PIAGGIO &C. s.p.a.

IMMSI Group

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

Half year report
at 30 June 2007

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COMPANY BOARDS

Board of Directors	
Chairman	Roberto Colaninno (1)
Deputy Chairman	Matteo Colaninno
Chief Executive	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 Appointments Committee
	(4) Member of the Remuneration Committee
	(5) Member of the Internal Control Committee
Board of Statutory Auditors	
Chairman	Giovanni Barbara
Standing 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 Company's corporate accounting documents	Alessandra Simonotto
Independent auditors	Deloitte & Touche S.p.A.

FINANCIAL HIGHLIGHTS

		1st half		2006
(amounts in million €)		2007	2006	statutory
Income statement (reclassified)				
Net sales		968.6	903.3	1,607.4
Gross industrial margin		292.9	282.0	483.0
Operating costs		-186.5	-189.3	-368.8
Operating earnings		106.4	92.7	114.2
Pre-tax earnings		88.8	78.5	88.2
Net earnings		51.5	64.8	70.3
.minority interest		0.3	0.3	0.4
.Group		51.2	64.4	70.0
Gross margin as a % of net sales	%	30.2	31.2	30.1
Operating earnings as a % of net sales	%	11.0	10.3	7.1
Net earnings as a % of net sales	%	5.3	7.2	4.4
Gross operating margin=EBITDA (from operations)		**145.9**	**135.0**	**204.0**
Gross operating margin as % of net sales	%	15.1	14.9	12.7
Balance sheet				
Net working capital		5.6	27.4	20.2
Tangible assets		252.4	249.9	257.0
Intangible assets		637.6	623.9	630.3
Financial assets		1.0	7.8	1.0
Provisions		-147.8	-169.5	-151.8
Net capital employed		**748.8**	**739.5**	**756.7**
Net financial position		277.1	326.2	318.0
Shareholders' equity		471.7	413.3	438.7
Sources of funds		**748.8**	**739.5**	**756.7**
Minority interest capital and reserves		0.9	0.6	0.6
Change in net financial position				
Opening net financial position		**-318.0**	**-411.4**	**-411.4**
Cash flow from operations (Earnings + Amortisation/Depreciation)		91.1	107.0	160.1
(Increase)/Decrease in working capital		14.6	16.6	23.8
(Increase)/Decrease in net investment		-42.2	-31.7	-85.9
Net change in pension provisions and other provisions		-4.0	-6.8	-24.5
Change in shareholders' equity		-18.5	0.0	19.9
Total Changes		***40.9***	***85.2***	***93.4***
Closing net financial position		**-277.1**	**-326.2**	**-318.0**

KEY FIGURES BY BUSINESS SECTOR AT 30 JUNE 2007

BUSINESS		2W Piaggio Gilera Vespa	2W Derbi	2W Aprilia	2W M. Guzzi	LCV	OTHER	**TOTAL**
	1st half 2007	210.7	21.1	73.6	6.2	84.3		**395.9**
Sales volumes	1st half 2006	210.1	20.5	69.2	5.9	75.0		**380.7**
(‘000 units)	Change	0.6	0.6	4.4	0.3	9.3		**15.2**
	% change	0.3%	2.9%	6.4%	5.1%	12.4%		**4.0%**
	1st half 2007	468.4	37.4	213.1	50.5	188.5	10.7	**968.6**
Net sales	1st half 2006	441.6	39.4	192.8	45.8	178.0	5.7	**903.3**
(million €)	Change	26.8	-2.0	20.3	4.7	10.5	5.0	**65.3**
	% change	6.1%	-5.1%	10.5%	10.3%	5.9%	87.7%	**7.2%**
	1st half 2007	3,442	391	1,110	251	2,007	414	**7,615**
Employees	1st half 2006	3,255	394	1,130	243	1,713	426	**7,161**
(n°.)	Change	187	-3	-20	8	294	-12	**454**
	% change	5.7%	-0.8%	-1.8%	3.3%	17.2%	-2.8%	**6.3%**
Investment								
	1st half 2007	9,6	2,0	1,9	0,9	1,1	0.7	**16.2**
- Fixed assets	1st half 2006	8.1	2.2	3.5	1.3	0.8		**15.8**
(million €)	Change	1.5	-0.2	-1.6	-0.4	0.3	0.7	**0.4**
	% change	19%	-9%	-46%	-31%	38%	100%	**2.5%**
	1st half 2007	8.0	1.4	9.4	2.6	4.5		**25.9**
- R&D Capex	1st half 2006	7.0	0.8	8.7	1.7	1.0		**19,1**
(million €)	Change	1.0	0.7	0.7	0.9	3.5		**6,8**
	% change	14.3%	87.5%	8.0%	52.9%	350.0%		**35,4%**

KEY FIGURES BY GEOGRAPHICAL AREA AT 30 JUNE 2007

		ITALY	EUROPE	NORTH AMERICA	INDIA	OTHER	**TOTAL**
	1st half 2007	114.1	178.5	12.3	73.6	17.4	**395.9**
Sales volumes	1st half 2006	141.4	152.8	12.4	63.7	10.4	**380.7**
(‘000 units)	Change	-27.3	25.7	-0.1	9.9	7.0	**15.2**
	% change	-19.3%	16.8%	-0.8%	15.5%	67.3%	**4.0%**
	1st half 2007	351.7	429.5	43.3	111.3	32.8	**968.6**
Net sales	1st half 2006	387.8	351.9	40.2	97.2	26.2	**903.3**
(million €)	Change	-36.1	77.6	3.1	14.1	6.6	**65.3**
	% change	-9.3%	22.1%	7.7%	14.5%	25.2%	**7.2%**
	1st half 2007	5,082	699	56	1,736	42	**7,615**
Employees	1st half 2006	4,968	692	47	1,413	41	**7,161**
(n°.)	Change	114	7	9	323	1	**454**
	% change	2.3%	1.0%	19.1%	22.9%	2.4%	**6.3%**
Investment							
	1st half 2007	12.5	2.0	0.2	1.0	0.5	**16.2**
- Fixed assets	1st half 2006	12.4	2.6	0.1	0.6	0	**15.8**
(million €)	Change	0.1	-0.6	0.1	0.4	0.5	**0.4**
	% change	0.1%	-23%	100%	67%	100%	**2.5%**
	1st half 2007	20.6	1.5	0.3	3.5		**25.9**
- R&D Capex	1st half 2006	18.3	0.8	0.0	0.0		**19.1**
(million €)	Change	2.3	0.7	0.3	3.5		**6.8**
	% change	12.6%	87.5%	100%	100%		**35.6%**

GROUP OPERATING HIGHLIGHTS FOR THE FIRST HALF OF 2007

Consolidated net sales improved to 968.6 million € (+7.2% compared to the same period in 2006), of which 263.6 million € from the Aprilia and Guzzi brands and 705.0 million € from Piaggio, Gilera, Vespa, Derbi and the LCV Business Unit. As regards the 2-wheeler sub-segment, net sales of Piaggio, Gilera, Vespa and Derbi vehicles, spare parts and accessories increased from 481.0 million € in the first six months of 2006, including 36.5 million € relating to the contract with the Italian Post Office (Poste Italiane), to 506.0 million € (+5.2%) in the first six months of 2007, while net sales for the Aprilia and Guzzi brands improved from 238.6 million € in the first half of 2006 to 263.6 million € for the same period in 2007 (+10.5%). Net sales of the LCV sub-segment rose from 178.0 million € to 188.5 million € at 30 June 2007 (+5.9%), with a 14.7% increase in the Indian market (from 91.4 million € at 30 June 2006 to 104.8 million € at 30 June 2007).

Consolidated EBITDA rose 8.1%: 145.9 million €, equal to 15.1% of net sales, compared to 135.0 million € (14.9% of net sales).

Operating earnings improved 14.8%: 106.4 million €, compared to 92.7 million € for the first six months of 2006.

In the first half of 2007, the Piaggio Group reports **pre-tax earnings** of 88.8 million € (+13.1% compared to the same period in 2006) and a **net profit** of 51.5 million € (- 20.5% compared to the same period in 2006), after 37.3 million € of taxation (13.7 million € at 30 June 2006).

Consolidated net debt decreased from –318.0 million € at 31 December 2006 to –277.1 million € at 30 June 2007, a net improvement of 40.9 million € (49.1 million € if compared to the –326.2 million € reported in the first half of 2006).

SIGNIFICANT EVENTS IN THE FIRST HALF OF 2007

On 14 February 2007, Piaggio Group and Intesa Sanpaolo signed a Letter of Intent to structure the most suitable forms of lending for the development of a new Piaggio industrial project in India, which aims to build a facility for the production of a range of diesel engines. The project envisages:

- The design and development of new 1,000 and 1,200 cc direct injection 2-cylinder diesel engines, with different configurations, as well as a direct injection single-cylinder 500cc;
- The construction of a new facility with an annual production capacity of up to 200,000 engines to be built in India in the area of Pune, so as to ensure proximity in logistic terms to the Group Indian facility in Baramati. Production should commence between the end of 2009 and early 2010.

On 7 March 2007, the new high wheel Piaggio Carnaby scooter, available with 125 and 200cc engines, was presented to the press.

On 14 March 2007, the Moto Guzzi 1200 Norge was voted "Motorbike of the year - 2007" in the "Tourer" category by the readers of the weekly Motosprint magazine and the monthly IN MOTO magazine.

On 26 March 2007, Moto Guzzi presented its new "Bellagio" custom motorbike, sporting a 940cc V-twin.

On 4 April 2007, the new revolutionary three-wheeler Gilera Fuoco 500ie scooter was presented in Berlin.

On 11 April 2007, the Board of Directors approved the new 2007-2009 three-year plan. In particular, over the next three years Piaggio Group will focus on:

- Consolidating its leadership in Europe in the scooter and light commercial vehicle businesses;
- Expanding internationally in the motorcycle business;
- Further innovating its product and engine lines;
- Further penetrating the Indian and North American markets;
- Developing the Chinese joint venture;
- Building the new diesel engine facility in India;
- Identifying the possibility of entering new international markets.

On 16 April 2007, the Piaggio MP3 250 three-wheeler scooter was launched in the United States.

On 7 May 2007, the shareholders passed a resolution approving a new stock option plan for the top management of Piaggio Group, having revoked the resolutions passed by the shareholders on

8 March 2006 regarding a previous incentive scheme, and authorised the purchase of up to 10,000,000 own shares in order to implement such plan.

On 23 May 2007, the new twin-cylinder Aprilia Shiver 750 cc was presented in Noale. The motorbike is aimed at the "naked" mid-sized engine sector.

On 24 May 2007, the new version of the Ape, the Ape Calessino, was presented. It is a restyling of the 60's design that will be produced in a limited edition of 999 vehicles.

On 25 June 2007, the rating agency Standard & Poor's upgraded the rating of Piaggio & C. S.p.A. to BB from BB-, with a stable outlook, as a result of improved profitability and cash generation.

Directors’ Report

1. PIAGGIO GROUP FINANCIAL AND BUSINESS PERFORMANCE

Piaggio Group business results in the first half of 2007

Net sales

Amounts in million €	*1st half 2007*	*1st half 2006*	*Change*
2-wheelers	769.4	719.6	49.8
Light Commercial Vehicles	188.5	178.0	10.5
Other	10.7	5.7	5.0
TOTAL NET SALES	**968.6**	**903.3**	**65.3**

Consolidated Group net sales for the period 1 January – 30 June 2007 reached 968.6 million €, +7.2% compared to the figure of the same period in 2006, which was positively influenced by the supply contract with the Post Office that the parent company Piaggio & C. S.p.A. signed at the end of 2005 and that added some 36.5 million € to the first half of 2006.

The increase is attributable to the improved performance of both the 2-wheeler and light commercial vehicle businesses. In particular, compared to the same period the year before, growth was due to the increases in net sales recorded by the Gilera and Vespa brands for 28.8 million €, Aprilia and Moto Guzzi for 25.0 million €, and 10.5 million € to the increase in the sales of light commercial vehicles, which together offset the -2.0 million € decrease recorded by the Derbi brand due to a different product mix, as well as the effect of the previously mentioned Post Office contract for Piaggio.

The "Other" item essentially includes sales of engines.

The **Gross industrial margin,** defined as the difference between "Net sales" and the corresponding "Cost of sales" for the period, totalled 292.9 million €, an increase of 3.9% compared to the first six months of 2006 and represents 30.2% of net sales (31.2% for the same period in 2006).

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

Operating costs at 30 June 2007 totalled 186.5 million €, down 3.4 million € compared to the 189.3 million € for the same period in 2006, and 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. Operating costs also include 3 million € of restructuring charges and 18.5 million € of depreciation and amortisation.

Consolidated EBITDA – defined as "Operating earnings" gross of amortisation of intangible assets and depreciation of tangible assets as they are recorded in the consolidated income statement - was 145.9 million €, an 8.1% increase compared to the 135.0 million € of the same period the year before. As a percentage of net sales, EBITDA for the first six months of 2007 improved to 15.1% compared to 14.9% for the same period in 2006.

Within the framework of the above revenue and costs, **operating profit** at 30 June 2007 reached 106.4 million €, a 13.7 million € increase compared to 92.7 million € for the same period in 2006. Profitability (the ratio between operating earnings and net sales) for the period improved slightly to 11.0%, against 10.3% for the same period in 2006.

Net financial charges totalled 17.6 million €, compared to 14.3 million € for the same period in 2006, of which 7.8 million € relating to the bond.

In the first half of 2007, the Piaggio Group recorded **pre-tax earnings** of 88.8 million € (+13.1% compared to the same period in 2006) and a **net profit** of 51.5 million € (- 20.5% compared to the same period in 2006). Taxation for the period, calculated in accordance with IAS 34 by applying the average 2007 tax rate, totalled 37.3 million € (13.7 million € at 30 June 2006). The average 2007 tax rate differs from that for 2006, also as a result of the impact of deferred tax assets recorded by the parent company in 2006, in accordance with the provisions of IAS 12.

CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement prepared in accordance with the schedules envisaged by the IFRS international accounting standards is presented in the "Consolidated financial statements and explanatory notes at 30 June 2007"; the following is a comment relating to the summary statement shown in the Highlights.

Cash flow generated in the period was 40.9 million €.

Cash flow from operations, i.e. net earnings plus amortisation and depreciation, was 91.1 million €. The positive impact of this flow, which also benefitted from the last portion of increase in share capital as a result of 6.3 million € of stock options being exercised and the positive impact of the decrease in working capital, from 20.2 million € at 31 December 2006 to 5.6 million € at 30 June 2007, was partly offset by 11.9 million € of dividends paid out and 16.8 million € purchase of own shares, and 42.2 million € of investments.

The 42.2 million € increase in **fixed assets** essentially comprises 13.9 million € of investments in tangible assets and 28.2 million € in intangible assets, 0.7 million € of which for the discounting of financial instruments issued upon acquiring Aprilia, with a counter entry in goodwill.

PIAGGIO GROUP BALANCE SHEET AT 30 June 2007

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 5.6 million €, down compared to both the amount at 31 December 2006 (14.6 million € the net decrease), as well as compared to the same period the previous year (an actual difference of 21.8 million €).

Tangible assets consist of property, plant, 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 30 June 2007, tangible assets totalled 252.4 million €, a decrease of 4.6 million € compared to 31 December 2006 and 2.5 million € up compared to the same period the year before.

Intangible assets consist of capitalised research and 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 the Explanatory notes to the consolidated financial statements in the specific note. At 30 June 2007, intangible assets totalled 637.6 million €, an increase of 7.3 million € compared to 31 December 2006, essentially for capitalised new product development costs for the period.

Financial assets, defined by the directors as the total of equity investments and other non-current financial assets (see explanatory notes 18 and 19), totalled 1.0 million €, essentially unchanged compared to 31 December 2006 and a 6.8 million € decrease compared to the same period the year before.

Provisions consist of pension and employee benefits provisions (see Note 33), other long-term provisions (see Note 31), the current portion of other long-term provisions (Note 31), deferred tax liabilities (see Note 32), and totalled 147.8 million €, a decrease of 4.0 million € compared to 31 December 2006.

Net financial debt at 30 June 2007 stood at 277.1 million €, compared to 318,0 million € at 31 December 2006 and 326.2 million € for the same period in 2006. The 40.9 million € reduction compared to 31 December 2006 is due mainly to the previously mentioned positive trend in cash flow from operations, which was partly offset by dividends paid out, by the purchase of own shares and by the above mentioned investment activities.

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 €	*30 June 2007*	*31 December 2006*
Medium-/long-term financial payables	192.2	211.3
Bond	144.9	144.6
Short-term financial payables	50.7	42.8
(Financial assets)	(12.9)	(11.9)
(Liquid assets)	(97.8)	(68.9)
Total	277.1	318.0

Shareholders' equity at 30 June 2007 totalled 471.7 million €, against 438.7 million € at 31 December 2006. Following the exercising of 5,328,760 options by the beneficiaries of the stock option plan on 26 January 2007, effective 31 January 2007, the share capital and the share premium reserve increased by 2.8 million € and by 3.5 million €, respectively. Implementing the shareholder resolutions of 7 May 2007, in the month of May 11.9 million € of dividends were paid out and on 30 June 2007, 4,570,000 own shares totalling 16.8 million € were purchased.

EMPLOYEES

There were 7,615 Group **employees** at 30 June 2007, compared to 6,774 at 31 December 2006.
The number of staff is in line with the seasonal nature of the business, where production and sales are concentrated in the months of spring and summer, when staff are hired on term contracts.

	Average number		Number at	
Number of people	*1st half 2007*	*1st half 2006*	*30-June-07*	*31-Dec-06*
Senior management	115	115	116	113
Middle management	401	357	416	382
Clerical staff	1,841	1,768	1,842	1,805
Manual labour	5,088	4,744	5,241	4,474
Total	*7,445*	*6,984*	*7,615*	*6,774*

2. SIGNIFICANT SUBSEQUENT EVENTS

On 18 July, the rating agency Moody’s upgraded the rating of Piaggio & C. S.p.A. to Ba2 from Ba3, with a stable outlook, as a result of the consolidation of the Group’s main financial parameters and the prospect of their further improvement.

On 25 July 2007, the new version of the Vespa, the “S”, equipped with 50 and 125 cc engines, was presented.

At the same occasion, a hybrid (electric and petrol) prototype engine was presented that Piaggio, ever sensitive to environmental issues, is currently developing and which it intends to use to equip various vehicles in the scooter range in the near future.

In July and August, the parent company continued purchasing own shares in accordance with the shareholder resolution of 7 May 2007. At 31 August, own shares held totalled 7,190,000 at an average purchase price of € 3.666.

3. OPERATING OUTLOOK FOR 2007

During 2007, the Piaggio Group will pursue the objective of confirming and developing internationally its leadership in the sector of light transport in terms of innovation, design and creativity.

The results of the first half of 2007 are in line with the targets set and are the springboard for continuing along the path set out in the 2007-2009 three-year plan, thus ensuring that the set objectives are met.

4. DEALINGS WITH RELATED PARTIES

Net sales, costs, payables and receivables at 30 June 2007 involving parent companies, subsidiaries and associated companies relate to the sale of goods or services and are the result of arm's-length transactions.

The table below completes the information regarding dealings with associated companies, parent companies and other related parties which do not form part of the consolidation of the Piaggio Group.

Main income statement and balance sheet items

	Regarding:			**Nature of the transaction**
Amounts in €/000	Associated	Parent companies	Other related parties	
Other revenue and income	2,379	13		Other revenue and income (Piaggio Foshan, Fondazione Piaggio and IMMSI)
Consumption of raw materials and services	22,313	567	70	Purchase of parts from associated companies, acquisition of services from parent companies
Other charges	52			Other charges with Fondazione Piaggio
Financial receivables	93			Receivables due from Fondazione Piaggio
Trade receivables and other receivables	2,150	49		Receivables arising from the sale of vehicles, spare parts and/or recovery of sundry costs
Trade payables and other payables	8,778	727	70	Payables arising from the purchase of components and/or vehicles and from services provided

5. THE MARKET

5.1 THE 2-WHEELER BUSINESS

In the first half of 2007, the world market for motorised 2-wheelers reached almost 22 million vehicles sold, a 3% increase compared to the same period in 2006.

Asia remains the undisputed number one market: the People's Republic of China confirmed its position as the biggest world market with over 10 million vehicles sold, and an increase of 3% compared to the first six months of 2006.

