IMMSI Group

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

Interim Financial Report
at 30th September 2008

INDEX

Contents

Contents

COMPANY BOARDS

Board of Directors	
President	Roberto Colaninno (1)
Vice-president	Matteo Colaninno
CEO	Roberto Colaninno
Advisors	Giangiacomo Attolico Trivulzio
	Michele Colaninno
	Franco Debenedetti (3), (4)
	Daniele Discepolo (2), (5)
	Luciano La Noce (3), (4)
	Giorgio Magnoni
	Gianclaudio Neri
	Luca Paravicini Crespi (3), (5)
	Riccardo Varaldo (4), (5)
	(1) Director in charge of internal audit
	(2) *Lead Independent Director*
	(3) Member of the Appointments Committee
	(4) Member of the Remuneration Committee
	(5) Member of the Internal Control Committee
Board of Statutory Auditors	
President	Giovanni Barbara
Standing auditors	Attilio Francesco Arietti
	Alessandro Lai
Substitute Auditors	Mauro Girelli
	Elena Fornara (6)
	(6) Appointed on 7th May 2008
Supervisory Body	Enrico Ingrillì
	Giovanni Barbara
	Alessandro Bertolini
General Managers	Daniele Bandiera
	Michele Pallottini
Manager in charge of preparing the Company's corporate accounting documents	Alessandra Simonotto
Independent auditors	Deloitte & Touche S.p.A.

FINANCIAL HIGHLIGHTS

(amounts in ML€)		1-1 / 30-9 2008	1-1 / 30-9 2007	2007 statutory
Income statement (reclassified)				
Net sales		1,289.3	1,369.8	1,692.1
Gross industrial margin		390.5	412.7	498.4
Operating costs		-280.4	-274.4	-361.8
Operating earnings		110.1	138.3	136.6
Pre-tax earnings		83.8	114.5	103.5
Net earnings		62.0	66.4	60
.minority interest		0.5	0.3	0.4
.Group		61.5	66	59.6
Gross margin on net sales	%	30.3	30.1	29.5
Operating earnings on Net Sales	%	8.5	10.1	8.1
Net earnings on net sales	%	4.8	4.8	3.5
Gross operating margin=EBITDA (from operations)		**179.4**	**200.4**	**226.1**
Gross operating margin on net sales	%	13.9	14.6	13.4
Balance sheet				
Net working Capital		9.1	-3.4	-0.4
Net tangible assets		238.3	249.6	248.6
Net intangible assets		634.6	636	637.5
Financial assets		0.9	1.3	1.0
Provisions		-128.9	-146	-145.4
Net capital employed		**754.0**	**737.5**	**741.2**
Net financial position		327.4	259.5	269.8
Shareholders' equity		426.6	478.0	471.4
Sources of funds		**754.0**	**737.5**	**741.2**
Minority interest capital		1.4	0.9	1.1
Change in net financial position				
Opening net financial position		**-269.8**	**-318.0**	**-318.0**
Cash flow from operations (earnings+amortisation)		131.3	128.5	149.5
(Increase)/Decrease in working capital		-9.5	23.6	20.6
(Increase)/Decrease in net investments		-56.1	-60.8	-88.3
Net change in pension provisions and other provisions		-16.5	-5.8	-6.3
Change in shareholders' equity		-106.8	-27.1	-27.3
Total Changes		***-57.6***	***58.5***	***48.2***
Closing net financial position		**-327.4**	**-259.5**	**-269.8**

KEY FIGURES BY BUSINESS SEGMENT AT 30th SEPTEMBER 2008

		2W						
BUSINESS		Piaggio Gilera Vespa	Derbi	Aprilia	M. Guzzi	COMM. VEHIC.	OTHER	**TOTAL**
	1-1/30-9 2008	275.8	28.5	85.8	5.8	140.0	2.0	**537.9**
Sales volumes	1-1/30-9 2007	301.4	30.2	92.7	8.2	128.7	8.1	**569.3**
(units/000)	Change	-25.6	-1.7	-6.9	-2.4	11.2	-6.1	**-31.4**
	Change %	-8.5	-5.6	-7.4	-29.2	8.7	-75.2	**-5.5**
	1-1/30-9 2008	634.1	53.4	237.7	47.1	299.0	18.1	**1,289.3**
Net sales	1-1/30-9 2007	666.4	54.5	261.1	66.3	282.6	39.0	**1,369.8**
(ML €)	Change	-32.3	-1.1	-23.5	-19.2	16.4	-20.9	**-80.5**
	Change %	-4.8	-2.0	-9.0	-28.9	5.8	-53.6	**-5.9**
	At 30th September 2008	3,549	263	1,053	206	2,562		**7,633**
Employees	At 30th September 2007	3,307	345	1,085	221	2,206		**7,164**
(n.)	Change	242	-82	-32	-15	356		**469**
	Change %	7.3	-23.8	-2.9	-6.8	16.1		**6.5**
Investments								
	1-1/30-9 2008	3.6	1.0	6.1	0.8	3.3	9.9	**24.6**
- Fixed Assets	1-1/30-9 2007	5.5	2.6	3.7	1.4	1.8	8.7	**23.7**
(ML €)	Change	-1.9	-1.6	2.4	-0.6	1.5	1.2	**0.9**
	Change %	-33.9	-63.0	63.5	-43.1	84.6	13.4	**3.9**
	1-1/30-9 2008	10.0	0.8	13.4	2.5	7.5		**34.2**
- R&S Capex	1-1/30-9 2007	10.5	2.0	13.7	3.5	4.5		**34.2**
(ML €)	Change	-0.471	-1.186	-0.276	-1.007	2.986		**0.0**
	Change %	-4.5	-59.3	-2.0	-28.8	66.7		**0.1**

KEY FIGURES BY GEOGRAPHICAL AREA AT 30th SEPTEMBER 2008

		ITALY	REST EUROPE	AMERICA	INDIA	ASIA PACIFIC	OTHER	**TOTAL**
	1-1/30-9 2008	142.4	221.7	26.2	125.2	17.7	4.7	**537.9**
Sales volumes	1-1/30-9 2007	160.0	251.8	19.1	113.8	20.6	3.9	**569.3**
(units/000)	Change	-17.6	-30.2	7.1	11.5	-2.9	0.8	**-31.4**
	Change %	-11.0	-12.0	36.9	10.1	-14.1	21.2	**-5.5**
	1-1/30-9 2008	425.9	546.6	78.0	189.2	35.7	13.8	**1,289.3**
Net sales	1-1/30-9 2007	474.3	609.5	64.0	174.2	37.1	10.8	**1,369.8**
(ML €)	Change	-48.3	-62.9	14.0	15.0	-1.3	3.1	**-80.5**
	Change %	-10.2	-10.3	21.8	8.6	-3.6	28.4	**-5.9**
	At 30th September 2008	4,683	594	68	2,180	86	22	**7,633**
Employees	At 30th September 2007	4,507	661	63	1,890	28	15	**7,164**
(n.)	Change	176	-67	5	290	58	7	**469**
	Change %	3.9	-10.1	7.9	15.3	207.1	46.7	**6.5**
Investments								
	1-1/30-9 2008	15.9	1.3	0.1	2.5	4.8		**24.6**
- Fixed Assets	1-1/30-9 2007	18.4	3.4	0.3	1.6	0.0		**23.7**
(ML €)	Change	-2.5	-2.1	-0.2	0.9	4.8		**0.9**
	Change %	-13.6	-60.6	-61.7	54.8	100.0		**3.9**
	1-1/30-9 2008	29.2	0.8	0.1	4.1			**34.2**
- R&S Capex	1-1/30-9 2007	28.9	2.0	0.4	2.9			**34.2**
(ML €)	Change	0.3	-1.2	-0.3	1.2			**0.0**
	Change %	1.0	-59.3	-65.5	41.3			**0.1**

HIGHLIGHTS OF OPERATIONS IN THE FIRST NINE MONTHS OF 2008

In the first nine months of 2008, the Piaggio Group sold a total of 537,900 vehicles world-wide, of which 395,900 vehicles in the 2-wheeler segment, 140,000 in the Commercial Vehicles segment and 2,000 for the five-year BMW order.
As regards the 2-wheeler segment, this performance took place in a particularly difficult market context in the Group's main reference areas. In fact demand dropped compared to the same period of the previous year in Italy (- 5.0%), Europe (- 4.6%) as well as the United States (- 3.4% globally but + 48.3% in the scooter segment). In this context, sales of the Vespa brand reached 96,000 units (+ 4.2% with respect to the first nine months of 2007) confirming the world-wide success of the brand on strong-expansion markets.
With regard to the commercial vehicles segment, the business carried on growing in India with a 10.1% increment of sold units, equal to 11,500 vehicles.
With respect to the above-mentioned dynamics, **consolidated net sales** in the first nine months of 2008 consequently reached 1,289.3 ML€ (- 5.9% compared to the same period in 2007).
This decrease in net sales was influenced not only by a fall in sales in the 2-wheeler sector, but also by the heavy reduction of the five-year BMW order (- 17.9 ML€ with respect to the same period the previous year) and the revaluation of the Euro against the Dollar, the Indian Rupee and the British Pound (with a negative impact on net sales of around 34.4 ML € compared to 2007). With regard to spare parts and accessories, which recorded slightly decreasing net sales, it is to be pointed out that the first half of 2007 benefited from a dealers' restocking phase.

The **gross industrial margin** for the period is equal to 390.5 ML€ compared to 412.7 ML€ in the first nine months of 2007. The percentage of the margin accounting for net sales continued to increase (30.3% with respect to 30.1% in the same period in 2007).

Operational expenditures were on the increase by 6.0 ML€ compared to 2007 (+ 2.2%), also because of higher amortisation of the period due to investments in new models and engines carried out during the past few years.

Consolidated EBITDA was 179.4 ML€, equal to 13.9% of net sales, on the decline compared to 200.4 ML€, equal to 14.6% of net sales in the first nine months of 2007.

Operating earnings registered 110.1 ML€, compared to 138.3 ML€ in the first nine months of 2007 (- 20.4%), with amortisation accounting for 69.3 ML€ (+ 7.2 ML€, + 11.5% compared to the first nine months of 2007).

