

## PRESS RELEASE

*The Board of Directors approves the quarterly report at 31 March 2008*

### FIRST QUARTER 2008

- **NET DEBT €311.8 MLN, DOWN BY €33 MLN FROM THE FIRST QUARTER OF 2007, AFTER BUY-BACKS AND DIVIDEND PAYOUTS TOTALING €38.7 MLN**
- **NET SALES €363.9 MLN (-7.7% YoY)  
4% DECLINE NET OF BMW ORDER AND EXCHANGE-RATE EFFECT  
GROWTH OF 12.1% IN INDIA AND 41.5% ON ASIA PACIFIC MARKET**
- **EBITDA €35.1 MLN ( €44.4 MLN IN Q1 '07)**
- **NET PROFIT €3.2 MLN ( €9.7 MLN IN Q1 '07)**

### **PROPOSED BUY-BACK TO MAX 10% OF CAPITAL**

*Milan, 7 May 2008* – At a meeting today in Milan chaired by Roberto Colaninno, the Board of Directors of Piaggio & C. S.p.A. examined and approved the quarterly report at 31 March 2008.

In the first quarter of 2008 the Piaggio Group sold **150,600 vehicles** worldwide, compared with 159,800 in the year-earlier period. Group **consolidated net sales** amounted to € 363.9 million, down by 7.7% on € 394.2 million in the first quarter of 2007.

First-quarter revenues reflected the reduced impact of the BMW five-year order (-€ 11 million compared with the year-earlier period) and the appreciation of the euro against the dollar, the Indian rupee and the pound (with a negative impact of approximately € 4 million on net sales compared with the year-earlier period).

Net of these factors, the reduction in net sales was 4%, arising as a result of the slowdown in demand on the European two-wheeler market (-6.8%).

A geographical analysis of first-quarter 2008 net sales reflects a downturn of approximately 10% in the Europe/Americas area, net of the BMW effect, whereas significant progress was reported in the geographical areas where the Group is currently focusing investments: India +12.1%, Asia Pacific +41.5%.



The **industrial gross margin** in the first quarter was € 104.1 million, down 10% from € 115.7 million in the first quarter of 2007. The return on net sales fell from 29.3% to 28.6% in the first quarter of 2008.

**Consolidated EBITDA** decreased against the year-earlier period, from € 44.4 million (11.3% of net sales) to € 35.1 million (9.7% of net sales) in the first quarter of 2008.

**EBIT** in the first quarter of 2008 was € 13.1 million (3.6% of net sales), compared with € 25.6 million (6.5% of net sales) in the year-earlier period.

The first quarter of 2008 closed with **net profit** of € 3.2 million, compared with € 9.7 million in the year-earlier period.

**Net debt** at 31 March 2008 was € 311.8 million, a reduction of € 33 million from the figure at 31 March 2007, after buy-backs and dividend payouts totalling € 38.7 million. At 31 December 2007 net debt was € 344.8 million.

**Shareholders' equity** at 31 March 2008 amounted to € 475.5 million against € 471.4 million at 31 December 2007 and € 456.3 million at 31 March 2007.

#### **Events after 31 March 2008**

On 8 April 2008 almost all the banks holding Piaggio & C S.p.A. 2004-2009 warrants issued by the company in connection with the acquisition of Aprilia S.p.A. exercised their warrants.

#### **Outlook**

Management will focus in particular on cash flow control. With regard to sales, the Group confirms its expectation of growth outside Europe and normalisation of seasonal trends in Europe.

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The Board of Directors also deliberated a request for shareholder authorisation of a **plan for the buy-back and disposal of ordinary shares**.

The own-share purchase and sale transactions to which the request for shareholder authorisation refers will be for the following objectives: (i) to purchase and/or assign own shares for investment purposes and to stabilise the share price and liquidity on the equities market; or (ii) to permit the use of own shares in connection with current operations or projects consistent with the company's strategies for which share transactions are deemed advisable, including allocation of the shares in question to service possible convertible bonds and/or warrants.

The proposal for authorisation to conduct transactions on own shares does not affect the authorisation already granted by the Shareholders' Meeting of 7 May 2007 in connection with the 2007-2009 Share-based Incentives Plan, which remains fully effective.

The authorisation is requested for the purchase, in one or more tranches, of ordinary shares with a par value of € 0.52 each, up to a maximum amount whereby, including ordinary shares held from time to time by the company and by its subsidiaries, the number of own shares does not exceed 10% of the share capital pursuant to art. 2357, para 3, of the Italian Civil Code. As of today, the company holds 7,340,000 own shares servicing the 2007-2009 share-based incentives plan.

