PIAGGIO & C. s.p.a.

PRESS INFORMATION

PRESS RELEASE

Meeting of the Board of Directors

FIRST HALF 2008

- **NET SALES € 900.3 MLN (€ 968.6 MLN IN 1H '07)**
- **RISE IN OPERATING MARGINS**
- **EBITDA € 128.2 MLN (€ 145.9 MLN in 1H '07)**
- **NET PROFIT € 47.3 MLN (€ 51.5 MLN in 1H '07)**

PIAGGIO & C. S.P.A.: NET PROFIT € 41.3 MLN

APPROVAL OF PLAN FOR MOTO GUZZI MERGER WITH PIAGGIO

Milan, 31 July 2008 – At a meeting today in Milan, the Piaggio & C. S.p.A. Board of Directors examined and approved the Group 2008 half-year figures.

At a particularly difficult time on the international market, the focus of the Piaggio Group is on improving efficiency by maintaining strong cash flow. This has enabled it to counter successfully the rise in raw materials costs by diversifying its procurement sources without changing its sales strategy, opting to maintain a premium price profile for its product offer. The increase in depreciation and amortisation as a result of increased investment for development of new models and engines was offset, at net profit level, through recognition of deferred tax assets.

In the first half of 2008, the Piaggio Group sold a total of 372,700 vehicles worldwide, compared with 395,800 vehicles in the year-earlier period.

Consolidated net sales in the first half of 2008 amounted to € 900.3 million, a decrease of 7% from € 968.6 million in the year-earlier period. The figure reflected the negative impact for approximately € 19 million of the appreciation of the euro against the other currencies (in particular, dollar, pound and Indian rupee).

The half-year **industrial gross margin** was € 272.4 million, compared with € 292.9 million in the year-earlier period. The return on revenues improved (to 30.3% from 30.2%) despite the rising cost of raw materials, confirming the effectiveness of the Group strategies to improve productivity.

Consolidated **EBITDA** amounted to € 128.2 million, or 14.2% of revenues, down from € 145.9 million in the year-earlier period.

EBIT in the first half of 2008 was € 81.8 million, compared with € 106.4 million in the year-earlier period. Half-year depreciation and amortisation charges were approximately € 7 million higher than the first half of 2007, as a result of increased investments for development of new models and engines. The EBIT margin improved from 11% in the first half of 2007 to 9.1% in the first half of 2008.

The Piaggio Group posted a half-year profit before tax of € 63.9 million (-28% YoY) and **net profit** of € 47.3 million (-8.2% YoY), after tax of € 16.6 million computed on the expected full-year mean tax rate, lower than the rate applied in 2007, partly as the result of recognition of deferred tax assets.

Consolidated **net debt** increased from € 269.8 million at 31 December 2007 to € 326.9 million at 30 June 2008. The € 57.1 million increase reflects the cash settlement on the Piaggio 2004-2009 warrants for a total amount of 64.2 million, the dividend payout of € 23.3 million, and share buybacks (€ 2.9 million in the first half of 2008); these outlays were offset by the positive trend in cash flows from operations.

Shareholders' equity at 30 June 2008 was € 427.7 million, compared with € 471.4 million at 31 December 2007. The reduction arose as a result of dividend payouts and the cash settlement on Aprilia financial instruments.

Events after 30 June 2008

On 3 July 2008 the Piaggio & C. S.p.A. 2004-2009 warrants and the EMH financial instruments were settled in cash.
On 7 July 2008 the company completed its buy-back of 10,000,000 ordinary shares, representing 2.52% of share capital, to service the incentives and loyalty plan for Piaggio Group top management approved by the Shareholders' Meeting of 7 May 2007 pursuant to art. 114-bis of Legislative Decree 58/1998.
During July, the parent company continued to buy back shares in connection with the buy-back approved by the Shareholders' Meeting of 24 June 2008. At 28 July 2008 it held 15,871,188 own shares, with an average purchase price of € 2.3556.

