IMMSI Group

Share capital 205,941,272.16 Euros fully paid up
Registered office: viale R. Piaggio, 25 – Pontedera (PI)
Pisa Register of Companies and Tax Code 04773200011
Pisa Economic and Administrative Repertory 134077

Quarterly Report
at 31 March 2008

CONTENTS

Summary

COMPANY BOARDS

Board of Directors	
Chairman	Roberto Colaninno (1)
Deputy Chairman	Matteo Colaninno
Chief Executive Officer	Roberto Colaninno
Directors	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 control

(2) *Lead Independent Director*

(3) Member of the Nomination Committee

(4) Member of the Remuneration Committee

(5) Member of the Internal Control Committee

Board of Statutory Auditors	
Chairman	Giovanni Barbara
Statutory Auditors	Attilio Francesco Arietti
	Alessandro Lai
Substitute Auditors	Mauro Girelli
	Maurizio Maffeis (6)

6) Resigned on 11 May 2007

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

FINANCIAL HIGHLIGHTS

(amounts in million €)		1-1/31-3 2008	1-1/31-3 2007	2007 statutory
Income statement (reclassified)				
Net sales		363.9	394.2	1,692.1
Gross industrial margin		104.1	115.7	498.4
Operating costs		-91.0	-90	-361.8
Operating income		13.1	25.6	136.6
Income before tax		5.1	17.4	103.5
Net income		3.2	9.7	60
.minority interest		0.1	0	0.4
.Group		3.1	9.7	59.6
Gross margin as % of net sales	%	28.6	29.3	29.5
Operating income as % of net sales	%	3.6	6.5	8.1
Net income as % of net sales	%	0.9	2.5	3.5
Gross operating margin=EBITDA (from operations)		**35.1**	**44.4**	**226.1**
Gross operating margin as % of net sales	%	9.7	11.3	13.4
Balance Sheet				
Net working capital		50.0	64.7	-0.4
Tangible assets		241.2	252.8	248.6
Intangible assets		637.4	634.4	637.5
Financial assets		0.9	1.0	1.0
Reserves		-142.1	-151.7	-145.4
Net Invested Capital		**787.3**	**801.2**	**741.2**
Net financial position		311.8	344.8	269.8
Shareholders' equity		475.5	456.3	471.4
Sources of Funds		**787.3**	**801.2**	**741.2**
Minority interest		1.1	0.6	1.1
Change in net financial position				
Opening net financial position		**-269.8**	**-318.0**	**-318.0**
Cash flow from operations (Income+Amortisation/Depreciation)		25.2	28.5	149.5
(Increase)/Decrease in working capital		-50,4	-44.5	20.6
(Increase)/Decrease in investment		-14.4	-18.7	-88.3
Change in pension reserves and other reserves		-3.3	-0.1	-6.3
Change in shareholders' equity		0.9	7.9	-27.3
Total change		***-42.0***	***-26.8***	***48.2***
Closing net financial position		**-311.8**	**-344.8**	**-269.8**

KEY FIGURES BY BUSINESS SECTOR AT 31 MARCH 2008

BUSINESS		2W: Piaggio Gilera Vespa	2W: Derbi	2W: Aprilia	2W: M. Guzzi	LCV	OTHER	**TOTAL**
	1-1/31-3 2008	71.1	8.2	23.4	1.8	45.8	0.4	**150.6**
Sales volumes	1-1/31-3 2007	76.2	7.8	25.9	2.9	43.0	3.9	**159.8**
('000 units)	Change	-5.1	0.4	-2.5	-1.1	2.8	-3.5	**-9.2**
	% change	-6.7	4.6	-9.6	-40.2	6.6	-89.8	**-5.7**
	1-1/31-3 2008	161.0	15.3	69.5	15.0	99.2	3.9	**363.9**
Net sales	1-1/31-3 2007	166.9	14.3	79.1	24.1	93.2	16.5	**394.2**
(in million €)	Change	-5.9	1.0	-9.6	-9.1	6.0	-12.6	**-30.3**
	% change	-3.5	6.8	-12.2	-37.6	6.4	-76.2	**-7.7**
	1-1/31-3 2008	3,730	354	1,132	221	2,275		**7,712**
Employees	1-1/31-3 2007	3,544	371	1,148	260	2,118		**7,441**
(n°)	Change	186	-17	-16	-39	157		**271**
	% change	5.2	-4.6	-1.4	-15.0	7.4		**3.6**
Investment								
	1-1/31-3 2008	1.4	0.3	1.6	0.1	0.4	1.9	**5.7**
- Fixed assets	1-1/31-3 2007	2.2	0.6	0.9	0.3	0.2	2	**6.2**
(in million €)	Change	-0.8	-0.3	0.7	-0.2	0.2	-0.1	**-0.5**
	% change	-36.4	-50.0	77.8	-66.7	100.0	-5.0	**-8.1**
	1-1/31-3 2008	3.7	0.2	4.4	0.9	1.7		**10.9**
- R&D Capex	1-1/31-3 2007	4.5	0.5	4.2	1.2	1		**11.4**
(in million €)	Change	-0.8	-0.3	0.2	-0.3	0.7		**-0.5**
	% change	-17.8	-60.0	4.8	-25.0	70.0		**-4.4**

N.B. In order to make the figures clearer, the first quarter 2007 amounts originally presented have been revised so as to reclassify the BMW contract from the Aprilia sub-segment of the "2W" sector to the "Other" sector.

KEY FIGURES BY GEOGRAPHIC AREA AT 31 MARCH 2008

		ITALY	REST OF EUROPE	AMERICA	INDIA	ASIA PACIFIC	REST OF THE WORLD	**TOTAL**
	1-1/31-3 2008	38.3	58.2	4.3	40.5	7.7	1.6	**150.6**
Sales volumes	1-1/31-3 2007	40.8	69.7	4.7	37.8	5.5	1.3	**159.8**
(‘000 units)	Change	-2.5	-11.5	-0.4	2.7	2.2	0.3	**-9.2**
	% change	-6.1	-16.5	-8.2	7.1	40.3	19.8	**-5.8**
	1-1/31-3 2008	120.6	147.0	14.0	62.2	15.7	4.3	**363.9**
Net sales	1-1/31-3 2007	132.8	175.9	16.7	55.5	11.1	2.2	**394.2**
(in million €)	Change	-12.2	-28.9	-2.7	6.7	4.6	2.1	**-30.3**
	% change	-9.2	-16.4	-16.1	12.1	41.5	100.9	**-7.7**
	1-1/31-3 2008	4,981	695	64	1,917	37	18	**7,712**
Employees	1-1/31-3 2007	4,892	674	60	1,777	24	14	**7,441**
(n°)	Change	89	21	4	140	13	4	**271**
	% change	1.8	3.1	6.7	7.9	54.2	28.6	**3.6**
Investment								
	1-1/31-3 2008	4.6	0.4	0.1	0.3	0.3		**5.7**
- Fixed assets	1-1/31-3 2007	4.9	0.6	0	0.3	0.5		**6.2**
(in million €)	Change	-0.3	-0.2	0.1	0.0	-0.2		**-0.5**
	% change	-5.2	-33.3		0.0	-33.3		**-8.1**
	1-1/31-3 2008	9.8	0.2		0.9			**10.9**
- R&D Capex	1-1/31-3 2007	9.9	0.5	0.2	0.8			**11.4**
(in million €)	Change	-0.1	-0.3	-0.2	0.1			**-0.5**
	% change	-1.0	-60.0	-100.0	12.5			**-4.4**

GROUP FINANCIAL HIGHLIGHTS FOR THE FIRST QUARTER OF 2008

In the first quarter of 2008, the Piaggio Group globally sold 150,600 vehicles, of which 104,400 in the 2-wheeler business, 45,800 in the Commercial Vehicle business and 400 for the five-year BMW contract.
As regards the 2-wheeler business, these results were achieved in a European market that declined 6.8%, compared to the same period in 2007, a year of exceptionally favourable weather conditions that resulted in an advance in the seasonality of the business.
In particular, Vespa sold more than 22,500 units (+3.2%, compared to the first quarter of 2007), confirming the brand's international success. Sales of Derbi and Gilera also improved (+4.6% and +9.5%, respectively), the latter benefitting from the launch of the new Fuoco and GP 800 models. However, sales volumes declined for Piaggio, which last year benefitted from the launch of some new models at the end of 2006, Aprilia (- 9.6%) and Moto Guzzi (-40.2%).

As regards commercial vehicles, the business continued to improve in India, with 40,500 vehicles sold, an increase of 7.1%.

As a consequence of the above mentioned factors, first quarter 2008 **consolidated net sales** stood at 363.9 million € (-7.7%, compared to the same period in 2007). This downturn in net sales was affected not only by the decline in sales of the 2-wheeler sector, but also by the substantial reduction in the five-year BMW contract (-11.0 million €, compared to the same period the year before) and the strengthening of the Euro against the Dollar, the Indian Rupee and Sterling, (impacting net sales by some 4 million €, compared to 2007). As regards spare parts and accessories, where sales were stable over the two periods under comparison, it is pointed out that the first quarter of 2007 benefitted from a build-up in concessionaire inventories.

Consolidated EBITDA declined from 44.4 million € (11.3% of net sales) in the first quarter of 2007 to 35.1 million € (9.7% of net sales) in the first quarter of 2008.

Operating earnings were 13.1 million €, compared to 25.6 million € in the first three months of 2007, with 22.0 million € of amortisation and depreciation (+3.2 million €, +17% compared to the first quarter of 2007).

In the first quarter of 2008, the Group reported a **pre-tax profit** of 5.1 million €, against 17.4 million € for the same period in 2007.

