 347,460 at 31st December 2007.

Amounts in €/000	*At 30th June 2008*	*At 31st December 2007*	*Change*
Current liabilities:			
Liabilities due to suppliers	514,018	342,679	171,339
Liabilities due to Group companies valued at equity	9,796	4,071	5,725
Liabilities due to associated companies	89	119	(30)
Liabilities due to parent companies	578	591	(13)
Total current portion	*524,481*	*347,460*	*177,021*

The overall increase in trade payables of €/000 177,078 is linked to the previously mentioned seasonal nature of the production cycle.

31. Reserves (current and non-current portion) **€/000 42,882**

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

Amounts in €/000	Balance at 31st December 2007	Provisions	Applications	Reclassification	Exchange differences	Balance at 30th June 2008
Product warranty reserve	20,317	7,223	(5,856)		(56)	21,628
Reserve for risks on equity investments	5,907					5,907
Reserves for restructuring	1,605		(1,592)			13
Reserve for contractual risks	7,151		(36)			7,115
Other reserves for risks and charges	8,748	1,205	(1,609)		(125)	8,219
Total	*43,728*	*8,428*	*(9,093)*	*0*	*(181)*	*42,882*

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

Amounts in €/000	*At 30th June 2008*	*At 31st December 2007*	*Change*
Non-current portion:			
Product warranty reserve	4,596	3,612	984
Reserve for risks on equity investments	5,605	5,605	0
Reserve for contractual risks	7,115	7,151	(36)
Other reserves for risks and charges	2,794	3,601	(807)
Total non-current portion	*20,110*	*19,969*	*141*

Amounts in €/000	*At 30th June 2008*	*At 31st December 2007*	*Change*
Current portion:			
Product warranty reserve	17,032	16,705	327
Reserve for risks on equity investments	302	302	0
Reserves for restructuring	13	1,605	(1,592)
Other reserves for risks and charges	5,425	5,147	278
Total current portion	*22,772*	*23,759*	*(987)*

The product warranty reserve relates to allocations for technical assistance on products with customer service which are estimated to be provided over the contractually envisaged warranty period. This period varies according to the type of goods sold and the sales market, and is also determined by customer take-up to commit to scheduled maintenance plan.

The reserve increased during the period to €/000 7,223 and was used for €/000 5,856 in relation to charges incurred during the period.

The reserve for risks on equity investments includes the portion of negative shareholders' equity in the subsidiaries Piaggio China Co Ltd and AWS do Brasil, as well as the charges that may arise from liquidation/merger involving some foreign Group companies.

The reserve for charges for restructuring refers to future charges which are expected to be incurred regarding duly identified measures to reorganise the company.

The provision of contractual risks refers largely to charges which may arise from the ongoing negotiation of a supply contract.

"Other reserves" include the provision for legal risks for an amount of €/000 4,397.

32. Deferred tax liabilities — €/000 34,438

€/000 18,262 of the reserve for deferred tax liabilities refers to the tax effect on the registering the Aprilia brand. The remainder relates to temporary differences calculated by other Group companies.

33. Reserves for pension and employee benefits — €/000 61,178

Amounts in €/000	*At 30th June 2008*	*At 31st December 2007*	*Change*
Pension funds	2,641	2,594	47
Employee severance indemnity	58,537	59,610	(1,073)
Total	*61,178*	*62,204*	*(1,026)*

The reserves for pensions comprise reserves for employees allocated by foreign companies and the additional customer indemnity reserve, which represents the compensation due to agents in the case of the agency contract being terminated for reasons beyond their control.

34. Current and non-current tax payables **€/000 27,044**

"Tax payables" included in non-current liabilities totalled €/000 2, against €/000 0 at 31st December 2007, whereas those included in the current liabilities total €/000 27,042, compared to €/000 9,683 at 31st December 2007.

Their breakdown was as follows:

Amounts in €/000	*At 30th June 2008*	*At 31st December 2007*	*Change*
Due for income tax	9,779	1,462	8,317
Due for non-income tax		161	(161)
Tax payables for:			
- VAT	12,829	5,876	6,953
- tax withholdings made	4,434	1,468	2,966
- Other	2	716	(714)
Total	17,263	8,060	9,203
Total	*27,044*	*9,683*	*17,361*

The item includes tax payables recorded in the financial statements of the individual consolidated companies, set aside in relation to tax charges for the individual companies on the basis of the applicable national laws.

Payables for tax withholdings made refer mainly to withholdings on employees' earnings, on employment termination payments and on self-employed earnings.

35. Other payables (current and non-current) **€/000 84,556**

Amounts in €/000	*At 30th June 2008*	*At 31st December 2007*	*Change*
Non-current portion:			
Guarantee deposits			
Amounts due to social security institutions	1,003	1,003	0
Other payables	6,683	19,743	(13,060)
Total non-current portion	*7,686*	*20,746*	*(13,060)*

Amounts in €/000	*At 30th June 2008*	*At 31st December 2007*	*Change*
Current portion:			
Amounts due to employees	42,936	26,445	16,491
Amounts due to social security institutions	7,200	10,784	(3,584)
Sundry payables due to associated companies	180	180	0
Sundry payables due to parent companies	53		53
Others	26,501	22,253	4,248
Total current portion	*76,870*	*59,662*	*17,208*

Other payables included in non-current liabilities totalled €/000 7,686 against €/000 20,746 at 31st

December 2007, whereas other payables included in current liabilities total €/000 76,870 compared to €/000 59,662 at 31st December 2007.