In the first nine months of 2008, the Piaggio Group reported **pre-tax earnings** of 83.8 ML€ (- 26.8% compared to the same period in 2007) and **net profits** of 62.0 ML€ (- 6.6% compared to the same period in 2007), after 21.8 ML€ of taxation, determined on the basis of the average tax rate expected for the entire financial year (48.1 ML€ at 30th September 2007), which takes into account the new deferred tax assets to be recorded by 31st December 2008.

The **Consolidated Net Financial Position** changed from –269.8 ML€ at 31st December 2007 to –327.4 ML€ at 30th September 2008. The increase of 57.6 ML€, and of 67.9 ML€ compared to –259.5 ML€ recorded at 30th September 2007 reflects the decision to provide a cash settlement for Piaggio 2004-2009 warrants for an overall amount of 64.2 ML€, as well as distribute dividends for 23.5 ML€.

SIGNIFICANT EVENTS IN THE FIRST NINE MONTHS OF 2008

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

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

9th May 2008: the new organisational structure of the Piaggio Group was redesigned in order to organise the Group's resources by "functional areas". In particular, the new structure goes beyond the previous Brand Unit organisation logic, in order to specialise by line of Business – 2-wheeler and Commercial vehicles – and by geographical areas.

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

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

The 2008-2010 Plan guidelines are based on:

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

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

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

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

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

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

Authorisation was granted for the purchase of own shares up to a maximum amount such that the number of own shares in the portfolio of the Company and of its subsidiaries does not exceed a 10% limit of the company's share pursuant to art. 2357, paragraph 3 of the Italian Civil Code, without prejudice to the authorisation for the purchase of own shares granted by Piaggio & C. S.p.A. ordinary shareholders' meeting of 7th May 2007, servicing the 2007-2009 share-based incentives plan.

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

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

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

During the month of July the Parent company concluded activities preliminary to the definition of the process to merge through incorporation Moto Guzzi.

29th July 2008: the Piaggio Group and Zongshen Industrial Group signed a memorandum of understanding to develop a feasibility plan for a new joint venture targeting the development and manufacture at Chongquing in the People's Republic of China of a range of petrol and diesel engine, three/four-wheel commercial Ape vehicles, to be sold on the Chinese market.

19th September 2008: the new Piaggio Porter Maxxi, the latest version in the Porter range of commercial vehicles was presented.

Interim Directors’ Report

1. PIAGGIO GROUP FINANCIAL AND BUSINESS PERFORMANCE

1.1 Economic results of the Piaggio Group in the first nine months of 2008

Net Sales

Amounts in ML€	*1-1 / 30-9-2008*	*1-1 / 30-9-2007*	*Change*
Two-wheeler	972.2	1,048.2	-76.0
Commercial vehicles	299.0	282.6	16.4
Other	18.1	39	-20.9
TOTAL NET SALES	**1,289.3**	**1,369.8**	**-80.5**

In the first nine months of 2008, the Piaggio Group sold a total of 537,900 vehicles world-wide, of which 395,900 vehicles in the 2-wheeler segment, 140,000 in the Commercial Vehicles segment and 2,000 for the five-year BMW order.

As regards the 2-wheeler business, this performance took place in a particularly difficult market context in the Group's main reference areas. In fact demand dropped compared to the same period of the previous year both in Italy (- 5.0%) and in Europe (- 4.6%). In particular, sales of the Vespa brand reached 96,000 units (+ 4.2% compared to the first nine months of 2007) confirming the success of the brand at an international level. On the other hand, volumes of the Gilera brand decreased (- 5.1%), as well as Piaggio (-15.8%), which last year had benefited from the launch of some new models at the end of 2006, Aprilia (- 7.4%), Moto Guzzi (- 29.2%) and Derbi (- 5.6%).

With regard to the commercial vehicles segment, the business carried on growing in India with a 10.1% increment of sold units, equal to 11,500 vehicles.

In the first nine months of 2008, consolidated net sales were equal to 1,289.3 ML€, registering a 5.9% decrease compared to the same period in 2007. By analysing the performance of net sales in the reference sub-segments, the reduction is mainly attributable to the above-mentioned decrease in demand in the 2-wheeler sector and to the heavy reduction of the five-year BMW order, accounting for a 17.9 ML€ decrease compared to the same period last year. These were only partially mitigated by growth in the commercial vehicles business. With respect to the same period of the previous year, the decrease in the two-wheeler sub-segment is mainly due to net sales reductions both in the scooter sector (- 49.9 ML€, - 7.0% compared to September 2007) and in the motorbikes sector (- 22.6 ML€, - 10.9%). The decrease regards mainly the Aprilia and Moto Guzzi brands, on the decline by 38.0 ML€, Piaggio – 59.2 ML€ and Derbi – 0.2 ML€ , whereas Gilera and Vespa saw an increase in sales respectively of ML€ 14.9 and 9.8.

In geographical terms, Group sales in the United States grew considerably. Activities also continued to build the new production site in Vietnam, scheduled for start up next year.

The commercial vehicles division closed the first nine months of 2008 with 140,000 units sold, up 8.7 % with respect to the first nine months of 2007. In particular, the Indian subsidiary continued to grow, despite settlement signals in such a strong expanding market during the past few years, which saw volumes growing by a further 10.1% (11,500 vehicles) and net sales by 8.6%

compared to 30th September 2007. In terms of the local exchange rate, Piaggio Vehicles growth was equal to 22.4%.

The heading "Other" includes fundamentally engines net sales and net sales relative to the BMW order, 17.9 ML€ down compared to the same period last year.

The **gross industrial margin,** defined as the difference between "Net sales" and the corresponding "Cost of Sales" for the period, totalled 390.5 ML€, a 5.4% decrease compared to the first nine months of 2007. The percentage of this margin on net sales continued to increase (30.3% compared to 30.1% for the same period in 2007) thanks to strong controls of production costs. The gross industrial margin includes amortisation of 24.9 ML€ compared to 25.2 ML€ in the first nine months of 2007.

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

Operational expenditures at 30th September 2008 totalled 280.4 ML€, registering an increase of 6.0 ML€ with respect to 274.4 ML€ in the same period of 2007. These consist of employee costs, costs for services and use of third parties assets, and additional operational expenditures net of operating income not included in the gross industrial margin. Operational expenditures also include amortisation amounting to 44.4 ML€ (36.9 ML€ in the first nine months of 2007).

The above-reported dynamic of net sales and costs results in a **consolidated EBITDA** - defined as "Operating earnings" gross of amortisation of intangible assets and depreciation of tangible assets arising from the consolidated income statement - on the decline compared to 2007 (179.4 ML€, 13.9% of net sales compared to 200.4 ML€, 14.6% of net sales).

With respect to the above-reported net sales and costs dynamic, **operating earnings** at 30th September 2008 were positive for 110.1 ML€, down by 28.2 ML€ compared to 138.3 ML€ in the same period in 2007 (- 20.4%). Profitability was also declining (measured as operating earnings in relation to net sales), equal to 8.5%, against 10.1% in the same period of 2007.

Net financial charges totalled 26.4 ML€, compared to 23.8 ML€ in the same period of 2007, and they include 11.9 ML€ relating to the bonded loan issued in 2005. The deterioration is mainly connected to the increased implementation charges for the reserve for severance indemnity.

In the nine months of 2008, the Piaggio Group recorded **pre-tax earnings** equal to 83.8 ML€ (-30.7 ML€ compared to the same period in 2007). The deterioration is connected to the decrease in operating earnings.

Taxation for the period totalled 21.8 ML€ (48.1 ML€ at 30th September 2007), and was determined on the basis of the average tax rate expected for the entire financial year.

Net profits at 30th September 2008 totalled 62.0 ML€ (- 4.4 ML€ compared to the same period in 2007).

1.2 Consolidated cash flow statement

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

Cash flow generated in the period was equal to 57.6 ML€.

Cash flow from operations, i.e. net earnings plus amortisation and depreciation, was 131.3 ML€. The positive effect of this flow was absorbed by the increase in working capital, which went up from -0.4 ML€ at 31st December 2007 to 9.1 ML€ at 30th September 2008, by investment activities of 56.1 ML€, distributed dividends for 23.5 ML€, the purchase of own shares for 19.2 ML€ and the decision to issue cash for Piaggio 2004-2009 warrants for a total of 64.2 ML€, of which 63.9 ML€ paid on 3rd July 2008 and 0.3 ML€ reclassified under current financial debt, originally planned to be settled through the issue of new shares.

1.3 Piaggio Group financial position at 30th September 2008

Working capital – defined as the net sum of: trade receivables and other current and non-current receivables, inventories, trade payables and other long-term payables and current trade payables, other receivables (short and long-term tax receivables, deferred tax assets) and other payables (tax payables and other short-term payables) - stood at 9.1 ML€, increasing compared to values at 31st December 2007 (9.5 ML€ net growth) and compared to the same period of the previous year (an actual difference of 12.5 ML€).

Tangible assets consist of properties, plant, machinery and industrial equipment, net of the accumulated depreciation, and assets intended for sale, as set out in more details in the "Explanatory Notes" to the Consolidated Financial Statements, namely in notes 16 and 27. At 30th September 2008, tangible assets totalled 238.3 ML€, 10.3 ML€ down compared to 31st December 2007 and 11.3 ML€ down compared to the same period of the previous year. Such reduction is only due to a temporary misalignment between the impact of the depreciation and the new capitalisation of works in progress.

Intangible assets consist of capitalised research and development costs and goodwill arising from the merger and acquisition operations undertaken within the Group since 2000 onwards, as set out in more details in the specific note of "Explanatory Notes" to the Consolidated Financial Statements. At 30th September 2008, they totalled 634.6 ML€, 2.9 ML€ down compared to 31st December 2007.

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

Provisions consist of pension and employee benefits provisions (see "Explanatory Notes" 33), other long-term provisions (see "Explanatory Notes" 31), the current portion of other long-term provisions (see "Explanatory Notes" 31), deferred tax liabilities (see "Explanatory Notes" 32), and totalled 128.9 ML€, 16.5 ML€ down compared to 31st December 2007.

Net financial debt at 30th September 2008 was 327.4 ML€ negative compared to 269.8 ML€ on 31st December 2007 and compared to 259.5 ML€ in the same period of 2007. The 57.6 ML€ increase compared to the period ending 31st December 2007, was generated as a result of the decision of paying off the 2004-2009 Piaggio Warrants in cash for a total of 64.2 ML€, although it was originally envisaged the issue of new shares. In addition to this, the increase also follows the distribution of dividends, the purchase of own shares and the above-described investment assets. This was only partially compensated by the positive performance of the previously described operating cash flow.