In second place was India again, which went against the growth trend recorded in the same period the year before, and with almost 3.7 million vehicles sold was 2% down compared to the period January-June 2006.

South East Asia, with over 4.7 million vehicles overall (+4% compared to the first half of 2006) recovered compared to the year before: of the countries in this area, Indonesia, with over 2 million vehicles, accounts for some 44% of sales (+13% compared to the same period in 2006), followed by a strongly growing Vietnam (+44% compared to January-June 2006), overtaking in the sales table Thailand which suffered a sharp downturn (–24%), remaining just above 800 thousand vehicles sold.

The Japanese market was down compared to the same period the year before with just over 333 thousand units sold.

The positive trend reversed in North America, -6% compared to the first half of 2006, due to the United States, which account for more than 90% of sales with over 551 thousand units (-7% compared to January-June 2006).

Latin America grew strongly, +23% compared to the first half of 2006; Brazil (over 90% of the area) confirmed its rising trend with volumes in excess of 790 thousand units (+26% compared to the first half of 2006).

Europe, the main area for Piaggio Group businesses, grew 5% compared to the first half of 2006, of which +8% came from the scooter business and +1% from motorbikes. Once again, in 2007, the over 50 cc segment performed well (+3%) combined with positive growth in the 50 cc segment (+10%); as for the over 50 cc segment, scooters improved by 6% (taking account of the Italian Post office contract in 2006, without which it would have been +13%), while motorbikes grew slightly (+1%). In the 50cc segment, results were positive for both scooters (+11%) and motorbikes (+5%)

The scooter market

Italy

The Italian scooter market ended the first half of 2007 with volumes of 234 thousand vehicles, a 2% decrease compared to the almost 239 thousand for the same period in 2006. Net of the extraordinary Post Office contract in 2006, the scooter market grew by 8%.

The 50cc segment remains unchanged, confirming the 63 thousand units of the first half of 2006, while the over 50cc market recorded some 171 thousand units, a decrease of 3% compared to the first half of the year before. Net of the Post Office contract in 2006, the over 50cc scooter market grew 11% compared to June 2006.

Europe

In Europe, the scooter market grew 8%, from 677 thousand units in the first half of 2006 (including the Italian Post Office contract) to 732 thousand in the first half of 2007 (+12% net of the Italian Post Office vehicles).

The 50cc scooter segment increased 11%, from 326 thousand units in the first half of 2006 to 360 thousand in 2007.

The over 50cc scooter segment, excluding the Italian Post Office contract, reached 371 thousand units against the 329 thousand of the same period in 2006 (+13%).

Among the main countries, Italy remained the key market with 234 thousand units, followed by France (126 thousand) which overtook Spain, where sales totalled 105 thousand units; then came Germany with 49 thousand units.

The French market recorded growth of 19% compared to the year before, going from 106 thousand to 126 thousand units. The increase is due to the development of both market segments, which both improved by 19%.

The Spanish market almost reached 105 thousand vehicles, a 4% increase compared to the same period in 2006 (100 thousand vehicles); this growth is due mainly to the over 50cc segment that improved 7%, while the 50cc segment remained stable compared to the year before.

The German market grew by 4% (just under 49 thousand vehicles sold). The negative trend of the 50cc market (-3%) is offset by the substantial growth in the over 50cc segment (+14%).

Finally, the British market recorded sales of more than 19 thousand vehicles, an increase of 7% compared to the same period in 2006, due to the decidedly positive performance in the over 50cc market (+16%), against a drop in the 50cc segment (–3%).

North America

The North American scooter market contracted slightly (-3%) in the first half of 2007 and stood in excess of 35 thousand units. The USA (which account for 84% of the reference area) in particular contracted slightly (-1%), still selling more than 29 thousand units. The over 50cc scooter segment reversed the growth trend of the year before (-7%) but its relative weight is still greater than that of the 50cc sector, which grew by 7%.

The motorbike market

Italy

In the first half of 2007, the motorbike market (including 50cc motorbikes) in Italy contracted 7%, from 115 thousand units in the first half of 2006 to 107 thousand. The decrease is mainly due to the contraction of the 126-750cc sub-segment, which went from 67 thousand units in the first half of 2006 to 59 thousand units in the first half of 2007 (-12%). Over 750 and 50cc motorbike registrations were stable, while 51-125cc motorbikes contracted slightly (-4%; 5.4 thousand vehicles in the first half of 2007 against 5.6 thousand for the same period in 2006).

Europe

The motorbike market in Europe improved from 555 thousand units in the first half of 2006 to 561 thousand units for the same period in 2007 (+1%). The 50cc segment increased from 48 thousand units to 50 thousand units (+5%), while the 51-125cc segment grew 4%, from 69 thousand units in the first half of 2006 to 71 thousand units for the same period in 2007. The over 125cc segment remains stable, with sales of 439 thousand units.

The main markets after Italy are France (92 thousand units), Spain (88 thousand units), Germany (85 thousand units) and the United Kingdom (52 thousand units).

In Europe, the main sub-segment is the mid-sized engine motorbikes between 126 and 750cc, where the Group is present with Aprilia, Moto Guzzi and Derbi, followed by the maxi motorbikes with an engine capacity of more than 750cc, where the Group is present with Aprilia and Moto Guzzi.

In the first half of 2007, the over 750cc sub-segment increased 6% as a result of the strong performances of the British (+16%), Spanish (+27%) and French (+7%) markets. The German market however contracted (-2%), while Italy was stable.

The sub-segment of 126-750cc mid-sized engine motorbikes, however, contracted compared to the same period the year before (-5%), as a result of weakness in the main European markets: Italy (-12%), France (-11%), Germany (-5%), which was only partly offset by the positive performance of the Spanish market (+4%) and the stability of the British market.

The 51-125 cc sub-segment, which grew 4% compared to the same period in 2006, was affected by the negative trend of the Italian (-4%), British (-6%) and German (-3%) markets, which was more than offset by the positive performances recorded in the larger Spanish (+1%) and French (+1%) markets.

NORTH AMERICA

In the first half of 2007, the motorbike market in the United States contracted overall (-7%), mainly due to the slide in the smaller engine segments (up to 125 cc.), which dropped more than 20%. These two segments represent 10% of the overall US motorbike market. The bigger engine sizes suffered less (-6.8% in the 126-750 cc. segment and –3.2 % in the over 750 cc. segment), where 471 thousand vehicles were sold in the first half of 2007 against the 494 thousand of the same period in 2006.

5.2 LIGHT COMMERCIAL VEHICLE BUSINESS

In the first six months of 2007, the European market for light commercial vehicles (vehicles with a gross weight of up to 3.5 tons) improved slightly, +5.7% compared to the same period in 2006 (source: ACEA).

On the domestic Italian market (source: ANFIA, deliveries declared by the N1 market manufacturers) for the period January-June, growth was 2.4%, with 124,892 units sold compared to 121,984 for the first half of 2006.

The Indian market, where Piaggio Vehicle Private Limited, a subsidiary of Piaggio & C. S.p.A., successfully operates, went from 197,065 units sold in the first half of 2006 to 189,994 units in the first six months of 2007 (–3,5%).

Within this market, the sub-segment for Passenger vehicles (3 and 6 seats) was 115,711 units (-1.1%), while the Cargo sub-segment contracted more than 7.2%, from 80,041 to 74,283 units sold. It should however be pointed out that the contraction of the Cargo segment is mainly attributable to the sub-segment of 0.75 ton vehicles (-38.7%). The Cargo 0.5 ton market, where PVPL is market leader, is still an expanding one (+2.4%).

6. THE REGULATORY FRAMEWORK

Italy

The Bianchi draft bill, which envisages stronger legislation and more severe regulations in an aim to improve road safety, continues on its parliamentary course. The fallout of this provision on the market, should it be approved without further amendments, will concern the government mandate to reform the Highway Code and the introduction of the "accompanied driver" system.
Regarding environmental policies, on 11 June government incentives aimed at renewing the mopeds in circulation became operational. This campaign sees the introduction of mandatory scrapping for all polluting mopeds (Euro 0 or if manufactured before 31 December 2001) in order to obtain a discount on the purchase of a Euro 2 moped, as specified in the summary below:

- for an electric moped or a motorised bicycle, 30% of the list price up to a maximum of 700 Euros;
- for a 4-stroke EURO 2 or fuel efficient (2.3 litres per 100 km) moped, 15% of the list price up to a maximum of 300 Euros**;**
- for a 2-stroke EURO 2 moped, 8% of the list price up to a maximum of 150 Euros.

Moreover, the incentive campaign to encourage the replacement of motorbikes and mopeds in circulation launched by the Lazio Region for the areas of Rome and Frosinone ended in January and, to date, no repeat is envisaged. As regards regional and local initiatives aimed at reducing atmospheric pollution, of note are also the ventures of Lombardy, Piedmont, Emilia Romagna, Tuscany and the city of Rome, where, beginning in September 2006 for the four regions and in January 2007 for Rome, 2-stroke Euro 0 motorbikes and mopeds are no longer allowed to circulate.
There are no updates of any note regarding insurance rates for 2-wheeler vehicles in Italy – which, according the DOXA-ANCMA statistical research, are the main barrier to the purchase of a scooter. Depending on the geographic area and the age of the rider, average third-party moped premiums either further increased or remained at the very high levels of the last two years.
The Ministry of Transport and the National Council for Road Safety (Consulta Nazionale sulla Sicurezza Stradale) have announced a specific safety initiative aimed at motorbikes and scooters for the second part of the year and Piaggio, the main European manufacturer, has been invited as of September to assist in its definition.

Europe

As of 1 January 2007, the Euro 3 obligations for motorbikes are extended to all new type approvals, in compliance with directives 2002/51/CE and 2003/77/CE.
Directive 2006/72/CE of 18 August 2006, adopted in Italy by a decree dated 17 February 2007, came into force on 1 July 2007 and allows, at the request of the manufacturer, motorbikes to be type approved using the new WMTC testing cycle.

The Commission is also preparing a new provision that should define the new Euro 3 limits for mopeds, tricycles and quads, and contain additional measures for all 2- and 3-wheeler motor vehicles (fuel consumption, CO2 emissions, durability, evaporative emissions, etc.).
As regards cars and commercial vehicles (a sub-segment where Piaggio is present with the Porter commercial vehicle), Regulation 715/2007 was adopted on 29 June 2007 that sets the limits and the coming into force dates for Euro 5 and Euro 6 (1 September 2009 for new type approvals – 1 January 2011 for new registrations) which apply to both cars and commercial vehicles, while the definition of testing procedures was deferred to a future provision.
Furthermore, it is pointed out that directive 2006/126/CE, regarding driving licences, was adopted on 20 December 2006. This directive will come into force in part on 19 January 2011 and at a general level on 19 January 2013. Adoption of the directive in the 27 countries of the European Union appears complex and the EU Commission is preparing a coordinating plan to support the individual countries in amending their regulatory and administrative frameworks. The opportunity given to each country to modify the minimum age for applying for various levels of motorbike licence (category A) and for the moped licence (category AM) could be particularly critical.
The definition of harmonised international regulations regarding noise and polluting emissions for 2-wheeler vehicles continued actively throughout the first half of 2007. Piaggio made a significant contribution to advancing the studies on which the new regulation will be based at both a European and international level.

7. THE PIAGGIO GROUP

THE 2-WHEELER BUSINESS

	1st half 2007		*1st half 2006*		*% change*	
	Volumes Sell in (‘000 units)	Net sales (million €)	Volumes Sell in (‘000 units)	Net sales (million €)	Volumes	Net sales
Piaggio	125.0	241.6	137.7	247.8	-9.2%	-2.5%
Gilera	23.7	48.2	21.2	41.5	11.9%	16.1%
Vespa	62.0	128.8	51.3	107.9	20.8%	19.3%
Derbi	21.1	33.2	20.5	35.5	2.9%	-6.3%
Aprilia	73.6	189.9	69.2	175.6	6.4%	8.2%
M. Guzzi	6.2	46.2	5.9	42.1	5.1%	9.6%
Spare parts & accessories	N.S.	81.7	-	69.2	N.S.	18.1
TOTAL	**311.5**	**769.6**	**305.7**	**719.6**	**1.9**	**6.9**

In the first half of 2007, the Piaggio Group, taking into consideration the brands managed, Piaggio, Gilera, Vespa, Derbi, Aprilia and Guzzi, sold a total of 311.5 thousand units (+1.9% compared to the first half of 2006) in the 2-wheeler sector, with net sales of 769.6 million € (+6.9%) including spare parts and accessories.
The Group’s brands maintained their leadership of the European scooter market. Looking at the individual brands, the first half of 2007 again saw strong growth for Vespa which sold 62 thousand

units (+21.9% compared to the same period the previous year) thanks to the confirmation of the LX and GTS models, whose range has been extended with a 125cc version, making the GTS accessible to car licence holders as well. Piaggio volumes were lower than the first half of 2006, which was boosted by the sizeable contract with the Italian Post Office contract for some 24,300 vehicles. Excluding the Italian Post office contract, the almost 125 thousand units sold in the first six months of 2007 are a 10% improvement compared to the first half of 2006; this was made possible by the success of the innovative MP3, the Beverly Cruiser and the Carnaby, Piaggio's latest proposal in the important sector of high wheel vehicles. The first half of 2007 was positive for Gilera as well, recording some 24 thousand units sold, +12%. The extension of the Nexus range with the 125 model, the recent launch of the new Storm and, especially, of Fuoco, Gilera's 3-wheeler scooter, keep expectations high for the second half of 2007 as well, when the new GP 800 is expected to reach the European markets.
Regarding Derbi, even though increasing volumes compared to the first half of 2006 with 21.1 thousand units against 20.5 thousand at 30 June 2006 (+2.9%), suffered a 6.3% contraction in net sales (33.2 million € compared to 35.5 million €) especially as a result of lower Mulhacen 659 sales.
In the first six months of 2007, the results of Aprilia, which sold 73.6 thousand units and totalled 189.9 million € of net sales (+6.4% and +8.2%, respectively), were conditioned by a slight reduction in volumes in the scooter sub-segment, offset by good performance in the motorbike sub-segment.
While the scooter result reflects a range being renewed and technologically updated, the positive motorbike result is attributable to the good performance in Italy of the new RS 125, to the entry into the 126cc – 750cc sub-segment with the new Pegaso 650 Strada, Trail and Tuono 2007 edition.

In the first half of 2007, Moto Guzzi sold 6,200 motorbikes compared to 5,903 for the same period in 2006 (+5.1%) and net sales were 46.2 million € compared to 42.1 million € in the same period the year before (+9.6%), helped also by the introduction of the Norge and the 1200 sport.

THE 2-WHEELER PRODUCT RANGE

The Piaggio, Vespa, and Gilera brands, formed by a broad range of products that are entrenched in the leading positions in sales tables, ensure excellent coverage of the various market segments.
The best-selling models in the first half of 2007 were the Vespa LX (almost 38 thousand units sold), followed by the Piaggio Liberty and the Zip with 23 thousand and 20 thousand units sold, respectively. Five years after its launch, the sales volumes of the Beverly continue to be high: with some 20 thousand units, it was the Group's fourth best seller; of note are the contribution of the Vespa GTS and the Piaggio MP3 (about 17 thousand and 13 thousand vehicles sold, respectively, in the first half of 2007), which significantly contributed to the increase in sales in the first half of 2007. No less important was the performance of the Piaggio Carnaby, which, in just over two months from its launch, sold more than 6 thousand units.

In the first half of 2007, Piaggio launched the new 125 and 250 cc Piaggio Carnaby, while Gilera introduced to the market the new Nexus 500 and 250. The Zip (50/100) and Fly (50 and 100cc) models produced in China sold more than 20,000 units.
The Aprilia motorbike range was strengthened in its cover of the Enduro segment with the launch of the Pegaso Factory, a forceful model aimed at sporty users. Furthermore, the Euro 3 versions of the Pegaso and RS 125 (undisputed leader in the small-engined sports road bikes) were introduced to comply with anti-pollution regulations.
In the high performance segment, the Bol D'Or (RSV) and Daytona (Tuono) versions were presented, reminders of Aprilia's sports successes.
2007 is the year of consolidation for the Tuono Factory, which was introduced at the end of 2006 as a limited edition and, due to its commercial success, has now become a stock item.
Finally, June saw the presentation of the hi-tech, stylish Shiver 750, an aggressive naked bike, which opens the door for Aprilia not only to the naked segment (more than 40% of the market), but also to a new range of customers.

In the scooter segment, Aprilia has completely renewed the Scarabeo range with the introduction of the new 4-stroke Scarabeo 50, the 2-stroke Scarabeo 50 and the 4-stroke Scarabeo 100 models. Production has also started on the new Scarabeo 125 and 200 models, with new, advanced engine solutions (twin overhead camshafts).

During the first six months of 2007, Moto Guzzi continued to renew its vehicle range with the launch of the Norge 850 and of the new Bellagio 940, while other models presented stylistic and quality updates.

LCV BUSINESS

	1st half 2007		1st half 2006		% change	
	Volumes Sell in ('000 units)	Net sales (million €)	Volumes Sell in ('000 units)	Net sales (million €)	Volumes	Net sales
Ape	78.3	121.8	68.9	109.7	13.7	10.9
of which India	*73.3*	*104.0*	*63.7*	*91.4*	*15.6*	*14.7*
Minivan	3.7	33.6	3.6	32.7	3.3	2.7
Quargo	2.0	13.1	2.1	14.9	-6.0	-12.3
Microcars	0.2	1.8	0.4	2.6	-35.7	-26.3
Spare parts & accessories (1)	N.S.	18.2	N.S.	18.1	N.S.	0.8
TOTAL	**84.3**	**188.5**	**75.0**	**178.0**	**12.4**	**5.9**

(1) Includes India spare parts

The Light Commercial Vehicles (LCV) division ended the first half of 2007 with 84.3 thousand units sold, +12,4% compared to the first half of 2006, while in the same period net sales increased from the 178.0 million € of the first half of 2006 to 188.5 million € in the first half of 2007 (+5.9%). Net sales generated in Europe reached 77.3 million € while India recorded 111.2 million €.

In Europe, Piaggio sold 10,711 units, slightly less than the same period in 2006 (-5.2%).

On the Indian market, in spite of signs that the market is settling down after years of sustained expansion, Piaggio Vehicles continues to strengthen its position as key player and second operator on the local market. Sales increased from 63,700 in the first half of 2006 to 73,300 in the first half of 2007, a +15% increase. Market share reached 38.1% (against 31.9% in the first six months of 2006).

In particular, Piaggio Vehicles consolidated its position as market leader in the Cargo (freight) segment and key follower in terms of dynamism and innovation in the Passenger segment.

In fact, the market share in the Cargo (0.5 ton and 0.75 ton) sub-segment reached 42.4%. The key follower, an Indian operator, has a market share of 21.6% (SIAM / Piaggio Vehicles figures).

In the Passenger segment (3 seats and 6 seats), Piaggio Vehicles increased its market share to 35.3% in the first half of 2007 and is increasingly asserting itself as a valid alternative to the historic local market leader.

As for the product range in Europe, the first months of 2007 were characterised by the introduction of the Quargo Model Year 2007 and, in June, of the Ape Calessino (a limited edition Ape for passengers with high-quality fittings).

RESEARCH AND DEVELOPMENT

Company	1st half 2007			1st half 2006		
Amounts in million €	Capitalised	Costs	Total	Capitalised	Costs	Total
Piaggio & C.	18.3	12.4	30.8	16.7	9.4	26.1
of which 2WPiaggio/Gilera/Vespa	8.0	7.5	*15.5*	*7.0*	*6.6*	*13.6*
of which 2W Aprilia	9.4	4.0	*13.3*	*8.7*	*1.8*	*10.5*
of which LCV	1.0	1.0	*2.0*	*1.0*	*1.0*	*2.0*
Nacional Motor	1.5	0.9	*2.4*	0.8	1.2	2.0
M. Guzzi	2.6	0.1	*2.7*	1.7	0.0	1.7
PVPL and diesel	3.5	0.2	*3.7*	0.0	0.0	0.0
Total	**25.9**	**13.6**	**39.5**	**19.1**	**10.7**	**29.8**

Even in the first half of 2007, the Piaggio Group continued in its policy aiming at maintaining technological leadership in the sector, setting aside for research and development overall resources of 39.5 million € (of which 30.8 million € in Piaggio & C. S.p.A., 2.4 million € in Nacional Motor, 2.7 million € in Moto Guzzi and 3.7 million € in Piaggio Vehicles, including development of the new diesel engine for the Indian market), which represents 4.1% of net sales, of which 25.9 million € capitalised in intangible assets. The Indian subsidiary Piaggio Vehicles Pvt Ltd, which up until last year used Piaggio & C. S.p.A. LCV business area resources in Pontedera for the development of research projects, has begun to operate directly in 2007, with the start of development on the new diesel engine for vehicles produced in India.