Amounts due to employees include the amount for holidays accrued but not taken of €/000 17,543 and other payments to be made for €/000 25,393.
Payables due to associated companies refer to various amounts due to the Fondazione Piaggio.

Milan, 31st July 2008

for the Board of Directors
President and CEO
Roberto Colaninno

E) DEALINGS WITH RELATED PARTIES

The main business and financial dealings that Group companies had with related parties have already been described in the specific paragraph in the Directors' Report to which reference is made here. To supplement that information, the following table provides an indication by company of the outstanding items at 30th June 2008, as well as their contribution to the respective headings.

		Amounts in €/000	% of accounting item
Dealings with associated companies			
Fondazione Piaggio	other current receivables	141	0.78%
	other current financial assets	58	0.19%
	other non-current receivables	390	3.96%
	current trade receivables	58	0.02%
	current trade payables	19	0.00%
	other current payables	180	0.23%
Piaggio China	current trade payables	6	0.00%
AWS do Brasil	other non-current receivables	440	4.47%
Zongshen Piaggio Foshan	other current receivables	9	0.05%
	costs for materials	23,801	4.47%
	other operating income	1,164	1.66%
	current trade receivables	745	0.26%
	current trade payables	9,790	1.87%
	Financial charges	2	0.01%
Rodriquez Cantieri Navali	current trade receivables	58	0.02%
	net sales	56	0.01%
Studio D'Urso	current trade payables	70	0.01%
	costs for services and use of third party assets	70	0.04%
Dealings with parent companies			
IMMSI	costs for services and use of third party assets	616	0.38%
	other operating income	39	0.06%
	other operating costs	4	0.03%
	current trade receivables	39	0.01%
	other current receivables	1,022	5.66%
	current trade payables	578	0.11%
	other current payables	53	0.07%

F) COMMITMENTS AND RISKS

36. Guarantees provided

The main guarantees provided by lending institutions on behalf of Piaggio & C. S.p.A in favour of third parties are:

TYPE	AMOUNT €/000
Bank guarantee from Cassa di Risparmio di Pisa issued on our behalf in favour of the Administration of the Province of Pisa	130
Bank guarantee from Banca Intesa San Paolo issued on our behalf in favour of the La Spezia Customs Authority	200
Bank guarantee for the credit line of USD 8,100,000 agreed with Banca di Roma for the associated company Piaggio Foshan	5,138
Banca Intesa San Paolo bank guarantee issued in favour of AMIAT – Turin to guarantee contractual obligations for the supply of vehicles	230
Banca Intesa San Paolo bank guarantee issued in favour of the Algerian National Defence Ministry to guarantee contractual obligations for the supply of vehicles	505
Bank guarantee to secure the credit line agreed with Banca Intesa San Paolo to the subsidiary Piaggio Vespa BV for USD 20,000,000	
- of which drawn	1,459
- of which given to the subsidiary Piaggio Foshan	6,217
- of which undrawn	5,011
BNL bank guarantee in favour of Poste Italiane (Italian Post) to guarantee contractual obligations for the supply of vehicles	2,040
BNL bank guarantee issued in favour of the Venice Customs Authority	206
MPS bank guarantee in favour of JIANGSU GANGYANG /CHINA issued on 03-12-2007 for USD 340,000	101
Banca Intesa Madrid bank guarantee in favour of Soc. Estatal De Correos Tel. issued on 13-08-2007 to guarantee supplies	187
Banco di Brescia bank guarantee issued in favour of the local authority of Scorzé to secure the payment of town planning charges	166
MPS bank guarantee in favour of AKRAPOVIC / SLOVENIA for € 600,000 issued on 7-12-2006	
- of which undrawn	275
MPS bank guarantee in favour of FOSHAN NANHAI / CHINA for € 900,000 issued on 17-1-2008	
- of which undrawn	600

G) INFORMATION ABOUT FINANCIAL INSTRUMENTS

This attachment provides information about financial instruments, their risks, as well as the sensitivity analysis in accordance with the requirements of IFRS 7, effective as of 1st January 2007. At 30th June 2008 and at 31st December 2007 the financial instruments in force were allocated as follows within Piaggio Group consolidated balance sheet.

In thousands of euro	Notes	At 30th June 2008	At 31st December 2007	Change
ASSETS				
Current assets				
Other financial assets	25	30,362	18,418	11,944
LIABILITIES				
Non-current liabilities				
Financial liabilities falling due beyond one year	29	308,497	322,921	(14,424)
of which Bonds		145,767	145,380	387
of which medium/long-term bank loans		133,727	147,912	(14,185)
of which amounts due under leases		9,386	9,746	(360)
of which amounts due to other lenders		10,934	11,409	(475)
of which Aprilia instruments		8,683	8,474	209
Current liabilities				
Financial liabilities falling due within one year	29	130,304	66,614	63,690
of which current account overdrafts		4,804	6,472	(1,668)
of which current account payables		3,328	12,601	(9,273)
of which amounts due to factoring companies		19,549	9,332	10,217
of which bank loans		28,504	28,502	2
of which amounts due under leases		711	695	16
of which amounts due to other lenders		2,702	2,690	12
of which Aprilia instruments		70,706	6,322	64,384

Securities

The heading securities refers to certificates of deposit issued by an Indian public security body and purchased by the subsidiary Piaggio Vehicles in order to make efficient use of temporary liquidity. Such securities, which are intended to hold to maturity, are posted at the amortised cost according to the actual interest rate method.