The breakdown of the net financial position, which is set out in more detail in the specific table in the "Explanatory notes", may be summarised as follows:

Amounts in ML€	*30th September 2008*	*31st December 2007*
Medium/long-term financial payables	(160.4)	(177.5)
Bond	(145.8)	(145.4)
Short-term financial payables	(91.8)	(66.6)
Financial assets	12.7	18.4
Liquid assets	57.9	101.3
Total	**(327.4)**	**(269.8)**

Shareholders' equity at 30th September 2008 totalled 426.6 ML€, against 471.4 ML€ at 31st December 2007. Following the implementation of the shareholders' resolution of 7th May 2008, in the month of May, dividends for a total of 23.3 ML€ were paid out. Moreover, on the basis of the decision of the Board of Directors of 11th June 2008 according to which the holders of the 2004-2009 Piaggio & C S.p.A. warrants shall be given a cash settlement, 64.2 ML€ were reclassified from reserve to financial payables. The "cash settlement" allows to optimise the company's equity structure and its average cost of capital ("WACC"). The relative financial commitment was easily covered by means of bank loans at present not in use. On the other hand, the settlement through the assignment of Piaggio shares, considering the particular present depression of the share's market price, would have damaged shareholders.

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

During the period, following resolutions passed at shareholders' meetings on 7th May 2007 and 24th June 2008, the Parent company purchased 14,326,000 own shares, 2,066,000 of which were purchased in order to allow the implementation of the new 2007-2009 stock option plan and 12,260,000 to support the security performance.

Therefore, at 30th September 2008 the Parent company held 21,666,000 own shares, equal to 5.47% of the share capital.

It is pointed out that in the last days of September, the Parent company issued instructions to purchase a further 110,000 own shares which, being processed in October, as provided by the accounting standards, will be recorded in the relevant month.

1.4 Employees

Group **employees** at 30th September 2008 were 7,633 compared to 6,847 units at 31st December 2007.

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

	Average number		Number at	
Number of people	*1-1 / 30-9-2008*	*1-1 / 30-9-2007*	*30-sept-08*	*31-Dec-07*
Senior Management	111	115	112	111
Middle Management	426	408	440	425
Clerical staff	1,953	1,839	2,012	1,878
Manual labour	4,992	5,066	5,069	4,433
Total	*7,482*	*7,428*	*7,633*	*6,847*

2. SIGNIFICANT EVENTS AFTER THE FIRST NINE MONTHS OF 2008

During the month of October, the Parent company continued to purchase own shares servicing the Company’s ordinary shares purchase and disposal plan passed by the Shareholders’ Meeting of 24th June 2008. On 29th October 2008, the total number of own shares in the Company’s portfolio totalled 24,644,318 at an average purchase price of € 2.0452.

6th October 2008: Aprilia won the constructor's title in the 125cc World Championships, two races before the end of the season, demonstrating an unbeatable technical excellence in this category.

6th October 2008: the French rider Mike Di Meglio riding a Derbi won the 125 cc World Championships.

19th October 2008: the Italian rider Marco Simoncelli riding a Gilera won the 250 cc World Championships.

19th October 2008: Aprilia won the constructor's title in the 250cc World Championships.

In October work was completed ahead of schedule on the production facility in Hanoi, Vietnam, and Vespa pre-production began: mass production will commence in January 2009. The facility in India (Baramati) for production of the new 1000-1200 cc diesel engines is nearing completion, and will begin operations in the second half of 2009. The roll-out of the sales organisation in South Asia and Australia to market 2-wheeler as well as 3/4-wheeler products was completed.

3. OPERATING OUTLOOK: PROSPECTIVE FOR THE CURRENT FINANCIAL YEAR

The operating outlook will be particularly oriented towards increased productivity and control of expenditures, in line with events in the first nine months.

4. DEALINGS WITH RELATED PARTIES

Net sales, costs, payables and receivables at 30th September 2008 involving parent companies, subsidiaries and associated companies relate to the sale of goods or services and are the result of normal Group operations.

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

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

5. THE PIAGGIO GROUP

5.1 TWO-WHEELER SEGMENT

	1-1 / 30-9-2008		*1-1 / 30-9-2007*		*Change %*		*Change*	
	Volumes Sell in	Net sales	Volumes Sell in	Net sales				
	(units/000)	(ML €)	(units/000)	(ML €)	Volumes	Net sales	Volumes	Net sales
Piaggio	148.5	274.6	176.4	333.8	-15.8%	-17.7%	-27.9	-59.2
Gilera	31.3	83.6	33.0	68.7	-5.1%	21.7%	-1.7	14.9
Vespa	96.0	197.4	92.1	187.6	4.2%	5.2%	3.9	9.8
Derbi	28.5	48.1	30.2	48.3	-5.6%	-0.3%	-1.7	-0.2
Aprilia	85.8	207.4	92.7	226.7	-7.4%	-8.5%	-6.9	-19.3
M. Guzzi	5.8	41.3	8.2	59.9	-29.2%	-31.1%	-2.4	-18.7
Total	**395.9**	**852.3**	**432.5**	**924.9**	**-8.5%**	**-7.8%**	**-36.7**	**-72.5**
Of which scooters								
Piaggio/Vespa/Gilera	273.3	551.8	298.2	585.1	-8.4%	-5.7%	-25.0	-33.2
Derbi	6.6	10.0	6.2	7.8	5.9%	27.5%	0.4	2.2
Aprilia	62.8	106.3	69.5	125.2	-9.6%	-15.1%	-6.6	-18.9
Total Scooters	**342.7**	**668.2**	**373.9**	**718.1**	**-8.4%**	**-7.0%**	**-31.3**	**-49.9**
Of which motorcycles								
Piaggio/Vespa/Gilera	2.6	3.7	3.3	4.9	-21.8%	-24.8%	-0.7	-1.2
Derbi	21.9	38.1	24.0	40.4	-8.5%	-5.7%	-2.0	-2.3
Aprilia	23.0	101.1	23.2	101.5	-1.1%	-0.4%	-0.2	-0.4
M. Guzzi	5.8	41.3	8.2	59.9	-29.2%	-31.1%	-2.4	-18.7
Total Motorcycles	**53.2**	**184.1**	**58.6**	**206.7**	**-9.2%**	**-10.9%**	**-5.4**	**-22.6**
Spare parts and Accessories		119.9		123.4		-2.9%	0.0	-3.5
TOTAL	**395.9**	**972.2**	**432.5**	**1,048.3**	**-8.5%**	**-7.3%**	**-36.7**	**-76.0**

In the first nine months of 2008, the Piaggio Group was heavily penalised by the poor performance of the Italian market, which recorded a 5.0% fall compared to the corresponding period of the previous year. The downturn concerned both the scooter sub-segment (- 3.0%) and motorbike sub-segment (- 9.7%). Considering the handled brands, Piaggio, Gilera, Vespa, Derbi, Aprilia, and Guzzi, the Group sold in the two-wheeler segment a total of 395,900 units (- 8.5% compared to the first half of 2007), with a net turnover of 972.2 ML€ (- 7.3%) including spare parts and accessories. In particular, net sales in the scooter sector were equal to 668.2 ML€ (- 7.0%), whereas in the motorbike sector they were equal to 184.1 ML€ (- 10.9%).

Focussing on individual brands, Vespa increased sales volumes (+ 4.2%) and net sales (+ 5.2%) in the first nine months of 2008.

Despite the slightly lower number of units sold (from 33,000 to 31,300 units); - 5.1% compared to the same period the previous year), Gilera posted a 21.7% increase in net sales thanks to the sale of the Fuoco and GP800 models.

Volumes of the Piaggio brand were 15.8% down compared to the first nine months of 2007.

With regard to Derbi, volumes decreased compared to the first nine months of 2007, with 28.5 thousand units compared to 30.2 thousand (-5.6%), while net sales were basically steady, registering 48.1 ML€ compared to 48.3 ML€ (-0.3%).

With regard to the Aprilia brand, earnings for the first nine months of 2008 with 85.8 thousand units sold and 207.4 ML€ turnover (respectively –7.4% and –8.5% compared to the same period in 2007) were influenced by a reduction in volumes mainly in the scooter sub-segment.

In the first nine months of 2008, Moto Guzzi reached a volume of 5,800 motorbikes sold compared to 8,200 in the same period of 2007 (- 29.2%) and net sales equal to 41.3 ML€ compared to 59.9 ML€ in the same period of the previous year (- 31.1%).

5.2 THE COMMERCIAL VEHICLES BUSINESS

	1-1/30-9 2008		*1-1/30-9 2007*		*Change %*		*Change*	
	Volumes Sell in (units/000)	Net sales (ML €)	Volumes Sell in (units/000)	Net sales (ML €)	Volumes	Net sales	Volumes	Net sales
Ape	124.9	184.9	120.0	187.4	4.1%	-1.4%	4.9	-2.6
Minivan	5.5	54.3	5.2	46.4	6.8%	17.1%	0.4	7.9
Quargo/Ape Truk	9.3	31.7	3.2	18.9	190.5%	67.5%	6.1	12.8
Microcars	0.1	0.9	0.3	2.2	-60.5%	-60.4%	-0.2	-1.3
Atv	0.1	0.4	0.1	0.6	54.8%	-32.1%	0.0	-0.2
Spare parts and Accessories		26.8		27.1		-0.9%	0.0	-0.3
TOTAL	**140.0**	**299.0**	**128.7**	**282.6**	**8.7%**	**5.8%**	**11.2**	**16.4**
Of which India								
Vehicles	*125.2*	*178.1*	*113.8*	*161.3*	10.1%	10.4%	*11.5*	*16.8*
Spare parts and Accessories		*11.1*		*12.9*		-14.0%	0.0	*-1.8*
Total India	**125.2**	**189.2**	**113.8**	**174.2**	**10.1%**	**8.6%**	**11.5**	**15.0**
Of which Europe								
Vehicles	*14.7*	*94.1*	*15.0*	*94.3*	-1.4%	-0.2%	*-0.2*	*-0.1*
Spare parts and Accessories		*15.7*		*14.2*		10.9%	0.0	*1.5*
Total Europe	**14.7**	**109.8**	**15.0**	**108.4**	**-1.4%**	**1.3%**	**-0.2**	**1.4**
TOTAL	**140.0**	**299.0**	**128.7**	**282.6**	**8.7%**	**5.8%**	**11.2**	**16.4**

The Commercial Vehicles Division closed the first nine months of 2008 with 140 thousand units sold, registering a 8.7% increase compared to the first nine months of 2007, whereas in the same period net sales rose from 282.6 ML€ in the first nine months of 2007 to 299.0 ML€ in the first nine months of 2008 (5.8%). Net sales generated in Europe totalled 109.8 ML€, whereas in India they reached 189.2 ML€.

