PIAGGIO

PIAGGIO & C. s.p.a.
Group IMMSI

ANNUAL REPORT **2007**

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

INTERNATIONALISATION

The Piaggio Group has a commercial presence in over fifty countries, in Europe, India, Asia and America. It operates out of production facilities located in Italy, Spain, India and China. It is building a new production facility in Vietnam.

INNOVATION

In 2007, the Piaggio Group launched 9 entirely new products, installed new engines on existing models and restyled many of them.

SAFETY

The Piaggio Group is constantly committed to safety.

ENVIRONMENTALLY FRIENDLY

The Piaggio Group has always been sensitive to environmental problems. Vehicles currently being produced meet the most stringent international pollution regulations. The Group is developing a hybrid (electrical and petrol) engine which will soon be available on some scooters and some gas engines which will equip the commercial vehicles.

EXTENSIVE NETWORK

The sales network consists of more than 10 thousand operators in the primary and sub-network in Europe, 250 exclusive dealers in India and 300 dealers in the USA, to which must be added the distribution network of Piaggio importers in the other countries.

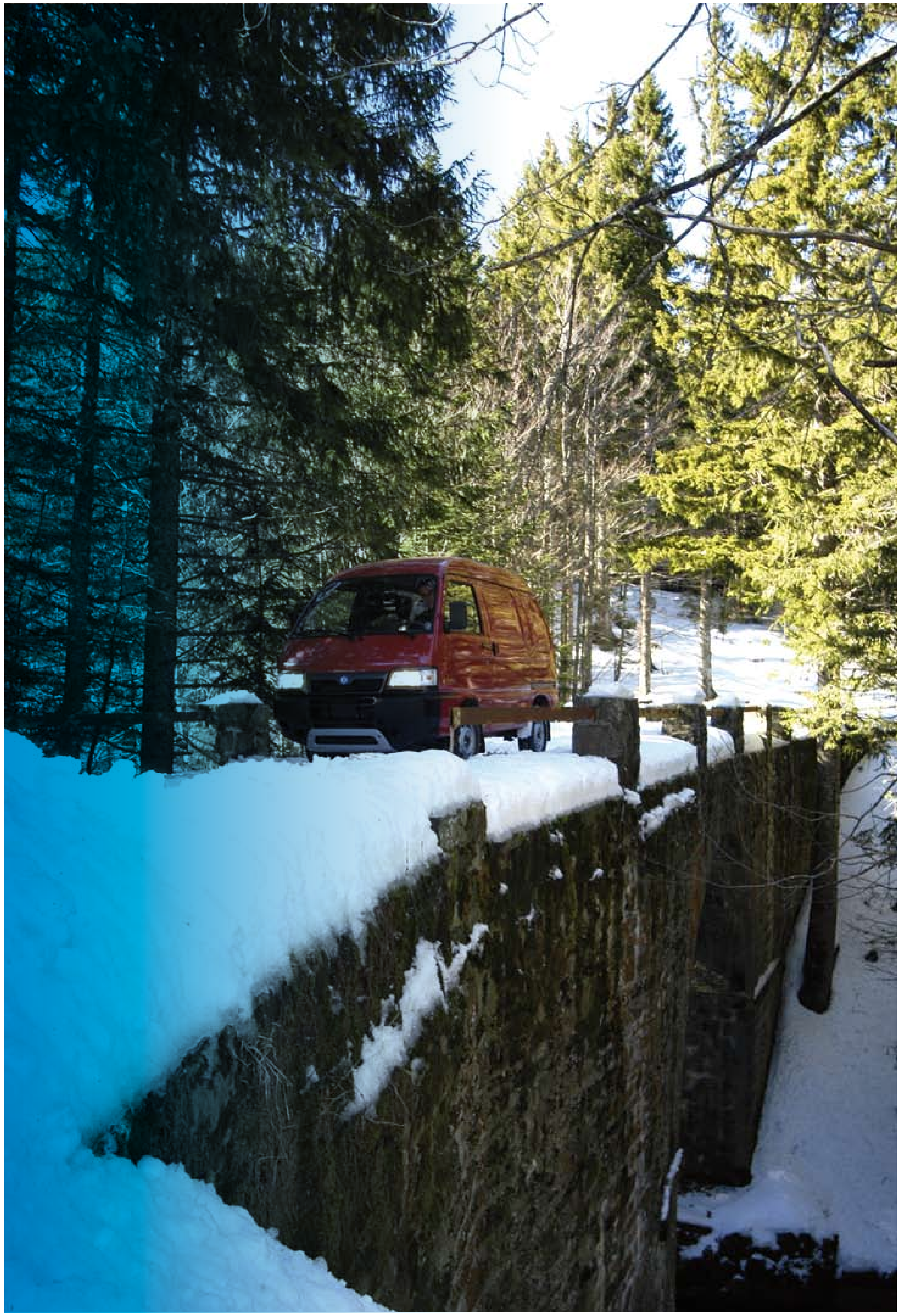
Consolidated and Separate Financial Statements at 31 December 2007