Net profit at 31 March 2008 was 3.2 million €, compared to 9.7 million € at the same date in 2007, after 1.9 million € of taxation (7.7 million € at 31 March 2007).

The **consolidated net financial position** goes from –269.8 million € at 31 December 2007 to –311.8 million € at 31 March 2008, a net negative change of 42 million €, consistent with the seasonal nature of the business, and a 33 million € positive change compared to the –344.8 million € reported in the first quarter of 2007, after the buy-back transactions and the payment of dividends carried out in the second half of 2007.

SIGNIFICANT FACTS IN THE FIRST QUARTER OF 2008

22 January 2008: the strategic guidelines relating to the development of the Group's activities in Asia were presented.

14 March 2008: the Aprilia RS 125 was voted "2008 motorcycle of the year" in the "125cc" category by the readers of 12 European specialist magazines, including the Italian IN MOTO.

Directors’ report

PIAGGIO GROUP FINANCIAL AND BUSINESS PERFORMANCE

Piaggio Group business results in the first quarter of 2008

Net sales

Amounts in million €	*1-1 / 31-3 2008*	*1-1 / 31-3 2007*	*Change*
2-wheelers	260.8	284.4	-23.6
Commercial Vehicles	99.2	93.2	6.0
Other	3.9	16.5	-12.6
TOTAL NET SALES	**363.9**	**394.2**	**-30.3**

In the first quarter of 2008, the Piaggio Group globally sold 150,600 vehicles, of which 104,400 in the 2-wheeler business, 45,800 in the Commercial Vehicles business and 400 for the five-year BMW contract.

As regards the 2-wheeler business, these results were achieved in a weaker (-6.8%) European market than the same period in 2007, a year of exceptionally favourable weather conditions that resulted in an advance in the seasonality of the business.

In particular, Vespa sold more than 22,500 units (+3.2%, compared to the first quarter of 2007), confirming the brand's international success. Sales of Derbi and Gilera also improved (+4.6% and +9.5%, respectively), the latter benefitting from the launch of the new Fuoco and GP 800 models. However, sales volumes declined for Piaggio (-14.3%), which last year benefitted from launch of some new models at the end of 2006, Aprilia (- 9.6%) and Moto Guzzi (-40.2%).

As regards commercial vehicles, the business continued to improve in India, with 40,500 vehicles sold, an increase of 7.1%.

As a consequence of the above mentioned factors, first quarter 2008 **consolidated net sales** stood at 363.9 million € (-7.7%, compared to the same period in 2007).

By analysing the reference sub-segments, this decrease is attributable to lower sales in the 2-wheeler business and the substantial reduction of the five-year BMW contract, 11.0 million € less than the same period the year before, which was only partially attenuated by the improvement in the light commercial vehicles business. Compared to the same period the year before, the downturn in the 2-wheeler sub-segment is essentially a result of lower sales invoiced in both the scooter sector (-8.8 million €, -4.9% compared to March 2007) and the motorcycle sector (-14.7 million €, -21.0%). This negative performance mainly involves the Aprilia and Moto Guzzi brands, down 19.8 million €, Piaggio – 12.1 million € and Vespa – 2.9 million €, while Gilera and Derbi reported an increase in net sales of 9.0 and 1.1 million €, respectively. It is pointed out that the decline in Vespa's net sales is a result of its sales being concentrated in countries that were particularly affected by the strengthening Euro.

The Group is expanding geographically in areas of strong economic development, such as Singapore, Japan and Vietnam, where work progresses on the construction of the new production facility that will come online next year.

The commercial vehicles division ended the first quarter with 45,800 units sold, up 6.6% compared to the first three months of 2007. Of particular note is the continuing growth of the Indian subsidiary which, despite signs of consolidation in a market that expanded considerably over the last years, further increased its volumes by 7.1% (40,500 vehicles) and net sales by 12.1%, compared to 31 March 2007.

The "Other" item mainly refers to sales of engines and the income relating to the BMW contract, which declined by 11 million € compared to the same period the year before.

The **gross industrial margin,** the difference between "Net sales" and the corresponding "Cost of sales" for the period, was 104.1 million €, a 10.0% decrease compared to the first three months of 2007 and a ratio to net sales of 28.6% (29.3% in the same period in 2007) and includes 8.5 million € of amortisation and depreciation, compared to 8.7 million € in the first quarter of 2008.

The "Cost of sales" includes: cost of materials (direct and consumables), accessory purchase costs (transport of incoming materials, customs, handling and warehousing), employee costs for direct and indirect labour and related expenses, work undertaken by third parties, energy costs, depreciation of buildings, plant and machinery and industrial equipment, external maintenance and cleaning costs, net of sundry costs recharged to suppliers.

Operating costs at 31 March 2008 totalled 91.0 million €, an increase of 1.0 million €, compared to the 90.0 million € for the same period in 2007, as a result of higher depreciation and amortisation compared to the first quarter of 2007 (13.5 million €, compared to 10.1 million €) and the costs needed for the Group's international development. Operating costs consist of employee costs, costs for services and use of third party assets and operating costs, net of operating income not included in the gross industrial margin.

The above trend in net sales and costs resulted in **consolidated EBITDA** – defined as "Operating income" gross of amortisation of intangible assets and depreciation of tangible assets as they are recorded in the consolidated income statement – being lower than in 2007 (35.1 million €, 9.7% of net sales, against 44.4 million €, 11.3% of net sales).

Given the aforementioned trend in net sales and costs, **operating income** at 31 March 2008 was 13.1 million €, a decrease of 12.5 million €, compared to the 25.6 million € for the same period in 2007 (-48.8%). Profitability (measured as operating income divided by net sales) also declined, 3.6% against the 6.5% for the same period in 2007.

Borrowing costs totalled 8.0 million €, compared to 8.2 million € for the same period in 2007, and included 4.0 million € relating to the bonded loan issued in 2005. The improvement is linked to the efficiencies achieved in currency management and the lower cost of the reduced debt, which was partially absorbed by the increase in short-term interest rates.

In the first three months of 2008, the Piaggio Group reported a **pre-tax profit** of 5.1 million € (-12.3 million €, compared to the same period in 2007). The decrease is related to lower operating income.

Taxation for the period totalled 1.9 million € (7.7 million € at 31 March 2007).

The **net profit** at 31 March 2008 was 3.2 million € (- 6.6 million €, compared to the same period in 2007).

CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement prepared in accordance with the IFRS international accounting standards is presented in the "Consolidated financial statements and explanatory notes at 31 March 2008"; the following is a comment relating to the summary statement shown in the Highlights.

Cash flow absorbed in the first three months of 2008 totalled 42.0 million €.

Cash flow from operations, i.e. net income plus amortisation and depreciation, was 25.2 million €. The positive impact of this flow was absorbed by the increase in working capital which went from –0.4 million € at 31 December 2007 to 50.0 million € at 31 March 2008, also as a result of the seasonal nature of the 2-wheeler sector which has the greatest financial requirements in this period of the year, by investment activities for 14.4 million € and by changes in the reserves.

The 14.4 million € increase in **fixed assets** essentially consisted of 5.4 million € of investments in tangible assets and 11.2 million € of investments in intangible assets, as well as 1.2 million € arising from the enhanced value of the "Aprilia Shareholders" financial instrument issued upon acquiring Aprilia in 2004, which was offset for 3.4 million € by the net effect of disposals and exchange differences.

PIAGGIO GROUP BALANCE SHEET AT 31 MARCH 2008

Working capital – defined as the net total 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 50.0 million €, up compared to 31 December 2007 (a net increase of 50.4 million €), but down compared to the same period the year before (- 14.7 million €). The increase compared to 31 December 2007 is a result of the seasonal nature of the 2-wheeler business.

Tangible assets consist of property, machinery and industrial equipment, net of accumulated depreciation, and assets intended for sale, as set out in more detail in the explanatory notes to the consolidated financial statements in notes 16 and 27. At 31 March 2008, these totalled 241.2 million €, down 7.4 million € compared to 31 December 2007 and 11.6 million € compared to the same period the year before.

Intangible assets consist of capitalised development costs and the goodwill arising from the merger and acquisitions operations undertaken within the Group since 2000 onwards, as set out in more detail in a specific note of the explanatory notes to the consolidated financial statements. At 31 March 2008, these totalled 637.4 million €, down 0.1 million € compared to 31 December 2007, and up 3.0 million € compared to 31 March 2007, essentially for new product development costs capitalised in the period.

Financial assets, defined by the directors as the total of equity investments and other non-current financial assets (refer to explanatory notes 18 and 19), totalled 0.9 million €, essentially in line with 31 December 2007 and the same period of the year before.

Reserves consist of pension and employee benefits reserves (see Note 33), other long-term reserves (see Note 31), the current portion of other long-term reserves (see Note 31), deferred tax liabilities (see Note 32), and totalled 142.1 million €, a decrease of 3.3 million € compared to 31 December 2007.

Net debt at 31 March 2008 stood at 311.8 million €, compared to the 269.8 million € at 31 December 2007 and the 344.8 million € of the same period in 2007. The increase of 42.0 million € compared to 31 December 2007 is related to the seasonal nature of the 2-wheeler business, which, as already pointed out in the comment to the cash flow statement, absorbs financial resources in the first part of the year and generates them in the second. Compared to the same period in 2007, the net financial position improved overall by 33 million € after the buy-back transactions and the payment of dividends which started in May 2007.

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 million €	*31 March 2008*	*31 December 2007*
(Medium/long-term financial payables)	(176.9)	(177.5)
(Bonded loan)	(145.4)	(145.4)
(Short-term financial payables)	(70.7)	(66.6)
Financial assets	21.7	18.4
Liquid assets	59.5	101.3
Total financial position	**(311.8)**	**(269.8)**

Shareholders' equity at 31 March 2008 totalled 475.5 million €, against 471.4 million € at 31 December 2007.