Current and non-current financial liabilities

The non-current and current financial liabilities are widely commented in the explanatory note in the paragraph dedicated to the financial liabilities.
In this section liabilities are divided by type and detailed by expiry date.

Credit lines

At 30th June 2008 the most important credit lines irrevocable until maturity are as follows:

- a €/000 250,000 credit line maturing on December 2012, consisting of a loan with amortisation and credit opening completely refundable at maturity;
- a framework agreement with a pool of banks for the granting of credit lines for a total amount of €/000 70,300 maturing on December 2011, usable for opening a credit up to 80% and as advance on credits up to 60%;
- a €/000 29,000 credit line maturing in December 2009.

All above-mentioned credit lines were granted to the Company.

Warrants and Financial Instruments

Within the agreements underwritten in December 2004, in relation to the acquisition of Aprilia, the Company issued warrants in favour of Aprilia's banks creditor and financial instruments in favour of selling shareholders. Following the approval of 2007 consolidated balance sheet, warrants and EMH instruments were almost completely exercised by the Company, as widely explained in paragraph of the explanatory note regarding the Intangible assets, in June 2008 decided to regulate the value by means of cash settlement to be put into effect by 3rd July 2008.

Management of Financial Risks

Cash management functions regulation and financial risks management is centralised. Cash management operations are performed within formalised policies and guidelines, valid for all Group's companies.

Capitals management and liquidity risk

Cash flows and the Group's credit line needs are monitored or managed centrally under the control of the Group's Cash management in order to guarantee an effective and efficient management of the financial resources as well as optimising the debt's maturity standpoint. The Company funds the temporary cash necessities of the Group's companies by means of current accounts with its subsidiaries, also through cash-pooling, in accordance with normal market conditions. In order to better hedge the cash risk, at 30th June 2008 the Group's Cash management has €/000 170,693 unused credit lines available, irrevocable until maturity, and revocable credit lines for €/000 123,687, as the following table shows:

	1st H 2008	2007	2006
Detail of unused available credit lines:			
Variable rate with maturity within one year - irrevocable until maturity	2,500	2,500	2,500
Variable rate with maturity beyond one year - irrevocable until maturity	168,193	170,114	170,270
Variable rate with maturity within one year - cash revocable	77,187	84,500	67,449
Variable rate with maturity within one year - revocable through self-liquidation	46,500	42,700	52,700
Total of unused available credit lines:	294,381	299,814	292,919

Exchange rate risk management

The Group operates in an international context where transactions are conducted in currencies different from Euro. This exposes the Group to risks arising from exchange rates fluctuations. Since 2005, the Group adopted a policy for the management of the exchange rate risk with the objective of neutralising the possible negative effects of the changes in exchange rates and on company's cash flow. The policy hedges the business risk concerning the changes in company profitability compared to the annual business budget on the basis of a key change (the so-called budget change) for at least 66% of the business exposure by resorting to derived contracts. The policy also provides the integral hedging of settlement risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment (net between sales and purchases in the same foreign currency) by resorting to the natural offsetting of the exposure, to the underwriting of derivatives sales or purchase contract in foreign currency, besides advances of receivables in foreign currency.

The Group is also exposed to the transfer risk, arising from the conversion into Euros of balance sheets of subsidiaries drawn up in currencies different from Euros performed during the consolidation process. The policy adopted by the Group does not impose the hedging of such exposure also in relation to its modest entity. Following is highlighted the net balance of the cash flows in the main currencies, whereas for derivatives contracts based on exchange rates applicable at 30th June 2008, please refer to the list in the explanatory note, in the paragraph about financial liabilities.

	Cash Flow 1st H 2008	Cash Flow 1st H 2007
Pound Sterling	7.4	14.7
Indian Rupee	10.8	8.6
Singapore Dollar	0.2	0.2
Croatian Kuna	7.5	8.3
US Dollar	10.5	11.4
Swiss Franc	4	2.2
Canadian Dollar	1	0
Japanese Yen	-11.9	-9.3
Total cash flow in foreign currency	29.5	36.1

Considering the aforementioned, on the assumption of a 3% increase of the Euro average exchange rate on the portion not hedged of the economic exposure on the main currencies observed in the first half of 2008, the consolidated operative income will increase by around €/000 476.

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. Interest rates changes can have an influence on costs and yielding of funding and investment operations. The Group regularly measures and controls its exposure to interest rates changes and manages such risks also resorting to derivative instruments, mainly Forward Rate Agreement and Interest Rate Swap, according to what established by its own management policies. At 30th June 2008 variable rate debt, net of financial assets, was equal to €/000 24,301. As a consequence, a 1% increase or decrease of the Euribor above such net exposure would have generated higher or lower interests of €/000 243 per year.