On the European market, Piaggio sold 14,700 units with a slight decline compared to the same period in 2007 (- 1.1%). It is to be pointed out the "mix effect" on net sales. The good success of the Porter product line, also thanks to the launch of the new low-environmental impact "eco.solution" range, stabilised the net sales trend (a 1.3% increase, with 109.8 ML€ in 2008 against 108.4 ML€ in the same period of 2007).

On the 3-wheeler Indian market, despite a 5% market decrease, Piaggio Vehicles has continued to grow to become a market leader. Sales went up from 111,403 in the first nine months of 2007 to 115,161 in the first nine months of 2008, registering an increase of + 3.4%.

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

The positive trend of Ape Truk continued, the four-wheel vehicle intended for the Indian market. In the first nine months of the year, 7,511 units were sold to the local market.

As regards the product range in Europe, the petrol/LPG Porter Eco.power was launched in the first few months of 2008. The focus on the environmentally-friendly range and the Company's commitment to developing environmentally friendly engines, ideal for professional and commercial use in urban areas, have guaranteed a positive performance from the Porter range, in terms of sales volumes and net sales.

6. OTHER INFORMATION

6.1 Corporate

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

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

Moreover, on 10th January 2008 equity (0.5%) in Geofor Patrimonio S.p.A. was disposed of in favour of the Municipality of Pisa.

6.2 Stock Option Plan

With regard to the 2007-2009 incentive scheme passed by shareholders on 7th May 2007 for the top management of the Company or of its Italian and/or foreign subsidiaries pursuant to art. 2359 of the Italian Civil Code, as well as for managing directors with powers of the above-said subsidiaries ("**2007-2009 Plan**"), it is pointed out that, on 31st July 2008, a further 3,260,000 option rights were assigned to 24 beneficiaries indicated by the Managing Director of the Company. At 30th September 2008, total option rights assigned based on 2007-2009 Plan amounted to 9,700,000 for the same number of shares. It should be noted that at the time this Report went to press, following the assignment of the remaining 300,000 option rights on 3rd October 2008, all options rights as of the 2007-2009 Plan have been assigned.

As regards the 2007-2009 Plan, on 7th July 2008, the Company also completed the programme to purchase 10,000,000 own shares, equal to 2.52% of the share capital, for the above 2007-2009 Plan. The purchase of 10,000,000 own shares took place on the market at an average weighted price of Euro 3.0367, for an overall disbursement of Euro 30,367,026.00, 26,829,743.66 of which already recorded in the 2007 financial statement.

Rights	No. options	Average exercise price (Euros)	Market price (Euro)
Rights existing at 31.12.2007	6,510,000	3.55	2.309
° of which exercisable in 2007	0		
New rights assigned from 1-1 / 30-6-2008	70,000	3.55	
New rights assigned at 31-7-2008	3,260,000	1.216	1.391
Rights excercised from 1-1 / 30-9-2008			
Rights expired from 1-1 / 30-9-2008	(140,000)	3.55	
Rights existing at 30.09.2008	9,700,000	2.77	
° of which exercisable at 30.09.2008	0		

6.3 Ethics committee

Based on best international practices for corporate social responsibility, an ethics committee was appointed during the period. The committee will act as watchdog for investors, consumers and opinion leaders, in compliance with laws, transparent accounting and accurate and truthful communications to stakeholders.
This committee, chaired by Francesco Delzio, Director of External Relations and Institutional Affairs of the Group, comprises Alessandro Bertolini, Legal Department Manager, and Alessandra Simonotto, Manager in charge of preparing the company's accounting documents.

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

With reference to forecasts as of articles 36 and 39 of the Regulations approved by Consob ruling no. 16191/2007 and the Plan adopted by the Company pursuant to these regulations, at the time of going to press, all measures indicated in the Plan - to guarantee that the administrative/accounting system of the foreign subsidiaries Piaggio Vehicles Pvt. Ltd and Piaggio Group of America Inc. is suitable for regularly reporting financial data necessary to prepare the Consolidated Financial Statements to the management and independent auditors of Piaggio - are being defined.

The manager in charge of preparing the company's accounting documents, Alessandra Simonotto, hereby declares pursuant to paragraph 2 article 154 bis of the Finance Act that information on accounting in this document is consistent with the accounts.

* * *

Milan, 30th October 2008

for the Board of Directors
President and CEO
Roberto Colaninno

Piaggio Group

Consolidated financial statements and Explanatory Note at 30th September 2008

INCOME STATEMENT

In thousands of euro	Notes	1-1 / 30-9-2008	1-1 / 30-9-2007	Change
Net Sales	4	**1,289,322**	**1,369,800**	**(80,478)**
of which with related parties	*56*	*0*	*56*	
Cost for materials	5	766,365	818,839	(52,474)
of which with related parties	*39,985*	*35,293*	*4,692*	
Costs for services and use of third party assets	6	230,276	241,149	(10,873)
of which with related parties	*852*	*1,119*	*(267)*	
Cost of employees	7	193,552	182,942	10,610
Depreciation of tangible assets	8	29,063	29,940	(877)
Amortisation of intangible assets	8	40,237	32,185	8,052
Other operating income	9	101,805	95,415	6,390
of which with related parties	*1,649*	*3,285*	*(1,636)*	
Other operating costs	10	21,508	21,897	(389)
of which with related parties	*4*	*82*	*(78)*	
Operating earnings		**110,126**	**138,263**	**(28,137)**
Income/(loss) from equity investments		49	2	47
Financial income	11	14,135	10,456	3,679
Financial charges	11	(40,549)	(34,261)	(6,288)
Pre-tax earnings		**83,761**	**114,460**	**(30,699)**
Taxation for the period	12	**21,778**	**48,074**	**(26,296)**
Earnings from continuing activities		**61,983**	**66,386**	**(4,403)**
Assets intended for disposal:				
Gain or loss from assets intended for disposal	13			
Consolidated net earnings		**61,983**	**66,386**	**(4,403)**
Attributable to:				
Shareholders of the parent company		**61,497**	**66,046**	**(4,549)**
Minority interest		**486**	**340**	**146**
Earnings per share (figures in €)	14	**0.16**	**0.17**	**(0.01)**
Earnings diluted per share (figures in €)	14	**0.16**	**0.16**	**0.00**

BALANCE SHEET

In thousands of euro	Notes	At 30th September 2008	At 31st December 2007	Change
ASSETS				
Non-current assets				
Intangible assets	15	634,649	637,535	(2,886)
Property, plant and machinery	16	238,322	248,595	(10,273)
Investment property	17			0
Equity investment	18	719	725	(6)
Other financial assets	19	165	235	(70)
of which with related parties		*0*	*58*	*(58)*
Long-term tax receivables	20	14,873	7,821	7,052
Deferred tax assets	21	23,116	33,532	(10,416)
Trade receivables	22	96	0	96
Other receivables	23	10,992	8,877	2,115
of which with related parties		*830*	*830*	*0*
Total non-current assets		**922,932**	**937,320**	**(14,388)**
Assets held for sale	27			**0**
Current assets				
Trade receivables	22	203,307	121,412	81,895
of which with related parties		*1,500*	*2,042*	*(542)*
Other receivables	23	18,096	20,345	(2,249)
of which with related parties		*407*	*226*	*181*
Short-term tax receivables	20	21,639	19,621	2,018
Inventory	24	269,136	225,529	43,607
Other financial assets	25	12,700	18,418	(5,718)
of which with related parties		*58*	*58*	*0*
Cash and cash equivalents	26	57,965	101,334	(43,369)
Total current assets		**582,843**	**506,659**	**76,184**
TOTAL ASSETS		**1,505,775**	**1,443,979**	**61,796**

In thousands of euro	Notes	At 30th September 2008	At 31st December 2007	Change
SHAREHOLDERS' EQUITY AND LIABILITIES'				
Shareholders' equity				
Share capital and reserves attributable to the shareholders of the parent company	28	425,230	470,397	(45,167)
Share capital and reserves attributable to minority shareholders	28	1,368	1,050	318
Total shareholders' equity		**426,598**	**471,447**	**(44,849)**
Non-current liabilities				
Financial liabilities falling due beyond one year	29	306,196	322,921	(16,725)
Trade payables	30	0	0	0
Reserves for pension and employee benefits	33	61,820	62,204	(384)
Other long-term reserves	31	21,930	19,969	1,961
Tax payables	34	0	0	0
Other long-term payables	35	7,525	20,746	(13,221)
Deferred tax liabilities	32	24,049	39,514	(15,465)
Total non-current liabilities		**421,520**	**465,354**	**(43,834)**
Current liabilities				
Financial liabilities falling due within one year	29	91,843	66,614	25,229
Trade payables	30	432,008	347,460	84,548
of which with related parties		*7,727*	*4,781*	*2,946*
Tax payables	34	24,910	9,683	15,227
Other short-term payables	35	87,753	59,662	28,091
of which with related parties		*261*	*180*	*81*
Current portion other long-term reserves	31	21,143	23,759	(2,616)
Total current liabilities		**657,657**	**507,178**	**150,479**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,505,775**	**1,443,979**	**61,796**

CASH FLOW STATEMENT

This table shows the causes of changes in cash and cash equivalents net of short-term bank debt, as indicated in IAS no. 7.