EMPLOYEES

There were 7,712 Group **employees** at 31 March 2008, compared to 6,847 at 31 December 2007. Staff levels are consistent with the seasonal nature of the business, where production and sales are concentrated in the spring and summer months, when people are hired on term contracts.

	Average number		Actual number at	
N°. people	*1/1 - 31/3 2008*	*1/1 - 31/3 2007*	*31/3 2008*	*31/12 2007*
Senior management	109	114	111	111
Middle management	418	389	416	425
Clerical staff	1,919	1,836	1,930	1,878
Manual workers	4,909	4,898	5,255	4,433
Total	**7,355**	**7,237**	**7,712**	**6,847**

2. SIGNIFICANT EVENTS AFTER 31 MARCH 2008

8 April 2008: almost all the banks holding Piaggio & C S.p.A. 2004-2009 warrants, issued by the company upon acquiring Aprilia S.p.A., exercised them.

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

3. OPERATING OUTLOOK

Operations will be specifically focused on controlling cash flows. As regards the sales forecasts, there is confirmation of the expected substantial growth in the non-European areas and of a normalization of the seasonal nature in Europe.

4. DEALINGS WITH RELATED PARTIES

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

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

Information on dealings with related parties, including that required by the CONSOB communication dated 28 July 2006, is presented in attachment A of the consolidated financial statements.

5. THE PIAGGIO GROUP

THE 2-WHEELER BUSINESS

	1-1/31-3 2008		*1-1/31-3 2007*		*% Change*		*Change*	
	Sell-in volumes ('000 units)	Net sales (million €)	Sell-in volumes ('000 units)	Net sales (million €)	Volumes	Net sales	Volumes	Net sales
Piaggio	39.6	72.3	46.2	84.3	-14.3%	-14.3%	-6.6	-12.1
Gilera	9.0	24.8	8.2	15.8	9.5%	56.7%	0.8	9.0
Vespa	22.5	42.2	21.8	45.1	3.2%	-6.4%	0.7	-2.9
Derbi	8.2	13.4	7.8	12.3	4.6%	9.0%	0.4	1.1
Aprilia	23.4	58.9	25.9	69.0	-9.6%	-14.6%	-2.5	-10.1
M. Guzzi	1.8	13.4	2.9	22.1	-40.2%	-39.4%	-1.1	-8.7
Total	**104.4**	**225.0**	**112.8**	**248.6**	**-7.4%**	**-9.5%**	**-8.4**	**-23.7**
Of which scooters								
Piaggio/Vespa/Gilera	70.2	138.1	75.0	143.2	-6.4%	-3.6%	-4.8	-5.2
Derbi	1.9	2.8	1.7	2.1	14.7%	31.0%	0.2	0.7
Aprilia	16.5	28.8	18.4	33.1	-10.0%	-13.1%	-1.8	-4.3
Scooter Total	**88.7**	**169.6**	**95.1**	**178.4**	**-6.7%**	**-4.9%**	**-6.4**	**-8.8**
Of which motorcycles								
Piaggio/Vespa/Gilera	0.8	1.2	1.2	1.8	-30.4%	-35.1%	-0.4	-0.6
Derbi	6.2	10.6	6.1	10.2	1.6%	4.2%	0.1	0.4
Aprilia	6.9	30.1	7.5	35.9	-8.0%	-16.2%	-0.6	-5.8
M. Guzzi	1.8	13.4	2.9	22.1	-39.9%	-39.3%	-1.2	-8.7
Motorcycle Total	**15.7**	**55.4**	**17.7**	**70.1**	**-11.5%**	**-21.0%**	**-2.0**	**-14.7**
Parts and accessories		35.6		35.7		-0.4%	0.0	-0.1
Other		0.3			N.S.			0.3
TOTAL	**104.4**	**260.8**	**112.8**	**284.4**	**-7.4%**	**-8.3%**	**-8.4**	**-23.6**

In the first quarter of 2008, the Piaggio Group was heavily penalised by the weak European market, which declined 6.8% compared to the same period the year before. The downturn regarded both the scooter and motorcycle sub-segments. The 2007 figures were actually extraordinarily high as a result of very favourable weather conditions.

Considering the brands managed, in the 2-wheeler business Piaggio, Gilera, Vespa, Derbi, Aprilia and Guzzi sold a total of 104,400 units (- 7.4% compared to the first three months of 2007), with net sales of 260.8 million € (- 8.3%) including parts and accessories. In more detail, net sales were 169.6 million € (- 4.9%) in the scooter sector and 55.4 million € (-21.0%) in the motorcycle sector.

Looking at the individual brands, the first three months of 2008 showed solid growth for Gilera which sold 9,000 units (+ 9.5% compared to the same period the year before) as a result of the new Fuoco and GP800.

Vespa increased slightly in volume terms (+ 3.2%) but net sales contracted 6.4% as a result of the stronger Euro. Piaggio volumes were lower than the first three months of 2007; this is a result of lower volumes in the Zip and Fly models, while sales volumes of the MP3, Beverly and Liberty were all very positive.

Compared to the first three months of 2007, Derbi's volumes increased to 8.2 thousand units against 7.8 thousand (+ 4.6%), as did its net sales, 13.4 million € against 12.3 million € (+9.0%).
The Aprilia results of the first three months of 2008, with 23.4 thousand units sold and 58.9 million € of net sales (-9.6% and -14.6%, respectively, compared to the same period in 2007), were affected by a reduction in volumes in both the scooter and motorcycle sub-segments.
In the first three months of 2008, Moto Guzzi achieved volumes of 1,800 motorcycles sold against 2,900 in the same period in 2007 (- 40.2%) and net sales of 13.4 million €, compared to 22.1 million € for the same period the previous year (- 39.4%).

THE COMMERCIAL VEHICLES BUSINESS

	1-1/31-3 2008		*1-1/31-3 2007*		*% change*		*Change*	
	Sell-in volumes ('000 units)	Net sales (million €)	Sell-in volumes ('000 units)	Net sales (million €)	Volumes	Net sales	Volumes	Net sales
Ape	40.9	62.4	40.3	61.1	1.50%	2.1%	0.6	1.3
Minivan	1.7	15.6	1.8	16.3	-6.96%	-4.1%	-0.1	-0.7
Quargo/Ape Truk	3.1	11.2	0.7	5.3	336.00%	111.8%	2.4	5.9
Microcars	0.0	0.3	0.1	1.1	-61.00%	-70.6%	-0.1	-0.8
Atv	0.1	0.2					0.1	0.2
Parts and accessories		9.4		9.4				
Other								
TOTAL	**45.8**	**99.2**	**43.0**	**93.2**	**6.6%**	**6.4%**	**2.8**	**6.0**
Of which India								
Vehicles	*40.5*	*58.6*	*37.8*	*52.5*	*7.1%*	*11.7%*	*2.7*	*6.1*
Parts & accessories		*3.6*		*3.0*		*20.0%*		*0.6*
TOTAL	*40.5*	*62.2*	*37.8*	*55.5*	*7.1%*	*12.1%*	*2.7*	*6.7*

The Commercial Vehicles Division ended the first quarter of 2008 with 45.8 thousand units sold, a 6.6% increase compared to the first three months of 2007, while net sales increased from the 93.2 million € of the first three months of 2007 to 99.2 million € in the first three months of 2008 (+ 6.4%). 37.0 million € of net sales were generated in Europe and 62.2 million € in India.
In Europe, Piaggio sold 5.3 thousand units, a slight improvement on the same period in 2007.
In India, despite signs of consolidation in a market that expanded significantly in the last years, Piaggio Vehicles continues to strengthen its position as key player and second Indian operator. Net sales improved from 37.8 thousand of the first three months of 2007 to 40.5 thousand in the first three months of 2008, an increase of 7.1%.

6. PLAN TO ADAPT THE INTERNAL CONTROL SYSTEMS FOR GROUP COMPANIES WITH REGISTERED OFFICES OUTSIDE THE EU

In the first quarter of 2008, the Piaggio Group started the activities aimed at adapting the internal control systems of the group companies with registered offices outside the EU to the provisions of article 36 of the Regulation approved by CONSOB with Resolution 16191 dated October 29, 2007. The details of the adjustment plan and the relevant timetable have already been presented to the market and published in the Quarterly Report at 30 September 2007.

In accordance with paragraph 2 of article 154 *bis* of the Consolidated Finance Law, the manager in charge of preparing the corporate accounting documents, Alessandra Simonotto, states that the accounting information contained in this document reflects the books and the accounting entries.