Outlook

In line with the first half, management will focus in particular on raising productivity and containing costs. With regard to sales, the Group confirms its expectations of substantial growth outside Europe and normalisation of seasonal trends in Europe.

The parent company Piaggio & C. S.p.A.

Piaggio & C. S.p.A. reported 2008 half-year net sales of € 719.1 million, EBITDA of € 99.6 million and net profit of € 41.3 million.

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The Boards of Directors of Piaggio & C. S.p.A. and its wholly owned subsidiary Moto Guzzi S.p.A. have approved the Plan for the Upstream Merger of Moto Guzzi into and with Piaggio.
The final decisions regarding the merger will be approved by the two companies' Boards of Directors rather than by an Extraordinary Shareholders' Meeting, as allowed by art. 2505, paragraph 2, of the Italian Civil Code and by the by-laws of both companies.
The merger will be implemented by means of the so-called 'simplified procedure', under which the directors are exempted from drafting the report *ex* art. 2501 *quinquies* of the Italian Civil Code and from the obligation of presenting a report by independent experts *ex* art. 2501 *sexies* c.c., by virtue of the fact that Moto Guzzi is a wholly owned subsidiary of Piaggio.

The plan for the upstream merger of Moto Guzzi into and with Piaggio drafted jointly by the two companies in question and the required accounting documents (merger balance sheet, financial statements for financial years 2005, 2006, 2007) will be available to the public at the headquarters of the two companies involved in the merger and at the offices of Borsa Italiana S.p.A..

Piaggio consolidates Moto Guzzi on a line-by-line basis, and the market therefore has access to significant data and information, including accounting information, concerning the wholly owned company due to be merged. The Issuer believes that the planned merger presents no particular risks or uncertainties that could have a material impact on Piaggio operations. Consequently, given the type of transaction (upstream merger of a wholly owned company into and with the controlling company), the Issuer provides appropriate disclosures on the transaction in question in this statement and states that it does not plan to publish the information document as per art.70, paragraph 5, subhead b) of Consob regulation 11971/1999 and subsequent amendments.

The main characteristics of the merger are illustrated below.

Purpose of the merger
The purpose of the upstream merger of Moto Guzzi into and with Piaggio is to create a single global competitor on the two-wheeler market, in terms of size and resources, in part by leveraging significant industrial, commercial and financial synergies. Specifically, while the distinguishing features of the Moto Guzzi brand would remain intact, the merger would make significant economies of scale possible by rationalising technical and industrial engineering and style operations. Optimisation of product costs and improvement of operating efficiency would enable Moto Guzzi to improve its competitiveness on the international motorcycle market, with the current and future product ranges industrialised at the Mandello del Lario facility.

Method
Since Piaggio owns 100 per cent of Moto Guzzi share capital, the merger will take place through the cancellation of all Moto Guzzi shares, without any share swaps, with reference to the balance sheet as at 30 June 2008.

Possible impact of the merger on the composition of Piaggio ownership
The merger will have no effects on either the composition of Piaggio ownership nor on its controlling structure, which will therefore remain unchanged.

No specific treatment is planned for particular shareholder categories.
There are no owners of instruments other than shares.
No benefits are planned for the directors of the companies involved in the merger.

By-laws of Piaggio & C. S.p.A.
No amendments will be made to the Piaggio By-laws after the merger.

Date of effectiveness of the merger
With reference to art. 2501-*ter*, no. 6, of the Italian Civil Code, the operations of Moto Guzzi will be recognised in the Piaggio financial statements as from the first day of the financial year in which the merger takes effect with respect to third parties, pursuant to art. 2504-*bis*, paragraph 3, Italian Civil Code.

The date on which the merger takes effect with respect to third parties pursuant to art. 2504-*bis*, Italian Civil Code, will be specified in the merger deed and may be later than the date of the last in the series of registrations required by art. 2504 Italian Civil Code.

Tax effects of the merger on the financial statements of Piaggio
The tax effects will begin as from the first day of the financial year in which the merger takes effect with respect to third parties.