In thousands of euro	1-1 30-9 2008	1-1 30-9 2007
Operating activities		
Consolidated net earnings	61,497	66,046
Minority interest	486	340
Taxation for the period	21,778	48,074
Depreciation of property, plant and machinery	29,063	29,940
Amortisation of intangible assets	40,237	32,185
Non-monetary costs for stock options	1,677	1,415
Provision to reserves for risks and reserves for pensions and employee benefits	19,633	20,421
Write-downs / (Revaluations)	2,194	2,366
Losses / (Gains) on the disposal of property, plant and machinery	(32)	(82)
Losses / (Gains) on the disposal of intangible assets	(3,737)	(8)
Financial income	(2,584)	(10,456)
Financial charges	25,412	34,261
Income from government assistance	(4,770)	
Portion earnings of associated companies	6	
Change in working capital:		
(Increase)/Decrease in trade receivables	(81,991)	(91,315)
(Increase)/Decrease other receivables	134	48,310
(Increase)/Decrease in inventories	(43,607)	(11,951)
Increase/(Decrease) in trade payables	84,548	57,224
Increase/(Decrease) other payables		31,435
Increase/(Decrease) in reserves for risks	(12,818)	(9,113)
Increase/(Decrease) in reserves for pensions and employee benefits	(7,854)	(21,156)
Other changes	(2,472)	(46,279)
Cash generating by operating activities	126,800	181,657
Interest paid	(22,672)	(24,400)
Taxation paid	(13,506)	(16,110)
Cash flow from operating activities (A)	90,622	141,147
Investment activity		
Investment in property, plant and machinery	(22,874)	(21,255)
Sale price, or repayment value, of property, plant and machinery	475	772
Investment in intangible assets	(35,729)	(36,595)
Sale price, or repayment value, of intangible assets	3,741	41
Sale price of equity investments		20
Loans provided		(5)
Repayment of loans provided	58	
Purchase of financial assets		2,910
Sale price of financial assets	5,730	
Collected interests	10,994	8,200
Cash flow of the investment activities (B)	(37,605)	(45,912)
Financing activities		
Increase in share capital		6,264
Purchase of own shares	(19,207)	(26,830)
Outflow for dividends paid	(23,493)	(11,881)
Loans received	26,794	7,029
Outflow for repayment of loans	(85,051)	(24,571)
Loans on leases received		13
Repayment of finance leases	(518)	(706)
Cash flow of the funding activities (C)	(101,475)	(50,682)
Increase / (Decrease) in cash (A+B+C)	(48,458)	44,553
Opening balance	94,862	66,639
Exchange differences	730	(1,312)
Closing balance	47,134	109,880

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

Amounts in €/000	At 30th September 2008	At 30th September 2007
Cash and cash equivalents	57,965	113,625
Current account overdrafts	(10,831)	(3,745)
Closing balance	47,134	109,880

NET FINANCIAL POSITION

In thousands of euro	Notes	At 30th September 2008:	At 31st December 2007	Change
Medium/long-term financial payables:				
Medium/long-term bank loans	29	(133,374)	(147,912)	14,538
Amounts due under leases	29	(9,204)	(9,746)	542
Amounts due to other lenders	29	(9,020)	(11,409)	2,389
Aprilia Instruments	29	(8,831)	(8,474)	(357)
Total		*(160,429)*	*(177,541)*	*17,112*
Bond	29	(145,767)	(145,380)	(387)
Short-term financial payables:				
Current account overdrafts	29	(10,831)	(6,472)	(4,359)
Current account payables	29	(36,811)	(12,601)	(24,210)
Amounts due to factoring companies	29	(11,916)	(9,332)	(2,584)
Bank loans	29	(28,734)	(28,502)	(232)
Amounts due under leases	29	(719)	(695)	(24)
Amounts due to other lenders	29	(2,569)	(2,690)	121
Aprilia Instruments	29	(263)	(6,322)	6,059
Total		*(91,843)*	*(66,614)*	*(25,229)*
Other current financial assets				
Financial receivables due from third parties	25	435	435	0
Financial receivables due from associated companies	25	58	58	0
Securities	25	12,207	17,925	(5,718)
Total		*12,700*	*18,418*	*(5,718)*
Liquid assets	26	57,965	101,334	(43,369)
Total net financial position		**(327,374)**	**(269,783)**	**(57,591)**

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

Amounts in €/000	
Increase/decrease in cash from the cash flow statement	**(48,458)**
Outflow for repayment of loans	23,497
Repayment of finance leases	518
Loans received	(26,794)
Loans on leases received	0
Repayment of loans provided	(58)
Purchase of financial assets	0
Sale of financial assets	(5,730)
Exchange differences	730
Present value impact of EMH financial instrument not included in the IAS cash flow statement since it does not involve a monetary change	(178)
Present value impact of the APRILIA SHAREHOLDER financial instrument not included in the IAS cash flow statement since it does not involve a monetary change	(358)
Reclassification Aprilia Instruments	
Non-monetary change in financial receivables and financial payables (amount included in the other changes of the operating activities in the cash flow statement)	(760)
Change in net financial position	**(57,591)**

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

In thousands of euro	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group consolidation reserve	Group conversion reserve	Stock option reserve	Earnings (losses) for previous periods	Earnings (losses) for the period	***Consolidated Group shareholders' equity***	***Minority interest capital and reserves***	**TOTAL SHAREHOLDERS' EQUITY**
At 1st January 2008	202,124	3,493	4,273	62,703	(5,859)	993	(293)	6,576	136,826	59,561	470,397	1,050	471,447
Translation of accounts in foreign currency							(4,178)				(4,178)	3	(4,175)
Change in IAS reserves				(61,634)				1,677			(59,957)		(59,957)
Allocation of profits			3,224						33,015	(36,239)	0		0
Distribution of dividends										(23,322)	(23,322)	(171)	(23,493)
Purchase of own shares	(7,450)								(11,757)		(19,207)		(19,207)
Earnings for the period										61,497	61,497	486	61,983
At 30th September 2008	194,674	3,493	7,497	1,069	(5,859)	993	(4,471)	8,253	158,084	61,497	425,230	1,368	426,598

CHANGES IN SHAREHOLDERS' EQUITY 1st January 2007 / 30th September 2007

In thousands of euro	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group consolidation reserve	Group conversion reserve	Stock option reserve	Earnings (losses) for previous periods	Earnings (losses) for the period	***Consolidated Group shareholders' equity***	***Minority interest capital and reserves***	**TOTAL SHAREHOLDERS' EQUITY**
At 1st January 2007	203,170	32,961	723	59,819	(4,113)	993	(852)	4,827	70,587	69,976	438,091	607	438,698
Translation of statements in currency							277				277	3	280
Change in IAS reserves				3,679				1,415			5,094		5,094
Allocation of profits			3,550						66,426	(69,976)	0		0
Distribution of dividends									(11,881)		(11,881)		(11,881)
Exercising of stock options	2,771	3,493									6,264		6,264
Purchase of own shares	(3,817)								(23,013)		(26,830)		(26,830)
Losses covered		(32,961)			(1,746)				34,707		0		0
Earnings for the period										66,046	66,046	340	66,386
At 30th September 2007	202,124	3,493	4,273	63,498	(5,859)	993	(575)	6,242	136,826	66,046	477,061	950	478,011

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
At 30 September 2008

A) GENERAL ASPECTS

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Company Registry Office of Pisa. The addresses of its registered office and the locations where the Group's main activities are conducted are shown in the introduction to the file of the Quarterly Report. The main activities of the Company and its subsidiaries (the Group) are described in the Directors' report.

This financial statements are expressed in Euros (€) since that is the currency in which most of the Group's transactions take place. The foreign businesses are included in the consolidated financial statement in accordance with the principles set forth in the following notes.

1. Scope of consolidation

The scope of consolidation is unchanged compared to the consolidated financial statements at 31st December 2007 and at 30th September 2007 following the closing of the liquidation procedure of Piaggio Indochina PTE Ltd. These somewhat limited changes do not alter the comparability of financial results between the two periods.

2. Compliance with INTERNATIONAL ACCOUNTING STANDARDS

The consolidated financial report for the Piaggio Group at 30th September 2008 was prepared in conformity with the International Accounting Standards (IAS/IFRS) in force on that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as being in conformity with the provisions established in Article 9 of Legislative Decree no. 38/2005 (CONSOB ruling no. 15519 dated 27/7/06 regarding "Provisions for the presentation of financial statements", CONSOB ruling no. 15520 dated 27/7/06 regarding "Changes and additions to the Issuer Regulation adopted by ruling no. 11971/99", CONSOB communication no. 6064293 dated 28/7/06 regarding "Corporate reporting required in accordance with article 114, paragraph 5 of Legislative Decree 58/98"). Account was also taken of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC").

This Quarterly Report has therefore been prepared in accordance with IAS 34 – *Interim financial reporting*.

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

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

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

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

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

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

3. Other Information

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

B) INFORMATION BY SECTOR

Primary sector: light wheeled transport market

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

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

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

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

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

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

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

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

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

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

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

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

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

In millions of euros	*Consolidated*
NET SALES	
Sales to third parties	1,289.2
Inter-sector sales	0.1
TOTAL NET SALES	**1,289.3**
Gross industrial margin	390.5
Net financial charges	(26.4)
Income/(loss) from equity investments	
Earnings before taxation	83.8
Income tax	(21.8)
Loss (gains) minority interest	(0.5)
NET EARNINGS	**61.5**
OTHER INFORMATION	
Increases in tangible and intangible assets	58.8

Secondary sector: market segments

In millions of euros	*2W*	*LTV*	*Other*	*Consolidated*
NET SALES				
Sales to third parties	972.1	299.0	18.1	1,289.2
Inter-sector sales	0.1			0.1
TOTAL NET SALES	**972.2**	**299.0**	**18.1**	**1,289.3**
Gross industrial margin				390.5
Net financial charges				(26.4)
Income/(loss) from equity investments				
Earnings before taxation				83.8
Income tax				(21.8)
Loss (gains) minority interest				(0.5)
NET EARNINGS				**61.5**
OTHER INFORMATION				
Increases in tangible and intangible assets				58.8

Third sector: geographical area

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

In millions of euros	*Italy*	*Rest of Europe*	*America*	*India*	*Asia Pacific*	*Rest of the world*	*Consolidated*
NET SALES							
Sales to third parties	425.8	546.6	78.0	189.2	35.7	13.8	1,289.2
Inter-sector sales	0.1						0.1
TOTAL NET SALES	425.9	546.6	78.0	189.2	35.7	13.8	**1,289.3**
BALANCE SHEET							
TOTAL ASSETS	1,127.8	214.2	34.4	101.8	20.7	6.8	**1,505.8**
TOTAL LIABILITIES	1,200.0	185.7	5.2	86.4	28.3	0.1	**1,505.8**

C) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

4. Net sales €/000 1,289,322

Net sales are shown net of bonuses recognised to customers (dealers).