The authorisation for the purchase of own shares is requested for a period of eighteen months, as from the date of the shareholders' resolution. The authorisation to dispose of own shares is requested for an indefinite period of time.

The Board of Directors proposes that the share buy-backs be effected for a consideration that is not more than 20% below or 10% above or the mean official Piaggio share price in the ten trading days preceding each purchase transaction or, in the event of purchases through public tender or exchange offers, for a consideration that is not more than 10% above or below the mean official Piaggio share price on the trading day before the public announcement.

The Board of Directors proposes that the purchases be effected in compliance with art. 144-*bis*, para 1, lett. a), b) and d) of Consob Regulation 11971/99 (and subsequent amendments) and any applicable regulations, so as to ensure equity of treatment of shareholders in compliance with art. 132 of the Consolidated Law on Financial Intermediation.

The Board of Directors also proposes authorisation of use, at any time, in full or in part, of any own shares acquired through share assignments or sale of any real and/or personal rights on such shares.

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At the meeting, the Chairman of the Board of Directors observed that the company had disclosed to the creditor banks of Aprilia and to the selling shareholders the relevant financial parameters in compliance with the regulations governing warrants and financial instruments issued by the company. Following exercise of 9,959 warrants out of a total of 10,000 warrants outstanding and of financial instruments issued in favour of EMH, the company named an independent valuer to determine the cash value of the warrants in question and of the financial instruments. The independent assessor is expected to complete the valuation during the first week of June 2008.

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The Chairman illustrated the new Group organisation structure to the directors. The new structure is designed to support Piaggio global operations and growth.

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**PIAGGIO GROUP CONSOLIDATED INCOME STATEMENT**

In thousands of euro	Note	Q1 2008	Q1 2007	Change
<b>Net sales</b>	4	<b>363,910</b>	<b>394,162</b>	<b>(30,252)</b>
<i>of which vs related parties</i>				
Cost of materials	5	214,050	233,390	(19,340)
<i>of which vs related parties</i>		11,750	15,099	(3,349)
Cost of services and use of third-party assets	6	73,859	74,627	(768)
<i>of which vs related parties</i>		278	294	(16)
Employee expenses	7	65,709	62,748	2,961
Depreciation property, plant and equipment	8	9,940	10,079	(139)
Amortisation intangible assets	8	12,072	8,704	3,368
Other operating income	9	30,828	26,933	3,895
<i>of which vs related parties</i>		529	908	(379)
Other operating expense	10	5,988	5,903	85
<i>of which vs related parties</i>		3	0	3
<b>Operating profit</b>		<b>13,120</b>	<b>25,644</b>	<b>(12,524)</b>
Share of result of associates		4	9	(5)
Finance income	11	7,632	2,916	4,716
Finance expense	11	(15,645)	(11,130)	(4,515)
<b>Profit before tax</b>		<b>5,111</b>	<b>17,439</b>	<b>(12,328)</b>
<b>Income tax expense</b>	12	<b>1,942</b>	<b>7,691</b>	<b>(5,749)</b>
<b>Result from on-going operations</b>		<b>3,169</b>	<b>9,748</b>	<b>(6,579)</b>
<b>Discontinued operations:</b>				
<b>Profit or loss from discontinued operations</b>	13			<b>0</b>
<b>Consolidated net profit</b>		<b>3,169</b>	<b>9,748</b>	<b>(6,579)</b>
<b>Attributable to:</b>				
<b>Equity holders of the parent</b>		<b>3,116</b>	<b>9,713</b>	<b>(6,597)</b>
<b>Minority interests</b>		<b>53</b>	<b>35</b>	<b>18</b>
<b>Earnings per share (in €)</b>	14	<b>0.008</b>	<b>0.025</b>	<b>(0.017)</b>
<b>Diluted earnings per share (in €)</b>	14	<b>0.007</b>	<b>0.024</b>	<b>(0.017)</b>