* * *

Milan, 7 May 2008

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

Piaggio Group

Consolidated financial statements and explanatory notes at 31 March 2008

INCOME STATEMENT

In thousand Euros	Note	1st quarter 2008	1st quarter 2007	Change
Net sales	4	**363,910**	**394,162**	**(30,252)**
of which with related parties				
Costs for materials	5	214,050	233,390	(19,340)
of which with related parties		*11,750*	*15,099*	*(3,349)*
Costs for services and use of third party assets	6	73,859	74,627	(768)
of which with related parties		*278*	*294*	*(16)*
Employee costs	7	65,709	62,748	2,961
Depreciation of tangible assets	8	9,940	10,079	(139)
Amortisation of intangible assets	8	12,072	8,704	3,368
Other operating income	9	30,828	26,933	3,895
of which with related parties		*529*	*908*	*(379)*
Other operating costs	10	5,988	5,903	85
of which with related parties		*3*	*0*	*3*
Operating income		**13,120**	**25,644**	**(12,524)**
Income/(loss) from equity investments		4	9	(5)
Financial income	11	7,632	2,916	4,716
Borrowing costs	11	(15,645)	(11,130)	(4,515)
Income before tax		**5,111**	**17,439**	**(12,328)**
Tax for the period	12	**1,942**	**7,691**	**(5,749)**
Income from functioning assets		**3,169**	**9,748**	**(6,579)**
Assets intended for disposal:				
Gain/loss from assets intended for disposal	13			**0**
Consolidated net income		**3,169**	**9,748**	**(6,579)**
Attributable to:				
Parent company shareholders		**3,116**	**9,713**	**(6,597)**
Minority shareholders		**53**	**35**	**18**
Income per share (in €)	14	**0.008**	**0.025**	**(0.017)**
Diluted income per share (in €)	14	**0.007**	**0.024**	**(0.017)**

BALANCE SHEET

In thousand Euros	Note	At 31 March 2008	At 31 December 2007	Change
ASSETS				
Non-current assets				
Intangible assets	15	637,359	637,535	(176)
Property, plant and machinery	16	241,203	248,595	(7,392)
Property investment	17			0
Equity investments	18	725	725	0
Other financial assets	19	165	235	(70)
of which of related parties		*0*	*58*	*(58)*
Long-term 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)
of which with related parties		*830*	*830*	*0*
Total non-current assets		**929,321**	**937,320**	**(7,999)**
Assets intended for disposal	27			**0**
Current assets				
Trade receivables	22	184,367	121,412	62,955
of which with related parties		*1,039*	*2,042*	*(1,003)*
Other receivables	23	20,596	20,345	251
of which with related parties		*1,172*	*226*	*946*
Short-term 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
of which of related parties		*58*	*58*	*0*
Cash and cash equivalents	26	59,548	101,334	(41,786)
Total current assets		**589,057**	**506,659**	**82,398**
TOTAL ASSETS		**1,518,378**	**1,443,979**	**74,399**

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

CASH FLOW STATEMENT

In thousand Euros	1st quarter 2008	1st quarter 2007
Operations		
Consolidated net income	3,116	9,713
Minority interest	53	35
Tax for the period	1,942	7,691
Depreciation of property, plant and machinery	9,940	10,079
Amortisation of intangible assets	12,072	8,704
Non-monetary costs for stock options	437	
Allocation to reserves for risks and reserves for pensions and employee benefits	6,740	5,066
Write-downs / (Revaluations)	791	376
Loss / (gain) on disposal of property, plant and machinery	(9)	(25)
Loss / (gain) on disposal of intangible assets		(170)
Financial income	(570)	(2,916)
Financial charges	8,887	11,130
Income from public grants	(118)	
Portion of earnings from associated companies		
Change in current assets:		
(Increase)/Decrease in trade receivables	(63,902)	(66,595)
(Increase)/Decrease in inventories	(53,792)	(44,944)
Increase/(Decrease) in trade payables	57,822	44,238
Increase/(Decrease) in reserves for risks	(5,506)	(3,237)
Increase/(Decrease) in reserves for pensions and employee benefits	(3,363)	(1,334)
Other changes	1,544	12,989
Liquid funds generated by operations	(23,916)	(9,200)
Interest paid	(3,995)	(2,773)
Tax paid	(2,628)	(4,696)
Cash flow from operations (A)	(30,539)	(16,669)
Investment		
Investment in property, plant and machinery	(5,438)	(6,076)
Sale price, or redemption value, of property, plant and machinery	236	135
Investment in intangible assets	(11,192)	(11,523)
Non-consolidated equity investments		170
Sale price, or redemption value, of intangible assets		20
Sale price of equity investments / financial assets		(5)
Repayment of loans provided	58	
Purchase of financial assets	(3,247)	
Sale price of financial assets	12	8,733
Interest received	4,482	1,211
Cash flow from investment (B)	(15,089)	(7,335)
Financing		
Increase in share capital		6,264
Purchase of own shares		
Outflow for dividends paid		
Loans received	29,973	31,774
Outflow to repay loans	(22,230)	(15,400)
Finance leases received		
Repayment of finance leases	(171)	(232)
Cash flow from financing (C)	7,572	22,406
Increase / (Decrease) in liquid funds (A+B+C)	(38,056)	(1,598)
Opening balance	94,862	66,639
Translation difference	545	(40)
Closing balance	57,351	65,001

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

The table below shows the details of the cash and cash equivalents balance at 31 March 2008 and at 31 March 2007.

In thousand Euros	At 31 March 2008	At 31 March 2007	Change
Cash and cash equivalents	59,548	66,911	(7,363)
Current account overdrafts	(2,197)	(1,910)	(287)
Closing balance	57,351	65,001	(7,650)

NET FINANCIAL POSITION

In thousand Euros	Note	At 31 March 2008	At 31 December 2007	Change
Medium- and long-term financial payables:				
Medium- and long-term bank loans	29	(147,726)	(147,912)	186
Due for leases	29	(9,566)	(9,746)	180
Due to other lenders	29	(11,057)	(11,409)	352
Aprilia instruments	29	(8,609)	(8,474)	(135)
Due to parent companies	29			0
Total		*(176,958)*	*(177,541)*	*583*
Bonded loan	29	(145,380)	(145,380)	0
Short-term financial payables:				
Current account overdrafts	29	(2,197)	(6,472)	4,275
Current account payables	29	(15,066)	(12,601)	(2,465)
Due to factors	29	(14,907)	(9,332)	(5,575)
Bank loans	29	(28,507)	(28,502)	(5)
Due for leases	29	(704)	(695)	(9)
Due to other lenders	29	(2,894)	(2,690)	(204)
Aprilia instruments	29	(6,423)	(6,322)	(101)
Due to parent companies	29			0
Total		*(70,698)*	*(66,614)*	*(4,084)*
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	21,172	17,925	3,247
Total		*21,665*	*18,418*	*3,247*
Cash and cash equivalents	26	59,548	101,334	(41,786)
Total Net financial position		**(311,823)**	**(269,783)**	**(42,040)**

The following table reconciles the movements in the flow of the net financial position with the flow of liquid funds as shown in the cash flow statement.

Amounts in €/000	
Increase/decrease in liquid funds from the cash flow statement	**(38,056)**
Outflow for repayment of loans	22,230
Repayment of finance leases	171
Loans received	(29,973)
Finance leases received	0
Repayment of loans provided	(58)
Purchase of financial assets	3,247
Sale of financial assets	(12)
Translation differences	545
Present value effect of EMH financial instrument not included in the IAS cash flow statement in that it does not involve a monetary change	(101)
Present value effect of APRILIA SHAREHOLDERS financial instrument not included in the IAS cash flow statement in that it does not involve a monetary change	(136)
Non-monetary change in financial receivables and financial payables (Amount included under other changes in the operations in the cash flow statement)	103
Change in the net financial position	**(42,040)**

CHANGES IN SHAREHOLDERS' EQUITY 1 January 2008 / 31 March 2008

In thousand Euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of derivatives	IAS transition reserve	Group consolidation reserve	Group conversion reserve	Stock option reserve	Retained earnings	Earnings for the period	***Consolidated Group shareholders' equity***	***Minority interest capital and reserves***	**TOTAL SHAREHOLDERS' EQUITY**
At 1 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
Stock options exercised											0		0
Translation of financial statements in foreign currency							(2,647)				(2,647)	8	(2,639)
Change in IAS reserves				3,059				437			3,496		3,496
Allocation of profit									59,561	(59,561)	0		0
Earnings for the year										3,116	3,116	53	3,169
At 31 March 2008	202,124	3,493	4,273	65,762	(5,859)	993	(2,940)	7,013	196,387	3,116	474,362	1,111	475,473

CHANGES IN SHAREHOLDERS' EQUITY 1 January 2007 / 31 March 2007

In thousand Euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of derivatives	IAS transition reserve	Group consolidation reserve	Group conversion reserve	Stock option reserve	Retained earnings	Earnings for the period	***Consolidated Group shareholders' equity***	***Minority interest capital and reserves***	**TOTAL SHAREHOLDERS' EQUITY**
At 1 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 financial statements in foreign currency							127				127	(5)	122
Change in IAS reserves				1,508							1,508		1,508
Allocation of profit									69,976	(69,976)	0		0
Stock options exercised	2,771	3,493									6,264		6,264
Other movements											0		0
Earnings for the year										9,713	9,713	35	9,748
At 31 March 2007	205,941	36,454	723	61,327	(4,113)	993	(725)	4,827	140,563	9,713	455,703	637	456,340

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 March 2008

A) GENERAL ASPECTS

The quarterly report and the consolidated accounting statements are prepared in compliance with the provisions of CONSOB regulation n° 11971 dated 14 May 1999, as amended by CONSOB resolution n° 14990 dated 14 April 2005.
Piaggio S.p.A. (the Company) is a limited company established in Italy at the Company Registry Office of Pisa. The main activities of the company and its subsidiaries (the Group) are described in the Directors' Report.
These 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 statements in accordance with the principles indicated in the following notes.

1. Consolidation area

The consolidation area has not changed compared to the consolidated financial statements at 31 December 2007 and the consolidated accounts at 31 March 2007.