Shareholder' Meeting

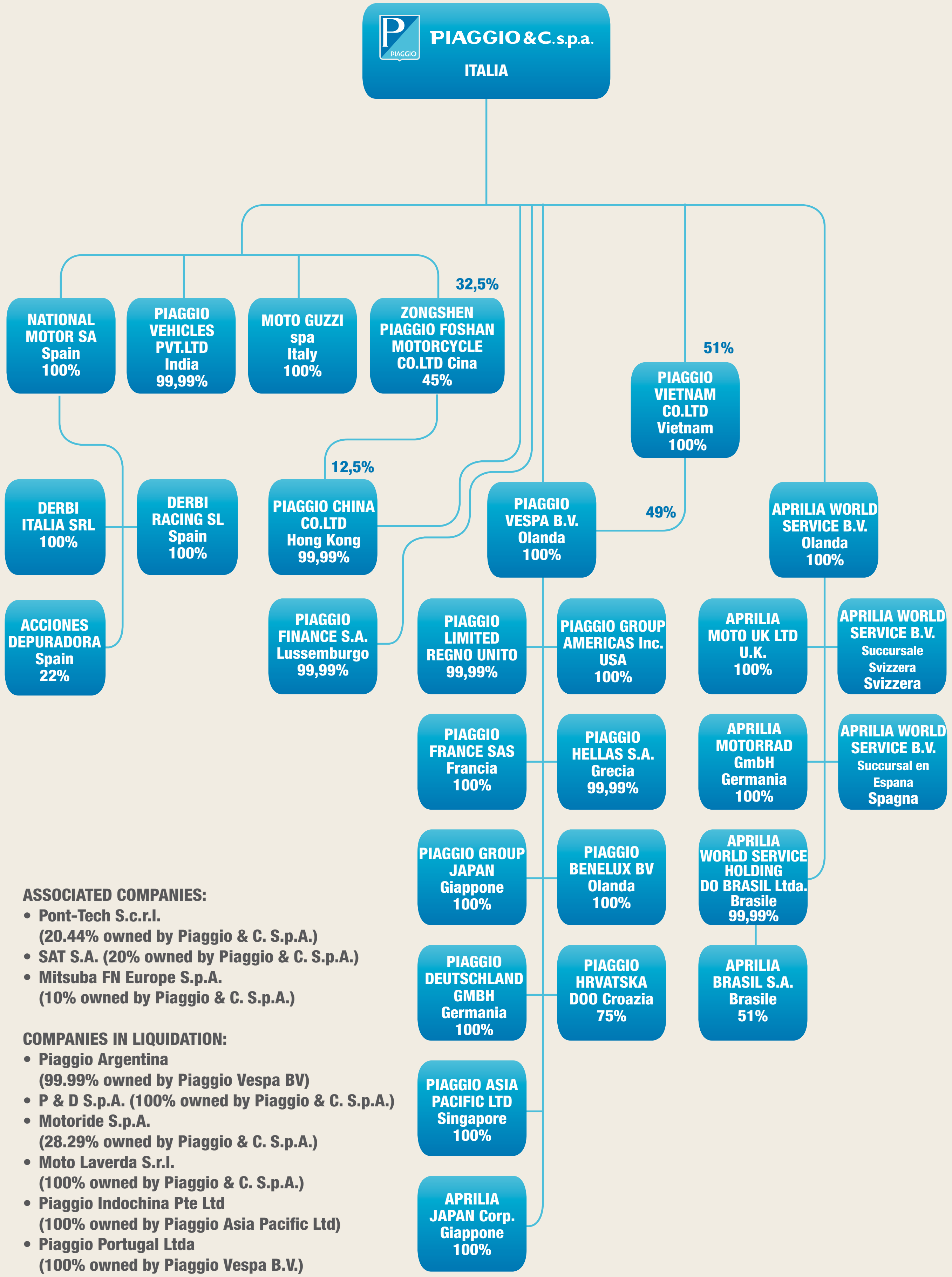
The shareholders are advised of the Ordinary Meeting at the company head office in Pontedera, Viale Rinaldo Piaggio 25, on 28 April 2008 at 14:30 in first call and, if necessary, on **7 May 2008**, at the Sala Assemblee of INTESA SANPAOLO in Milan, piazza Belgioioso 1, at the same time in second call, to discuss the following

Agenda

1) Piaggio & C. S.p.A. financial statements for the period at 31 December 2007; Directors' report on operations for the year 2007 and resolution to allocate the profit for the year; Report of the board of Statutory Auditors; Report of the Independent Auditors; incidental and consequential resolutions; presentation of the consolidated financial statements at 31 December 2007 of the Piaggio Group and related reports.
2) Appointment of a substitute auditor. Incidental and consequential resolutions.



GROUP STRUCTURE



ASSOCIATED COMPANIES:
- Pont-Tech S.c.r.l. (20.44% owned by Piaggio & C. S.p.A.)
- SAT S.A. (20% owned by Piaggio & C. S.p.A.)
- Mitsuba FN Europe S.p.A. (10% owned by Piaggio & C. S.p.A.)