In particular, research activities, relating to product innovation and production technology projects, absorbed 3 million € of resources; research activities, for the remaining 36.5 million €, especially regarded new vehicles and new engines (with a special focus on ecology).

Following the development activities regarding new 2-wheeler products for an overall cost of 28.8 million €, of which 15.5 Million € for Piaggio, Gilera Vespa and 13.3 million € for Aprilia (24.1 million € in the same period in 2006), also in 2007 the offer benefitted from the beginning of production of the new Piaggio Carnaby and MP3 400, the Aprilia Scarabeo, the Mana 850 cc, the Naked 750 cc, the Gilera Fuoco and the GP800.

As regards the LCV business, total costs in the first half of 2007 were 2.0 million €, unchanged compared to the same period in 2006, and refer to the development of the new Ape Calessino as well as updates to the other vehicles in the range.

In relation to Guzzi, research and development costs totalled 2.7 Million € and were almost all completely capitalised. The costs regarded the production start-up of new vehicles, such as the Bellagio 940 cc.

PRODUCTION

As part of continually improving Group production processes, the first half of 2007 also witnessed the ongoing implementation of some important investments involving the different production sites.

Regarding the Pontedera facility, installation has been completed of a new production line for integral drive shafts, which will be fitted on all twin-cylinder production Moto Guzzi, Aprilia and Gilera engines. Also finished is a new twin-cylinder engine assembly line which since June has been used for producing the Shiver 750 4-stroke/4-valve engine.

The ISO 14001 environmental certification process for the Pontedera facility is in the final audit phase. In parallel, activities have been started for the facilities in Scorzè and Noale, which will be completed in 2007.

As regards the facility in Scorzè, the process that started in the last few years with the construction of a new vehicle packaging plant has been completed.

The Fuksas project for the new Piaggio museum, which will be inside the Pontedera facility, has been presented to the authorities.

The restructuring and reorganisation of the Mandello del Lario facility, which began in the last quarter of 2005, continue.

As regards the Baramati facility, preliminary activities have started for the construction of the new facility for the production of diesel engines, the first part of which should be completed in 2007, while the overall investment will run through 2009.

8. HUMAN RESOURCES AND QUALITY SYSTEMS

ORGANISATIONAL DEVELOPMENT

In the first half of 2007, following completion of the new organisational structure of the Group, aimed at enabling the Group's competitive ability to play globally, in line with its plans, the reorganisation was completed of Piaggio's presence on the European market, which is distinguished by an exclusively commercial vocation, shifting back office and administrative services to the central structures.

The organisational structure focusing on the group's presence in China was also strengthened.

To support the effectiveness of the new organisation, various initiatives aimed at integrating the different production aspects have been planned: the reference regulatory framework and the related documentary system have been planned. In particular, the rationalisation has involved the process of procuring goods and services, the methods of recruiting and integrating human resources, the process of managing the sales network.

A new media system based on intranet, a house organ and international events, will accompany the internal information and communication initiatives. The aim is to enhance the value of the different cultures and experiences and to create a community that shares management style as well as business values and ethics.

CUSTOMER SATISFACTION AND QUALITY STANDARDS

2007 is for the whole Group the first moment of stabilisation and consolidation of the results achieved in terms of customer satisfaction and perceived quality. In this framework, customer satisfaction of the Vespa brand still continues to grow, the continuity of the results has also enabled a customer loyalty measurement system to be implemented, which will support the development and product upgrading activities.

In parallel with the development of customer satisfaction analysis systems and consistent with the new organisational model is the development of an "integrated management system of quality, the environment, health and safety and work", which in the first quarter of 2008 will be certified not only ISO 9001, but also OHSAS 18001 and ISO 14001 - a crowning achievement.

EMPLOYEES

In the first half of 2007, the overall Group workforce – meaning not only the Group employees worldwide but also the people involved in Piaggio's operations under temporary contracts - was 7,580 people, 5,000 of whom working in Italy, an increase for the half year of 424 (of whom 176 in Italy). Compared to the first half of 2006, the increase is of 370, of whom 44 in Italy.

In particular, the re-engineering of the ongoing processes made possible by the development of IT, which will continue at the same or a faster pace, enabled a diversification of the workforce mix and personal growth of the professional and/or specialised personnel focusing on product and process development and innovation (14% more middle management – from 5.1% in the first half of 2006 to 5.5% of the workforce).

5,695 people permanently work in the Group, of whom 4,311 in Italy. The increase of 115 compared to the first half refers mainly to foreign operations.

INDUSTRIAL RELATIONS

The first half of 2007 was characterised by full application of the 2nd level additional trade union agreements which came into force throughout all Group companies; this framework provides continuity to a model of industrial relations based on the sharing of knowledge and involvement in the main business factors.

Relations are based on constructive discussion, focused in particular on the objectives regarding the indicators of customer satisfaction, profitability and productivity, which is confirmed by the decline in the number of hours of absenteeism compared to the first half of 2006 (7,098 against 9,649).

Furthermore, a new "discussion phase" has been developed on the relations side, involving the trade unions at a national level with an information phase regarding the core features of the Group's three-year plan.

9. OTHER INFORMATION

CORPORATE

During the six months, the following transactions took place:

- the voluntary liquidation of Piaggio Portugal Limitada, following the appointment as importer of two local companies, who will continue to represent Piaggio on the Portuguese market
- on 26 January 2007, the sale of the 20% equity investment in D.E.V. S.r.l. in liquidation to Holdipar S.r.l. with registered office in Asolo (Treviso), for 40,000 Euros, which enabled Piaggio & C. S.p.a. to no longer be a shareholder of D.E.V. S.r.l.
- effective 28 February 2007, the closing of the Aprilia branch in the United Kingdom was completed following the disposal of those assets relating to Piaggio Limited.

DISPUTES

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

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

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

In a writ received on 29 May 2007, Gammamoto S.r.l., a former Aprilia concessionaire for Rome, brought a case against the Company for contractual and non-contractual responsibility. The judge has set the first hearing for 28 November 2007 and the Company intends to defend itself in order to fully dispute the validity of Gammamoto's claims.

To date, there are no tax disputes involving the parent company, while there are still some ongoing disputes involving P&D S.p.A. in liquidation, Piaggio Espana SA incorporated into Nacional Motor S.A., Nacional Motor S.A. and Piaggio Vehicles PVT Ltd, already existing at 31 December 2006.

Regarding the disputes involving P&D S.p.A. in liquidation, there are no updates on the situation as it was on 31 December 2006. On 3 May 2007, P & D SPA in liquidation was notified that the provisions ordering the collection of taxes issued by the competent tax office had been suspended in relation to the two tax assessment notices containing the entry in the tax rolls of the amounts connected with the ongoing tax disputes regarding the years from 1995 to 1997 and from 2000 to 2002.

In relation to the above dispute, the company has not deemed it necessary to make provisions in light of the favourable decisions issued by the Tax Commissions from time to time involved in the matter – at least, until the most recent ruling of the Florence Regional Commission which is the only exception - and in consideration of the positive indications expressed by the professional experts engaged by the defence, as well as authoritative professionals contacted for this purpose, regarding the existence of valid reasons to appeal the Supreme Court's ruling against P&D and on the reasonable likelihood of a positive outcome to the proceedings currently pending before the competent judicial authorities.

As for Piaggio Espana S.A. and Nacional Motor S.A., there are tax disputes before the Supreme Court (the highest court of judgment), for which the companies have arranged to allocate the contested sums or have already provided for the payment of the contested amounts. Nacional

Motor SA is, moreover, a creditor of the Spanish tax authorities regarding the caution payment of taxes assessed but pending judgment, which in 2006 were found to be not due. In this regard, the company has prepared an application for refund, which was partially paid in July 2007.

Finally, as concerns Piaggio Vehicles PVT Ltd, there are no updates compared to the situation at 31 December 2006. The company has not considered it necessary to make provisions in the balance sheet in light of the positive indications expressed by the professional experts engaged by the defence.

10. CORPORATE GOVERNANCE

On 18 June 2007, the extraordinary Board of Directors meeting of the company adopted new articles of association in order to update them to comply with the regulatory provisions introduced by Laws 262/2005 and 303/2006. The main amendments introduced regard, *inter alia*, a requirement of minimal percentages of equity investment in order to present lists for the appointment of the directors, indicators of the qualifications required for the position of the manager in charge of preparing the corporate and accounting documents, and the introduction of limits on plurality of offices for the statutory auditors.

On the same date, the Board appointed Alessandra Simonotto, currently in charge of Piaggio Group’s Receivables Administration and Management department, as the manager in charge of preparing the Company’s corporate and accounting documents in accordance with article 154 *bis* of Law 58/1998.

At the date of approval of this Report, preliminary activities are underway to prepare the certification envisaged by article 81 *ter* of the Regulation of Issuers.

11. STOCK OPTION PLAN

It is pointed out that, regarding the 2004-2007 incentive scheme (“**2004-2007 Plan**”), on 31 January 2007, 5,328,760 new shares were issued to the beneficiaries who had exercised on 26 January 2007; of these, 3,920,760 were subscribed at the price of € 0.98 and 1,408,000 at the price of € 1.72.

At the date of approval of these interim financial statements, all the options granted under the 2004-2007 Plan have been exercised in full.

Consequently, the new share capital of Piaggio & C. S.p.A. is € 205,941,272.16, represented by 396,040,908 shares of € 0.52 nominal value.

On 7 May 2007, the ordinary shareholders’ meeting of the company, having revoked the resolutions approved by the meeting on 8 March 2006 in relation to the implementation of a share incentive scheme for the period 2007-2009, approved, in accordance with article 114-bis of Law 58/1998, a new incentive plan for the senior management of the Company or of Italian and/or foreign subsidiaries in accordance with article 2359 of the Italian Civil Code, as well as to the directors with mandates in such subsidiaries (“**2007-2009 Plan**”) to be implemented by granting, at no cost, option rights valid for the purchase of Piaggio ordinary shares held by the Company. To this end, the shareholders also authorised, in accordance with article 2357 of the Italian Civil Code, the purchase, in one or more occasions and at any time within the maximum period permitted by the applicable regulations and as of the date of the resolution, of ordinary shares of the Company up to a maximum amount of 10,000,000 shares, at a price between a minimum and a maximum corresponding to the arithmetic mean of the official prices recorded by Piaggio ordinary shares in the ten days prior to each individual purchase, less or plus 10%, respectively.

Under this Plan, as at 30 June 2007, 6,510,000 option rights have been granted in relation to the same number of shares.

In implementing the above, in June, July and August 2007, the Company purchased 7,190,000 own shares at an average weighted price of 3.666 Euros.

Rights	N° of options	Average exercise price (Euros)	Market price (Euros)
Rights existing at 31.12.2006	5,328,760		
° of which exercisable in 2006	5,328,760		
New rights granted in 2007	6,510,000		
Rights exercised in 2007	5,328,760	1.1755	
Rights that expired in 2007			
Rights existing at 30.06.2007	6,510,000		
° of which exercisable at 30.06.2007	0		

* * *

Milan, 7 September 2007

for the Board of Directors
Chairman and Chief Executive
Roberto Colaninno

Piaggio Group

Consolidated financial statements and explanatory notes at 30 June 2007

INCOME STATEMENT

Amounts in €/000	Note	1st half 2007	1st half 2006	Change
Net sales	4	**968,567**	**903,310**	**65,257**
of which with related parties			*29*	(29)
Costs for materials	5	581,537	519,356	62,181
of which with related parties		*22,287*	*11,762*	*10,525*
Costs for services and use of third party assets	6	168,787	172,500	(3,713)
of which with related parties		*663*	*3,404*	*(2,761)*
of which for non-recurring transactions			*4,008*	*(4,008)*
Employee costs	7	123,590	124,843	(1,253)
Depreciation of tangible assets	8	20,358	20,123	235
Amortisation of intangible assets	8	19,198	22,135	(2,937)
Other operating income	9	65,348	64,760	588
of which with related parties		*2,392*	*1,045*	1,362
Other operating costs	10	14,070	16,364	(2,294)
of which with related parties		*52*		52
Operating earnings		**106,375**	**92,749**	**13,626**
Income/(loss) from equity investments		(1)	(2)	1
Financial income	11	4,533	5,460	(927)
Financial charges	11	(22,135)	(19,745)	(2,390)
of which with related parties			*(70)*	*70*
Earnings before taxation		**88,772**	**78,462**	**10,310**
Taxation for the period	12	37,267	13,712	23,555
Earnings from continuing activities		**51,505**	**64,750**	**(13,245)**
Assets intended for disposal:				
Gain or loss from assets intended for disposal	13	**0**	**0**	**0**
Consolidated net earnings		**51,505**	**64,750**	**(13,245)**
Attributable to:				
Parent company shareholders		**51,220**	**64,429**	**(13,209)**
Minority interest		**285**	**321**	**(36)**
Earnings per share (in €)	14	**0.13**	**0.17**	**(0.04)**
Diluted earnings per share (in €)	14	**0.12**		**-**

BALANCE SHEET

Amounts in €/000	Note	At 30 June 2007	At 31 December 2006	Change
ASSETS				
Non-current assets				
Intangible assets	15	637,611	630,316	7,295
Property, plant and machinery	16	252,394	256,966	(4,572)
Investment property	17			0
Equity investments	18	725	754	(29)
Other financial assets	19	230	240	(10)
of which with related parties		*58*	*63*	*(5)*
Long-term tax receivables	20	7,574	7,716	(142)
Deferred tax assets	21	30,646	46,742	(16,096)
Trade receivables	22		174	(174)
Other receivables	23	10,466	6,402	4,064
of which with related parties		*846*	*803*	*43*
Total non-current assets		**939,646**	**949,310**	**(9,664)**
Assets intended for sale	27			**0**
Current assets				
Trade receivables	22	300,128	137,187	162,941
of which with related parties		*1,132*	*1,106*	*26*
Other receivables	23	21,645	33,417	(11,772)
of which with related parties		*221*	*3,579*	*(3,358)*
Short-term tax receivables	20	15,760	35,383	(19,623)
Inventories	24	258,041	233,306	24,735
Other financial assets	25	12,888	11,866	1,022
of which with related parties		*35*	*30*	*5*
Cash and cash equivalents	26	97,835	68,857	28,978
Total current assets		**706,297**	**520,016**	**186,281**
TOTAL ASSETS		**1,645,943**	**1,469,326**	**176,617**

Amounts in €/000	Note	At 30 June 2007	At 31 December 2006	Change
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Capital and reserves attributable to parent company shareholders	28	470,774	438,091	32,683
Minority interest capital and reserves	28	899	607	292
Total shareholders' equity		**471,673**	**438,698**	**32,975**
Non-current liabilities				
Financial liabilities falling due beyond one year	29	337,126	355,935	(18,809)
Trade payables	30			0
Provisions for pensions and employee benefits	33	67,829	78,148	(10,319)
Other long-term provisions	31	17,587	21,906	(4,319)
Tax payables	34	661	188	473
Other long-term payables	35	8,234	17,499	(9,265)
Deferred tax liabilities	32	38,101	34,822	3,279
Total non-current liabilities		**469,538**	**508,498**	**(38,960)**
Current liabilities				
Financial liabilities falling due within one year	29	50,716	42,794	7,922
Trade payables	30	521,062	394,709	126,353
of which with related parties		*9,367*	*10,225*	*(858)*
Tax payables	34	26,352	15,375	10,977
Other short-term payables	35	82,328	52,370	29,958
of which with related parties		*208*	*156*	*52*
Current portion other long-term provisions	31	24,274	16,882	7,392
Total current liabilities		**704,732**	**522,130**	**182,602**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,645,943**	**1,469,326**	**176,617**

CASH FLOW STATEMENT

This schedule shows the causes of the changes in liquid assets net of short-term bank overdrafts, in accordance with IAS 7.

In thousands of Euros	1st half 2007	1st half 2006
Operating activities		
Consolidated net earnings	51,220	64,429
Minority interest	285	321
Taxation for the period	37,267	13,712
Depreciation of property, plant and machinery	20,358	20,123
Amortisation of intangible assets	19,198	22,135
Non-monetary costs for stock options	943	2,561
Provision to reserves for risks and reserves for pensions and employee benefits	16,284	15,962
Write-downs / (Revaluations)	1,211	981
Losses / (Gains) on the disposal of property, plant and machinery	(676)	(157)
Losses / (Gains) on the disposal of intangible assets	(5)	(44)
Financial income	(4,533)	(5,460)
Financial charges	22,135	19,745
Change in working capital:		
(Increase)/Decrease in trade receivables	(162,767)	(163,522)
(Increase)/Decrease in other receivables	7,708	(7,759)
(Increase)/Decrease in inventories	(24,735)	(53,923)
Increase/(Decrease) in trade payables	126,352	218,920
Increase/(Decrease) in other payables	20,693	14,122
Increase/(Decrease) in reserves for risks	(7,473)	(18,393)
Increase/(Decrease) in reserves for pensions and employee benefits	(16,014)	(3,883)
Other changes	16,139	5,767
Cash generated by operating activities	123,590	145,637
Interest paid	(18,000)	(19,163)
Taxation paid	(4,800)	(10,751)
Cash flow from operating activities (A)	100,790	115,723
Investing activities		
Investment in property, plant and machinery	(13,871)	(13,079)
Sale price, or repayment value, of property, plant and machinery	1,366	485
Investment in intangible assets	(27,516)	(21,346)
Sale price, or repayment value, of intangible assets	18	142
Sale price of equity investments	20	87
Loans provided	(5)	12
Purchase of financial assets	(1,017)	(34,102)
Interest received	3,400	3,431
Cash flow from investing activities (B)	(37,605)	(64,370)
Financing activities		
Increase in share capital	6,264	
Purchase of own shares	(16,812)	
Outflow for dividends paid	(11,881)	
Loans received	6,858	
Outflow for repayment of loans	(19,972)	(45,049)
Loans on leases received	13	
Repayment of finance leases	(475)	(464)
Cash flow from financing activities (C)	(36,005)	(45,513)
Increase / (Decrease) in cash (A+B+C)	27,180	5,840
Opening balance	66,639	30,655
Exchange differences	(1,110)	367
Closing balance	92,709	36,862

The following table shows the details of the cash and cash equivalents at 30 June 2007 and at 30 June 2006.