Credit risk

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

In thousands of euros	At 30th June 2008	At 31st December 2007
Liquid assets	81,565	101,334
Securities	29,869	17,925
Financial receivables	493	493
Trade receivables	289,654	121,412
Total	**401,581**	**241,164**

H) <u>FOLLOWING EVENTS</u>

To date, no events have occurred after 30th June 2008 that make additional notes or adjustments to these interim financial statements necessary.

In this regard, refer to the Directors' report for significant events after 30th June 2008.

I) SUBSIDIARIES

37. Piaggio Group companies

In accordance with CONSOB communication no. 11971 dated 14 May 1999, and subsequent amendments (article 126 of the Regulation), the list of the Group's companies and major equity investments is provided below. The list presents the companies divided by type of control and method of consolidation.

The following are also shown for each company: the company name, the registered office, the country of origin and the share capital in the original currency. Also indicated is the percentage held by Piaggio & C. S.p.A. or by other subsidiaries.

In a separate column there is an indication of the percentage of voting rights at the ordinary shareholders' meeting should it be different from the equity investment percentage in the share capital.

List of companies included in the consolidation area on a line-by-line basis at 30th June 2008

Company name	Registered office	Country	Share capital at 30 June 2008	Currency	% Group ownership	Held by	%	% votes
Parent company								
PIAGGIO & C. S.P.A.	Pontedera (Pisa)	Italy	205,941,272.16	euro				
Subsidiaries								
Aprilia Moto UK Limited ***	Stockport - Cheshire	United Kingdom	2,555,325.00	gbp	100%	Aprilia World Service B.V.	100%	
Aprilia World Service B.V.	Amsterdam	Holland	30,000,000 auth. capital (6,657,500 subscribed and paid up)	euro	100%	PIAGGIO & C. S.P.A.	100%	
Derbi Italia S.r.l.	Pontedera (Pisa)	Italy	21,000.00	euro	100%	Nacional Motor S.A.	100%	
Derbi Racing S.L.	Barcelona	Spain	1,263,000.00	euro	100%	Nacional Motor S.A.	100%	
Moto Guzzi S.p.A.	Mandello del Lario (Lecco)	Italy	2,500,000.00	euro	100%	PIAGGIO & C. S.P.A.	100%	
Moto Laverda S.r.l. ***	Noale (Venice)	Italy	80,000.00	euro	100%	PIAGGIO & C. S.P.A.	100%	
Nacional Motor S.A.	Barcelona	Spain	9,182,190.00	euro	100%	PIAGGIO & C. S.P.A.	100%	
P & D S.p.A. ***	Pontedera (Pisa)	Italy	416,000.00	euro	100%	PIAGGIO & C. S.P.A.	100%	
Piaggio Asia Pacific PTE Ltd.	Singapore	Singapore	100,000.00	sin$	100%	Piaggio Vespa B.V.	100%	
Piaggio Benelux B.V.	Oosterhout	Holland	45,378.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Deutschland Gmbh	Kerpen	Germany	5,113,500.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Finance S.A.	Luxembourg	Luxembourg	31,000.00	euro	99.99%	PIAGGIO & C. S.P.A.	99.99%	
Piaggio France S.A.S.	Clichy Cedex	France	1,209,900.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Group Americas Inc	New York	USA	561,000.00	usd	100%	Piaggio Vespa B.V.	100%	
Piaggio Group Japan	Yokohama	Japan	3,000,000.00	yen	100%	Piaggio Vespa B.V	100%	

Company name	Registered office	Country	Share capital at 30 June 2008	Currency	% Group ownership	Held by	%	% votes
Piaggio Hellas SA	Athens	Greece	4,404,040.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Hrvatska D.o.o.	Split	Croatia	400,000.00	Hrk	75%	Piaggio Vespa B.V.	75%	
Piaggio Limited	Bromley Kent	United Kingdom	250,000.00	gbp	100%	Piaggio Vespa B.V.	99.9996%	
						PIAGGIO & C. S.P.A.	0.0004%	
Piaggio Portugal Limitada	Lisbon	Portugal	5,000.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Vehicles Private Limited	Maharashtra	India	340,000,000.00	Inr	100%	PIAGGIO & C. S.P.A.	99.999997%	
						Piaggio Vespa B.V.	0.000003%	
Piaggio Vespa B.V.	Amsterdam	Holland	91,000.00	euro	100%	PIAGGIO & C. S.P.A.	100%	
Piaggio Vietnam Co Ltd	Vietnam	Vietnam	64,800,000,000.00 authorised and paid up capital	vnd	87.50%	PIAGGIO & C. S.P.A.	51%	
						Piaggio Vespa B.V.	36.5%	

*** Company in liquidation

List of companies included in the consolidation area using the equity method at 30th June 2008

Company name	Registered office	Country	Share capital at 30 June 2008	Currency	% Group ownership	Held by	%	% votes
Aprilia Brasil S.A.	Manaus	Brazil	2,020,000.00	reais	51%	Aprilia World Service Holding do Brasil Ltda	51%	
Aprilia World Service Holding do Brasil Ltda.	São Paulo	Brazil	2,028,780.00	reais	99.99995%	Aprilia World Service B.V.	99.99995%	
Piaggio China Co. LTD	Hong Kong	China	12,500,000 auth. capital (12,100,000 subscribed and paid up)	USD	99.99999%	PIAGGIO & C. S.P.A.	99.99999%	
Zongshen Piaggio Foshan Motorcycle Co. LTD.	Foshan City	China	29,800,000.00	USD	45%	PIAGGIO & C. S.P.A.	32.5%	
						Piaggio China Co. LTD	12.5%	