This heading does not include transport costs, which are recharged to customers (€/000 30,401) and advertising cost recoveries invoiced (€/000 7,728), 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	*1-1 / 30-9-2008*		*1-1 / 30-9-2007*		*Changes*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
2-wheeler	972,214	75.41	1,048,221	76.52	(76,007)	-7.25
LTV	299,030	23.19	282,600	20.63	16,430	5.81
Other	18,078	1.40	38,979	2.85	(20,901)	-53.62
TOTAL	**1,289,322**	**100.0**	**1,369,800**	**100.0**	**(80,478)**	**-5.88**

Net sales by geographical area

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

Amounts in €/000	*1-1 / 30-9-2008*		*1-1 / 30-9-2007*		*Changes*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Italy	425,945	33.04	474,258	34.62	(48,313)	-10.19
Rest of Europe	546,563	42.39	609,458	44.49	(62,895)	-10.32
America	78,018	6.05	64,045	4.68	13,973	21.82
India	189,208	14.67	174,194	12.72	15,014	8.62
Asia Pacific	35,747	2.77	37,080	2.71	(1,333)	-3.59
Rest of the world	13,841	1.07	10,765	0.79	3,076	28.57
TOTAL	**1,289,322**	**100.0**	**1,369,800**	**100.0**	**(80,478)**	**-5.88**

In the first nine months of 2008, net sales decreased by €/000 80,478, following the drop in general demand for 2-wheeler vehicles in the European Market due to the economic crisis which has hit the whole of the Western world, the reduction of the BMW order by €/000 17,900, as well as the exchange rate effect linked to the Euro revaluation with an impact of around €/000 34,400.

5. Costs for materials **€/000 766,365**

These totalled €/000 766,365, against €/000 818,839 at 30th September 2007. The 6.4% decline is connected to both the decrease in production and sales volumes and changes made to import contracts which, until last year, did not make a distinction between transport costs and component costs. As a consequence, the percentage accounting for net sales went down, decreasing from 59.8% in the first nine months of 2007 to 59.4% in the current period.
This heading includes €/000 39,985 of costs relating to the purchase of scooters and engines from the Chinese subsidiary Zongshen Piaggio Foshan, which are respectively distributed on the European markets and assembled on scooters built in Italy.

6. Costs for services and use of third party assets **€/000 230,276**

In the first nine months of 2008 costs for services and use of third party assets totalled €/000 230,276, highlighting a decrease of €/000 10,873 compared to figures at 30th September 2007.

7. Employee costs **€/000 193,552**

Employee costs for the first nine months of 2008 totalled €/000 193,552, against €/000 182,942 for the same period of the previous year.
It is pointed out that the employee costs include €/000 1,677 relating to stock option costs, required by the international accounting standards.

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

	Average number		
Level	*1-1 / 30-9-2008*	*1-1 / 30-9-2007*	*Change*
Senior Management	111	115	(4)
Middle Management	426	408	18
Clerical staff	1,953	1,839	114
Manual labour	4,992	5,066	(74)
Total	*7,482*	*7,428*	*54*

	Number at		
Level	*30th September 2008*	*31st December 2007*	*Change*
Senior Management	112	111	1
Middle Management	440	425	15
Clerical staff	2,012	1,878	134
Manual labour	5,069	4,433	636
Total	*7,633*	*6,847*	*786*

8. Amortisation, depreciation and impairment costs **€/000 69,300**

As set out in more detail in the paragraph on intangible assets, as of 1st January 2004, goodwill is no longer amortised, but is tested annually for *impairment*.

The *impairment test* carried out at 31st December 2007 confirmed the full recoverability of the amounts recorded in the financial statements.

Amortisation under the item "Concessions, licences, trademarks and similar rights" includes €/000 4,490 of amortisation of the Aprilia brand and €/000 1,619 for the Guzzi brand.

9. Other operating income **€/000 101,805**

Other operating income increased by €/000 6,390 compared to figures for the first nine months of 2007, partially due to benefits arising from Tax Credits for Research and Development activities being recorded under contributions, pursuant to article 1, paragraph 280-284 of Law no. 296/2006.

The item includes some recovered costs, which basically refer to transport and business costs recharged to clients, the charges of which are classified under "services".

10. Other operating costs **€/000 21,508**

In overall terms, other operating costs remained at the same levels as the first nine months of 2007.

11. Net financial income/(charges) **€/000 26,414**

The negative balance of financial income (charges) in the first nine months of 2008 was €/000 26,414, an increase compared to the €/000 23,805 for the same period in 2007. The €/000 2,609 worsening is mainly due to the increase in the charges for the implementation of the reserve for severance indemnities, as well as greater interest relating to the increase in average net debt for the period.

12. Taxation €/000 21,778

Income tax for the first nine months of 2008, calculated in accordance with IAS 34, is estimated at €/000 21,778, equivalent to 26% of earnings before taxation, equal to the best estimate of the average weighted rate expected for the entire financial period.

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

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

14. Earnings per share

Earnings per share are calculated as follows:

		1-1 / 30-9-2008	*1-1 / 30-9-2007*
Net earnings	€/000	61,983	66,386
Earnings attributable to ordinary shares	€/000	61,983	66,386
Number of ordinary shares in circulation at 1/1		396,040,908	390,712,148
Number of shares issued in the period		-	5,328,760
Average number of ordinary shares in circulation during the period		396,040,908	395,435,811
Earnings per ordinary share	€	0.157	0.168
Adjusted average number of ordinary shares		396,191,245	414,482,344
Diluted earnings per ordinary share	€	0.156	0.160

The potential effects deriving from stock option plans were considered when calculating diluted earnings per share.

D) INFORMATION ON THE CONSOLIDATED BALANCE SHEET - ASSETS

15. Intangible assets €/000 634,649

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

Amounts in €/000	Book value at 31 December 2007	Increases	Amortisation	Disposals	Reclassifications	Exchange differences	Book value at 30th September 2008
R & D costs	68,833	34,224	(24,205)	(3)	54	(621)	78,282
Patent rights	25,390	1,478	(9,625)	(2)	(2)		17,239
Concessions, licences and trademarks	98,172		(6,229)				91,943
Goodwill	444,480	2,292					446,772
Other	660	27	(178)		(96)		413
Total	*637,535*	*38,021*	*(40,237)*	*(5)*	*(44)*	*(621)*	*634,649*

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.

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

- Piaggio 2004/2009 warrants for an overall issue price of €/000 5,350.5, which envisaged a realisable value proportionate to the differential between the Group's economic value at the exercise date and a grid of threshold values variable depending on the different exercise periods. It was also established that the maximum realisable value of the warrant could never exceed the overall issue price by twelve times, equal to €/000 64,206 and could be settled, with reserved faculty by the issuer, both by cash and by the handover of Company's shares if listed on the MTA of the Italian Stock Exchange. The Company, already from the 2005 financial statements, had recorded in a special equity reserve the fair value of this commitment, on the assumption that the realisable value could be settled by handing over shares, after having at the same time started the process for the floatation of the Company and being in possession of the resolution by the Shareholders' Extraordinary Meeting to increase the reserved capital through the issue of up to a maximum of 25 million shares. During the first nine months of 2008, almost all banks holding the warrants had exercised them. The realisable value of the equity's rights due to the owners of the 9,959 exercised warrants was equal to €

63,942,755.40 as from an estimation given by an independent estimator on 5th June 2008. On 3rd July, a cash settlement was made. Following such resolution, steps were taken to reclassify to financial debt to what was previously classified among shareholders' equity reserves. At 30th September 2008, 41 warrants for a value of € 263,244,60 had not yet been exercised.

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

The initial purchase cost adjustment relating to the payment of Warrants and EMH Financial Instruments equal to €/000 70,706 was entered as goodwill. Moreover, the initial purchase cost adjustment relating to Aprilia Shareholder Instruments, estimated as €/000 8,831 was also entered as goodwill, as it was considered probable in the light of final results and 2008-2010 Plan forecasts.

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

		at 30th September 2008			at 31st December 2007	Change (A-B)
Amounts in €/000	Value	Actual Value (A)	Time	Discount rate	Actual Value (B)	
Warrant	64,206	64,206			62,450	1,756
EMH instrument	6,500	6,500			6,322	178
Aprilia shareholder instrument	10,000	8,831	1.85	6.94%	8,473	358
Total	80,706	79,537			77,245	2,292

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

16. Property, plant and machinery €/000 238,322

The following table shows the breakdown of tangible fixed assets at 30th September 2008 and 31st December 2007, as well as movements during the period.

Amounts in €/000	*Net value at 31st December 2007*	*Increases*	*Depreciation*	*Disposals*	*Reclassifications*	*Exchange differences*	*Value at 30th September 2008*
Land	32,848						32,848
Buildings	86,949	5,283	(2,704)	(15)	208	(1,105)	88,616
Plant and machinery	68,341	5,501	(9,539)	(95)	39	(2,608)	61,639
Equipment	51,949	10,995	(14,958)	(22)	179	(485)	47,658
Other	8,508	1,260	(1,862)	(311)	217	(251)	7,561
Total	*248,595*	*23,039*	*(29,063)*	*(443)*	*643*	*(4,449)*	*238,322*

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

Guarantees

At 30th September 2008, the Group held land and buildings with mortgage obligations or liens in favour of Interbanca to guarantee a loan of €/000 1,106 granted pursuant to Law 346/88 on subsidies for applied research, obtained in previous years.

17. Property investments €/000 0

There is no investment property at the end date of the interim report financial statements.

18. Equity investments €/000 719

The Equity investments heading comprises:

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

The €/000 6 reduction for the period is due to the write-down made regarding Motoride S.p.A. as a result of the losses it incurred.

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

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

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

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

20. Current and non-current tax receivables **€/000 36,512**

Tax receivables of €/000 36,512 consists of:

Amounts in €/000	*At 30th September 2008*	*At 31st December 2007*	*Change*
VAT receivables	19,997	18,496	1,501
Receivables for tax for which a refund has been claimed	9,023	7,689	1,334
Other receivables due from the public authorities	7,492	1,257	6,235
Total tax receivables	*36,512*	*27,442*	*9,070*

Tax receivables included under non-current assets totalled €/000 14,873, compared to €/000 7,821 at 31st December 2007, while tax receivables included under current assets totalled €/000 21,639 compared to €/000 19,621 at 31st December 2007.

21. Deferred tax assets **€/000 23,116**

These totalled €/000 23,116 compared to €/000 33,532 at 31st December 2007. Deferred tax assets mainly consist in assets regarding the reversal of unrealised inter-company gains with third parties, tax losses of the parent company and Nacional Motor S.A., temporary differences, 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 **€/000 203,403**

At 30th September 2008, trade receivables included in long-term assets totalled €/000 96. At 31st December 2007, they were equal to €/000 0.