Amounts in €/000	At 30 June 2007	At 30 June 2006
Cash and cash equivalents	97,835	39,647
Current account overdrafts	(5,126)	(2,785)
Closing balance	92,709	36,862

NET FINANCIAL POSITION

In thousands of Euros	Note	At 30 June 2007	At 31 December 2006	Change
Medium-/long-term financial payables:				
Medium-/long-term bank loans	29	161,784	169,740	(7,956)
Amounts due under leases	29	10,098	10,430	(332)
Amounts due to other lenders	29	12,144	12,607	(463)
Aprilia instruments	29	8,171	18,530	(10,359)
Amounts due to parent companies	29			0
Total		*192,197*	*211,307*	*(19,110)*
Bond	29	144,929	144,628	301
Short-term financial payables:				
Current account overdrafts	29	5,126	2,218	2,908
Current account payables	29	488	952	(464)
Amounts due to factors	29	8,602	4,464	4,138
Bank loans	29	28,728	19,236	9,492
Amounts due under leases	29	810	940	(130)
Amounts due to other lenders	29	847	14,984	(14,137)
Aprilia instruments	29	6,115	0	6,115
Amounts due to parent companies	29			0
Total		*50,716*	*42,794*	*7,922*
Other current financial assets				
Financial receivables due from third parties	25	(672)		(672)
Financial receivables due from associated companies	25	(35)	(30)	(5)
Securities	25	(12,181)	(11,836)	(345)
Total		*(12,888)*	*(11,866)*	*(1,022)*
Cash and cash equivalents	26	(97,835)	(68,857)	(28,978)
Total net financial position		**277,119**	**318,006**	**(40,887)**

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

Amounts in €/000	
Increase /decrease in cash from the cash flow statement	**27,180**
Outflow for repayment of loans	19,972
Repayment of finance leases	475
Loans received	(6,858)
Loans on leases received	(13)
Loans provided	5
Purchase of financial assets	1,017
Exchange differences	(1,110)
Present value effect of EMH financial instrument not included in the IAS cash flow statement in that it does not involve a monetary change	(175)
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	919
Non-monetary change in financial receivables and financial payables (amount included in the other changes in the operating activities in the cash flow statement)	(525)
Change in the net financial position	**40,887**

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY 1 January 2007 / 30 June 2007

In thousands of Euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group consolidation reserve	Group conversion reserve	Stock option reserve	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 accounts in foreign currency							1,074				**1,074**	7	**1,081**
Change in IAS reserves				1,875				943			**2,818**		**2,818**
Allocation of profit			3,550						66,426	(69,976)	**0**		**0**
Distribution of dividends									(11,881)		**(11,881)**		**(11,881)**
Exercising of stock options	2,771	3,493									**6,264**		**6,264**
Purchase of own shares	(2,376)								(14,436)		**(16,812)**		**(16,812)**
Losses covered		(32,961)			(1,746)				34,707		**0**		**0**
Earnings for the period										51,220	**51,220**	285	**51,505**
At 30 June 2007	203,565	3,493	4,273	61,694	(5,859)	993	222	5,770	145,403	51,220	**470,774**	899	**471,673**

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY 1 January 2006 / 30 June 2006

In thousands of Euros	Share capital	Share premium reserve	Shares to be issued reserve	Amounts due from shareholders	Legal reserve	Reserve for measurement of financial instruments	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 2006	194,827	24,500			723	56,898	(4,113)	993	1,532	2,266	32,704	37,883	**348,213**	254	**348,467**
Exercising of stock options			11,643	(11,643)									**0**		**0**
Translation of accounts in foreign currency									(3,029)				**(3,029)**	30	**(2,999)**
Change in IAS reserves						510				2,561			**3,071**		**3,071**
Allocation of profit											37,883	(37,883)	**0**		**0**
Earnings for the period												64,429	**64,429**	321	**64,750**
At 30 June 2006	194,827	24,500	11,643	(11,643)	723	57,408	(4,113)	993	(1,497)	4,827	70,587	64,429	**412,684**	605	**413,289**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 June 2007

A) GENERAL ASPECTS

Piaggio S.p.A. (the Company) is a limited liability company established in Italy at the Company Registry Office of Pisa. The addresses of its registered office and the locations where the Group's main activities are conducted are shown in the introduction to the half year report documents. The main activities of the company and its subsidiaries (the Group) are described in the Directors' Report.

The 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 set forth in the following notes.

CONSOLIDATION AREA

At 30 June 2007, the structure of the Piaggio Group was that attached to the Directors' Report and is taken as also referred to here.

The consolidation area is unchanged compared to the consolidated financial statements at 31 December 2006.

As regards the income statement items, compared to 30 June 2006, the consolidation area changed owing to the completion of the liquidation of Motocross Company S.r.l. and Aprilia Research & Development S.A.. These somewhat limited changes does not alter the comparability of the income results between the two periods

1. Compliance with INTERNATIONAL ACCOUNTING STANDARDS

The consolidated financial report for the Piaggio Group at 30 June 2007 has 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 ruling n°. 15519 dated 27/7/06 regarding "Provisions for the presentation of financial statements", Consob ruling n°. 15520 dated 27/7/06 regarding "Changes and additions to the Issuer Regulation adopted by ruling 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 half-year Report has therefore been prepared in accordance with IAS 34 – *Interim financial reporting*.

In addition, international accounting standards have been uniformly applied throughout all Group companies.

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

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

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

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

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

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

OTHER INFORMATION

We point out that information regarding significant events after the interim financial period and the operating outlook is provided in a specific paragraph of this Report.

2. Form and content of the financial statements

Form of the consolidated financial statements

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

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

Consolidated balance sheet

The consolidated balance sheet is presented in sections with assets, liabilities and shareholders' equity indicated separately.

Assets and liabilities are shown in the consolidated financial statements on the basis of their classification as current and non-current.

Consolidated income statement

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

Consolidated cash flow statement

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

Change in consolidated shareholders' equity

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

Content of the consolidated financial statements

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

3. Consolidation principles and evaluation criteria

The consolidated financial statements at 30 June 2007 include, using the line-by-line method, the financial statements of the parent company and the companies in which the Piaggio & C. Group holds the majority of voting rights, and in any case of all the companies in which it exercises a dominant influence, the list of which is supplied in section I.

At 30 June 2007, the subsidiary and associated companies of Piaggio & C. S.p.A. were as follows:

	Subsidiaries			*Associated companies*			*Joint control*			*Total*
	Italy	*Abroad*	*Total*	*Italy*	*Abroad*	*Total*	*Italy*	*Abroad*	*Total*	
Companies:										
- consolidated on a line-by-line basis	4	20	24							24
- consolidated on an equity basis		3	3					1	1	4
- valued at cost				3	2	5				5
Total companies	**4**	**23**	**27**	**3**	**2**	**5**		**1**	**1**	**33**

3.1 Consolidation principles

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

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

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

Subsidiaries

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

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

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

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

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

Associated companies

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

Joint control companies

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

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

Equity investments in other companies

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

Transactions eliminated in the consolidation process

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

Transactions in foreign currency

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

Consolidation of foreign companies

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

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

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

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

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

Currency	*Exchange rate at 30 June 2007*	*Average rate 30 June 2007*	*Exchange rate at 31 December 2006*	*Average rate 30 June 2006*
US dollar	1.35050	1.32935	1.31700	1.22920
Pound sterling	0.67400	0.67466	0.67150	0.68715
Indian rupee	55.01530	56.72952	58.29750	55.23316
Singapore dollar	2.06640	2.03157	2.02020	1.97667
Chinese renminbi	10.28160	10.25892	10.27930	9.87210
Croatian kune	7.30350	7.35837	7.35040	7.31134
Japanese yen	166.63000	159.64356	156.93000	142.15706

3.2 Accounting policies

Intangible assets

An intangible asset which is bought and produced internally is recorded under assets, in accordance with the provisions of IAS 38, only if it is identifiable, verifiable and it is likely to generate future economic benefits and its costs can be reliably determined.

Intangible assets with a finite life are recorded at purchase or production cost net of accumulated amortisation and impairment. Amortisation is equated to the expected useful life and starts when the asset is available for use.

Goodwill

In the case of the purchase of businesses, assets, liabilities and contingent liabilities acquired and identifiable are recorded at their fair value at the date of acquisition. The positive difference between the acquisition cost and the Group's portion in the fair value of the assets and liabilities is classified as goodwill and is recorded in the financial statements as an intangible asset. Any negative goodwill is recorded in profit and loss at the moment of acquisition.

Goodwill is not amortised, but is tested for impairment on an annual basis, or more frequently if specific events or changed circumstances indicate the possibility that there has been a loss in value, in accordance with the provisions of IAS 36 *Reduction in asset values*. After the initial recording, goodwill is valued at cost net of any accumulated impairment.

On disposing of a part or the whole company that was previously acquired and from the acquisition of which goodwill arose, in determining the capital gain or loss on the disposal, account is taken of the corresponding residual value of goodwill.

During first-time adoption of the IFRS, the Group chose not to apply IFRS 3-*Business combinations* retroactively to company acquisitions that took place before 1 January 2004; consequently, the goodwill generated on acquisitions prior to the IFRS transition date has been maintained at the previous value determined in accordance with Italian accounting standards, subject to the verification and recording of any impairment.

After 1 January 2004, following the acquisitions that occurred in 2004, further goodwill was generated, the amount of which was recalculated in light of the various amounts of the shareholders' equity of the companies acquired, in accordance with the provisions of IFRS 3.

Development costs

Development costs on projects for the production of vehicles and engines are recorded under assets only if all the following conditions are met: the costs can be reliably determined and the technical feasibility of the product, the forecast volumes and prices indicate that the costs incurred in the development phase will generate future economic benefits. The capitalised development costs include only the expenses incurred which can be directly attributed to the development process.

The capitalised development costs are amortised on a straight-line basis, from the commencement of production throughout the estimated life of the product.

All other development costs are recorded in the income statement when they are incurred.

Other intangible assets

Other intangible assets acquired or produced internally are recorded under assets, in accordance with the provisions of IAS 38 – *Intangible assets*, when it is likely that their use will generate future economic benefits and when the cost of the asset can be reliably determined.

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

Other intangible assets recorded following the acquisition of a company are recorded separately from goodwill, if their fair value can be determined reliably.

Below is a summary of the amortisation periods for the various intangible asset headings:

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

Property, plant and machinery

The Piaggio Group has decided to adopt the cost method on first-time application of the IAS/IFRS, as allowed by IFRS 1. For the measurement of property, plant and machinery, therefore, the preference was not to use the fair value method. Property, plant and machinery are, therefore, recorded at purchase or production cost and are not reassessed. Where capitalisation of an asset is justified, the cost also includes the financial charges which are directly attributable to the acquisition, construction or production of the asset.

The costs incurred following acquisition are capitalised only if they increase the future economic benefits inherent in the asset to which they refer. All other costs are recorded in the income statement when they are incurred. Construction in progress is valued at cost and is depreciated from the period in which it comes into operation.

Depreciation is determined on a straight-line basis on the cost of the assets net of the related residual values, depending on their estimated useful life by applying the percentage rates shown in the comment to the heading.

Land is not depreciated.

Assets owned through finance leases, by means of which all the risks and benefits linked to ownership are largely transferred to the Group, are recognised as Group assets at their fair value, or, if lower, at the present value of the minimum payments due under the lease. The corresponding liability with the lessor is recorded in the financial statements under financial payables. The assets are depreciated by applying the criterion and the rates used for assets owned by the company.

Leases in which the lessor essentially keeps all the risks and benefits linked to ownership of the assets are classified as operating leases. The costs of operating leases are recorded on a straight-line basis in the income statement over the duration of the lease.

Gains and losses arising from the disposal or sale of assets are calculated as the difference between the sale income and the net book value of the asset and are charged to profit and loss for the period.

Impairment

At every financial statement date, the Group reviews the book value of its tangible and intangible assets to determine if there are indications that these assets have been impaired (an impairment test). Should such indications exist, the recoverable amount of the assets is estimated in order to determine the size of the write-down. Where it is not possible to estimate the recoverable value of an asset individually, the Group estimates the recoverable value of the cash flow generating unit to which the asset belongs.

The recoverable amount is the higher between the net sale price and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value by using a rate gross of tax which reflects current market valuations of the present value of money and the specific risks of the asset involved.
If the recoverable amount of an asset (or of a cash flow generating unit) is estimated to be lower than the its book value, then the book value of the asset is reduced to the lower recoverable value. An impairment is recorded in the income statement immediately, unless the asset is land or buildings other than investment property recorded at reassessed values, in which case the loss is charged to the respective revaluation reserve.
When the continuation of a write-down is no longer justified, the book value of the asset (or of the cash flow generating unit) is increased to the new value arising from its estimated recoverable value, but to no more than the net book value which the asset would have had if the write-down for impairment had not been made. The reversal of an impairment loss is immediately recorded in the income statement.
An intangible asset with an indefinite useful life is tested for impairment annually, or more frequently, if there is an indication that the asset may have been impaired.
Investment property
International accounting standards have regulated property assets used for production or administration purposes (IAS 16) separately from property investments (IAS 40). As allowed by IAS 40, property and buildings that are not for operations and are held in order to earn rent and/or to increase the value of assets are measured at cost net of accumulated depreciation and impairment losses.
Investment property is eliminated from the financial statements when sold or when the investment property is unusable in the long term and no future economic benefits are expected from its possible disposal.
Non-current assets held for sale
Non-current assets (and groups of assets being disposed of) classified as held for sale are measured at the lower of their previous book value and the market value net of selling costs.
Non-current assets (and groups of assets being disposed of) are classified as held for sale when it is expected that their book value will be recovered through a disposal rather than through using them as an operating asset of the company. This condition is met only when the sale is highly likely, the asset (or group of assets) is available for immediate sale in its current condition and management has made a commitment to sell, which should take place within twelve months of the classification under this heading.
Financial assets
Financial assets are recorded and reversed from the balance sheet on the basis of their trade date and are initially measured at cost, including the charges directly associated with the acquisition.
At subsequent financial statement dates, the financial assets which the Group intends and has the ability to maintain until their maturity (securities held to maturity) are recorded at amortised cost using the effective interest rate method, net of write-downs made to reflect impairment.

Financial assets other than those held to maturity are classified as held for trading or available for sale, and are measured at the end of each period at their fair value. When financial assets are held for trading, the gains and losses arising from changes in the fair value are charged to the income statement for the period; for financial assets available for sale, the gains and losses arising from changes in the fair value are charged directly to equity until they are sold or have been impaired; at that moment, overall gains or losses previously charged to equity are charged to the income statement of the period.

Inventories

Inventories are recorded at the lower of the purchase or production cost, determined by allocating to the products the directly incurred costs as well as the portion of indirect costs that may reasonably be ascribed to the use of productive assets under normal production capacity conditions, and the market value at the closing date of the financial statements.

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

For raw materials and work in progress, the market value is represented by the presumed net sale value of the corresponding finished products after deducting finishing costs; as for finished goods, it is determined by the presumed sale price (sale price lists).

The lesser value that may be determined on the basis of market trends is eliminated in subsequent periods if the reasons for that valuation cease to exist.

Inventories that are obsolete, slow moving and/or excess to normal requirements are written down in relation to the possibility of their being used or their possible future sale through the creation of a provision for stock write-downs.

Receivables

Receivables are recorded at their nominal adjusted value, in order to align them to their presumed realisable value, by means of a bad debt provision. This provision is calculated on the basis of the recovery assessments carried out by analysis of the individual positions and of the overall risk of all the receivables, taking account of any guarantees.

When the payment of the sum due is postponed beyond normal credit terms offered to customers, it is necessary to discount the receivable. In order to determine the effect, estimates have been made of the time before payment by applying a discount rate to the various forecast cash flows that corresponds to the 20-year Euribor swap rate plus a spread for AA rated Government securities.

Factoring transactions

The Group sells a significant portion of its trade receivables by factoring them. The sales can be without recourse, and in this case there are no recourse or liquidity risks, leading to the reversal of the corresponding amounts from the balances of receivables due from customers at the moment of payment by the factor.

For with recourse sales, since neither the risk of non-payment nor the liquidity risk is transferred, the related receivables are maintained on the balance sheet until the receivable sold is paid by the debtor. In this case the advance payments received from the factor are recorded under payables due to other lenders.

Cash and cash equivalents

The heading relating to cash and cash equivalents includes cash, bank current accounts, demand deposit accounts and other highly-liquid short-term financial investments, which are readily convertible into cash and have an insignificant risk of losing value.

Financial liabilities

Financial liabilities are recognised at the value of the sums received net of accessory charges. After initial recognition, loans are recorded using the amortised cost method, calculated using the effective interest rate. Financial liabilities covered by derivatives are measured at fair value, in accordance with the approach established for hedge accounting, applicable to the fair value hedge: gains and losses arising from the subsequent measurement at fair value, due to variations in interest rates, are recorded in the income statement and are offset with the actual portion of the loss and the gain arising from subsequent measurements at fair value of the instrument hedged.

Derivatives and hedge accounting

The Group's activities are mainly exposed to financial risks through changes in exchange and interest rates. The Group uses derivatives (mainly forward currency contracts) to hedge the risks arising from changes of foreign currencies in certain irrevocable commitments and in envisaged future transactions. The use of these derivatives is regulated by written procedures on the use of derivatives in line with the Group's risk management policies.

Derivatives are initially recorded at cost, and adjusted to fair value at subsequent period end dates.

Derivatives are used solely with the intent of hedging in order to reduce the risk from exchange and interest rate variations and changes in market prices. In line with the provisions of IAS 39, financial derivatives can be recorded in accordance with hedge accounting methods only when, at the start of the hedge, there is the formal designation and documentation of the hedge itself, when it is presumed that the hedge is highly effective, when the effectiveness can be reliably measured and when the hedge itself is highly effective during the various accounting periods for which it is designed.

When the financial instruments have the necessary features to be recorded under hedge accounting, the following accounting treatments apply:

- *Fair value hedge*: If a financial derivative is designated as a hedge for the exposure to variations in the fair value of an asset or a liability, attributable to a particular risk which can have an impact on the income statement, gains or losses arising from subsequent assessments of the fair value of the hedge are recorded on the income statement. The gain or loss on the hedged item, attributable to the risk hedged, change the book value of that item and is recorded in the income statement.
- *Cash flow hedge* If a derivative is designated as a hedge of the exposure to changes in the cash flows of an asset or liability recorded in the financial statements or of a transaction that is considered highly likely and which could have an impact on the income statement, the actual portion of gains or losses for the derivative is recorded under shareholders' equity. The accumulated gain or loss is reversed from shareholders' equity and recorded in the income statement in the same period in which the hedged transaction is recorded. The gain or loss associated with the hedge, or that part of the hedge that is ineffective, is

immediately recorded in the income statement. If a hedging instrument or a hedge are closed, but the hedged transaction has not yet taken place, the accumulated gains and losses, which until that moment had been recorded under shareholders' equity, are recorded in the income statement when the related transaction occurs. If the hedged transaction is no longer considered likely to occur, then the unrealised gains or losses held under shareholders' equity are immediately recorded on the income statement.

If hedge accounting cannot be applied, the gains or losses arising from the measurement at fair value of the derivative are immediately recorded on the income statement.

Long-term provisions

The Group records provisions for risks and charges when it has a legal or implicit obligation towards third parties and it is likely that the use of Group resources will be necessary to fulfil the obligation and when a reliable estimate of the amount of the obligation itself can be made.

Changes in the estimate are reflected in the income statement for the period in which the change occurred.

Should the impact be significant, the provisions are calculated by discounting the estimated future financial cash flows at a discount rate that is estimated gross of taxes so as to reflect the current market assessments of the present value of money and the specific risks connected to the liabilities.

Provisions for pensions and employee benefits

With the adoption of the IFRS, employee leaving indemnity is considered a defined benefit obligation to be recorded in accordance with IAS 19 - *Employee Benefits*, consequently, it must be recalculated using the "Projected Unit Credit Method", by undertaking actuarial valuations at the end of each period.

Payments for defined benefit plans are charged to the income statement in the period in which they fall due. The liabilities for post-employment benefits recorded in the interim financial statements represent the present value of liabilities for defined benefit plans adjusted to take account of actuarial gains and losses and the unrecorded costs related to previous employment services, and reduced by the fair value of the programme assets. Any net assets resulting from this calculation are limited to the value of the actuarial losses and the cost in relation to unrecorded previous employment services, plus the present value of any repayments and reductions in future contributions to the plan.

The Group has decided not to use the so-called "corridor method", which would allow it to not record the cost component calculated in accordance with the method described represented by actuarial gains or losses, where it does not exceed 10 percent. Finally, it is noted that the interest element of the charge relating to employee plans is recorded under the financial charges heading.

Stock option plan

In accordance with the provisions of IFRS 2 – *Share-based payments*, the overall amount of the fair value of the stock options at the date of allocation is recorded entirely in the income statement under employee costs with a counter entry recognised directly in shareholders' equity should the assignees of the equity instruments become rights holders at the moment of allocation. In the case in which a "period of maturation" is envisaged, during which certain conditions must apply before the assignees can become rights holders, the cost of compensation, determined on the basis of the fair value of the options at the allotment date, is recorded under employee costs on a straight-line basis over the period between the date of allotment and that of maturity, with a counter entry recognised directly in shareholders' equity.

Fair value is determined using the Black Scholes method.

Changes in the fair value of the options subsequent to the allotment date have no impact on the initial valuation.

Deferred taxation

Deferred taxation is determined on the basis of the temporary taxable differences between the value of the assets and liabilities and their tax value. Deferred tax assets are accounted for only to the extent that the existence of adequate future taxable income against which to use this positive balance is considered likely. The book value of deferred tax assets is subject to review at every period end and is reduced to the extent to which the existence of sufficient taxable income to allow the whole or partial recovery of such assets is no longer probable.