2. Compliance with INTERNATIONAL ACCOUNTING STANDARDS

The consolidated financial statements of the Piaggio Group at 31 March 2008 have been prepared in conformity with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as being in conformity with the provisions established in Article 9 of Law n°. 38/2005 (CONSOB Resolution n°. 15519 dated 27/7/06 regarding "Provisions for the presentation of financial statements", CONSOB Resolution n°. 15520 dated 27/7/06 regarding "Changes and additions to the Regulation of Issuers adopted by Resolution n°. 11971/99", CONSOB communication n°. 6064293 dated 28/7/06 regarding "Corporate reporting required in accordance with article 114, paragraph 5 of Law 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 quarterly financial report has therefore been prepared in accordance with IAS 34 – *Interim financial reporting.*

In addition, international accounting standards have been uniformly applied for 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.

The preparation of the interim financial statements requires management to make estimates and assumptions that have an impact on the values of income, costs, assets and liabilities in the financial statements and on the information relating to contingent assets and liabilities at the financial statement date. If such estimates and assumptions, which are based on management's best valuation, should differ from actual future circumstances, they would be suitably adjusted in the period in which such circumstances were to change.

Furthermore, it is pointed out that some measurement processes, particularly the more complex ones such as testing non-current assets for impairment, are generally carried out fully only upon preparing the annual report, when all the required information is available, unless there are indicators that warrant immediate impairment.

The Group's businesses, especially the 2-wheeler sub-sector, undergo significant seasonal changes in sales during the year.

Taxation on earnings is recognised using the best estimate of the weighted average rate forecast for the whole year.

New accounting standards

On 1 January 2007, accounting standard IFRS 7 – *Financial instruments: Disclosures* came into force. This standard requires company to disclose information on financial instruments outstanding at the balance sheet date that allows the reader to assess:

- The significance of the financial instruments on the company's financial position and performance;
- The nature and extent of the risks to which the company is exposed as a result of the financial instruments, as well as the policies for managing those risks.

On 30 November 2006, the IASB issued accounting standard IFRS 8 – *Operating segments* which will apply from 1 January 2009, in substitution of IAS 14 – *Segment reporting*. The new accounting standard requires companies to base segment reporting on the elements that management uses to make decisions about operating matters, therefore requires identification of operating segments based on internal reports that are regularly reviewed by management in order to allocate resources to the various segments and assess their performance. At the issue date of these financial statements, the European Union had not yet completed its approval process of this accounting standard and the Group is assessing the effects that may arise from the adoption of this standard.

On 29 March 2007, the IASB issued an amended version of IAS 23 – *Borrowing costs* which will apply from 1 January 2009. In the new version of the standard, the option of immediately recognising as an expense borrowing costs that relate to assets that normally take a substantial period of time to get ready for use or sale has been removed. The standard will be applicable prospectively to borrowing costs that relate to assets capitalised from 1 January 2009. At the issue date of these financial statements, the European Union had not yet completed its approval process of this accounting standard.

On 5 July 2007, IFRIC issued interpretation IFRIC 14 on IAS 19 – *Defined benefit plan assets and minimum funding requirements* which will apply from 1 January 2008. The interpretation provides the general guidelines on how to determine the limit on the amount established by IAS 19 to be recognised as an asset to service the plans and provides an explanation of the accounting effects arising from the presence of a minimum funding requirement clause.
At the issue date of these quarterly financial statements, the European Union had not yet completed its approval process of this interpretation.

On 6 September 2007, the IASB issued an amended version of IAS 1 – *Presentation of financial statements* which will apply from 1 January 2009. The new version of the standard requires the company to present all changes arising from transactions with equity holders in a statement of changes in shareholders' equity. All transactions with third parties ("comprehensive income") must be disclosed in a separate statement of comprehensive income or in two statements (the income statement and the statement of comprehensive income). In all cases, the changes arising from transactions with third parties shall not be recorded in the statement of changes in shareholders' equity.
At the issue date of these quarterly financial statements, the European Union had not yet completed its approval process of this accounting standard.

On 10 January 2008, the IASB issued an amended version of IFRS 3 – *Business combinations.* The main changes to IFRS 3 regard in particular the removal of the requirement to measure individual assets and liabilities of the investee at fair value at each subsequent acquisition, in the case of step acquisitions. In such cases, the goodwill shall be determined as the differential between the value of the equity investment immediately prior to the acquisition, the consideration for the transaction and the value of the net assets acquired. Furthermore, if the company does not acquire 100% of the equity investment, the portion of shareholders' equity pertaining to third parties may be valued either at fair value or by using the method already established in IFRS 3. The revised version of the standard also requires recognising in profit or loss all the costs associated with the business combination and disclosure at the acquisition date of payments that are conditional.
At the issue date of these quarterly financial statements, the European Union had not yet completed its approval process of this accounting standard.

On the same date, IAS 27 – *Consolidated and separate financial statements* was also amended by the IASB, establishing that changes in the amount of the equity holding which do not result in loss of control must be considered as equity transactions and therefore require a counter-entry in equity. Furthermore, when a company loses control of one of its investees yet continues to hold an equity investment in the company, it must measure the equity investment still held in the financial statements at fair value and recognise any gains or losses arising from loss of control in profit or loss. Finally, the amendment to IAS 27 requires that all losses attributable to minority interest be

allocated to minority interest capital and reserves, even if they exceed their portion of the investee's capital. The new rules will apply prospectively from 1 January 2010.
At the issue date of these quarterly financial statements, the European Union had not yet completed its approval process of this amendment.

On 17 January 2008, the IASB issued an amendment to IFRS 2 – *Vesting conditions and cancellation* whereby, for the purposes of measuring share-based remuneration instruments, service conditions and performance conditions only shall be considered in the vesting conditions of plans. The amendment also explains that, all cancellations, whether by the company or by other parties, should receive the same accounting treatment.
At the issue date of these quarterly financial statements, the European Union had not yet completed its approval process of this amendment.

Finally, in 2007, the following interpretations were issued that govern scenarios that are not present in the Group:

- IFRIC 12 – *Service Concession Arrangements* (applicable from 1 January 2008);
- IFRIC – *Customer Loyalty Programmes* (applicable from 1 January 2009).

3. Other information

It is pointed out that a specific paragraph in this Report provides information on any significant events occurring after the end of the quarter and on the expected operating outlook.

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-wheeled 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 through dealers, whether they are two-, three- or four-wheeled 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 procurement of supplies is implemented worldwide 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 common to 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 breakeven 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 coordinated 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 31 March 2008:

In million Euros	*Consolidated*
NET SALES	363.9
Sales to third parties	
Inter-sector sales	
TOTAL NET SALES	**363.9**
Gross industrial margin	104.1
Net borrowing costs	(8.0)
Income from equity investments	
Income before taxation	5.1
Taxation	1.9
Minority interest	0.1
NET INCOME	**3.1**
OTHER INFORMATION	
Increases in tangible and intangible assets	16.6

Secondary sector: market segments

In million Euros	*2W*	*LCV*	*Other*	*Consolidated*
NET SALES	260.8	99.2	3.9	363.9
Sales to third parties				
Inter-sector sales				
TOTAL NET SALES	**260.8**	**99.2**	**3.9**	**363.9**
Gross industrial margin				104.1
Net borrowing costs				(8.0)
Income from equity investments				
Income before taxation				5.1
Taxation				1.9
Minority interest				0.1
NET INCOME				**3.1**
OTHER INFORMATION				
Increases in tangible and intangible assets				16.6

Third sector: geographic area

The following table gives the economic and financial figures for the Group at 31 March 2008 in relation to the geographic "destination" areas, that is, based on the nationality of the customer or of the supplier/lender.

In million Euros	*Italy*	*Rest of Europe*	*America*	*India*	*Asia*	*Rest of the world*	*Consolidated*
NET SALES	120.6	147.0	14.0	62.2	15.7	4.3	**363.9**
Sales to third parties							
Inter-sector sales							
TOTAL NET SALES	120.6	147.0	14.0	62.2	15.7	4.3	**363.9**
BALANCE SHEET							
TOTAL ASSETS	1,165.8	210.8	34.2	87.3	17.1	3.2	**1,518.4**
TOTAL LIABILITIES	1,221.7	197.8	(1.1)	71.1	28.4	0.5	**1,518.4**

C) CONTENT AND MAIN CHANGES - INCOME STATEMENT

4. Net sales — €/000 363,910

Net sales are shown net of bonuses recognised to customers (dealers).
This heading does not include transport costs, which are recharged to customers (€/000 7,631) and advertising cost recoveries invoiced (€/000 1,582), which are shown under other operating income.
The net sales 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 breakdown of net sales by business sector is shown in the following table:

In thousand Euros	*1-1 / 31-3 2008*		*1-1 / 31-3 2007*		*Changes*	
	amount	*%*	*amount*	*%*	*amount*	*%*
2-wheelers	260,819	71.67	284,415	72.16	-23,596	-8.30
Commercial Vehicles	99,156	27.25	93,223	23.65	5,933	6.36
Other	3,935	1.08	16,524	4.19	(12,589)	-76.19
Total	**363,910**	**100.00**	**394,162**	**100.00**	**-30,252**	**-7.68**

Net sales by geographic area

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

In thousand Euros	*1-1 / 31-3 2008*		*1-1 / 31-3 2007*		*Changes*	
	amount	*%*	*amount*	*%*	*amount*	*%*
Italy	120,572	33.13	132,832	33.70	(12,260)	-9.23
Rest of Europe	147,037	40.40	175,879	44.62	(28,842)	-16.40
America	14,015	3.85	16,700	4.24	(2,685)	-16,08
India	62,243	17.10	55,500	14.08	6,743	12.15
Asia	15,708	4.32	11,093	2.81	4,615	41.60
Rest of the world	4,335	1.19	2,158	0.55	2,177	100.88
Total	**363,910**	**100.00**	**394,162**	**100.0**	**-30,252**	**-7.68**

In the first quarter of 2008, net sales decreased by €/000 30,252 as a result of the downturn in sales in the 2-wheeler sector, which was only partially offset by the increase in the Indian light commercial vehicles sector.