List of other significant equity participation at 30th June 2008 valued at cost

Company name	Registered office	Country	Share capital at 30 June 2008	Currency	% Group ownership	Held by	%	% votes
Acciones Depuradora Soc. Coop. Catalana Limitada	Barcelona	Spain	60,101.00	euro	22%	Nacional Motor S.A.	22%	
Mitsuba F.N. Europe S.p.A.	Pisa	Italy	1,000,000.00	euro	10%	PIAGGIO & C. S.P.A.	10%	
Motoride S.p.A. ***	Milan	Italy	1,989,973.00	euro	28.2885%	PIAGGIO & C. S.P.A.	28.2885%	
Pont - Tech , Pontedera & Tecnologia S.c.r.l.	Pontedera (Pisa)	Italy	884,160.00	euro	20.44%	PIAGGIO & C. S.P.A.	20.44%	
S.A.T. Societé d'Automobiles et Triporteurs S.A.	Tunis	Tunisia	210,000.00	TND	20%	Piaggio Vespa B.V.	20%	

*** Company in liquidation

L) Certification of the abbreviated half-year financial statement pursuant to art. 154 bis of Legislative Decree 58/98

1. Roberto Colaninno, President and CEO, and Alessandra Simonotto, the manager in charge of preparing Piaggio & C. S.p.A. accounting documents, declare in accordance to what is provided by art. 154-bis, par. 3 and 4, of Legislative Decree date 24 February 1998, no. 58, and hereby certify:

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

of the administrative and accounting procedures for the preparation of the abbreviated half-year financial statement in the course of the first half of 2008.

2. With regard to this, no relevant aspects are to be reported.
3. Moreover, it is stated that

3.1 the abbreviated half-year financial report

- was drawn up in compliance with the applicable international accounting standards acknowledged in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, dated 19 July 2002, and in particular to IAS 34 – Interim Financial Reporting, as well as to the regulations issued as a result of the implementation of art. 9 of Legislative Decree no. 38/2005;
- corresponds to the documentary results, the books and the accounting entries;
- it is appropriate to provide a true representation of the balance sheet, income, and financial situation of the issuer and of the totality of companies included in the consolidation;

3.2 the Interim Directors' Report contains references to the important events that took place in the first six months of the financial year and to their incidence on the abbreviated half-year financial statement, together with a description of the main risks and uncertainties for the remaining six months of the financial year, as well as information on relevant operations with related parties.

Milan, 31 July 2008

for the Board of Directors
President and CEO
Roberto Colaninno

Manager in charge
Alessandra Simonotto

PIAGGIO & C. S.P.A.

Financial and business position and Explanatory Notes at 30th June 2008

FINANCIAL AND BUSINESS POSITION AND FINANCIAL STATEMENTS AT 30TH JUNE 2008

The financial statements at 30th June 2008 of the parent company Piaggio & C. S.p.A. reported in the following pages have been prepared in accordance with the provisions of CONSOB Regulation no. 11971 of 14 May 1999, and subsequent amendments.
Following the coming into force of the European Regulation no. 1606/2002 and the Italian law implementing that regulation, as from 1st January 2006 Piaggio & C. S.p.A. has adopted the IFRS international accounting standards for the preparation of the financial statements. In particular, the accounting principles and criteria adopted to prepare the financial statements are the same as those that will be adopted to prepare the financial statements at 31st December 2008, since they are compatible.

Here below are the financial statements at 30th June 2008 of the parent company in summarised form and comment.

PIAGGIO & C. - FINANCIAL HIGHLIGHTS

In thousands of euro		1st Half 2008	1st Half 2007	31/12/2007
Income statement (reclassified)				
Net sales		719.1	780.7	1,330.1
Gross operating margin (EBITDA)		99.6	108.9	105.5
Operating earnings		62.7	77.6	91.2
Pre-tax earnings		46.4	75.1	64.5
Net earnings		41.3	49.3	7.9
Gross operating margin on Net Sales	%	13.9	13.9	4.8
Operating earnings on Net Sales	%	8.7	9.9	177.1
Net earnings on net sales	%	5.7	6.3	13.3
Balance sheet				
Net working Capital		11.6	(25.7)	(5.3)
Net tangible assets		175.0	182.1	179.3
Net intangible assets		485.6	486.5	484.7
Financial assets		124.3	125.0	124.2
Provisions		(120.8)	(129.3)	(125.2)
Net capital employed		**675.7**	**638.5**	**657.7**
Net financial position		332.7	259.2	268.2
Shareholders' equity		343.0	379.3	389.5
Sources of funds		**675.7**	**638.5**	**657.7**
Change in net financial position				
Opening net financial position		**268.2**	**299.1**	**299.1**
Cash flow from operations (Earnings+Amortisation)		78.2	80.5	136.1
(Increase)/Decrease in working capital		(16.9)	17.0	(3.4)
(Increase)/Decrease in net investments		(33.6)	(35.5)	(70.6)
Net change in pension reserves and other reserves		(4.4)	(2.3)	(6.4)
Change in shareholders' equity		(87.8)	(19.8)	(24.8)
Total change		**(64.5)**	**39.9**	**30.9**
Closing net financial position		**332.7**	**259.2**	**268.2**

INCOME STATEMENT

The income statement at 30th June 2008 shows a profit of 41.3 ML€, a decrease of 8.0 ML € compared to the same period the year before.