Deferred taxation is determined on the basis of the tax rates which are expected to be applied in the period in which such deferments will occur, considering the rates in force or those known to be applicable in the future. Deferred taxation is charged directly to the income statement, except when it relates to items that are directly recorded in shareholders' equity, in which case also the related deferred taxation is charged to shareholders' equity.

Deferred taxation is offset when there is a legal right to offset current tax assets and liabilities and when it refers to taxes due to the same tax authority and the Group intends to liquidate the current tax assets and liabilities on a net basis.

Payables

Payables are recorded at their nominal value, which is considered representative of their settlement value.

Recognition of net sales

In accordance with the IFRS, sales of assets are recognised when the assets are despatched and the company has transferred to the buyer the significant risks and benefits connected to ownership of the assets.

Net sales are recorded net of returns, discounts, rebates and allowances, as well as of tax directly connected to the sale of goods and the provision of services. Net sales of a financial nature are recorded on an accrual basis.

Grants

Grants related to plant are recorded in the financial statements provided that the right to receive them is certain and they are charged to the income statement in relation to the useful life of the asset against which they are provided.

Grants related to income are recorded in the financial statements provided that the right to receive them is certain and they are charged to the income statement in relation to the costs against which they are provided.

Financial income

Financial income is recorded on an accrual basis. It includes interest income on invested funds, exchange rate gains and income arising from financial instruments, when it is not offset as part of hedging transactions. Interest income is charged to the income statement as it accrues, considering the effective yield.

Financial charges

Financial charges are recorded on an accrual basis. They include interest due on financial payables calculated using the effective interest rate method, exchange rate losses, and losses on derivatives. The portion of interest charges for finance lease payments is charged to the income statement using the effective interest rate method.

Dividends

Dividends recorded in the income statement, arising from minority equity investments, are recorded on an accrual basis, i.e. when, following the resolution to distribute a dividend is passed by the investee company, the related right to the receivable arises.

Income tax

Taxation is the sum total of current and deferred taxes.

Income tax is recorded based upon the best estimated average weighted tax rate for the entire financial period.

It is stated under the item "Tax payables", net of payments on account and withholding taxes paid. The taxation due in the case of the distribution of reserves on which tax has been suspended recorded in the financial statements of the individual Group companies is not set aside since their distribution is not expected.

Earnings per share

Earnings per share are calculated by dividing the profit or loss attributable to parent company shareholders by the weighted average number of ordinary shares in circulation during the period. The diluted earnings per share are calculated by dividing the profit or loss attributable to parent company shareholders by the weighted average number of shares in circulation, taking account of the effects of all the potential ordinary shares with a diluting effect. The potential shares considered are those connected to the stock option plan and those connected to Aprilia warrants. The adjustment to be made to the number of stock options in order to calculate the adjusted number of shares is determined by multiplying the number of stock options by the subscription price and dividing it by the market price of the share.

Use of estimates

The preparation of the financial statements and the related notes in application of the IFRS requires management to make estimates and assumptions that have an impact on the values of assets and liabilities in the financial statements and on the information relating to contingent assets and liabilities at the financial statement date. The results which will be achieved could differ from the estimates. The estimates are used to measure the tangible and intangible assets tested for impairment (see Impairment), as well as for recording provisions for risks on receivables, for obsolescence of stocks, amortisation and depreciation, write-downs of assets, employee benefits, tax, restructuring provisions, and other provisions and reserves. These estimates and assumptions are periodically reviewed and the impact of each change is immediately reflected in the income statement.

Dealings with related parties

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

New accounting standards

There were no accounting standards or interpretations reviewed or issued, with effect from 1 January 2007, which had a significant impact on the Group's financial statements.

B) INFORMATION BY SECTOR

Primary sector: light wheeled transport market

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

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

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

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

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

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

The means of procurement are implemented 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 for different Group companies.

Cash management is handled centrally by the parent company so as to concentrate the financial resources needed to be able to implement investments aimed at generating benefits for all the parts of the Group, by monitoring 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 30 June 2007:

In million Euros	*Consolidated*
NET SALES	
Sales to third parties	968.6
Inter-sector sales	
TOTAL NET SALES	**968.6**
Gross industrial margin	292.9
Net financial charges	(17.6)
Income/(loss) from equity investments	
Earnings before taxation	88.8
Income tax	(37.3)
Minority interest	(0.3)
NET EARNINGS	**51.2**
OTHER INFORMATION	
Increases in tangible and intangible assets	41.4

Secondary sector: market segments

In million Euros	*2W*	*LCV*	*Other*	*Consolidated*
NET SALES				
Sales to third parties	769.4	188.5	10.7	968.6
Inter-sector sales				
TOTAL NET SALES	**769.4**	**188.5**	**10.7**	**968.6**
Gross industrial margin				292.9
Net financial charges				(17.6)
Income/(loss) from equity investments				
Earnings before taxation				88.8
Income tax				(37.3)
Minority interest				(0.3)
NET EARNINGS				**51.2**
OTHER INFORMATION				
Increases in tangible and intangible assets				41.4

Third sector: geographical area

The following table gives the economic and financial figures for the Group in relation to the geographical "destination" areas at 30 June 2007, that is, based on the nationality of the customer or of the supplier/lender.

In million Euros	*Italy*	*Rest of Europe*	*India*	*North America*	*Rest of the world*	*Consolidated*
NET SALES						
Sales to third parties	351.7	429.5	111.3	43.3	32.8	**968.6**
Inter-sector sales						
TOTAL NET SALES	351.7	429.5	111.3	43.3	32.8	**968.6**
BALANCE SHEET						
TOTAL ASSETS	1,247.5	274.5	65.5	36.1	22.2	**1,645.9**
TOTAL LIABILITIES	1,350.9	244.1	14.6	5.0	31.3	**1,645.9**

C) CONTENT AND MAIN CHANGES - INCOME STATEMENT

4. Net sales — €/000 968,567

Net sales are shown net of bonuses recognised to customers (dealers).
This heading does not include transport costs, which are recharged to customers (€/000 22,226), and advertising cost recoveries invoiced (€/000 5,146), which are shown under other operating income.
The net sales for disposals of Group core business assets essentially refer to the marketing of vehicles and spare parts in European and non-European markets.

Net sales by business sector

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

Amounts in €/000	*1st half 2007*		*1st half 2006*		*Changes*	
	amount	*%*	*Amount*	*%*	*amount*	*%*
2-wheeler	769,384	79.4	719,631	79.7	49,753	6.9
LCV	188,515	19.5	177,991	19.7	10,524	5.9
Other	10,668	1.1	5,688	0.6	4,980	87.6
TOTAL	*968,567*	*100.0*	*903,310*	*100.0*	*65,257*	*7.2*

Net sales by geographical area

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

Amounts in €/000	*1st half 2007*		*1st half 2006*		*Changes*	
	amount	*%*	*Amount*	*%*	*amount*	*%*
Italy	351,660	36.3	387,811	42.9	(36,151)	-9.3
Rest of Europe	429,527	44.3	351,873	39.0	77,654	22.1
India	111,300	11.5	97,200	10.8	14,100	14.5
North America	43,292	4.5	40,155	4.4	3,137	7.8
Rest of the world	32,788	3.4	26,271	2.9	6,517	24.8
TOTAL	*968,567*	*100.0*	*903,310*	*100.0*	*65,257*	*7.2*

In the first half of 2007, net sales increased by €/000 65,257.
Net of the first half 2006 revenue from the sale of motorcycles to the Italian Post Office (Poste Italiane) for some €/000 36,500, the increase would have been €/000 101,757.

The increase was mainly due to the rise in sales of 2-wheeler vehicles on the European market and light commercial vehicles in India.

5. Costs for materials **€/000 581,537**

These totalled €/000 581,537, against €/000 519,356 at 30 June 2006. The 12.0% increase is essentially connected to the increase in production and sales volumes. In fact, the percentage on net sales only rose by 2.5%, from 57.5% in the first half to 60.0% in the current period.
The following table details the content of this financial statement heading:

In thousands of Euros	*1st half 2007*	*1st half 2006*	*Change*
Raw materials, consumables and goods for resale	606,648	575,497	31,151
Change in inventories of raw materials, consumables and goods for resale	(9,606)	(46,694)	37,088
Change in work in progress of semi-finished and finished products	(15,505)	(9,447)	(6,058)
Total costs for materials	*581,537*	*519,356*	*62,181*

This heading includes €/000 22,287 of costs relating to the purchase of scooters and engines from the Chinese subsidiary Piaggio Foshan, which are respectively distributed on the European markets and assembled on scooters built in Italy.

6. Costs for services and use of third party assets **€/000 168,787**

A total of €/000 168,787 in the first half, showing a saving of €/000 3,713 compared to 30 June 2006. This contraction is partly due to the fact that in the first half of 2006 costs for services included €/000 4,008 of non-recurring costs connected with the Italian stock exchange listing.
Below is a breakdown of this heading:

In thousands of Euros	*1st half 2007*	*1st half 2006*	*Change*
Employee costs	8,816	8,607	209
Maintenance and cleaning	3,693	3,277	416
Energy, telephone and telex	10,003	9,224	779
Commissions paid	2,221	2,804	(583)
Advertising and promotion	24,629	29,941	(5,312)
Technical, legal and tax consultancy and services	42,481	41,404	1,077
Company boards operating costs and auditors' emoluments	1,561	1,223	338
Insurance	1,791	1,573	218
Third party work	21,730	21,023	707
Transport costs and spare parts	19,738	23,783	(4,045)
Sundry commercial expenses	8,774	6,712	2,062
Product warranty costs	8,214	4,991	3,223
Bank costs and factoring charges	3,636	3,027	609
Costs for use of third party assets	6,540	6,010	530
Other	4,960	8,901	(3,941)
Total costs for services	*168,787*	*172,500*	*(3,713)*

Consultancy costs include €/000 520 of management services provided by the parent company Immsi SpA in the first half of 2007.

The costs for use of third party assets include lease rentals for business properties of €/000 2,118, as well as lease payments for car hire, computers and photocopiers.

Third party work of €/000 21,730 refers to production parts.

Transport costs and spare parts total €/000 19,738, a slight improvement in both outright terms and as a percentage of net sales.

The increase in "product warranty" costs is partly offset by the reduction in provisions to the reserve for warranty risks.

The heading "other" includes costs for temporary work of €/000 1,868.

7. Employee costs €/000 123,590

Employee costs for the first half of 2007 totalled €/000 123,590, against €/000 124,842 for the same period the year before. The decrease is primarily due to the discounting of the liability regarding employee leaving indemnity.

It is pointed out that the employee costs include €/000 943 relating to stock option costs, as required by international accounting standards.

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

	Average number		
Level	*1st half 2007*	*1st half 2006*	*Change*
Senior management	115	115	0
Middle management	401	357	44
Clerical	1,841	1,768	73
Manual labour	5,088	4,744	344
Total	*7,445*	*6,984*	*461*

	Number at		
Level	*30 June 2007*	*31 December 2006*	*Change*
Senior management	116	113	3
Middle management	416	382	34
Clerical	1,842	1,805	37
Manual labour	5,241	4,474	767
Total	*7,615*	*6,774*	*841*

8. Amortisation, depreciation and impairment costs **€/000 39,556**

Below is a summary of the amortisation and depreciation for the first half of 2007, divided into the different categories:

In thousands of Euros	*1st half 2007*	*1st half 2006*	*Change*
Property, plant and machinery:			
Buildings	1,832	1,810	22
Plant and machinery	6,225	6,614	(389)
Industrial and commercial equipment	10,826	10,270	556
Other assets	1,475	1,429	46
Total depreciation of tangible assets	*20,358*	*20,123*	*235*

In thousands of Euros	*1st half 2007*	*1st half 2006*	*Change*
Intangible assets:			
Development costs	10,253	15,654	(5,401)
Industrial patent rights and intellectual property rights	4,740	2,146	2,594
Concessions, licences, trademarks and	4,171	4,293	(122)
Other	34	42	(8)
Total amortisation of intangible assets	*19,198*	*22,135*	*(2,937)*

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 2006 confirmed the full recoverability of the amounts recorded in the financial statements.

Amortisation under the item "Concessions, licences, trademarks and similar rights" includes €/000 2,993 of amortisation of the Aprilia brand and €/000 1,079 for the Guzzi brand.

9. Other operating income €/000 65,348

This heading consists of:

In thousands of Euros	*1st half 2007*	*1st half 2006*	*Change*
Operating grants		427	(427)
Increases in fixed assets from internal work	16,713	13,700	3,013
Sundry sales and income:			
- Rent receipts	3,407	1,222	2,185
- Capital gains on assets	687	164	523
- Sale of miscellaneous materials	298	587	(289)
- Recovery of transport costs	22,226	22,664	(438)
- Recovery of advertising costs	5,146	3,411	1,735
- Recovery of sundry costs	7,125	8,970	(1,845)
- Compensation	120	288	(168)
- Contingent assets	31	6,589	(6,558)
- Licence rights and know-how	284	163	121
- Sponsorship	5		5
- Other income	9,306	6,575	2,731
Total other operating income	*65,348*	*64,760*	*588*

Other operating income remained essentially stable compared to the first half of 2006.

The rent receipts refer mainly to income for the rent of racing bikes to the teams which compete in the World Motorcycling Championship.

Capital gains refer mainly to the sale of some assets.

The heading recovery of transport costs refers to costs recharged to customers, the charges for which are classified under "services".

10. Other operating costs **€/000 14,070**

This heading consists of:

In thousands of Euros	*1st half 2007*	*1st half 2006*	*Change*
Non-income tax and duties	2,579	3,227	(648)
Capital losses from disposal of assets	11	4	7
Various subscriptions	541	515	26
Write-downs of intangible assets			0
Write-downs of tangible assets			0
Write-downs of receivables in working capital	1,202	1,003	199
Allocation of provisions	8,006	10,226	(2,220)
Other operating costs	1,731	1,389	342
Total	*14,070*	*16,364*	*(2,294)*

Overall, other operating costs decreased by €/000 2,294. This change is mainly due to the lower provisions to reserves for risks.

11. Net financial income (charges) **€/000 (17,602)**

Below is the breakdown of financial charges and income:

In thousands of Euros	*1st half 2007*	*1st half 2006*	*Change*
Income from third parties:			
- Interest received from customers	33	85	(52)
- Interest on bank and postal accounts	718	674	44
- Interest on financial receivables	126	163	(37)
- Other	618	1,069	(451)
Total	1,495	1,991	(496)
Exchange gains	3,038	3,469	(431)
Total financial income	*4,533*	*5,460*	*(927)*

In thousands of Euros	1st half 2007	1st half 2006	Change
Charges:			
Financial charges paid to parent companies		70	(70)
Financial charges paid to others:			
- Interest on bank accounts	436	491	(55)
- Interest on bond	7,807	7,770	37
- Interest on bank loans	4,983	4,277	706
- Interest paid to other lenders	2,974	1,957	1,017
- Cash discounts for customers	833	995	(162)
- Bank charges on loans	209	148	61
- Interest rate hedge charges		9	(9)
- Interest paid on leases	251	270	(19)
- Other	1,009	169	840
Total financial charges paid to others	18,502	16,086	2,416
Total	*18,502*	*16,156*	*2,346*
Exchange losses	3,633	3,589	44
Total financial charges	*22,135*	*19,745*	*2,390*
TOTAL FINANCIAL INCOME (CHARGES)	*(17,602)*	*(14,285)*	*(3,317)*

The negative balance of financial income (charges) in the first six months of 2007 was of €/000 17,602, an increase compared to the €/000 14,285 for the same period the in 2006. The €/000 3,317 worsening is mainly due to the increase in short-term Euro interest rates to which the variable rate financial payables are linked, which was only partly offset by the reduction in average net debt for the period.

12. Taxation — €/000 37,267

Below is a breakdown of the heading Income tax:

In thousands of Euros	1st half 2007	1st half 2006	Change
Current income tax	31,050	15,626	15,424
Deferred taxation	6,217	(1,914)	8,131
Total	*37,267*	*13,712*	*23,555*

Income tax for the first half of 2007, calculated in accordance with IAS 34, is estimated at €/000 37,267, equivalent to 42% of earnings before taxation, equal to the best estimate of the average weighted rate expected for the entire financial period. The tax rate for the first half of 2007 differs from that of the first half of 2006, also as a result of the effect of deferred tax assets recorded by the parent company in 2006 in accordance with the provisions of IAS 12.

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

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

14. Earnings per share

Earnings per share are calculated as follows:

		1st half 2007	*1st half 2006*
Net earnings	€/000	51,505	64,750
Earnings attributable to ordinary shares	€/000	51,505	64,750
Number of ordinary shares in circulation at 1/1		390,712,148	374,668,137
Number of shares issued in the period		5,328,760	0
Average number of ordinary shares in circulation during the period		395,128,247	374,668,137
Earnings per ordinary share	€	0.13	0.17
Adjusted average number of ordinary shares		414,022,812	413,927,153
Diluted earnings per ordinary share	€	0.12	0.16

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

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

15. Intangible assets **€/000 637,611**

The table below details the breakdown of intangible assets at 30 June 2007 and at 31 December 2006, as well as the changes for the period.

Amounts in €/000	Book value at 31 December 2006	Increases	Amortisation	Disposals	Reclassi-fications	Exchange differences	Book value at 30 June 2007
R & D costs	58,170	22,211	(10,253)	(13)	(1,829)	179	68,465
Patent rights	24,340	5,255	(4,740)		(1)		24,854
Concessions, licences and trademarks	106,516		(4,171)				102,345
Goodwill	441,250	671					441,921
Other	40	50	(34)		(30)		26
Total	***630,316***	***28,187***	***(19,198)***	***(13)***	***(1,860)***	***179***	***637,611***

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

Development costs €/000 68,465

Development costs include costs for products and engines in projects for which there is an expectation for the period of the useful life of the asset to see net sales at such a level as to allow the recovery of the costs incurred. It also includes work in progress for €/000 36,756 which represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.

In relation to development costs in the first half of 2007, the new projects capitalised refer mainly to the new Piaggio Carnaby and MP3 400 cc, the Aprilia Scarabeo, Mana 850 cc and Naked 750 cc, the Gilera Fuoco and GP 800, the Moto Guzzi Bellagio, the Derbi Mulhacen 125 cc, the Indian LCV diesel engine.

Development costs included under this item are amortised on a straight-line basis over 3 years, in consideration of their residual usefulness.

In the first half of 2007, some 13.6 million Euros of development costs were charged directly to the income statement.

Industrial patent rights and intellectual property rights €/000 24,854

This heading comprises mainly software for €/000 7,721 and patents and know-how (€/000 4,051 and €/000 12,031, respectively) mostly relating to Vespa, the MP3 and the GP800. It includes work in progress for €/000 1,043.

The increases for the period refer mainly to software for the extension of the SAP application to the Mandello del Lario facility as well as the implementation of applications for the marketing, administration and production areas, and, as regards industrial patent rights and intellectual property rights, to the development of the Gilera GP800, the Piaggio MP3, the Vespa S, the Aprilia Mano and the Aprilia Naked.

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

Concessions, licences and trademarks €/000 102,345

This heading, totalling €/000 102,345, consists of:

In thousands of Euros	*Net value at 30 June 2007*	*Net value at 31 December 2006*
Guzzi	27,015	28,094
Aprilia	74,836	77,829
Laverda	387	465
Minor brands	107	128
Total	*102,345*	*106,516*

The gross value of the Aprilia brand is €/000 89,803, while that of Guzzi is €/000 32,391.

The values of the Aprilia and Moto Guzzi brands are based on the investigation of an independent third party carried out in 2005. These brands are amortised over a period of 15 years.

In relation to the acquisition of the Aprilia Group, some derivatives were issued whose forward commitments are summarised below:

- Piaggio 2004/2009 Warrants for an overall issue price of €/000 5,350.5 which envisages a realisable amount that can never exceed the overall issue price by more than twelve times. Therefore the maximum commitment at maturity can never exceed €/000 64,206;
- EMH 2004/2009 financial instruments for a global nominal value of €/000 10,000, which will give the right to a forward payment of a minimum guaranteed sum of €/000 3,500, as well as a maximum realisable value that can never exceed €/000 6,500;
- Aprilia shareholder 2004/2009 financial instruments which envisage a realisable value that can never exceed €/000 10,000.