5. Costs for materials **€/000 214,050**

These totalled €/000 214,050, compared to €/000 233,390 at 31 March 2007. The 8.3% reduction is essentially related to lower production and sales volumes. It is pointed out that the ratio of net sales fell 0.4%, from 59.2% in the first three months of 2007 to 58.8% in the same period in 2008.

This heading includes €/000 11,750 of costs related to purchases of scooters and engines from the Chinese subsidiary Piaggio Foshan, which are distributed on the European and Asian markets and assembled on scooters produced in Italy, respectively.

6. Costs for services and use of third party assets **€/000 73,859**

In the first three months of 2008, these totalled €/000 73,859, a saving of €/000 768 compared to 31 March 2007.

7. Employee costs **€/000 65,709**

In the first three months of 2008, employee costs totalled €/000 65,709, against €/000 62,748 for the same period of the previous year.

The increase of €/000 2,961 compared to the first quarter of 2007 is due to both higher unit costs following renewed employment agreements and to a larger average workforce.

Part of this increase was also due to €/000 437 of stock option costs being recorded under employee costs during the first quarter of 2008, as required by international accounting standards.

Below is an analysis of the average and actual numbers of the workforce:

	Average number		
Level	*1st quarter 2008*	*1st quarter 2007*	*Change*
Senior management	109	114	(5)
Middle management	418	389	29
Clerical staff	1,919	1,836	83
Manual workers	4,909	4,898	11
Total	**7,355**	**7,237**	**118**

	Actual number at		
Level	*31 March 2008*	*31 December 2007*	*Change*
Senior management	111	111	0
Middle management	416	425	(9)
Clerical staff	1,930	1,878	52
Manual workers	5,255	4,433	822
Total	**7,712**	**6,847**	**865**

8. Amortisation, depreciation and impairment costs **€/000 22,012**

As set out in more detail in the paragraph on intangible assets, as of 1 January 2004 goodwill is no longer amortised, but is tested annually for impairment. The impairment test carried out at 31 December 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 1,497 of amortisation of the Aprilia brand and €/000 540 for the Guzzi brand.

9. Other operating income **€/000 30,828**

Other operating income increased €/000 3,895 compared to the first quarter of 2007.
The heading includes some recovered costs, essentially transport costs and marketing costs recharged to customers, the charges for which are classified under "services".

10. Other operating costs **€/000 5,988**

Overall, other operating costs were in line with the first quarter of 2007.

11. Net financial income (charges) **€/000 (8,013)**

The €/000 8,013 negative balance of financial income (charges) for the first three months of 2008 was down, compared to the €/000 8,214 of the same period in 2007. The €/000 201 improvement is linked to efficiencies achieved in currency management and to the lower costs resulting from the reduced debt, which was partially absorbed by the increase in short-terms interest rates.

12. Taxation **€/000 1,942**

On the basis of IAS 34, taxation for the first three months of 2008 is estimated at €/000 1,942.

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

At the closing date of the interim financial statements, there were no gains or losses from assets intended for disposal or sale.

14. Earnings per share

Earnings per share are calculated using the following figures:

		1st quarter 2008	*1st quarter 2007*
Net income	€/000	3,169	9,748
Income attributable to ordinary shares	€/000	3,169	9,748
Number of ordinary shares in circulation at 1/1		396,040,908	390,712,148
Number of shares issued in the period		0	5,328,760
Average number of ordinary shares in circulation in the period		396,040,908	394,205,446
Earnings per ordinary share	€	0.008	0.025
Adjusted average number of ordinary shares		431,304,025	414,189,388
Diluted earnings per ordinary share	€	0.007	0.024

In calculating the diluted earnings per share, account is taken of the potential effects deriving 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 €/000 637,359

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

In thousand Euros	Book value at 31 December 2007	Increases	Amortisation	Disposals	Reclassifications	Exchange differences	Book value at 31 March 2008
R & D costs	68,833	10,917	(6,951)		(11)	(512)	72,276
Patent rights	25,390	257	(2,997)				22,650
Concessions, licences and trademarks	98,172		(2,076)				96,096
Goodwill	444,480	1,236					445,716
Other	660	18	(48)			(9)	621
Total	**637,535**	**12,428**	**(12,072)**	**0**	**(11)**	**(521)**	**637,359**

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.

Upon acquiring Aprilia, in December 2004 the Company issued warrants and financial instruments in favour of Aprilia's creditor banks and of the selling shareholders, which are exercisable in periods that are governed by their respective regulations starting from the approval of the consolidated financial statements at 31 December 2007, the commitments of which are summarised below:

- Piaggio 2004/2009 Warrants for an overall issue price of €/000 5,350.5 which envisages a redemption price commensurate to the differential between the financial value of the Group at the exercise date and a matrix of threshold values that vary according to the different exercise periods. The redemption price of the warrants can never exceed the overall issue price by more than twelve times, that is €/000 64,206, and may be paid, at the issuer's discretion, either in cash or in shares of the Company, if listed on the MTA of the Italian Exchange. Starting in the financial statements for 2005, the Company has established a specific balance sheet reserve for the fair value of this commitment, planning to pay the redemption price in shares, having in the meantime started the process of listing the Company and there being a resolution of an extraordinary general meeting to increase the share capital by issuing up to a maximum of 25 million shares. If the warrant holders were to exercise their warrants and the Company were to deem it convenient to pay the determined amount in cash, then the financial debt of the

Company would increase by an amount not exceeding €/000 64,206 against a reduction of the same amount in the shareholders' equity reserve.

- EMH 2004/2009 financial instruments for a global nominal value of €/000 10,000, which will give the right to payment following the approval of the financial statements at 31 December 2009 of a minimum guaranteed sum of €/000 3,500, as well as a maximum sale value of €/000 6,500 commensurate to the differential between the financial value of the Group at the exercise date and a matrix of threshold values, which are higher than those set for the Piaggio 2004/2009 Warrants, that vary according to the different exercise periods;
- Aprilia shareholder 2004/2009 financial instruments which envisage a maximum sale value of €/000 10,000 commensurate to the differential between the financial value of the Group at the exercise date and a matrix of threshold values, and conditional upon full payment by the Company of the maximum amount envisaged for the Piaggio 2004/2009 Warrants and 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, in the light of the forecasts of the 2007-2009 Business Plan, the adjustment of the initial purchase cost, that has been considered likely for all the financial instruments, has been estimated at €/000 78,481 and has been charged to goodwill.

Since this payment is deferred, the cost is represented by its present value, determined in accordance with the following parameters:

		at 31 March 2008			at 31 December 2007	Change (A-B)
In thousand Euros	Amount	Present value (A)	Time	Discount rate	Present value (B)	
Warrants	64,206	63,449	0.19	6.57%	62,450	999
EMH instrument	6,500	6,423	0.19	6.57%	6,322	101
Aprilia shareholder instrument	10,000	8,609	2.35	6.57%	8,473	136
Total	**80,706**	**78,481**			**77,245**	**1,236**

Considering the peculiar nature of the underlying financial instruments, €/000 63,449 of the counter entry for the adjustment to the purchase cost has been recorded in the financial instruments fair value reserve and €/000 15,032 in financial payables.

16. Property, plant and machinery **€/000 241,203**

The following table shows the breakdown of tangible assets at 31 March 2008 and at 31 December 2007, as well as the changes during the period.

In thousand Euros	*Value at 31 December 2007*	*Increases*	*Depreciation*	*Disposals*	*Reclassifications*	*Translation differences*	*Value at 31 March 2008*
Land and buildings	119,797	234	(923)			(854)	118,254
Plant and machinery	68,341	858	(3,217)	(227)	86	(1,800)	64,041
Equipment	51,949	3,863	(5,165)				50,647
Other	8,508	483	(635)	(9)	(86)		8,261
Total	**248,595**	**5,438**	**(9,940)**	**(236)**	**0**	**(2,654)**	**241,203**

The increases mainly relate to moulds for the new vehicles launched during the period.

Guarantees

At 31 March 2008, the Group had land and buildings encumbered by mortgage liens or privileges to lending institutions to secure loans received in previous years.

17. Investment property **€/000 0**

At the closing date of the interim financial statements, there was no investment property.

18. Equity investments **€/000 725**

Equity investments consist of:

In thousand Euros	*At 31 March 2008*	*At 31December 2007*	*Change*
Equity investments in subsidiaries		0	
Equity investments in joint ventures		0	
Equity investments in associated companies	725	725	0
Total	**725**	**725**	**0**

There were no changes during the quarter.

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

In thousand Euros	*At 31 March 2008*	*At 31December 2007*	*Change*
Financial receivables due from associates		58	(58)
Equity investments in other companies	165	177	(12)
Total	**165**	**235**	**(70)**

During the quarter, Piaggio sold to the Municipality of Pisa its minority equity investment in Geofor Patrimonio SpA, with a gain of € 1,005.87.
At 31 December 2007, the item financial receivables due from associates included the non-current portion of the loan granted to the Fondazione Piaggio.

20. Current and non-current tax receivables **€/000 31,632**

Tax receivables of €/000 23,098 consist of:

In thousand Euros	*At 31 March 2008*	*At 31December 2007*	*Change*
VAT receivables	22,362	18,496	3,866
Receivables for tax for which a refund has been claimed	8,703	7,689	1,014
Other receivables due from public authorities	567	1,257	(690)
Total tax receivables	**31,632**	**27,442**	**4,190**

Tax receivables included under non-current assets totalled €/000 8,072, compared to €/000 7,821 at 31 December 2007, while tax receivables included under current assets totalled €/000 23,560 compared to €/000 19,621 at 31 December 2007.