Net Sales

Net sales of Piaggio & C. S.p.A. in the first half of 2008 stood at 719.1 million €, recording a decrease (-7.9%) compared to the same period in 2007, mainly due to the contraction in the demand of the 2-wheeler business. In particular, compared to the same period the year before, the decrease is due to the decline in net sales recorded by Piaggio and Aprilia which have largely offset the growth of Gilera.

Piaggio & C. S.p.A. EBITDA - defined as in the consolidated income statement as "Operating earnings" gross of amortisation of intangible assets and depreciation of property, plant and machinery, as recorded in the Income statement - was 99.6 ML€, a decrease by 8.5% compared to 108.9 ML€ in the same period the year before. As a percentage of net sales, first half 2008 EBITDA stood at 13.9%, fundamentally in line with the same period in 2007.

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Operating earnings for the first half of 2008 was 62.7 ML€, a decrease of 14.9 ML€ compared to the 77.6 ML€ of same period in 2007 (- 19.2%), while profitability (the ratio between operating profit and net sales) decreased from 9.9% to 8.7%

Net financial charges totalled 16.2 ML€, compared to the 15.3 ML€ of the first half of 2007.

In the first half of 2008, the parent company recorded **pre-tax earnings** of 46.4 ML€ (- 38.2% compared to the same period in 2007) and **net profits** of 41.3 ML€ (- 16.2% compared to the same period in 2007). Taxation for the period, calculated on the basis of IAS 34 and IAS 12 by applying an average tax rate for 2008, totalled 5.1 ML€ (25.8 ML€ at 30th June 2007).

CASH FLOW STATEMENT

The cash flow statement prepared in accordance with the models provided by the IFRS international accounting standards is shown on page 136; comments are provided below making reference to the summary in the Highlights on the previous pages.

Cash generated in the period totalled 64.5 ML€.

Income flow, i.e. net earnings plus amortisation, was 78.2 ML. The positive impact of this flow was absorbed by the increase of working capital from –5.3 ML€ at 31st December 2007 to 11.6 ML€ at 30th June 2008, by investment activities for a total of 33.6 ML€, by distributed dividends for 23.3 ML €, by the purchase of own shares for 2.9 ML€, and by the reclassification from shareholders' equity reserve to financial debt of the Piaggio Warrants for 64.2 ML €.

BALANCE SHEET

The **working capital** – defined as the net sum of: Current and non-current trade receivables and other receivables, Inventories, Long-term trade payables and other payables and Current trade payables, Other receivables (Short- and long-term tax receivables, Deferred tax assets) and Other payables (Tax payables and Other short-term payables) – was positive for 11.6 ML€, up by 16.9 ML€ compared to 31st December 2007, as a result of the seasonal nature of the business.

Net tangible assets, consist of property, plant, machinery and industrial equipment, net of cumulative depreciation, as well as assets intended for sale. At 30th June 2008, they totalled 175.0 ML€, 4.3 ML€ down compared to 31st December 2007 and 7.1 ML€ down compared to the same period the year before.

Net intangible assets consist of capitalised research and development costs, patent and know-how costs, and the goodwill arising from the merger and acquisitions operations undertaken by the parent company. At 30th June 2008, they total 485.6 ML€, 0.9 ML€ up compared to 31st December 2007.

Financial assets, defined by the Directors as the sum of equity investments and other non-current financial assets, overall totalled 124.3 ML€, fundamentally in line compared to 31st December 2007 and 30th June 2007.

Reserves consist of the pension and employee benefits reserves, other long-term reserves, the current portion of other long-term reserves, deferred tax liabilities, and totalled 120.8 ML€, 4.4 ML€ down compared to 31st December 2007.

Net financial debt at 30th June 2008 was negative for 332.7 ML€, compared to 268.2 ML€ at 31st December 2007. The 64.5 ML€ increase compared to the period ending 31 December 2007, was generated as a result of the decision of paying off the 2004-2009 Piaggio Warrants in cash for a total of 63.9 ML€, although it was originally envisaged the issue of new shares. In addition to this, the increase also follows the distribution of dividends, the purchase of own shares and the above-described investment assets. This was only partially compensated by the positive performance of the previously described operating cash flow.