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 2007-2008 Business Plan and the positive stock market performance of the Piaggio security, the adjustment of the initial purchase cost, that has been considered likely for all the financial instruments, has been estimated at €/000 74,686 and has been charged to goodwill.

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

		at 30 June 2007			at 31 December 2006	Change (A-B)
Amounts in €/000	Amount	Present value (A)	Time	Discount rate	Present value (B)	
Warrants	64,206	60,400	0.94	6.50%	58,985	1,415
EMH instrument	6,500	6,115	0.94	6.50%	5,940	175
Aprilia shareholder instrument	10,000	8,171	3.11	6.50%	9,090	(919)
Total	80,706	74,686			74,015	671

The counter entry for the adjustment to the purchase cost, taking account of the peculiar nature of the underlying financial instruments, has been recorded for €/000 60,400 in the financial instruments fair value reserve and for €/000 14,286 to financial payables.

Goodwill €/000 441,921

The breakdown of goodwill is shown in the following table:

In thousands of Euros	*At 30 June 2007*	*At 31 December 2006*
Piaggio & C.	330,590	330,590
Nacional Motor	31,237	31,237
Piaggio Vehicles	5,408	5,408
Aprilia	74,686	74,015
Total	*441,921*	*441,250*

Goodwill derives from the greater value paid compared to the corresponding share of the investee companies' shareholders' equity at the time of the purchase, less the related accumulated amortisation until 31 December 2003. During first-time adoption of the IFRS, in fact, the Group chose not to apply IFRS 3- *Business combinations* retroactively to company acquisitions prior to 1 January 2004; consequently, the goodwill generated on acquisitions prior to the IFRS transition date was maintained at the previous value, calculated in accordance with Italian accounting standards, subject to verification and the recording of any impairment.

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

The transactions which gave rise to this heading are:

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

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

The recoverable value of the cash-generating units to which the individual goodwill amounts have been attributed is verified through the determination of the value in use.

The main assumptions used in determining the value in use of the cash-generating units are related to the discount rate and the growth rate. In particular, the Group has adopted a discount rate which reflects the current market assessments for the cost of borrowing and takes account of the specific risk attributable to the Group: this rate, gross of tax, is 7.24%. The forecasts for the cash-generating units derive from those in the most recent budgets and plans prepared by the Group for the next three years, extrapolated for the following years on the basis of medium-/long-term growth rates of between 1.5% and 3%.

The impairment test carried out at 31 December 2006 confirmed that there was no need to make any changes to the values recorded in the financial statements. The business plan prepared by the Group, which predicts a positive performance over the next three years, provides reassurance on the appropriateness of the figures used. During 2007, there were no events such as to indicate that an asset might have been impaired.

The €/000 671 increase recorded in the half year was due to the measurement of the financial instruments linked to the purchase of the Aprilia Group, as described in the previous paragraph.

<u>Other intangible assets</u> <u>€/000 26</u>

A total of €/000 26.

16. Property, plant and machinery €/000 252,394

The following table shows the breakdown of tangible assets at 30 June 2007 and at 31 December 2006, as well as changes during the period.

Amounts in €/000	*Value at 31 December 2006*	*Increases*	*Depre-ciation*	*Disposals*	*Reclass-ifications*	*Exchange differences*	*Value at 30 June 2007*
Land and buildings	123,425	523	(1,832)	(227)	24	670	122,583
Plant and machinery	69,515	5,035	(6,225)	(27)	1,097	836	70,231
Equipment	54,655	7,418	(10,826)	(52)	(272)		50,923
Other	9,371	895	(1,475)	(384)	(213)	463	8,657
Total	*256,966*	*13,871*	*(20,358)*	*(690)*	*636*	*1,969*	*252,394*

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

Land and buildings €/000 122,583

The "Land and buildings" heading, net of accumulated depreciation, comprises:

In thousands of Euros	*At 30 June 2007*	*At 31 December 2006*	*Change*
Land	34,177	35,900	(1,723)
Industrial buildings	85,464	83,547	1,917
Ancillary buildings	2,059	2,462	(403)
Lightweight constructions	436	477	(41)
Construction in progress	447	1,039	(592)
Total	*122,583*	*123,425*	(842)

Land and industrial buildings refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India).

At 30 June 2007, the net values of assets held under leases were as follows:

In thousands of Euros	*At 30 June 2007*
Mandello del Lario facility (land and buildings)	14,147
EDP systems (other intangible assets)	13
Software (patent rights)	378
Total	14,538

Future lease rental commitments are detailed in note 29.

Buildings are depreciated on a straight-line basis using rates considered suitable to represent their useful life.

Production buildings are depreciated on the basis of rates between 3% and 5%, while lightweight constructions are depreciated using rates between 7% al 10%.

Land is not depreciated.

Plant and machinery €/000 70,231

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

In thousands of Euros	*At 30 June 2007*	*At 31 December 2006*	*Change*
Non-specific plants	38,859	32,262	6,597
Automatic machinery	6,739	7,465	(726)
Ovens and sundry equipment	685	746	(61)
Other	14,470	15,993	(1,523)
Construction in progress	9,478	13,049	(3,571)
Total	*70,231*	*69,515*	*716*

Plant and machinery refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain) and Baramati (India).

The "Other" item mainly includes non-automatic machinery and robotic centres.

Plant and machinery are depreciated using the following rates:

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

Industrial and commercial equipment €/000 50,923

The €/000 50,923 of *Industrial and commercial equipment* is largely made up of production equipment for Piaggio & C. S.p.A., Moto Guzzi S.p.A., Nacional Motor S.A. and Piaggio Vehicles Pvt. Ltd. which is already being depreciated and construction in progress for €/000 13,859.

The main investment in equipment concerned moulds for the new vehicles launched during the half year or for which launch is planned in the second half of the year, moulds for new engines and specific equipment for the assembly lines.

Industrial and commercial equipment is depreciated using rates considered appropriate by the Group companies to represent its useful life and in particular:

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

Other tangible assets €/000 8,657

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

In thousands of Euros	At 30 June 2007	*At 31 December 2006*	*Change*
EDP systems	3,183	3,029	154
Office furniture and equipment	2,670	2,358	312
Vehicles	1,893	2,175	(282)
Other	549	1,338	(789)
Construction in progress	362	471	(109)
Total	*8,657*	*9,371*	*(714)*

Guarantees

At 30 June 2007, the Group had land and buildings encumbered by mortgage liens or privileges in favour of Interbanca to secure a €/000 1,475 loan provided in accordance with Law 346/88 regarding subsidies for applied research received in previous years.

17. Investment property **€/000 0**

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

18. Equity investments **€/000 725**

The Equity investments heading comprises:

Amounts in €/000	*At 30 June 2007*	*At 31 December 2006*	*Change*
Equity investments in subsidiaries		0	
Equity investments in joint ventures		0	
Equity investments in associated companies	725	754	(29)
Total	*725*	*754*	*(29)*

Changes for the period are shown in the following table:

In thousands of Euros	Book value at 31 December 2006	Increases	Provi-sions	Disposals/ Write-downs	Book value at 30 June 2007
<u>Subsidiaries</u>					
Valued using the equity method:					
Piaggio China Co. Ltd	*0*				*0*
Aprilia Brasil SA	*0*				*0*
Aprilia World Service do Brasil Ltd	*0*				*0*
Total subsidiaries	*0*				*0*
<u>Joint ventures</u>					
Valued using the equity method:					
Piaggio Foshan Motorcycles Co. Ltd – China	0				0
Total joint ventures	*0*				*0*
<u>Associated companies</u>					
Valued at cost:					
SA.T.S.A. – Tunisia	45				45
Acciones Depuradora Soc. Coop.	3				3
Motoride.com – Milan (in liquidation)	505		(9)		496
Pontech Soc. Cons. S.c.r.l. – Pontedera	181				181
D.E.V. Diffusione Europea Veicoli Srl	20			(20)	0
Total associated companies	*754*		*(9)*	*(20)*	*725*

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

<u>Equity investments in subsidiaries</u> <u>€/000 0</u>

It is pointed out that:

- at 30 June 2007, Aprilia World Service do Brasil Ltd has negative shareholders' equity of €/000 479, against which a provision for risks of an equal amount has been recorded.

<u>Equity investments in joint ventures</u> <u>€/000 0</u>

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

Piaggio & C. S.p.A.'s equity investment in Piaggio Foshan Motorcycles is equal to 45%, of which 12.5% is held through the direct subsidiary Piaggio China Company Ltd. The book value of the equity investment remained unchanged and equal to zero compared to 31 December 2006.

In relation to the bank loans provided to the subsidiary Piaggio Foshan Motorcycle Co. Ltd, Group companies have issued overall bank guarantees of €/000 13,255.

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

Piaggio Foshan Motorcycle Co.	Financial statements	at 30 June 2007
		45% (*)
In thousands of Euros		
NET TRADE RECEIVABLES	4,740	2,133
TRADE RECEIVABLES DUE FROM Piaggio Group	8,566	3,855
INVENTORIES	4,758	2,141
TRADE PAYABLES	(11,659)	(5,247)
AMOUNTS DUE TO Piaggio Group	(1,149)	(517)
OTHER RECEIVABLES	1,689	760
OTHER PAYABLES	(1,458)	(656)
OTHER AMOUNTS DUE TO Piaggio Group	(48)	(21)
WORKING CAPITAL	**5,439**	**2,447**
TANGIBLE ASSETS	16,005	7,202
INTANGIBLE ASSETS	14	6
TOTAL FIXED ASSETS	*16,019*	*7,209*
NET CAPITAL EMPLOYED	**21,458**	**9,656**
Other Reserves	128	58
RESERVES	*128*	*58*
FINANCIAL PAYABLES	19,125	8,606
SHORT-TERM FINANCIAL RECEIVABLES AND CASH	(1,997)	(899)
FINANCIAL POSITION	**17,128**	**7,708**
SHARE CAPITAL	24,893	11,202
OTHER RESERVES	33,270	14,972
RETAINED EARNINGS	(58,616)	(26,376)
EARNINGS FOR THE PERIOD	4,651	2,093
SHAREHOLDERS' EQUITY	**4,202**	**1,891**
TOTAL SOURCES OF FUNDS	**21,458**	**9,656**

(*) percentage Group ownership

Equity investments in associated companies €/000 725

€/000 20 of the €/000 29 reduction for the period is due to the disposal of the entire equity investment in D.E.V. S.r.l. and €/000 9 is due to the write-down made regarding the Motoride.com. equity investment as a result of the losses incurred.

19. Other non-current financial assets €/000 230

Amounts in €/000	*At 30 June 2007*	*At 31 December 2006*	*Change*
Financial receivables due from associated companies	58	63	(5)
Equity investments in other companies	172	177	(5)
Total	*230*	*240*	*(10)*

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

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

In thousands of Euros	Book value at 31 December 2006	Increases	Reclassi-fications	Disposals	Book value at 30 June 2007
Other companies:					
Valued at cost:					
Sviluppo Italia Liguria S.c.p.a.(formerly Bic Liguria S.p.A.)	5				5
Consorzio Pisa Ricerche	76				76
A.N.C.M.A. – Rome	1				1
E.CO.FOR. S.p.A. – Pontedera	61				61
Consorzio Fiat Media Center – Turin	3				3
S.C.P.S.T.V.	21				21
Other	5		(4)		1
IVM	5		(1)		4
Total other companies	177		(5)		172

20. Current and non-current tax receivables **€/000 23,334**

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

Amounts in €/000	*At 30 June 2007*	*At 31 December 2006*	*Change*
VAT receivables	14,440	33.624	(19,184)
Receivables for tax for which a refund has been claimed	8,854	9,376	(522)
Other receivables due from the public authorities	40	99	(59)
Total tax receivables	*23,334*	*43,099*	*(19,765)*

Tax receivables included under non-current assets totalled €/000 7,574, compared to €/000 7,716 at 31 December 2006, while tax receivables included under current assets totalled €/000 15,760 compared to €/000 35,383 at 31 December 2006.

21. Deferred tax assets **€/000 30,646**

These totalled €/000 30,646 compared to €/000 46,742 at 31 December 2006. Deferred tax assets mainly consist in assets regarding the reversal of unrealised inter-company gains with third parties, tax losses of the parent company and Nacional Motor S.A., timing differences of the parent company, as well as the adjustment of the Group tax burden to the tax rate expected for the entire financial period.

22. Current and non-current trade receivables **€/000 300,128**

At 30 June 2007, there were no long-term trade receivables. At 31 December 2006, they totalled €/000 174.
Current trade receivables totalled €/000 300,128, against €/000 137,137 at 31 December 2006. They consist of:

Amounts in €/000	At 30 June 2007	At 31 December 2006	Change
Current trade receivables:			
- due from customers	298,996	136,081	162,915
- due from Group companies valued at equity	1,100	1,074	26
- due from associated companies	32	32	0
Total	*300,128*	*137,187*	*162,941*

The €/000 162,941 increase is linked to the seasonal nature of the sales, which are concentrated in the spring and summer months.

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

The trade receivables item comprises the receivables, referring to normal sale transactions, recorded net of a reserve for risks on receivables of €/000 20,723.

Changes in the reserve are as follows:

In thousands of Euros	
At 31 December 2006	22,006
Provisions	1,202
Applications	(836)
Reclassification to reserve for risks on non-current receivables	(1,649)
At 30 June 2007	20,723

The Piaggio Group normally sells its receivables with and without recourse. At 30 June 2007, receivables sold with recourse totalled €/000 8,602, with a counter entry in the current liabilities. The Piaggio Group has signed contracts with three of the most important Italian factoring companies for the sale of its trade receivables without recourse. At 30 June 2007, the trade receivables sold without recourse totalled €/000 166,884, of which the Piaggio Group received financial advances prior to the natural maturity of the receivables for a total of €/000 82,912.

23. Other receivables (current and non-current) €/000 32,111

Other receivables recorded under non-current assets totalled €/000 10,466 compared to €/000 6,402 at 31 December 2006, while other receivables recorded under current assets amounted to €/000 21,645, against €/000 33,417 at 31 December 2006. They comprise the following:

Amounts in €/000	At 30 June 2007	At 31 December 2006	Change
Other non-current receivables:			
- due from Group companies valued at equity	440	440	0
- due from associated companies	406	363	43
- due from others	9,620	5,599	4,021
Total non-current portion	*10,466*	*6,402*	*4,064*

Receivables due from Group companies valued at equity comprise amounts due from AWS do Brasil.
Receivables due from associated companies regard amounts due from the Fondazione Piaggio.

Amounts in €/000	At 30 June 2007	At 31 December 2006	Change
Other current receivables:			
Due from parent company	49	76	(27)
Due from Group companies valued at equity	48	3,379	(3,331)
Due from associated companies	124	124	0
Due from others	21,424	29,838	(8,414)
Total current portion	*21,645*	*33,417*	*(11,772)*

During the period, the parent company collected the €/000 3,379 receivable from Piaggio Foshan in relation to the agreements set forth in the joint venture contract with the Chinese partner Zongshen Industrial Group Company Limited, previously recorded under current receivables due from companies valued at equity.

24. Inventories €/000 258,041

At 30 June 2007, inventories totalled €/000 258,041, compared to €/000 233,306 at the end of 2006, and comprised:

Amounts in €/000	*At 30 June 2007*	*At 31 December 2006*	*Change*
Raw materials and consumables	112,702	97,521	15,181
Reserve for loss in value	(13,285)	(9,177)	(4,108)
	99,417	*88,344*	11,073
Work in progress	22,367	27,470	(5,103)
Reserve for loss in value	(852)	(852)	0
	21,515	*26,618*	(5,103)
Finished products and goods for resale	154,075	133,535	20,540
Reserve for loss in value	(17,516)	(15,287)	(2,229)
	136,559	*118,248*	18,311
Payments on account	*550*	*96*	454
Total	258,041	233,306	24,735

The overall increase of €/000 24,735 is linked to the seasonal nature of the production cycle.

25. Other current financial assets **€/000 12,888**

This item comprises:

Amounts in €/000	*At 30 June 2007*	*At 31 December 2006*	*Change*
Guarantee deposits	621		621
Financial receivables due from associated companies	35	30	5
Securities	12,181	11,836	345
Other	51		51
Total	*12,888*	*11,866*	*1,022*

€/000 12,181 refers to certificates of deposit issued by an Indian public social security body and purchased by the subsidiary Piaggio Vehicles Private Ltd. in order to make efficient use of temporary liquidity.

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

26. Cash and cash equivalents **€/000 97,835**

Cash and cash equivalents totalled €/000 97,835 against €/000 68,857 at 31 December 2006, as detailed below:

Amounts in €/000	*At 30 June 2007*	*At 31 December 2006*	*Change*
Bank and post office deposits	82,707	68,433	14,274
Cheques	55	346	(291)
Cash and assets in hand	15,073	78	14,995
Total	*97,835*	*68,857*	*28,978*

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

At 30 June 2007, "Cash and assets in hand" included €/000 15,000 invested in units of a harmonised liquidity fund managed by Lehman Brothers (Lehman Euro Liquidity Fund) made by the parent company so as to efficiently use temporary liquidity, which has a very short-term maturity.

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

At 30 June 2007, there were no assets intended for sale.

CONTENT AND MAIN CHANGES - CONSOLIDATED BALANCE SHEET - LIABILITIES

28. Share capital and reserves €/000 471,673

Share capital €/000 203,565

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

In thousands of Euros	
At 1st January 2007	203,170
Exercised stock options	2,771
Purchase of own shares	(2,376)
At 30 June 2007	203,565

At 30 June 2007, the share capital, fully subscribed and paid up, consisted of 396,040,908 ordinary shares with a nominal value of € 0.52 each, for a total of € 205,941,272.16. During the period, 5,328,760 new ordinary shares were issued to and taken up by beneficiaries of the stock option plan. As a result, all the options granted under the 2004-2007 Plan have been fully exercised.

Furthermore, in June, following resolutions passed at the shareholders' meeting on 7 May 2007, the parent company purchased 4,570,000 own shares in order to implement the new 2007-2009 stock option plan.

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

Moreover, in July and August, the parent company purchased a further 2,620,000 shares and it holds 7,190,000 own shares at the date of presenting this half year Report.

At 30 June 2007, according to the shareholder ledger and available information, beyond Immsi S.p.A. (with 55.0215% of the share capital), the State of New Jersey Common Pension Fund (with 2.2220% of the share capital) and Diego Della Valle e C. S.a.p.a. (with 2.0% of the share capital) no shareholder holds an equity investment of more than 2% of the share capital.

Share premium reserve €/000 3,493

The share premium reserve at 30 June 2007 stood at €/000 3,493. During the period, the opening balance of € 32,960,645.06 was reclassified under retained earnings, while the reserve increased by € 3,493,150 as a result of 5,328,760 options being exercised.

Legal reserve €/000 4,273

The legal reserve increased by €/000 3,550 as a result of the allocation of the earnings for the last period.

Other reserves and retained earnings €/000 208,223

This heading comprises:

Amounts in €/000	*At 30 June 2007*	*At 31 December 2006*	*Change*
Conversion reserve	222	(852)	1,074
Stock option reserve	5,770	4,827	943
Financial instruments' fair value reserve	61,694	59,819	1,875
IFRS transition reserve	(5,859)	(4,113)	(1,746)
Total other reserves	*61,827*	*59,681*	*2,146*
Consolidation reserve	993	993	0
Retained earnings	145,403	70,587	74,816
Total	*208,223*	*131,261*	*76,962*

The financial instruments' fair value reserve includes €/000 60,400 arising from the valuation of the Aprilia warrants and €/000 1,294 relating to the effect of recording the cash flow hedge.
The IFRS transition reserve changed following the parent company's decision to make good losses.
The consolidation reserve arose following the acquisition in January 2003 by Piaggio & C. S.p.A. of the equity investment held by Daihatsu Motor Co. Ltd in P&D S.p.A., equal to 49% of the share capital.

Group earnings for the period €/000 51,220

Minority interest capital and reserves €/000 899

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

Amounts in €/000	Earnings at 30 June 2007	Shareholders' equity at 30 June 2007
Piaggio & C. S.p.A.	49,299	379,385
Difference between application of IAS in the parent company financial statements and in the consolidated financial statements	(141)	(61,230)
Pro rata earnings and shareholders' equity of investee companies	9,876	82,472
Difference between the book value of equity investments valued at cost by the parent company and their valuation using the equity method and elimination entries of intercompany effects	(7,529)	71,046
Piaggio & C. Group	51,505	471,673

29. Current and non-current financial liabilities €/000 387,842

Non-current financial liabilities totalled €/000 337,126 compared to €/000 355,935 at 31 December 2006, while current financial liabilities stood at €/000 50,716 against €/000 42,794 at 31 December 2006.