**PIAGGIO GROUP CONSOLIDATED BALANCE SHEET**

In thousands of euro	Note	At 31 March 2008	At 31 December 2007	Change
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	15	637,359	637,535	(176)
Property, plant and equipment	16	241,203	248,595	(7,392)
Investment property	17			0
Equity investments	18	725	725	0
Other financial assets	19	165	235	(70)
<i>of which vs related parties</i>	0	58	(58)	
Non-current tax receivables	20	8,072	7,821	251
Deferred tax assets	21	34,284	33,532	752
Trade receivables	22		0	0
Other receivables	23	7,513	8,877	(1,364)
<i>of which vs related parties</i>	830	830	0	
<b>Total non-current assets</b>		<b>929,321</b>	<b>937,320</b>	<b>(7,999)</b>
<b>Assets held for sale</b>	27			<b>0</b>
<b>Current assets</b>				
Trade receivables	22	184,367	121,412	62,955
<i>of which vs related parties</i>	1,039	2,042	(1,003)	
Other receivables	23	20,596	20,345	251
<i>of which vs related parties</i>	1,172	226	946	
Current tax receivables	20	23,560	19,621	3,939
Inventories	24	279,321	225,529	53,792
Other financial assets	25	21,665	18,418	3,247
<i>of which vs related parties</i>	58	58	0	
Cash and cash equivalents	26	59,548	101,334	(41,786)
<b>Total current assets</b>		<b>589,057</b>	<b>506,659</b>	<b>82,398</b>
<b>TOTAL ASSETS</b>		<b>1,518,378</b>	<b>1,443,979</b>	<b>74,399</b>



In thousands of euro	Note	At 31 March 2008	At 31 December 2007	Change
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Shareholders' equity</b>				
Share capital and reserves attributable to equity holders of parent	28	474,362	470,397	3,965
Share capital and reserves attributable to minority interests	28	1,111	1,050	61
<b>Total shareholders' equity</b>		<b>475,473</b>	<b>471,447</b>	<b>4,026</b>
<b>Non-current liabilities</b>				
Borrowings due after one year	29	322,338	322,921	(583)
<i>of which vs related parties</i>			0	
Trade payables	30			0
Pension funds and employee benefits	33	62,163	62,204	(41)
Other non-current provisions	31	19,541	19,969	(428)
Non-current tax payables	34			0
Other long-term payables	35	20,774	20,746	28
Deferred tax liabilities	32	38,342	39,514	(1,172)
<b>Total non-current liabilities</b>		<b>463,158</b>	<b>465,354</b>	<b>(2,196)</b>
<b>Current liabilities</b>				
Borrowings due within one year	29	70,698	66,614	4,084
Trade payables	30	405,282	347,460	57,822
<i>of which vs related parties</i>		12,336	4,781	7,555
Tax liabilities	34	22,423	9,683	12,740
Other current liabilities	35	59,245	59,662	(417)
<i>of which vs related parties</i>		180	180	0
Current portion of other non-current provisions	31	22,099	23,759	(1,660)
<b>Total current liabilities</b>		<b>579,747</b>	<b>507,178</b>	<b>72,569</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,518,378</b>	<b>1,443,979</b>	<b>74,399</b>

## Glossary

**Industrial gross margin:** “Net sales” minus “Cost of sales” for the period. “Cost of sales” comprises: Cost of materials (direct and consumables), Additional purchase costs (transport incoming materials, customs, handling, warehousing), Staff costs for direct and indirect manpower and related expenses, Third-party machinings, Energy, Depreciation of property, plant and equipment and industrial equipment, External maintenance and cleaning costs net of recovery of costs recharged to suppliers.

**EBITDA:** “Operating profit” gross of amortisation of intangible assets and depreciation of property, plant and equipment as reflected on the face of the income statement

**Operating expense:** staff costs, cost of services and use of third-party assets, and operating costs net of operating income not included in the industrial gross margin. Operating expense also includes amortisation and depreciation not included in industrial gross margin.

**Working capital** net sum of: Current and non-current trade and other receivables, Inventories, Trade and other non-current payables and Current trade payables, Other receivables (Current and non-current tax receivables, Deferred tax assets) and Other Liabilities (Tax liabilities and Other current liabilities)

**Property, plant and equipment, net:** Property, plant and equipment and industrial equipment, net of accumulated depreciation, plus assets held for sale,

**Intangible assets, net:** capitalised development costs, costs for patents and knowhow, goodwill arising from Group internal mergers/acquisitions

**Non-current financial assets:** Equity investments, Other non-current financial assets and any portion of Guarantee deposits reflected in Other current financial assets

**Provisions:** Pension funds and employee benefits, Other non-current provisions, Current portion of other non-current provisions, Deferred tax liabilities.

**Net financial position:** Medium/long-term financial liabilities, Short-term financial liabilities less Short-term financial assets and less cash and cash equivalents.