The breakdown of the net financial position is summarised below:

Amounts in ML€	*At 30th June 2008*	*At 31st December 2007*
Medium/long-term financial payables	(153.6)	(168.0)
Financial payables due to the subsidiary Piaggio Finance	(145.8)	(145.4)
Short-term financial payables	(122.0)	(55.9)
(Financial assets)	22.2	13.8
(Liquid assets)	66.5	87.3
Total	*(332.7)*	*(268.2)*

Shareholders' equity at 30th June 2008 totalled 343.0 ML€, against 389.5 ML€ at 31st December 2007. Following the implementation of the shareholders' resolution of 7th May 2008, in the month of May, dividends for a total of 23.3 ML€ were paid out. Moreover, on the basis of the decision of the Board of Directors of 11th June 2008 according to which the holders of the 2004-2009 Piaggio & C S.p.A. warrants shall be given a cash settlement, 64.2 ML€ were reclassified from reserve to financial payables. The "cash settlement" allows to optimise the company's asset structure and the capital's average cost ("WACC"). The relative financial commitment could be easily covered by means of bank loans at present not in use. On the other hand, the settlement through the assignation of Piaggio shares, considering the particular present depression of the share's market price, will damage the shareholders.

At 30th June 2008 the fully subscribed and paid-up share capital consists of 396,040,908 ordinary shares with a nominal value of € 0.52 each, totalling € 205,941,272.16.

During the six-month period, the Parent company, on the basis of the resolutions passed by the shareholders' meetings on 7th May 2007 and 24th June 2008, has purchased 2,090,000 own shares, 2,066,000 of which for the 2007-2009 stock option plan and 24,000 for the Company's ordinary shares acquisition and disposition plan, decided during the meeting on 24th June 2008.

Therefore, at 30th June 2008 the Parent company holds 9,430,000 own shares, equal to 2.381% of the share capital.

It is pointed out that in the last days of June, the Parent company issued instructions to purchase a further 1,160,210 own shares which, being processed in July, as provided by the accounting standards, will be recorded in the month of July.

EMPLOYEES

There were 4,667 Piaggio & C. S.p.A. **employees** at 30th June 2008, compared to 4,050 at 31st December 2007.

The number of staff is in line with the seasonal nature of the business, when staff are hired on term contracts.

	Average number		*Number at*	
Level	*1st half 2008*	*1st half 2007*	*30th June 2008*	*31st December 2007*
Senior Management	87	90	87	87
Middle management and clerical	1,262	1,265	1,280	1,247
Manual labour	3,261	3,327	3,300	2,716
Total	**4,610**	**4,682**	**4,667**	**4,050**

INCOME STATEMENT

In thousands of euro	1st half 2008	1st half 2007	Change
Net Sales	**719,050**	**780,744**	**-61,694**
of which with related parties	*91,420*	*92,116*	*-696*
Cost for materials	397,281	444,950	-47,669
of which with related parties	*40,989*	*37,881*	*3,108*
Costs for services and use of third party assets	150,035	157,120	-7,085
of which with related parties	*17,154*	*17,565*	*-411*
Cost of employees	104,795	96,419	8,376
Depreciation of tangible assets	15,767	16,225	-458
Amortisation of intangible assets	21,181	15,021	6,160
Other operating income	44,734	38,081	6,653
of which with related parties	7,488	7,678	-190
Other operating costs	12,067	11,482	585
of which with related parties	16	52	-36
Operating earnings	**62,658**	**77,608**	**-14,950**
Income/(loss) from equity investments	-3	12,806	-12,809
Financial income	9,773	5,832	3,941
of which with related parties	*1,151*	*1,396*	*-245*
Financial charges	-26,021	-21,137	-4,884
of which with related parties	*-8,027*	*-8,450*	*423*
Pre-tax earnings	**46,407**	**75,109**	**-28,702**
Taxation for the period	5,105	25,810	-20,705
Earnings from continuing activities	**41,302**	**49,299**	**-7,997**
Assets intended for disposal:			
Gain or loss from assets intended for disposal			
Net earnings	**41,302**	**49,299**	**-7,997**

BALANCE SHEET

In thousands of euro	At 30th June 2008	At 31st December 2007	Change
ASSETS			
Non-current assets			
Intangible assets	485,632	484,744	888
Property, plant and machinery	174,960	179,282	-4,322
Investment property	0	0	0
Equity investment	100,060	100,012	48
Other financial assets	24,214	24,225	-11
of which with related parties	*24,058*	*24,000*	*58*
Long-term tax receivables	7,272	7,425	-153
Deferred tax assets	13,910	16,206	-2,296
Trade receivables and other receivables	4,899	2,664	2,235
of which with related parties	*390*	*390*	*0*
Total non-current assets	**810,947**	**814,559**	**-3,612**
Assets intended for sale	**0**	**0**	**0**
Current assets			
Trade receivables and other receivables	323,695	181,858	141,837
of which with related parties	114,955	*98,799*	*16,156*
Short-term tax receivables	6,775	2,596	4,179
Inventories	206,630	154,004	52,626
Other financial assets	22,150	13,832	8,318
of which with related parties	*21,715*	*13,455*	*8,260*
Cash and cash equivalents	66,546	87,307	-20,761
Total current assets	**625,796**	**439,597**	**186,199**
TOTAL ASSETS	**1,436,743**	**1,254,155**	**182,588**