As is shown in the table on the net financial position included in the financial schedules, the Group's overall net debt improved from €/000 318,006 at 31 December 2006 to €/000 277,119 at 30 June 2007, a reduction of €/000 40,887. This result is linked with financial performance and the seasonal nature of the business.

The attached tables summarise the breakdown of financial debt at 30 June 2007 and at 31 December 2006, as well as the changes for the period.

Amounts in €/000	*At 31 December 2006*	*Repay-ments*	*New issues*	*Reclassif-ications to current portion*	*Other changes*	*At 30 June 2007*
Non-current portion:						
Medium-/long-term loans	169,740		2,720	(14,400)	3,724	161,784
Bonds falling due beyond 12 months	144,628				301	144,929
Other medium-/long-term loans						
of which leases	10,430		9	(341)		10,098
of which due to other lenders	12,607			(463)		12,144
of which Aprilia instruments	18,530			(6,115)	(4,244)	8,171
Total other loans beyond 12 months	41,567	*0*	*9*	*(6,919)*	(4,244)	*30,413*
Total	*355,935*	*0*	*2,729*	*(21,319)*	*(219)*	*337,126*

Amounts in €/000	*At 31 December 2006*	*Repay-ments*	*New issues*	*Reclass. from non-current portion*	*Other changes*	*At 30 June 2007*
Current portion:						
Current account overdrafts	2,218		2,908			5,126
Current account payables	952	(464)				488
Payables due to factoring companies	4,464		4,138			8,602
Current portion of medium-/long-term loans:						
- due to banks	19,236	(4,908)		14,400		28,728
- due to others						
. of which leases	940	(475)	4	341		810
. of which due to other lenders	14,984	(14,600)		463		847
. of which Aprilia instruments	0			6,115		6,115
Total due to others	15,924	(15,075)	4	6,919	0	7,772
Total current portion of medium-/long-term loans	*35,160*	*(19,983)*	*4*	*21,319*	*0*	*36,500*
Total	*42,794*	*(20,447)*	*7,050*	*21,319*		*50,716*

Group debt improved €/000 10,887 as a result of the above mentioned financial performance and seasonal nature of the business. Against this background, it was decided to reduce the forms of short-term debt, favouring self-liquidating borrowings, except for a medium-term subsidised loan of €/000 2,290 provided by Banca Intesa San Paolo and a medium-term subsidised loan provided by Interbanca for €/000 429.

The breakdown of the debt is as follows:

Amounts in €/000	*Book value at 30.06.2007*	*Book value at 31.12.2006*	*Nominal value at 30.06.2007*	*Nominal value at 31.12.2006*
Bank loans	196,128	195,646	197,602	197,349
Bonds	144,929	144,628	150,000	150,000
Other medium-/long-term loans:				
of which leases	10,908	11,370	13,613	14,325
of which due to other lenders	21,591	32,055	21,591	32,119
of which Aprilia instruments	14,286	15,030	16,500	16,500
Total other loans	46,785	58,455	51,704	62,944
Total	387,842	398,729	399,306	410,293

The table below shows the debt servicing schedule at June 2007:

(in thousands of Euros)	*Nominal value at 30.06.2007*	*Amounts falling due within 12 months*	*Amounts falling due beyond 12 months*	*Amounts falling due in 2nd half 2008*	*2009*	*2010*	*2011*	*Beyond*
Bank loans	197,602	34,348	163,254	14,138	57,734	31,204	30,395	29,783
Bonds	150,000		150,000					150,000
Other medium-/long-term loans:								
of which leases	13,613	1,286	12,327	576	1,150	1,150	1,150	8,301
of which due to other lenders	21,591	9,449	12,142	2,207	2,548	2,205	2,167	3,015
of which Aprilia instruments	16,500	6,500	10,000			10,000		
of which due to parent companies								
Total other loans	51,704	17,235	34,469	2,783	3,698	13,355	3,317	11,316
Total	399,306	51,583	347,723	16,921	61,432	44,559	33,712	191,099

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

Amounts in €/000	*Book value at 31.12.2006*	*Book value at 30.06.2007*	*Notional value at 30.06.2007*	*Applicable interest rate*
Euro	397,699	382,543	394,007	6.809
Pound sterling	32	-	-	
Indian rupee	2	3,148	-	
US dollar	278	1,667	1,667	7.50
Singapore dollar	718	484	484	3.95
Total currencies other than Euro	*1,030*	*5,299*	2,149	2.720
Total	398,729	387,842	399,306	6.755

Medium-term bank debt amounts to €/000 190,512 (of which €/000 161,784 non-current and €/000 28,728 current) and consists of the following loans:

- a €/000 148,530 (nominal value €/000 150,000) loan provided to the parent company by Mediobanca and Banca Intesa San Paolo. In April 2006, this loan was syndicated to a restricted pool of banks and has 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 30 June 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 the 6-month Euribor rate to which a variable margin of between a maximum of 2.10% and a minimum of 0.65% is added depending on the Net Financial Debt/ EBITDA ratio. In relation to the improvement in this index recorded with the 2006 annual financial statements, this margin has fallen from 1.15% to 0.90% as from the second half of 2007. For the portion relating to the credit line there is a commitment fee of 0.25%. The agreement does not envisage the issue of guarantees, while, in line with market practice, it does require meeting some financial parameters. It should be noted that, in reference to the 2006 figures, these parameters were comfortably met;

- a €/000 29,000 loan granted to the parent company by a pool of 14 banks at the time of the Aprilia acquisition for the purchase of an amount of 34 million Euros in non self-liquidating financial receivables claimed by the same lenders from Aprilia S.p.A. The conditions envisaged a fixed interest rate of 3.69% annually compounded and repayment in a single instalment of capital and interest at the final maturity, set for 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 1,475 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 €/000 451 loan provided to the parent company by Mediocredito Centrale at a subsidised rate in accordance with article 7 of Law 49 on international cooperation, maturing on 16 June 2008;
- a €/000 2,575 variable rate loan provided to the parent company by Efibanca, maturing on 27 December 2009;
- a €/000 2,290 subsidised loan provided by Banca Intesa San Paolo under Law 346/88 regarding applied research;
- a €/000 3,500 of payables due to Interbanca in its capacity of provider of the EMH instruments.

The bonds falling due after 12 months item (€/000 144,929 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 with a fixed annual nominal rate of 10%. The bond issue was guaranteed by the parent company and in June 2007 benefited from an upgrade when Standard & Poor’s assigned the issue a rating of BB (previously BB-), in line with the issuer’s rating, along with a “stable” outlook remark; in July 2007, Moody’s also upgraded its rating to Ba2 (previously Ba3), with a “stable” outlook remark.

Medium-/long-term payables due to other lenders amount to €/000 38,185, of which €/000 30,413 falling due beyond 12 months and €/000 7,772 falling due within 12 months. Their breakdown was as follows:

- finance leases for €/000 10,908 of which €/000 10,763 provided by Locat S.p.A. to Moto Guzzi S.p.A., €/000 132 provided by Italease Factoring S.p.A. to Piaggio & C. S.p.A and €/000 13 provided by Italease Factoring S.p.A. to Moto Guzzi & C. S.p.A.;
- payables due to Interbanca of €/000 6,115 as provider of the EMH financial instruments;
- €/000 8,171 Aprilia ex-shareholders financial instrument;

- subsidised loans for €/000 12,991 provided by Simest and by the Ministry of Production using regulations to encourage exports and investment in research and development (non-current portion of €/000 12,142).

Financial instruments

Exchange rate risk

In the first half of 2007, exchange rate risk was managed in line with the policy introduced in 2006 which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flow, by hedging the business risk, which concerns the changes in company profitability compared to the annual business budget on the basis of a key change (the so-called "budget change") and of the settlement risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.

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

The 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 30 June 2007 Piaggio & C. S.p.A. had the following forward sale contracts outstanding:

- USD/000 34,825 corresponding to €/000 25,874 (valued at the forward exchange rate);
- GBP/000 7,975 corresponding to €/000 11,712 (valued at the forward exchange rate);
- NOK/000 6,000 corresponding to €/000 737 (valued at the forward exchange rate);
- DKK/000 18,800 corresponding to €/000 2,523 (valued at the forward exchange rate);
- CHF/000 5,050 corresponding to €/000 3,068 (valued at the forward exchange rate);

and forward purchase contracts:

- GBP/000 305 corresponding to €/000 452 (valued at the forward exchange rate).

As regards contracts in place to hedge exchange rate risk on forecast transactions (business risk), at 30 June 2007, the parent company had forward purchase transactions of JPY/000,000 560 corresponding to €/000 3,828 and forward sales transactions for a value of CHF/000 6,350 corresponding overall to €/000 4,040 (valued at the forward exchange rate) and GBP/000 17,460 corresponding to €/000 25,811 (valued at the forward exchange rate).

As for Piaggio Group America, at 30 June 2007, there were forward sale transactions for a value of USD/000 28,250 corresponding overall to €/000 21,955 (valued at the forward exchange rate).

30. Current and non-current trade payables **€/000 521,062**

There were no non-current trade payables outstanding in the two periods being compared.
At 30 June 2007, current trade payables totalled €/000 521,062 against €/000 394,709 at 31 December 2006.

Amounts in €/000	*At 30 June 2007*	*At 31 December 2006*	*Change*
Current liabilities:			
Due to suppliers	511,765	385,369	126,396
Due to Group companies valued at equity	8,570	9,317	(747)
Due to parent companies	727	23	704
Total current portion	*521,062*	*394,709*	*126,353*

The overall increase in trade payables of €/000 126,353 is linked to the previously mentioned seasonal nature of the production cycle.

31. Reserves (current and non-current portions) **€/000 41,861**

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

Amounts in €/000	Balance at 31 December 2006	Allocations	Applications	Reclass.	Exchange difference	Balance at 30 June 2007
Product warranty reserve	18,681	7,691	(6,224)	1,063	(6)	21,205
Reserve for risks on equity investments	5,851					5,851
Reserves for restructuring	776		(72)			704
Reserve for contractual risks	5,200			(80)		5,120
Other reserves for risks and charges	8,280	2,898	(1,091)	(1,069)	(37)	8,981
Total	*38,788*	*10,589*	*(7,387)*	*(86)*	*(43)*	*41,861*

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

Amounts in €/000	*At 30 June 2007*	*At 31 December 2006*	*Change*
Non-current portion:			
Product warranty reserve	1,104	5,145	(4,041)
Reserve for risks on equity investments	5,550	5,851	(301)
Reserve for contractual risks	4,920	5,200	(280)
Other reserves for risks and charges	6,013	5,710	303
Total non-current portion	*17,587*	*21,906*	*(4,319)*

Amounts in €/000	At 30 June 2007	At 31 December 2006	Change
Current portion:			
Product warranty reserve	20,101	13,536	6,565
Reserve for risks on equity investments	301		301
Reserves for restructuring	704	776	(72)
Reserve for contractual risks	200		200
Other reserves for risks and charges	2,968	2,570	398
Total current portion	*24,274*	*16,882*	*7,392*

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 to €/000 7,691 and was used for €/000 6,224 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 liquidations/mergers involving some foreign Group companies.

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

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

"Other reserves" include the provision for legal risks for an amount of €/000 4,432.

32. Deferred tax liabilities — €/000 38,101

€/000 23,548 of the reserve for deferred tax liabilities refers to the tax effect on the registering the Aprilia brand. The remainder relates to temporary differences calculated by other Group companies.

33. Reserves for pensions and employee benefits — €/000 67,829

Amounts in €/000	At 30 June 2007	At 31 December 2006	Change
Pension funds	2,837	2,649	188
Employee severance indemnity	64,992	75,499	(10,507)
Total	*67,829*	*78,148*	*(10,319)*

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

The decrease of the reserve for employee severance indemnity is also related to the change in Italian regulation on severance benefits resulting from the Italian annual budget law for 2007 (law n. 296 27th December 2006).

34. Current and non-current tax payables — €/000 27,013

"Tax payables" included in non-current liabilities totalled €/000 661 compared to €/000 188 at 31 December 2006, while those included in current liabilities total €/000 26,352 compared to €/000 15,375 at 31 December 2006.

The breakdown is as follows:

Amounts in €/000	*At 30 June 2007*	*At 31 December 2006*	*Change*
Due for income tax	7,070	3,323	3,747
Due for non-income tax	101	107	(6)
Tax payables for:			
- VAT	13,208	6,124	7,084
- tax withholdings made	2,397	5,560	(3,163)
- other	4,237	449	3,788
Total	19,842	12,133	7,709
TOTAL	*27,013*	*15,563*	*11,450*

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

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

35. Other payables (current and non-current) — €/000 90,562

Amounts in €/000	*At 30 June 2007*	*At 31 December 2006*	*Change*
Non-current portion:			
Guarantee deposits	37		37
Amounts due to social security institutions	1,084	1,084	0
Other payables	7,113	16,415	(9,302)
Total non-current portion	*8,234*	*17,499*	*(9,265)*

Amounts in €/000	*At 30 June 2007*	*At 31 December 2006*	*Change*
Current portion:			
Guarantee deposits	1,266	2,057	(791)
Amounts due to employees	41,383	28,056	13,327
Amounts due to social security institutions	8,477	9,503	(1,026)
Sundry payables due to associated companies	208	156	52
Other	30,994	12,598	18,396
Total current portion	*82,328*	*52,370*	*29,958*

Other payables included in non-current liabilities totalled €/000 8,234 compared to €/000 17,499 at 31 December 2006, while other payables included in current liabilities total €/000 82,329 compared to €/000 52,370 at 31 December 2006.

Guarantee deposits include the deposit paid in 1997 by T.N.T. Automotive Logistics S.p.A. to Piaggio & C. S.p.A. to guarantee the payment of the employee leaving indemnities accrued by employees working for the company branch sold dealing with the receipt, packaging, warehousing and physical distribution of parts and accessories. At 30 June 2007, the deposit stood at €/000 1,246.

Amounts due to employees include the amount for holidays accrued but not taken of €/000 18,704 and other payments to be made for €/000 4,624.

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

Milan, 07 September 2007

for the Board of Directors
Chairman and Chief Executive
Roberto Colaninno

E) DEALINGS WITH RELATED PARTIES

The main business and financial dealings that Group companies had with related parties have already been described in the specific paragraph in the Directors' Report to which reference is made here. To supplement that information, the following table provides an indication by company of the outstanding items at 30 June 2007, as well as their contribution to the respective headings.

		Amounts in €/000	% of accounting item
Dealings with associated companies			
Fondazione Piaggio			
	costs for services and use of third party assets	21	0.01%
	other operating income	15	0.02%
	other operating costs	52	0.37%
	other non-current financial assets	58	25.22%
	other current financial assets	35	0.27%
	other non-current receivables	406	3.88%
	current trade receivables	32	0.01%
	other current receivables	124	0.57%
	other current payables	208	0.25%
Piaggio China			
	current trade payables	5	0.00%
Piaggio Foshan			
	costs for materials	22,287	3.83%
	costs for services and use of third party assets	5	0.00%
	other operating income	2,364	3.62%
	current trade receivables	1,100	0.37%
	other current receivables	48	0.06%
	current trade payables	8,565	1.64%
AWS do Brasil			
	other non-current receivables	440	4.20%
Studio D'Urso			
	costs for services and use of third party assets	70	0.04%
	current trade payables	70	0.01%
Dealings with parent companies			
IMMSI			
	costs for services and use of third party assets	567	0.34%
	other operating income	13	0.02%
	other current receivables	49	0.02%
	current trade payables	727	0.14%

F) COMMITMENTS AND RISKS

36. Guarantees provided

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

TYPE	AMOUNT €/000
Bank guarantee from Cassa di Risparmio di Pisa issued on our behalf in favour of the Administration of the Province of Pisa	130
Bank guarantee from Banca Intesa San Paolo issued on our behalf in favour of the Genoa Customs Authority	200
Bank guarantee for the credit line of USD 8,100,000 agreed with Banca di Roma for the associated company Piaggio Foshan	5,998
Banca Intesa San Paolo bank guarantee issued in favour of AMIAT – Turin to guarantee contractual obligations for the supply of vehicles	230
Banca Intesa San Paolo bank guarantee issued in favour of the Algerian National Defence Ministry to guarantee contractual obligations for the supply of vehicles	403
Bank guarantee to secure the credit line agreed with Banca Intesa San Paolo to the subsidiary Piaggio Vespa BV for USD 20,000,000	
- of which undrawn	8,964
- of which given to the subsidiary Piaggio Foshan	7,257
Building insurance guarantee policy of 23 October 2003 issued in favour of the Tax Agency of Pisa to guarantee receivables set off as part of the Group's VAT procedure	839
MPS bank guarantee in favour of ACRAPOVIC /SLOVENIA issued on 07-12-2006 for € 500,000	
- of which undrawn	333
BNL bank guarantee issued in favour of the Venice Customs Authority	206
Banco di Brescia bank guarantee issued in favour of the local authority of Scorzé to secure the payment of town planning charges	166
BNL bank guarantee in favour of Antonveneta as a counter-guarantee to the syndicated loan provided in 2004 to Aprilia S.p.A.	1,228
Bank guarantee from Banca Toscana issued on 25/01/2006 in favour of the Ministry of Production in Rome for a prize contest	150

The main guarantees issued by banks on behalf of Nacional Motor in favour of third parties are:

TYPE	AMOUNT €/000
BBVA bank guarantee issued in favour of third parties for tax disputes	1,831

G) NON-RECURRING TRANSACTIONS

In the first half of 2007, the Group had no significant non-recurring transactions. However, as regards the first half of 2006, there was the listing on the Italian stock exchange.

1st half 2006	Shareholders' equity		Earnings for the period		Net financial debt		Cash flows	
	€/000	%	€/000	%	€/000	%	€/000	%
Book values	413,289	100%	64,750	100%	326,175	100%	5,840	100%
Listing costs	(4,008)		(4,008)					
Total effect of transaction	(4,008)	-1.0%	(4,008)	-6.2%	0	0.0%	0	0.0%

H) <u>SUBSEQUENT EVENTS</u>

To date, no events have occurred after 30 June 2007 that make additional notes or adjustments to these interim financial statements necessary.

In this regard, refer to the Directors' report for significant events after 30 June 2007.