Trade receivables included in current assets totalled €/000 203,307 compared to €/000 121,412 at

31st December 2007. They consist of:

Amounts in €/000	At 30th September 2008	At 31st December 2007	Change
Current trade receivables:			
- due from clients	201,807	119,370	82,437
- due from Group companies valued at equity	721	1,064	(343)
- due from Parent company	713	920	(207)
- due from associated companies	66	58	8
Total	*203,307*	*121,412*	*81,895*

The trade receivables item comprises the receivables, referring to normal sale transactions, recorded net of a reserve for risks on receivables of €/000 24,088.

The €/000 81,895 increase is linked to the seasonal nature of the sales, which are concentrated in the spring and summer months.

Trade receivables due from Group companies valued at equity are amounts due from Piaggio Foshan relating to the sale of raw and semifinished materials.

Trade receivables due from associated companies regard amounts due from the Fondazione Piaggio.

The Piaggio Group normally sells its receivables with and without recourse. The Piaggio Group has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its clients an instrument for funding their own inventories. At 30th September 2008, the trade receivables sold without recourse totalled €/000 134,896, of which the Piaggio Group received financial advances prior to the natural maturity of the receivables for a total of €/000 47,350. At 30th September 2008 the trade receivables sold with recourse totalled €/000 11,916 and have counter entry in the current liabilities.

23. Other current and non-current receivables €/000 29,088

Other receivables recorded under non-current assets totalled €/000 10,992 compared to €/000 8,877 at 31st December 2007, whereas those recorded under current assets are equal to €/000 18,096 against €/000 20,345 at 31st December 2007. They comprise the following:

Amounts in €/000	At 30th September 2008	At 31st December 2007	Change
Other non-current receivables:			
- due from Group companies valued at equity	440	440	0
- due from associated companies	390	390	0
- due from others	10,162	8,047	2,115
Total non-current portion	*10,992*	*8,877*	*2,115*

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

Amounts in €/000	At 30th September 2008	At 31st December 2007	Change
Other current receivables:			
Receivables due from parent company	264	226	38
Receivables due from Group companies valued at equity	2	-	2
Receivables due from associated companies	141	-	141
Receivables due from others	17,689	20,119	(2,430)
Total current portion	*18,096*	*20,345*	*(2,249)*

24. Inventories €/000 269,136

At 30th September 2008, this item totalled €/000 269,136, compared to €/000 225,529 at the end of 2007, and comprised:

Amounts in €/000	*30th September 2008*	*At 31st December 2007*	*Change*
Raw materials and consumables	119,732	99,214	20,518
Reserve for loss in value	(8,565)	(8,072)	(493)
	111,167	*91,142*	20,025
Work in progress	13,713	21,737	(8,024)
Reserve for loss in value	(852)	(852)	0
	12,861	*20,885*	(8,024)
Finished products and goods	164,331	131,156	33,175
Reserve for loss in value	(19,406)	(17,899)	(1,507)
	144,925	*113,257*	31,668
Payments on account	*183*	*245*	(62)
Total	*269,136*	*225,529*	*43,607*

The overall increase of €/000 43,607 is linked to the seasonal nature of the production cycle.

25. Other current financial assets **€/000 12,700**

This item comprises:

Amounts in €/000	*At 30th September 2008*	*At 31st December 2007*	*Change*
Financial receivables due from associated companies	58	58	0
Securities	12,207	17,925	(5,718)
Other	435	435	0
Total	*12,700*	*18,418*	*(5,718)*

€/000 12,207 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 heading financial receivables due from associated companies includes the current portion of the loan granted to the Fondazione Piaggio.

26. Cash and cash equivalents **€/000 57,965**

Cash and cash equivalents totalled €/000 57,965 against €/000 101,334 at 31st December 2007, as detailed below:

Amounts in €/000	*At 30th September 2008*	*At 31st December 2007*	*Change*
Bank and post office deposits	57,854	101,161	(43,307)
Cash and assets in hand	111	173	(62)
Total	*57,965*	*101,334*	*(43,369)*

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

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

At 30th September 2008, there were no assets held for sale.

INFORMATION ON THE CONSOLIDATED BALANCE SHEET - LIABILITIES

28. Share capital and reserves **€/000 426,598**

Share capital €/000 194,674

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

In thousands of euros	
Subscribed and paid up capital	205,941
Purchase of own shares 2007	(3,817)
At 1st January 2008	202,124
Purchase of own shares from 1-1 / 30-9 2008	(7,450)
At 30th September 2008	194,674

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

During the period, following resolutions passed at shareholders' meetings on 7th May 2007 and 24th June 2008, the Parent company purchased 14,326,000 own shares, 2,066,000 of which were purchased in order to allow the implementation of the new 2007-2009 stock option plan and 12,260,000 to support share performance.

Therefore, at 30th September 2008 the Parent company held 21,666,000 own shares, equal to 5.47% of the share capital.

It is pointed out that in the last days of September, the Parent company issued instructions to purchase a further 110,000 own shares which, being processed in October, as provided by the accounting standards, will be recorded in the relevant month.

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

At 30th September 2008, according to the shareholder ledger and available information, besides Immsi S.p.A. (with 57.15% of the share capital) and Diego Della Valle & C. S.a.p.a. (with 2.01% of the share capital), and the Company itself (with 5.47% of the share capital), no shareholder held an equity investment of more than 2% of the share capital.

Share premium reserve €/000 3,493

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

Legal reserve €/000 7,497

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

Other reserves and retained earnings €/000 158,069

This heading consists of:

Amounts in €/000	*At 30th September 2008*	*At 31st December 2007*	*Change*
Conversion reserve	(4,471)	(293)	(4,178)
Stock option reserve	8,253	6,576	1,677
Financial instruments' fair value reserve	1,069	62,703	(61,634)
IFRS transition reserve	(5,859)	(5,859)	0
Total other reserves	*(1,008)*	*63,127*	*(64,135)*
Consolidation reserve	993	993	0
Retained earnings	158,084	136,826	21,258
Total	*158,069*	*200,946*	*(42,877)*

The financial instruments' *fair value* reserve includes €/000 1,069 relating to the effect of recording the *cash flow hedge*. The change of €/000 61,634 is mainly due to the decision to proceed with the cash settlement for Piaggio 2004-2009 warrants for a value of €/000 64,206.

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

Distributed dividends €/000 23,322

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

Group earnings (losses) for the period €/000 61,497

Minority interest capital and reserves €/000 1,368

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

29. Current and non-current financial liabilities **€/000 398,039**

Non-current liabilities totalled €/000 306,196, registering a decrease compared to a €/000 322,921 at 31st December 2007, in relation to amortisation of the Mediobanca Banca Intesa San Paolo loan, while current liabilities stood at €/000 91,843, against €/000 66,614 at 31st December 2007 following the decision to settle the Piaggio 2004-2009 warrants in cash for a value of €/000 64,206, previously recorded in a specific reserve of shareholders' equity. As shown in the table on the net financial position included in the financial schedules, the Group's overall net debt was €/000 269,783 at 31st December 2007 against €/000 327,374 at 30th September 2008. The increase of €/000 57,591 is the result of the decision to settle the Piaggio 2004-2009 warrants in cash for a total of €/000 64,206 (€/000 63,943 paid on 3rd July 2008 and €/000 263 reclassified under current financial payables), originally planned to be settled with the issue of new shares. In addition to this, the debt increased also following the distribution of dividends, the purchase of own shares, and the above-described investment activities. This was only partially compensated by the positive performance of the operating cash flow.

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

Amounts in €/000	*At 31st December 2007*	*Repayments*	*New issues*	*Reclass. to current portion*	*Other changes*	*At 30th September 2008*
Non-current portion:						
Medium-/long-term loans	147,912			(14,719)	181	133,374
Bonds falling due beyond 12 months	145,380				387	145,767
Other medium-/long-term loans						
of which leases	9,746			(542)		9,204
of which due to other lenders	11,409			(2,389)		9,020
of which Aprilia instruments	8,474				357	8,831
Total other loans beyond 12 months	*29,629*			(2,931)	*357*	*27,055*
Total	*322,921*			*(17,650)*	*925*	*306,196*

Amounts in €/000	*At 31st December 2007*	*Repayments*	*New issues*	*Reclass. from non-current.*	*Other changes*	*At 30th September 2008*
Current portion:						
Current account overdrafts	6,472		4,359			10,831
Current account payables	12,601		24,210			36,811
Payables due to factoring companies	9,332		2,584			11,916
Current portion of medium-/long-term loans:						
- of which leases	695	(518)		542		719
- due to banks	28,502	(14,487)		14,719		28,734
- due from others	2,690	(2,510)		2,389		2,569
. of which Aprilia instruments	6,322	(70,443)			64,384	263
Total current portion of mid-/long-term debt	*38,209*	(87,958)	*0*	*17,650*	*64,384*	*32,285*
Total	66,614	(87,958)	31,153	17,650	64,384	91,843

Group debt registered an increase of €/000 8,504, mainly attributable to the above mentioned decision to pay off the holders of Piaggio 2004-2009 warrants and EMH instruments.

Medium-/long-term bank debt totalling €/000 162,108 (of which €/000 133,374 non-current debt and €/000 28,734 current debt) consists of the following loans:

- €/000 121,976 (nominal value €/000 123,000) loan provided to the parent company by Mediobanca and Banca Intesa San Paolo. In April 2006, this loan was syndicated to a restricted pool of banks and it is part of a more articulated loan package. The package consists of a *portion* of €/000 150,000 nominal fully drawn and a *portion* of €/000 100,000 to be used as a credit line, which at 30th September 2008 was completely undrawn. The structure envisages a 7-year term, with a grace period of 18 months and 11 semi-annual instalments with the last maturity on 23rd 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 2008 first half data, this margin is confirmed at 0.90% for the entire second half of 2008. For the *portion* relating to the credit line there is a commitment fee of 0.25%. The agreement does not envisage the issue of guarantees, while, in line with market practice, it does require meeting some financial parameters;
- a €/000 29,000 loan granted to the parent company by a pool of 14 banks at the time of the Aprilia acquisition for the purchase of an amount of 34 million Euros in non self-liquidating financial receivables claimed by the same lenders from Aprilia S.p.A. The

conditions envisaged a fixed interest rate of 3.69% annually compounded and repayment in a single instalment of capital and interest at the final maturity, set for 31st December 2009;

- a €/000 1,106 loan provided by Interbanca in accordance with Law 346/88 regarding subsidies for applied research, secured by a mortgage lien on property;
- an interest-free loan of €/000 2,691 provided by Banca Antonveneta originally to a subsidiary of the Aprilia Group and, following the acquisition, taken on by the parent company with a single repayment date in 2011. The conditions envisage a market interest rate over the last two years based on the performance of the Piaggio 2004-2009 warrants;
- a €/000 1,545 subsidised loan provided by Efibanca, maturing on 27th December 2009;
- a €/000 2,290 subsidised loan provided by Banca Intesa San Paolo under Law 346/88 regarding applied research;
- a €/000 3,500 of payables due to Interbanca in its capacity of provider of the EMH instruments.