Disclosure regarding dealings with related parties
The merger will not produce effects prejudicial to Piaggio company assets nor to the completeness and accuracy of information relating to Piaggio, including accounting information, and therefore the conditions envisaged by art. 71 bis of Consob Regulation 11971/1999 and subsequent amendments for application thereof do not exist.

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The manager in charge of preparing the company accounts and documents, Alessandra Simonotto, certifies, pursuant to paragraph 2, art. 154 bis of Legislative Decree no. 58/1998 (Consolidated Law on Financial Intermediation), that the accounting disclosures in this statement correspond to the accounting documents, ledgers and entries.

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Piaggio Group - consolidated schedules
INCOME STATEMENT

In thousands of euro	Note	1H 2008	1H 2007	Change
Net sales	4	**900,333**	**968,567**	**(68,234)**
of which vs related parties		*56*	*0*	*56*
Cost of materials	5	532,409	581,537	(49,128)
of which vs related parties		*23,801*	*22,287*	*1,514*
Cost of services and use of third-party assets	6	161,608	168,787	(7,179)
of which vs related parties		*718*	*663*	*55*
Employee expenses	7	133,740	123,590	10,150
Depreciation property, plant and equipment	8	20,155	20,358	(203)
Amortisation intangible assets	8	26,181	19,198	6,983
Other operating income	9	70,223	65,348	4,875
of which vs related parties			*2,407*	*(2,407)*
Other operating expense	10	14,646	14,070	576
of which vs related parties		*4*	*0*	*4*
Operating profit		**81,817**	**106,375**	**(24,558)**
Share of result of associates		47	(1)	48
Finance income	11	9,486	4,533	4,953
Finance expense	11	(27,472)	(22,135)	(5,337)
of which vs related parties		*2*	*0*	*2*
Profit before tax		**63,878**	**88,772**	**(24,894)**
Income tax expense	12	**16,609**	**37,267**	**(20,658)**
Result from on-going operations		**47,269**	**51,505**	**(4,236)**
Discontinued operations:				
Profit or loss from discontinued operations	13			
Consolidated net profit		**47,269**	**51,505**	**(4,236)**
Attributable to:				
Equity holders of the parent		**46,896**	**51,220**	**(4,324)**
Minority interests		**373**	**285**	**88**
Earnings per share (in €)	14	**0.12**	**0.13**	**(0.01)**
Diluted earnings per share (in €)	14	**0.12**	**0.12**	**0.00**

BALANCE SHEET

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

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

Piaggio & C. S.p.A.
INCOME STATEMENT

In thousands of euro	1H 2008	1H 2007	Change
Net sales	**719,050**	**780,744**	**-61,694**
of which vs related parties	*91,420*	*92,116*	*-696*
			0
Cost of materials	397,281	444,950	-47,669
of which vs related parties	*40,989*	*37,881*	*3,108*
Cost of services and use of third-party assets	150,035	157,120	-7,085
of which vs related parties	*17,154*	*17,565*	*-411*
Employee expenses	104,795	96,419	8,376
Depreciation property, plant and equipment	15,767	16,225	-458
Amortisation intangible assets	21,181	15,021	6,160
Other operating income	44,734	38,081	6,653
of which vs related parties	7,488	7,678	-190
Other operating expense	12,067	11,482	585
of which vs related parties	16	52	-36
Operating profit	**62,658**	**77,608**	**-14,950**
Share of result of associates	-3	12,806	-12,809
Finance income	9,773	5,832	3,941
of which vs related parties	*1,151*	*1,396*	*-245*
Finance expense	-26,021	-21,137	-4,884
of which vs related parties	*-8,027*	*-8,450*	*423*
Profit before tax	**46,407**	**75,109**	**-28,702**
Income tax expense	5,105	25,810	-20,705
Result from on-going operations	**41,302**	**49,299**	**-7,997**
Discontinued operations:			
Profit or loss from discontinued operations			
Net profit	**41,302**	**49,299**	**-7,997**

PIAGGIO &C. s.p.a.

PRESS INFORMATION

BALANCE SHEET

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

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

Glossary

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

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

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

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

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

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

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

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

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