I) SUBSIDIARIES

37. Piaggio Group companies

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

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

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

List of companies included in the consolidation area on a line-by-line basis at 30 June 2007

Company name	Registered office	Country	Share capital at 30 June 2007	Currency	% Group ownership	Held by	%	% votes
Parent company:								
Piaggio & C. S.p.A.	Pontedera (Pisa)	Italy	205,941,272.16	euro				
Subsidiaries:								
Aprilia Hellas S.A.	Chalandri	Greece	60,040.00	euro	100%	Piaggio Vespa B.V.	100%	
Aprilia Japan Corporation	Yokohama	Japan	3,000,000.00	yen	100%	Piaggio Vespa B.V	100%	
Aprilia Moto UK Limited ***	Stockport - Cheshire	United Kingdom	2,555,325.00	gbp	100%	Aprilia World Service B.V.	100%	
Aprilia Motorrad GmbH	Kerpen	Germany	2,125,000.00	euro	100%	Aprilia World Service B.V.	100%	
Aprilia World Service B.V.	Amsterdam	Holland	30,000,000 authorised capital (6,657,500 subscribed and paid up)	euro	100%	Piaggio & C. S.p.A.	100%	
Derbi Italia S.r.l.	Pontedera (Pisa)	Italy	21,000.00	euro	100%	Nacional Motor S.A.	100%	
Derbi Racing S.L.	Barcelona	Spain	1,263,000.00	euro	100%	Nacional Motor S.A.	100%	
Moto Guzzi S.p.A.	Mandello del Lario (Lecco)	Italy	2,500,000.00	euro	100%	Piaggio & C. S.p.A.	100%	
Moto Laverda S.r.l. ***	Noale (Venice)	Italy	80,000.00	euro	100%	Piaggio & C. S.p.A.	100%	
Nacional Motor S.A.	Barcelona	Spain	9,182,190.00	euro	100%	Piaggio & C. S.p.A.	100%	
P & D S.p.A. ***	Pontedera (Pisa)	Italy	416,000.00	euro	100%	Piaggio & C. S.p.A.	100%	
Piaggio Asia Pacific PTE Ltd.		Singapore	100,000.00	sin$	100%	Piaggio Vespa B.V.	100%	
Piaggio Benelux B.V.	Oosterhout	Holland	45,378.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Deutschland Gmbh	Kerpen	Germany	5,113,500.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Finance S.A.	Luxembourg	Luxembourg	31,000.00	euro	99.99%	Piaggio & C. S.p.A.	99.99%	
Piaggio France S.A.S.	Clichy Cedex	France	1,209,900.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Group Americas Inc	New York	USA	561,000.00	USD	100%	Piaggio Vespa B.V.	100%	

Company name	Registered office	Country	Share capital at 30 June 2007	Currency	% Group ownership	Held by	%	% votes
Piaggio Hellas SA	Athens	Greece	7,080,000.00	euro	99.9996%	Piaggio Vespa B.V.	99.9996%	
Piaggio Hrvatska D.o.o.	Split	Croatia	400,000.00	kuna	75%	Piaggio Vespa B.V.	75%	
Piaggio Indochina PTE Ltd.		Singapore	100,000.00	sin$	100%	Piaggio Asia Pacific PTE Ltd	100%	
Piaggio Limited	Bromley Kent	United Kingdom	250,000.00	gbp	100%	Piaggio Vespa B.V.	99.9996%	
						Piaggio & C. S.p.A.	0.0004%	
Piaggio Portugal Limitada	Lisbon	Portugal	5,000.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Vehicles Private Limited	Maharashtra	India	340,000,000.00	rupee	100%	Piaggio & C. S.p.A.	99.999997%	
						Piaggio Vespa B.V.	0.000003%	
Piaggio Vespa B.V.	Amsterdam	Holland	91,000.00	euro	100%	Piaggio & C. S.p.A.	100%	

*** Company in liquidation

List of companies included in the consolidation area using the equity method at 30 June 2007

Company name	Registered office	Country	Share capital at 30 June 2007	Currency	% Group ownership	Held by	%	% votes
Aprilia Brasil S.A.	Manaus	Brazil	2,020,000.00	reais	51%	Aprilia World Service Holding do Brasil Ltda	51%	
Aprilia World Service Holding do Brasil Ltda.	San Paolo	Brazil	2,028,780.00	reais	99.99995%	Aprilia World Service B.V.	99.99995%	
Piaggio China Co. LTD	Hong Kong	China	12,500,000 authorised capital (12,100,000 subscribed and paid up)	USD	99.99999%	Piaggio & C. S.p.A.	99.99999%	
Zongshen Piaggio Foshan Motorcycle Co. LTD.	Foshan City	China	29,800,000.00	USD	45%	Piaggio & C. S.p.A.	32.5%	
						Piaggio China Co. LTD	12.5%	

List of other significant equity participations at 30 June 2007 valued at cost

Company name	Registered office	Country	Share capital at 30 June 2007	Currency	% Group ownership	Held by	%	% votes
Acciones Depuradora Soc. Coop. Catalana Limitada	Barcelona	Spain	60,101.00	euro	22%	Nacional Motor S.A.	22%	
Mitsuba F.N. Europe S.p.A.	Pisa	Italy	1,000,000.00	euro	10%	Piaggio & C. S.p.A.	10%	
Motoride S.p.A. ***	Milano	Italy	1,989,973.00	euro	28.2885%	Piaggio & C. S.p.A.	28.2885%	
Pont - Tech , Pontedera & Tecnologia S.c.r.l.	Pontedera (Pisa)	Italy	884,160.00	euro	20.44%	Piaggio & C. S.p.A.	20.44%	
S.A.T. Societé d'Automobiles et Triporteurs S.A.	Tunis	Tunisia	210,000.00	TND	20%	Piaggio Vespa B.V.	20%	

*** Company in liquidation

Piaggio & C. S.p.A.

Financial and business position and financial statements at 30 June 2007

FINANCIAL AND BUSINESS POSITION AND FINANCIAL STATEMENTS AT 30 JUNE 2007

The financial statements at 30 June 2007 of the parent company Piaggio & C. S.p.A. reported in the following pages have been prepared in accordance with the provisions of CONSOB communication no. 11971 of 14 May 1999, as subsequently amended.
Following the coming into force of the European Regulation no. 1606/2002 and the Italian law implementing that regulation, as from 1 January 2006 Piaggio & C. S.p.A. has adopted the IFRS international accounting standards for the preparation of the financial statements. In particular, the accounting principles and criteria adopted to prepare the financial statements are the same as those that will be adopted to prepare the financial statements at 31 December 2007, since they are compatible.

Here below are the financial statements at 30 June 2007 of the parent company in summarised form and comment.

PIAGGIO & C. - FINANCIAL HIGHLIGHTS

Amounts in million €		1st half		2006
		2007	2006	
Income statement (reclassified)				
Net sales		780.7	711.1	1,216.2
Gross operating margin (EBITDA)		108.9	102.7	141.6
Operating earnings		77.6	69.7	71.6
Pre-tax earnings		75.1	55.9	67.8
Net earnings		49.3	49.4	71.0
Gross margin as a % of net sales	%	13.9	14.4	11.6
Operating earnings as a % of net sales	%	9.9	9.8	5.9
Net earnings as a % of net sales	%	6.3	6.9	5.8
Balance sheet				
Net working capital		-25.7	-7.4	-8.7
Tangible assets		182.1	183.3	188.9
Intangible assets		486.5	471.1	479.8
Financial assets		125.0	129.7	120.5
Reserves		-129.3	-149.6	-131.6
Net capital employed		**638.5**	**627.0**	**649.0**
Net financial position		259.2	317.2	299.1
Shareholders’ equity		379.3	309.8	349.9
Sources of funds		**638.5**	**627.0**	**649.0**
Change in net financial position				
Opening net financial position		**-299.1**	**-399.2**	**-407.0**
Cash Flow from operations (Earnings + Amortisation/Depreciation)		80.5	82.4	141.0
(Increase)/Decrease in working capital		17.0	19.4	28.4
(Increase)/Decrease in investment		-35.5	-18.4	-60.7
Net change in pension reserves and other reserves		-2.3	-4.5	-22.5
Change in shareholders’ equity		-19.8	3.1	21.7
Total Change		***39.9***	***82.0***	***107.9***
Closing net financial position		**-259.2**	**-317.2**	**-299.1**

INCOME STATEMENT

The income statement at 30 June 2007 shows a profit of 49.3 million €, a decrease of 0.1 million € compared to the same period the year before.

Net sales

Net sales of Piaggio & C. S.p.A. in the first half of 2007 stood at 780.7 million €, recording an increase (+9,8%) compared to the same period in 2006, mainly due to the improved performance of the 2-wheeler business. In particular, compared to the same period the year before, the growth is due to the increases in net sales recorded by Gilera, Vespa and Aprilia. 2006 net sales included 36.5 million € with Poste Italiane S.p.A. in the first quarter of 2006 for the supply contract that the parent company Piaggio & C. signed at the end of 2005.

Piaggio & C. S.p.A. **EBITDA -** defined as in the consolidated income statement as "Operating earnings" gross of amortisation of intangible assets and depreciation of property, plant and machinery, as recorded in the Income statement – was 108.9 million €, an increase of 6.0% compared to the 102.7 million € in the same period the year before. As a percentage of net sales, first half 2007 EBITDA stood at 13.9%, a 0.5 percentage point reduction compared to the same period in 2006. As already stated in the explanatory notes to the consolidated financial statements, the results of the first half of 2006 of the parent company were negatively affected by its portion of the IPO costs (4.1 million €). Net of the effects of this non-recurring transaction, the parent company's EBITDA at 30 June 2006 would have been 106.7 million €, or 15% of net sales.

Operating profit for the first half of 2007 was 77.6 million €, an increase of 7.9 million € compared to the 69.7 million € for the same period in 2006 (+11.3%), while profitability (the ratio between operating profit and net sales) was essentially in line with the same period in 2006.

As previously mentioned in regard to the impact of non-recurring transactions or events, net of the effect of the IPO costs, the operating earnings for the first half of 2006 would have been 73.7 million €, or 10.4% of net sales.

Net financial charges totalled 15.3 million €, compared to 13.8 million € for the first half of 2006.

In the first half of 2007, the parent company recorded **pre-tax earnings** of 75.1 million € (+34.4% compared to the same period in 2006) and a **net profit** of 49.3 million € (- 0.2% compared to the same period in 2006). Taxation for the period, calculated on the basis of IAS 34 and IAS 12 by applying an average tax rate for 2007, totalled 25.8 million € (6.5 million € at 30 June 2006).

CASH FLOW STATEMENT

The cash flow statement prepared in accordance with the models provided by the IFRS international accounting standards IFRS is shown on page 122; comments are provided below making reference to the summary in the Highlights on the previous pages.

Cash generated in the period totalled 39.9 million €.

Cash flow, i.e. net earnings plus amortisation and depreciation, was 80.5 million €. The positive impact of this flow, which also benefitted from the last portion of increase in share capital as a result of 6.3 million € of exercised stock options and the positive effect of the reduction in working capital – which went from –8.7 million € at 31 December 2006 to –25.7 million € at 30 June 2007 - was partially offset by the 11.9 million € of dividends paid and the 16.8 million € purchase of own shares, and the 35.5 million € of investing activities.

BALANCE SHEET

Working capital - defined as the net sum of: Current and non-current trade receivables and other receivables, Inventories, Long-term trade payables and other payables and Current trade payables, Other receivables (Short- and long-term tax receivables, Deferred tax assets) and Other payables (Tax payables and Other short-term payables) – was negative for 25.7 million €, down by 17.0 million € compared to 31 December 2006, also as a result of management actions to contain inventories as well as credit management over the last 12 months.

Tangible assets consist of property, plant, machinery and industrial equipment, net of cumulative depreciation, as well as assets intended for sale. At 30 June 2007, they totalled 182.1 million €, down 6.8 million € compared to 31 December 2006 and 0.6 million € down compared to the same period the year before.

Intangible assets consist of capitalised research and development costs, patent and know-how costs, and the goodwill arising from the merger and acquisitions operations undertaken by the parent company. At 30 June 2007, they totalled 486.5 million €, an increase of 6.7 million € compared to 31 December 2006, essentially for new product development costs capitalised in the period.

Financial assets, defined by the Directors as the sum of equity investments and other non-current financial assets, totalled 125.0 million €, an increase of 4.5 million € compared to 31 December 2006 and a decrease of 4.7 million € compared to the same period the year before.

Reserves consist of the pension and employee benefits reserves, other long-term reserves, the current portion of other long-term reserves, deferred tax liabilities, and totalled 129.3 million €, down 2.3 million € compared to 31 December 2006.

Net financial debt at 30 June 2007 stood at 259.2 million €, compared to 299.1 million € at 31 December 2006. The 39.9 million € reduction compared to 31 December 2006 is mainly due to the improvement in cash flow from operations, which, as already stated, was partly offset by dividends paid, the purchase of own shares and the above mentioned investing activities.

The breakdown of the net financial position is summarised below:

Amounts in million €	*At 30 June 2007*	*At 31 December 2006*
Medium-/long-term financial payables	182.4	201.2
Financial payables due to the subsidiary Piaggio Finance	144.9	144.6
Short-term financial payables	43.5	21.7
(Financial assets)	-23.0	-32.8
(Liquid assets)	-88.6	-35.6
Total	*259.2*	*299.1*

Shareholders' equity at 30 June 2007 totalled 379.3 million €, against 349.9 million € at 31 December 2006. Following the exercise of 5,328,760 options by the beneficiaries of the stock option plan on 26 January 2007, effective 31 January 2007, the share capital and the share premium reserve increased by 2.8 million € and 3.5 million €, respectively. Following the respective shareholder resolutions passed at the meeting on 7 May 2007, 11.9 million € of dividends were paid out in May and at 30 June 2007, 4,570,000 own shares had been purchased for a total of 16.8 million €.

EMPLOYEES

There were 4,855 Piaggio & C. S.p.A. **employees** at 30 June 2007, compared to 4,102 at 31 December 2006.

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

	Average number		*Number at*	
Level	*1st half 2007*	*1st half 2006*	*30 June 2007*	*31 December 2006*
Senior management	90	89	92	88
Middle management and clerical	1,265	1,235	1,258	1,252
Manual labour	3,327	3,294	3,505	2,762
Total	**4,682**	**4,618**	**4,855**	**4,102**

INCOME STATEMENT

In thousands of Euros	1st half 2007	1st half 2006	Change
Net sales	**780,744**	**711,075**	**69,669**
of which with related parties	*92,116*	*210,045*	*-117,929*
Costs for materials	444,950	401,766	43,184
of which with related parties	*37,881*	*26,340*	*11,541*
Costs for services and use of third party assets	157,120	132,410	24,710
of which with related parties	*17,565*	*6,712*	*10,853*
Employee costs	96,419	100,019	-3,600
Depreciation of tangible assets	16,225	16,378	-153
Amortisation of intangible assets	15,021	16,587	-1,566
Other operating income	38,081	37,910	171
of which with related parties	7,678	6,052	1,626
Other operating costs	11,482	12,083	-601
of which with related parties	52	1	51
Operating earnings	**77,608**	**69,742**	**7,866**
Income/(loss) from equity investments	12,806	-29	12,835
Financial income	5,832	5,086	746
of which with related parties	*1,396*	*769*	*627*
Financial charges	-21,137	-18,913	-2,224
of which with related parties	*-8,450*	*-8,670*	*220*
Earnings before taxation	**75,109**	**55,886**	**19,223**
Taxation for the period	25,810	6,496	19,314
Earnings from continuing activities	**49,299**	**49,390**	**-91**
Assets intended for disposal:			
Gain or loss from assets intended for disposal	0	0	0
Net earnings	**49,299**	**49,390**	**-91**

BALANCE SHEET

In thousands of Euros	At 30 June 2007	At 31 December 2006	Change
ASSETS			
Non-current assets			
Intangible assets	486,461	479,804	6,657
Property, plant and machinery	182,089	188,911	-6,822
Investment property	0	0	0
Equity investments	97,268	92,797	4,471
Other financial assets	27,725	27,730	-5
of which with related parties	*27,558*	*27,563*	*-5*
Long-term tax receivables	6,523	7,089	-566
Deferred tax assets	15,117	29,996	-14,879
Trade receivables and other receivables	3,982	4,393	-411
of which with related parties	*406*	*363*	*43*
Total non-current assets	**819,165**	**830,720**	**-11,555**
Assets intended for sale	**0**	**0**	**0**
Current assets			
Trade receivables and other receivables	320,858	217,529	103,329
of which with related parties	*106,517*	*120,708*	*-14,191*
Short-term tax receivables	3,908	25,013	-21,105
Inventories	182,531	171,585	10,946
Other financial assets	23,003	32,763	-9,760
of which with related parties	*22,572*	*32,333*	*-9,761*
Cash and cash equivalents	88,577	35,654	52,923
Total current assets	**618,877**	**482,544**	**136,333**
TOTAL ASSETS	**1,438,042**	**1,313,264**	**124,778**

In thousands of Euros	At 30 June 2007	At 31 December 2006	Change
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	203,565	203,170	395
Share premium reserve	3,493	32,961	-29,468
Legal reserve	4,273	723	3,550
Other reserves	77,616	76,710	906
Retained earnings	41,139	-34,707	75,846
Earnings for the period	49,299	71,006	-21,707
Total shareholders' equity	**379,385**	**349,863**	**29,522**
Non-current liabilities			
Financial liabilities falling due beyond one year	327,284	345,775	-18,491
of which with related parties	*144,923*	*144,624*	*299*
Long-term trade payables and other payables	14,775	14,876	-101
Reserves for pensions and employee benefits	62,324	72,750	-10,426
Other long-term reserves	22,519	20,936	1,583
Deferred tax liabilities	30,188	26,963	3,225
Total non-current liabilities	**457,090**	**481,301**	**-24,210**
Current liabilities			
Financial liabilities falling due within one year	43,450	21,740	21,710
of which with related parties	*426*	*508*	*-82*
Trade payables	450,836	332,530	118,306
of which with related parties	*34,812*	*28,995*	*5,817*
Tax payables	18,451	8,385	10,066
Other short-term payables	74,581	108,519	-33,938
of which with related parties	*34,772*	*70,628*	*-35,856*
Current portion of other long-term reserves	14,249	10,927	3,322
Total current liabilities	**601,567**	**482,101**	**119,466**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,438,042**	**1,313,264**	**124,778**

CASH FLOW STATEMENT

In thousands of Euros	1st half 2007	1st half 2006
Operating activities		
Net earnings	49,299	49,390
Taxation for the period	25,810	6,496
Depreciation of property, plant and machinery	16,224	16,379
Amortisation of intangible assets	15,021	16,587
Non-monetary costs for stock options	943	2,561
Provision to reserves for risks and reserves for pensions and employee benefits	12,538	12,891
Write-downs / (Revaluations)	956	248
Losses / (Gains) on the disposal of property, plant and machinery	(29)	(2)
Losses / (Gains) on the disposal of equity investments	(20)	
Financial income	(5,831)	(5,086)
Dividend income	(12,815)	
Financial charges	21,136	18,913
Change in working capital:		
(Increase)/Decrease in trade receivables	(127,804)	(97,333)
(Increase)/Decrease in other receivables	23,939	(82,745)
(Increase)/Decrease in inventories	(10,946)	(39,210)
Increase/(Decrease) in trade payables	111,635	188,433
Increase/(Decrease) in other payables	(27,369)	39,511
Increase/(Decrease) in the current portion of reserves for risks	3,322	(18,662)
Increase/(Decrease) in the non-current portion of reserves for risks	(7,134)	5,391
Increase/(Decrease) in reserves for risks,and pensions and employee benefits reserves	(14,248)	(3,360)
Other changes	27,371	13,940
Cash generated by operating activities	**101,998**	**124,342**
Interest paid	(17,461)	(26,477)
Taxation paid	(4,216)	(5,827)
Cash flow from operating activities	**80,321**	**92,038**
Investing activities		
Investment in property, plant and machinery	(9,439)	(8,602)
Sale price, or repayment value, of property, plant and machinery	66	35
Investment in intangible assets	(21,007)	(18,764)
Sale price, or repayment value, of intangible assets		5
Investments in financial assets	(4,500)	0
Loans provided		(31)
Repayment of loans	9,767	1,908
Purchase of financial assets	0	(30,484)
Interest received	3,314	4,371
Sale price of financial assets	40	(82)
Dividends from equity investments	12,815	
Cash flow from investing activities	**(8,944)**	**(51,644)**
Financing activities		
Increase in share capital for stock options	6,264	
Purchase of own shares	(16,812)	
Loans received	5,019	10,992
Outflow for repayment of loans	(2,555)	(43,896)
Dividends paid	(11,881)	0
Repayment of finance leases	(135)	(133)
Cash flow from financing activities	**(20,100)**	**(33,037)**
Increase / (Decrease) in cash	51,277	7,357
Opening balance	**35,623**	**5,323**
Closing balance	***86,900***	***12,680***

SCHEDULE OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Euros)	Share capital	Share premium reserve	Legal reserve	IAS transition reserve	Stock option reserve	Financial instruments' fair value reserve	Retained earnings	Earnings for the period	**TOTAL SHAREHOLDERS' EQUITY**
At 1 January 2007	**203,170**	**32,961**	**723**	**13,181**	**4,827**	**58,702**	**(34,707)**	**71,006**	**349,863**
Exercise of stock options	2,771	3,493							6,264
Shareholder resolution dated 07/05/2007:									
a) Prior losses covered		(32,961)		(1,746)			34,707		0
b) Allocation of 2006 profit:									
- to the shareholders								(11,881)	(11,881)
- to shareholders' equity			3,550				55,575	(59,125)	0
Purchase of own shares	(2,376)						(14,436)		(16,812)
Change in IAS reserves					943	1,709			2,652
Earnings for the period								49,299	49,299
At 30 June 2007	**203,565**	**3,493**	**4,273**	**11,435**	**5,770**	**60,411**	**41,139**	**49,299**	**379,385**