The bonds falling due after 12 months (€/000 145,767 net book value) refers to the *high-yield* bond issued on 27th April 2005 by the subsidiary Piaggio Finance S.A. (Luxembourg), for a nominal amount of €/000 150,000, maturing on 30th April 2012 and with a semi-annual coupon with a fixed annual nominal rate of 10%. The bond issue was guaranteed by the parent company and in September 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 42,522 of which €/000 27,055 falling due beyond 12 months and €/000 15,467 current portion of other loans. Their breakdown was as follows:

- finance leases for €/000 9,923 of which €/000 9,916 provided by Locat S.p.A. to Moto Guzzi S.p.A., and €/000 7 provided by Italease Factoring S.p.A. to Moto Guzzi & C. S.p.A.;
- Piaggio 2004-2009 warrants for €/000 263;
- €/000 8,831 Aprilia ex-shareholders financial instrument;
- subsidised loans for €/000 11,589 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 9,020);
- factoring operations with recourse and renegotiated €/000 11,916.

Financial instruments

Exchange rate risk

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

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

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

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

- USD/000 30,650 corresponding to €/000 20,543 (valued at the forward exchange rate);
- GBP/000 7,200 corresponding to €/000 9,006 (valued at the forward exchange rate);
- NOK/000 765 corresponding to €/000 92 (valued at the forward exchange rate);
- DKK/000 6,700 corresponding to €/000 898 (valued at the forward exchange rate);
- CHF/000 6,430 corresponding to €/000 4,031 (valued at the forward exchange rate);
- CAD/000 3,750 corresponding to €/000 2,400 (valued at the forward exchange rate);
- JPY/000,000 30 corresponding to €/000 191 (valued at the forward exchange rate);
- SGD/000 1,485 corresponding to €/000 713. (valued at the forward exchange rate);

and forward purchase contracts:

- CHF/000 1,700 corresponding to €/000 1,075 (valued at the forward exchange rate);
- JPY/000,000 140 corresponding to €/000 881 (valued at the forward exchange rate);
- CAD/000 110 corresponding to €/000 73 (valued at the forward exchange rate);
- SEK/000 550 corresponding to €/000 57 (valued at the forward exchange rate);
- USD/000 2,000 corresponding to €/000 1,307 (valued at the forward exchange rate);

As regards contracts in place to hedge exchange rate risk on *forecast transactions* (business risk), at 30th September 2008 the parent company had forward purchase transactions of JPY/000,000 550 corresponding to €/000 3,493 and forward sales transactions for a value of CHF/000 2,370 corresponding overall to €/000 1,457 (valued at the forward exchange rate), CAD/000 1,750 corresponding to €/000 1,264 (valued at the forward exchange rate), and GBP/000 6,400 corresponding to €/000 9,059 (valued at the forward exchange rate).

As regards other Group companies, forward sales transactions of USD/000 4,120 corresponding to €/000 2,832 (valued at the forward exchange rate) were ongoing at 30th September 2008 .

30. Current and non-current trade payables €/000 432,008

At 30th September 2008 and at 31st December 2007 no trade payables were recorded under non-current liabilities.
At 30th September 2008 current trade payables totalled €/000 432,008 against €/000 347,460 at 31st December 2007.

Amounts in €/000	*At 30th September 2008*	*At 31st December 2007*	*Change*
Current liabilities:			
Liabilities due to suppliers	424,281	342,679	81,602
Liabilities due to Group companies valued at equity	7,360	4,071	3,289
Liabilities due to associated companies	89	119	(30)
Liabilities due to parent companies	278	591	(313)
Total current portion	*432,008*	*347,460*	*84,548*

The overall increase in trade payables of €/000 84,548 is linked to the previously mentioned seasonal nature of the production cycle.

31. Reserves (current and non-current portion) €/000 43,073

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

Amounts in €/000	Balance at 31st December 2007	Provisions	Applications	Reclassification	Exchange differences	Balance at 30th September 2008
Product warranty reserve	20,317	10,503	(9,955)			20,865
Reserve for risks on equity investments	5,907					5,907
Reserves for restructuring	1,605		(1,605)			0
Reserve for contractual risks	7,151		(36)			7,115
Other reserves for risks and charges	8,748	3,421	(2,983)			9,186
Total	*43,728*	*13,924*	*(14,579)*	*0*	*0*	*43,073*

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

Amounts in €/000	*At 30th September 2008*	*At 31st December 2007*	*Change*
Non-current portion:			
Product warranty reserve	4,483	3,612	871
Reserve for risks on equity investments	5,605	5,605	0
Reserve for contractual risks	7,115	7,151	(36)
Other reserves for risks and charges	4,727	3,601	1,126
Total non-current portion	*21,930*	*19,969*	*1,961*

Amounts in €/000	*At 30th September 2008*	*At 31st December 2007*	*Change*
Current portion:			
Product warranty reserve	16,382	16,705	(323)
Reserve for risks on equity investments	302	302	0
Reserves for restructuring		1,605	(1,605)
Other reserves for risks and charges	4,459	5,147	(688)
Total current portion	*21,143*	*23,759*	*(2,616)*

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

The reserve increased during the period to €/000 10,503 and was used for €/000 9,955 in relation to charges incurred during the period.

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

The reserve for charges for restructuring refers to future charges which are expected to be incurred regarding duly identified measures to reorganise the company.
The provision of contractual risks refers largely to charges which may arise from the ongoing negotiation of a supply contract.
"Other reserves" include the provision for legal risks for an amount of €/000 4,550.

32. Deferred tax liabilities **€/000 24,049**

€/000 17,865 of the reserve for deferred tax liabilities refers to the tax effect on the registering of Aprilia brand. The remaining part is related to temporary differences.

33. Reserves for pension and employee benefits **€/000 61,820**

Amounts in €/000	*At 30th September 2008*	*At 31st December 2007*	*Change*
Pension funds	2,543	2,594	(51)
Employee severance indemnity	59,277	59,610	(333)
Total	*61,820*	*62,204*	*(384)*

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

34. Current and non-current tax payables **€/000 24,910**

At 30th September 2008 and at 31st December 2007 no trade payables were recorded under non-current liabilities.
Trade receivables included in current activities total €/000 24,910 compared to €/000 9,683 at 31st December 2007.
Their breakdown was as follows:

Amounts in €/000	*At 30th September 2008*	*At 31st December 2007*	*Change*
Due for income tax	3,247	1,462	1,785
Due for non-income tax		161	(161)
Tax payables for:			
- VAT	9,082	5,876	3,206
- tax withholdings made	3,276	1,468	1,808
- Other	9,305	716	8,589
Total	21,663	8,060	13,603
Total	*24,910*	*9,683*	*15,227*

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 95,278

Amounts in €/000	*At 30th September 2008*	*At 31st December 2007*	*Change*
Non-current portion:			
Guarantee deposits			
Amounts due to social security institutions	1,003	1,003	0
Other payables	6,522	19,743	(13,221)
Total non-current portion	*7,525*	*20,746*	*(13,221)*

Amounts in €/000	*At 30th September 2008*	*At 31st December 2007*	*Change*
Current portion:			
Amounts due to employees	44,273	26,445	17,828
Amounts due to social security institutions	5,172	10,784	(5,612)
Sundry payables due to associated companies	180	180	0
Sundry payables due to parent companies	81		81
Others	38,047	22,253	15,794
Total current portion	*87,753*	*59,662*	*28,091*

Other payables included in non-current liabilities totalled €/000 7,525 against €/000 20,746 at 31st December 2007, whereas other payables included in current liabilities total €/000 87,753 compared to €/000 59,662 at 31st December 2007.

Amounts due to employees include the amount for holidays accrued but not taken of €/000 13,013 and other payments to be made for €/000 31,260.
Payables due to associated companies refer to various amounts due to the Fondazione Piaggio.

Milan, 30th October 2008

for the Board of Directors
President and CEO
Roberto Colaninno

E) <u>DEALINGS WITH RELATED PARTIES</u>

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 information, the following table provides an indication by company of the outstanding items at 30th September 2008, as well as their contribution to the respective headings.

		Amounts in €/000	% of accounting item
<u>Dealings with associated companies</u>			
Fondazione Piaggio	other current receivables	141	0.78%
	other current financial assets	58	0.46%
	other non-current receivables	390	3.55%
	current trade receivables	66	0.03%
	current trade payables	19	0.00%
	other current payables	180	0.21%
	other operating income	8	0.01%
Piaggio China	current trade payables	6	0.00%
AWS do Brasil	other non-current receivables	440	4.00%
Piaggio Foshan	other current receivables	2	0.01%
	costs for materials	39,985	5.22%
	other operating income	1,584	1.56%
	current trade receivables	721	0.35%
	current trade payables	7,354	1.70%
	costs for services and use of third party assets	32	0.01%
Rodriquez Cantieri Navali	other operating income	2	0.00%
	net sales	56	0.00%
Studio D'Urso	current trade payables	70	0.02%
	costs for services and use of third party assets	70	0.03%
<u>Dealings with parent companies</u>			
IMMSI	costs for services and use of third party assets	750	0.33%
	other operating income	55	0.05%
	other operating costs	4	0.02%
	current trade receivables	713	0.35%
	other current receivables	264	1.46%
	current trade payables	278	0.06%
	other current payables	81	0.09%

H) SUBSEQUENT EVENTS

Following 30th September 2008 no events have occurred as to warrant additional notes or adjustments to these interim financial statements.

In this regard, reference is made to the Directors' report for significant events after 30th September 2008.