21. Deferred tax assets **€/000 34,284**

These totalled €/000 34,284, compared to €/000 33,532 at 31 December 2007. This heading includes mainly deferred tax assets relating to the reversal of intercompany capital gains not realised with third parties, deferred tax assets on tax losses of the parent company and Nacional Motor S.A., deferred tax assets on temporary differences of the parent company, as well as the adjustment of the Group tax burden to the tax rate expected for the whole year.

22. Current and non-current trade receivables €/000 184,367

At 31 March 2008 and at 31 December 2007, there were no long-term trade receivables. Current trade receivables totalled €/000 184,367, compared to €/000 121,412 at 31 December 2007. They consist of:

In thousand Euros	At 31 March 2008	At 31 December 2007	Change
Due from customers	183,328	119,370	63,958
Due from Group companies valued at equity	962	1,064	(102)
Due from parent company	19	920	(901)
Due from associated companies	58	58	0
Total	**184,367**	**121,412**	**62,955**

The €/000 62,955 increase is linked to the seasonal nature of sales, which are concentrated in the spring and summer months.
Trade receivables due from companies valued at equity are amounts due from Piaggio Foshan relating to sales of raw materials and semi-finished goods.
Trade receivables due from associated companies are amounts due from the Fondazione Piaggio.

The trade receivables item consists of receivables relating to normal sale transactions, recorded net of a €/000 23,870 bad debt reserve.
The Piaggio Group sells a large part of its trade receivables with and without recourse. The agreements the Group has signed with major Italian and foreign factoring companies essentially reflect the need to optimise the monitoring and management of receivables as well as provide customers with an instrument to finance their inventories. At 31 March 2008, the trade receivables sold without recourse totalled €/000 146,525, of which the Group received payment prior to the natural maturity of the receivables for €/000 101,620. At 31 March 2008, €/000 14,907 of trade receivables had been sold with recourse, with a counter entry in current liabilities.

23. Other current and non-current receivables €/000 28,109

Other receivables recorded under non-current assets totalled €/000 7,513, compared to €/000 8,877 at 31 December 2007, while other receivables recorded under current assets amounted to €/000 20,596, against €/000 20,345 at 31 December 2007. They consist of the following:

In thousand Euros	At 31 March 2008	At 31 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	6,683	8,047	(1,364)
Total non-current portion	**7,513**	**8,877**	**(1,364)**

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

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

In thousand Euros	At 31 March 2008	At 31 December 2007	Change
Other current receivables:			
Due from parent company	1,022	226	796
Due from Group companies valued at equity	9	-	9
Due from associated companies	141	-	141
Due from others	19,424	20,119	(695)
Total current portion	**20,596**	**20,345**	**251**

There were no significant changes during the period.

Receivables due from Group companies valued at equity consist of amounts due from Piaggio Foshan.

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

24. Inventories €/000 279,321

At 31 March 2008, inventories totalled €/000 279,321, compared to €/000 225,529 at the end of 2007 and consist of:

In thousand Euros	*At 31 March 2008*	*At 31 December 2007*	*Change*
Raw materials and consumables	139,634	99,214	40,420
Reserve for loss in value	(7,583)	(8,072)	489
	132,051	*91,142*	40,909
Work in progress	14,864	21,737	(6,873)
Reserve for loss in value	(852)	(852)	0
	14,012	*20,885*	(6,873)
Finished products and goods for resale	150,999	131,156	19,843
Reserve for loss in value	(18,044)	(17,899)	(145)
	132,955	*113,257*	19,698
Payments on account	*303*	*245*	58
Total	**279,321**	**225,529**	**53,792**

The overall increase of €/000 53,792 is linked to the seasonal nature of production.

25. Other current financial assets €/000 21,665

This heading consists of:

In thousand Euros	*At 31 March 2008*	*At 31 December 2007*	*Change*
Financial receivables due from associates	58	58	0
Securities	21,172	17,925	3,247
Other	435	435	0
Total	**21,665**	**18,418**	**3,247**

The securities item refers to certificates of deposit issued by an Indian public social security body and purchased by the Indian subsidiary in order to make efficient use of temporary liquidity.
The financial receivables due from associated companies item includes the current portion of the loan granted to the Fondazione Piaggio.
"Other" refers to a bank deposit of the parent company that will shortly become available.

26. Cash and cash equivalents **€/000 59,548**

Cash and cash equivalents totalled €/000 59,548, against €/000 101,334 at 31 December 2007, as detailed below:

In thousand Euros	*At 31 March 2008*	*At 31 December 2007*	*Change*
Bank and post office deposits	59,492	101,161	(41,669)
Cash and assets in hand	56	173	(117)
Total	**59,548**	**101,334**	**(41,786)**

In line with the seasonal nature of the business, this heading mainly includes sight and short-term deposits that bear interest at the best market rates.

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

At 31 March 2008, there were no assets intended for sale.

CONTENT AND MAIN CHANGES – CONSOLIDATED BALANCE SHEET - LIABILITIES

28. Share capital and reserves **€/000 475,473**

Share capital €/000 202,124

This item is the sum of:

In thousand Euros	
Issued share capital	205,941
Purchase of own shares	(3,817)
At 31 March 2008	202,124

At 31 March 2008, the share capital, fully subscribed and paid up, consisted of 396,040,908 ordinary shares with a par value of € 0.52 each, for a total of € 205,941,272.16.
During 2007, following resolutions passed at the shareholders' meeting on 7 May 2007, the parent company purchased 7,340,000 own shares in order to implement the 2007-2009 stock option plan. In accordance with the provisions of international accounting standards, these purchases were recorded as a reduction in shareholders' equity.

Share premium reserve €/000 3,493

The share premium reserve at 31 March 2008 stood at €/000 3,493.

Legal reserve €/000 4,273

The legal reserve at 31 March 2008 was €/000 4,273.

Other reserves and retained earnings €/000 261,356

This heading consists of:

In thousand Euros	*At 31 March 2008*	*At 31 December 2007*	*Change*
Conversion reserve	(2,940)	(293)	(2,647)
Stock option reserve	7,013	6,576	437
Financial instruments' fair value reserve	65,762	62,703	3,059
IFRS transition reserve	(5,859)	(5,859)	0
Total other reserves	*63,976*	*63,127*	*849*
Consolidation reserve	993	993	0
Retained earnings	196,387	136,826	59,561
Total	**261,356**	**200,946**	**60,410**

The financial instruments' fair value reserve includes €/000 63,449 arising from the valuation of the Aprilia warrants and €/000 2,313 relating to the effect of recording the cash flow hedge.
The consolidation reserve arose following the acquisition in January 2003 by Piaggio & C. S.p.A. of the 49% equity investment held by Daihatsu Motor Co. Ltd in P&D S.p.A..

Group earnings for the period €/000 3,116

Minority interest capital and reserves €/000 1,111

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

29. Current and non-current financial liabilities €/000 393,036

Non-current financial liabilities totalled €/000 322,338, compared to €/000 322,921 at 31 December 2007, while current financial liabilities stood at €/000 70,698, against €/000 66,614 at 31 December 2007.
As is shown in the statement on the net financial position included in the financial schedules, the Group's overall net debt went from €/000 269,783 at 31 December 2007 to €/000 311,823 at 31 March 2008, an increase of €/000 42,040. This is linked to financial performance and the seasonal nature of the business.
The attached tables summarise the breakdown of financial debt at 31 March 2008 and at 31 December 2007, as well as the changes for the period.

In thousand Euros	*At 31 December 2007*	*Repay-ments*	*New issues*	*Reclass. to current portion*	*Other changes*	*At 31 March 2008*
Non-current portion:						
Medium-/long-term loans	147,912			(154)	(32)	147,726
Bonds falling due beyond 12 months	145,380					145,380
Other medium-/long-term loans						
of which leases	9,746			(180)		9,566
of which due to other lenders	11,409			(352)		11,057
of which Aprilia instruments	8,474				135	8,609
Total loans beyond 12 months	*29,629*			(532)	*135*	*29,232*
Total	**322,921**			**(686)**	**103**	**322,338**

In thousand Euros	*At 31 December 2007*	*Repay-ments*	*New issues*	*Reclass. from current portion*	*Other changes*	*At 31 March 2008*
Current portion:						
Current account overdrafts	6,472	(6,472)	2,197			2,197
Current account payables	12,601	(12,601)	15,066			15,066
Due to factoring companies	9,332	(9,332)	14,907			14,907
Current portion of medium-/long-term loans:						
of which leases	695	(171)		180		704
of which due to banks	28,502	(149)		154		28,507
of which due to other lenders	2,690	(148)		352		2,894
of which Aprilia instruments	6,322				101	6,423
Total other loans	*38,209*	(468)	*0*	*686*	*101*	*38,528*
Total	**66,614**	**(28,873)**	**32,170**	**686**	**101**	**70,698**

Medium-term bank debt amounts to €/000 176,233 (of which €/000 147,726 non-current and €/000 28,507 current) and consists mainly of the following loans:

- a €/000 135,264 (nominal value €/000 136,500) loan provided to the parent company by Mediobanca and Banca Intesa San Paolo. This loan is part of a more complex financial package that in April 2006 was syndicated to a restricted pool of banks. The package consists of a portion of €/000 150,000 nominal fully drawn down and a portion of €/000

100,000 to be used as a credit line, which at 31 December 2007 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 December 2012 for the loan portion, a variable interest rate linked to 6-month Euribor 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 improvement in this index recorded in the 2007 annual financial statements, this margin remained 0.90% for the first quarter of 2008. There is a commitment fee of 0.25% for the portion relating to the credit line. The agreement does not envisage the issue of guarantees, while, in line with market practice, it does require meeting some financial parameters. It should be noted that, in reference to the 2007 figures, these parameters were comfortably met;