In thousands of euro	At 30th June 2008	At 31st December 2007	Change
SHAREHOLDERS' EQUITY AND LIABILITIES'			
Shareholders' equity			
Share capital	201,038	202,124	-1,086
Share premium reserve	3,493	3,493	0
Legal reserve	7,497	4,273	3,224
Other reserves	20,974	82,547	-61,573
Retained (losses) earnings	68,703	32,562	36,141
Earnings (losses) for the period	41,302	64,470	-23,168
Total shareholders' equity	**343,007**	**389,469**	**-46,462**
Non-current liabilities			
Financial liabilities falling due beyond one year	299,348	313,421	-14,073
of which with related parties	*145,760*	*145,374*	*386*
Long-term trade payables and other payables	8,639	13,712	-5,073
Reserves for pension and employee benefits	56,661	57,575	-914
Other long-term reserves	26,538	25,510	1,028
Deferred tax liabilities	25,975	30,042	-4,067
Total non-current liabilities	**417,161**	**440,260**	**-23,099**
Current liabilities			
Financial liabilities falling due within one year	122,003	55,937	66,066
of which with related parties	*311*	*302*	*9*
Trade payables	454,136	286,346	167,790
of which with related parties	*27,610*	*28,395*	*-785*
Tax payables	20,218	6,445	13,773
Other short-term payables	68,610	63,574	5,036
of which with related parties	*12,180*	*14,292*	*-2,112*
Current portion other long-term reserves	11,608	12,121	-513
Total current liabilities	**676,575**	**424,426**	**252,149**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,436,743**	**1,254,155**	**182,588**

CASH FLOW STATEMENT

In thousands of euro	1st half 2008	1st half 2007
Operating activities		
Net earnings	41,302	49,299
Taxation for the period	5,105	25,810
Depreciation of property, plant and machinery	15,767	16,224
Amortisation of intangible assets	21,182	15,021
Non-monetary costs for stock options	875	943
Provision to reserves for risks and reserves for pensions and employee benefits	10,778	12,538
Write-downs / (Revaluations)	883	956
Losses / (Gains) on the disposal of property, plant and machinery	(4)	(29)
Losses / (Gains) on the disposal of equity investments	(1)	(20)
Financial income	(9,773)	(5,831)
Dividend income	(4)	(12,815)
Financial charges	26,022	21,136
Change in working capital:		
(Increase)/Decrease in trade receivables	(132,488)	(127,804)
(Increase)/Decrease other receivables	(12,460)	23,939
(Increase)/Decrease in inventories	(52,626)	(10,946)
(Increase)/Decrease in trade payables	168,542	111,635
(Increase)/Decrease other payables	(792)	(27,369)
Increase/(Decrease) in the current portion of reserves for risks	(513)	3,322
Increase/(Decrease) in the non-current portion of reserves for risks	(6,123)	(7,134)
Increase/(Decrease) in reserves for risks and pensions, and employee benefits reserves	(4,541)	(14,248)
Other changes	2,285	27,371
Cash generating by operating activities	**73,416**	**101,998**
Interest paid	(23,161)	(17,461)
Taxation paid	(775)	(4,216)
Cash flow from operating activities	**49,480**	**80,321**
Investment activity		
Investment in property, plant and machinery	(11,448)	(9,439)
Sale price, or repayment value, of property, plant and machinery	6	66
Investment in intangible assets	(19,926)	(21,007)
Sale price, or repayment value, of intangible assets		
Investment in financial assets	(54)	(4,500)
Loans provided	(8,319)	
Repayment of loans		9,767
Collected interests	8,277	3,314
Sale price of financial assets	12	40
Dividends from equity investments	4	12,815
Cash flow from investing activities	**(31,448)**	**(8,944)**
Financing activities		
Increase in share capital for stock options		6,264
Purchase of own shares	(2,870)	(16,812)
Loans received	11,492	5,019
Outflow for repayment of loans	(14,827)	(2,555)
Dividends paid	(23,322)	(11,881)
Repayment of finance leases	(1)	(135)
Cash flow from funding activities	**(29,528)**	**(20,100)**
Increase / (Decrease) in cash	(11,496)	51,277
Opening balance	**77,125**	**35,623**
Closing balance	***65,629***	***86,900***

SCHEDULE OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Euro)	Share capital	Share premium reserve	Legal reserve	IAS transition reserve	Stock option reserve	Financial instruments' fair value reserve	Earnings (losses) for previous periods	Earnings (losses) for the period IAS	**TOTAL SHAREHOLDERS' EQUITY**
At 1st January 2008	**202,124**	**3,493**	**4,273**	**11,435**	**6,576**	**64,536**	**32,562**	**64,470**	**389,469**
Shareholders Resolution dated 07/05/2008:									
Allocation of 2007 profit:									
- To the shareholders								(23,322)	(23,322)
- To shareholders' equity			3,224				37,924	(41,148)	0
Purchase of own shares	(1,087)						(1,783)		(2,870)
Change in IAS reserves					875	(62,447)			(61,572)
Earnings of period								41,302	41,302
At 30th June 2008	**201,037**	**3,493**	**7,497**	**11,435**	**7,451**	**2,089**	**68,703**	**41,302**	**343,007**

Alessandra Simonotto, the manager in charge of preparing the Company's accounting documents, states in accordance with paragraph 2 of article 154 bis of the Consolidated Finance Law (Testo Unico della Finanza) that the accounting information contained in "Piaggio & C S.p.A. – Economic-financial situation and Accounts statement at 30th June 2008" corresponds to the documentary results, the books and the accounting entries.