- a €/000 29,000 loan granted to the parent company by a syndicate of 14 banks at the time of the Aprilia acquisition for the purchase, against payment of an amount of 34 million Euros, of the 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 on 31 December 2009, aligned with the exercise date of the Piaggio 2004-2009 warrants underwritten by the same lenders during the Aprilia closing;
- 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 2,059 subsidised loan provided by Efibanca maturing 28/12/2009;
- a €/000 2,290 subsidised loan provided by Banca Intesa San Paolo under Law 346/88 regarding applied research;
- €/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 (€/000 145,380 net book value) refers to the high-yield bond issued on 27 April 2005 by the subsidiary Piaggio Finance S.A. (Luxembourg), for a nominal amount of €/000 150,000, maturing on 30 April 2012 and with a semi-annual coupon bearing 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 54,160 (€/000 29,232 of other loans beyond one year; €/000 24,928 the current portion of other loans). Their breakdown is as follows:

- €/000 10,270 of finance leases for Moto Guzzi S.p.A., €/000 10,260 of which provided by Locat S.p.A. and 10 €/000 by Italease Factoring S.p.A.;
- €/000 6,423 of payables due to Interbanca in its capacity of provider of the EMH financial instruments;
- a €/000 8,609 Aprilia ex-shareholders financial instrument;
- €/000 13,951 of subsidised loans provided by Simest and the Ministry of Production using regulations to encourage exports and investment in research and development (non-current portion of €/000 11,057);
- €/000 14,907 of renegotiated with recourse factoring transactions.

Financial instruments

Exchange rate risk

In the first quarter of 2008, exchange rate risk was managed in line with the policy introduced in 2005, which aims to neutralise the possible negative effects of exchange rate changes on company cash-flow, by hedging the business risk, which concerns 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 expected payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.

The hedges must be at least 66% of the business exposure of each month.

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 31 March 2008, Piaggio & C. S.p.A. had forward purchase contracts outstanding for USD/000 2,040, corresponding to €/000 1,292 (valued at the forward exchange rate) and INR/000 65,000, corresponding to €/000 1,084. Furthermore, at 31 March 2008, the following forward sale contracts were outstanding:

- USD/000 35,045, corresponding to €/000 22,214 (valued at the forward exchange rate);
- GBP/000 6,015, corresponding to €/000 7,744 (valued at the forward exchange rate);
- CAD/000 1,015, corresponding to €/000 681 (valued at the forward exchange rate);
- DKK/000 8,400, corresponding to €/000 1,126 (valued at the forward exchange rate);
- NOK/000 3,880, corresponding to €/000 489 (valued at the forward exchange rate);
- JPY/000,000 42, corresponding to €/000 268 (valued at the forward exchange rate);
- INR/000 65,000, corresponding to €/000 1,124 (valued at the forward exchange rate);
- CHF/000 3,960, corresponding to €/000 2.506 (valued at the forward exchange rate).

As regards contracts in place to hedge exchange rate risk on forecast transactions (business risk), at 31 March 2008, the parent company had forward purchase transactions of JPY/000,000 1,710, corresponding to €/000 10,776 (valued at the forward exchange rate) and CNY/000 80,000, corresponding to €/000 7,614 (valued at the forward exchange rate) and forward sales transactions of CHF/000 14,820, corresponding to €/000 9,081 (valued at the forward exchange rate), GBP/000 26,000, corresponding to €/000 36,936 (valued at the forward exchange rate) and CAD/000 3,810, corresponding to €/000 2,844 (valued at the forward exchange rate).
As for Piaggio Group America, at 31 March 2008, there were forward sale transactions for USD/000 10,200, corresponding to €/000 7,138 (valued at the forward exchange rate).

30. Current and non-current trade payables €/000 405,282

In both periods under comparison, there were no non-current trade payables outstanding.
At 31 March 2008, current trade payables totalled €/000 405,282, compared to €/000 347,460 at 31 December 2007.

In thousand Euros	*At 31 March 2008*	*At 31December 2007*	*Change*
Current liabilities:			
Due to suppliers	393,046	342,679	50,367
Due to Group companies valued at equity	11,695	4,071	7,624
Due to associated companies	19	119	(100)
Due to parent companies	522	591	(69)
Total current portion	**405,282**	**347,460**	**57,822**

The overall increase in trade payables totalling €/000 57,822 is linked to the seasonal nature of production.

31. Current and non-current portions of reserves **€/000 41,640**

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

In thousand Euros	Balance at 31 December 2007	Allocations	Applications	Reclassi-fications	Exchange difference	Balance at 31 March 2008
Product warranty reserve	20,317	2,920	(2,755)			20,482
Reserve for risks on equity investments	5,907					5,907
Reserves for restructuring	1,605		(1,592)			13
Reserve for contractual risks	7,151		(900)			6,251
Other reserves for risks and charges	8,748	498	(259)			8,987
Total	**43,728**	**3,418**	**(5,506)**	**0**	**0**	**41,640**

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

In thousand Euros	*At 31 March 2008*	*At 31 December 2007*	*Change*
Non-current portion:			
Product warranty reserve	3,612	3,612	0
Reserve for risks on equity investments	5,605	5,605	0
Reserve for contractual risks	6,251	7,151	(900)
Other reserves for risks and charges	4,073	3,601	472
Total non-current portion	**19,541**	**19,969**	**(428)**

In thousand Euros	*At 31 March 2008*	*At 31 December 2007*	*Change*
Current portion:			
Product warranty reserve	16,870	16,705	165
Reserve for risks on equity investments	302	302	0
Reserves for restructuring	13	1,605	(1,592)
Reserve for contractual risks			
Other reserves for risks and charges	4,914	5,147	(233)
Total current portion	**22,099**	**23,759**	**(1,660)**

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 planned maintenance.

The reserve increased during the period by €/000 2,920 and was used for €/000 2,755 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 the liquidation/merger of some foreign Group companies.

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

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

"Other reserves" include the €/000 2,657 provision for legal risks.

32. Deferred tax liabilities — €/000 38,342

€/000 18,659 of the reserve for deferred tax liabilities refers to the tax effect on registering the Aprilia brand. The remainder relates to temporary differences calculated by other Group companies.

33. Reserves for pensions and employee benefits — €/000 62,163

In thousand Euros	*At 31 March 2008*	*At 31 December 2007*	*Change*
Reserves for pensions	2,644	2,594	50
Employee leaving indemnity reserve	59,519	59,610	(91)
Total	**62,163**	**62,204**	**(41)**

The reserves for pensions consist of 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 22,423

At 31 March 2008 and at 31 December 2007, there were no non-current tax payables. Current tax payables at 31 March 2008 totalled €/000 22,423, compared to €/000 9,683 at 31 December 2007.

The breakdown is as follows:

In thousand Euros	*At 31 March 2008*	*At 31 December 2007*	*Change*
Due for income tax for the period	1,294	1,462	(168)
Due for non-income tax	156	161	(5)
Tax payables for:			
- VAT	13,310	5,876	7,434
- tax withholdings made	6,189	1,468	4,721
- other	1,474	716	758
Total	20,973	8,060	12,913
TOTAL	**22,423**	**9,683**	**12,740**

The heading 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 current and non-current payables **€/000 80,019**

In thousand Euros	*At 31 March 2008*	*At 31 December 2007*	*Change*
Non-current portion:			
Due to social security institutions	1,003	1,003	0
Other payables	19,771	19,743	28
Total non-current portion	**20,774**	**20,746**	**28**

In thousand Euros	*At 31 March 2008*	*At 31 December 2007*	*Change*
Current portion:			
Due to employees	24,350	22,205	2,145
Due to social security institutions	8,898	10,784	(1,886)
Sundry amounts due to associated companies	180	180	0
Other	25,817	26,493	(676)
Total current portion	**59,245**	**59,662**	**(417)**

Other payables included in non-current liabilities totalled €/000 20,774, compared to €/000 20,746 at 31 December 2007 while other current payables totalled €/000 59,245, against €/000 59,662 at 31 December 2007.

Amounts due to employees include €/000 14,307 for holidays accrued but not taken and other payments to be made for €/000 5,458.

Payables due to associated companies refer to various amounts due to the Fondazione Piaggio.

Milan, 7 May 2008

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

A) 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 31 March 2008, as well as their contribution to the respective headings.

		In thousand Euros	% of accounting item
Dealings with associated companies			
Fondazione Piaggio	other current receivables	141	0.68%
	other current financial assets	58	0.27%
	other non-current receivables	390	5.19%
	current trade receivables	58	0.03%
	current trade payables	19	0.00%
	other current payables	180	0.30%
Piaggio China	current trade payables	3	0.00%
AWS do Brasil	other non-current receivables	440	5.86%
Piaggio Foshan	other current receivables	9	0.04%
	costs for materials	11,750	5.49%
	other operating income	510	1.65%
	current trade receivables	962	0.52%
	current trade payables	11,692	2.88%
Studio D'Urso	current trade payables	100	0.02%
Dealings with parent companies			
IMMSI	costs for services and use of third party assets	278	0.38%
	other operating income	19	0.06%
	other operating costs	3	0.05%
	current trade receivables	19	0.01%
	other current receivables	1,022	4.96%
	current trade payables	522	0.13%

B) <u>NON-RECURRING TRANSACTIONS</u>

The Group had no non-recurring transactions in 2007 or in the first quarter of 2008.

C) <u>SUBSEQUENT EVENTS</u>

To date, no events have occurred after 31 March 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 31 March 2008.