COMPANIES IN LIQUIDATION:
- Piaggio Argentina (99.99% owned by Piaggio Vespa BV)
- P & D S.p.A. (100% owned by Piaggio & C. S.p.A.)
- Motoride S.p.A. (28.29% owned by Piaggio & C. S.p.A.)
- Moto Laverda S.r.l. (100% owned by Piaggio & C. S.p.A.)
- Piaggio Indochina Pte Ltd (100% owned by Piaggio Asia Pacific Ltd)
- Piaggio Portugal Ltda (100% owned by Piaggio Vespa B.V.)

COMPANY BOARDS

BOARD OF DIRECTORS	
Chairman	Roberto Colaninno (1)
Deputy Chairman	Matteo Colaninno
Chief Executive Officer	Roberto Colaninno
Directors	Giangiacomo Attolico Trivulzio
	Michele Colaninno
	Franco Debenedetti (3), (4)
	Daniele Discepolo (2), (5)
	Luciano La Noce (3), (4)
	Giorgio Magnoni
	Gianclaudio Neri
	Luca Paravicini Crespi (3), (5)
	Riccardo Varaldo (4), (5)

(1) Director in charge of internal control
(2) Lead Independent Director
(3) Member of the Appointments Committee
(4) Member of the Remuneration Committee
(5) Member of the Internal Control Committee
(6) Resigned on May 11 2007

BOARD OF STATUTORY AUDITORS	
Chairman	Giovanni Barbara
Standing auditors	Attilio Francesco Arietti
	Alessandro Lai
Substitute auditors	Mauro Girelli
	Maurizio Maffeis (6)
SUPERVISORY BODY	Enrico Ingrillì
	Giovanni Barbara
	Alessandro Bertolini
GENERAL MANAGERS	Daniele Bandiera
	Michele Pallottini
MANAGER IN CHARGE OF PREPARING THE CORPORATE ACCOUNTING DOCUMENTS	Alessandra Simonotto
INDEPENDENT AUDITORS	Deloitte & Touche S.p.A.

Resolution to approve the financial statements and to allocate the profit for the period

Dear shareholders,

We propose that you approve the financial statements at 31 December 2007 prepared in accordance with the IFRS international accounting standards.

We also propose, in consideration of the need to have sufficient available reserves to cover the non-amortised development costs stated in the assets (in accordance with article 2426, n°. 5 of the Italian Civil Code), to allocate the profit of 64,469,847.28 Euros as follows:

- 3,223,492.36 Euros to the legal reserve;
- 37,924,300.44 Euros to retained earnings;
- 23,322,054.48 Euros to be paid as dividends.

Conditional upon shareholder approval, the Company will pay a dividend of 0.06 Euros per ordinary share from 22 May 2008 with the shares going ex-dividend on 19 May 2008. This includes the portion relating to own shares in accordance with article 2357-ter of the Italian Civil Code.

Milan, 7 March 2008

For the Board of Directors

Chairman and Chief Executive Officer

Roberto Colaninno

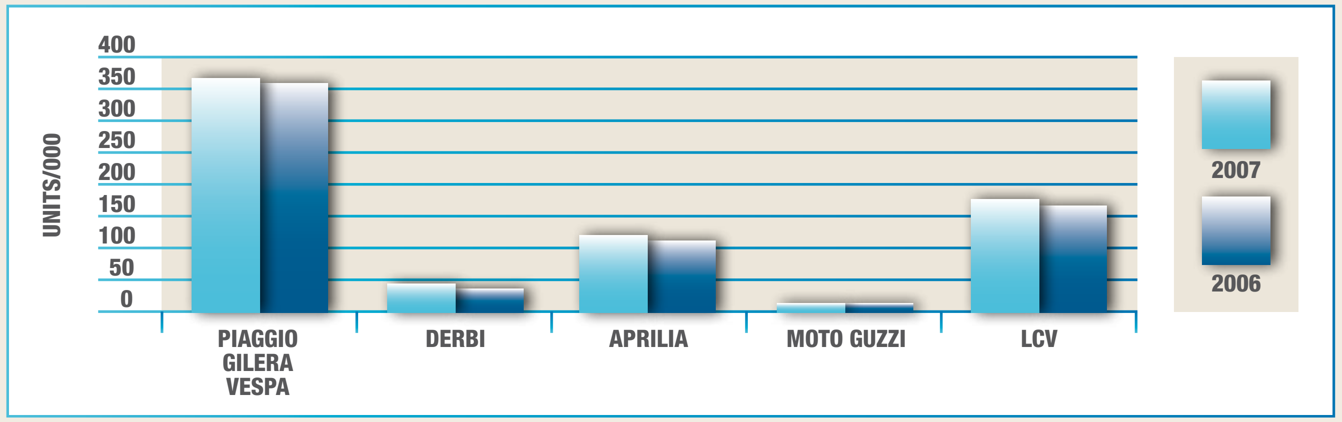
PIAGGIO GROUP FINANCIAL HIGHLIGHTS

(amounts in million €)		2007	2006
Income statement (reclassified)			
Net sales		1,692.1	1,607.4
Gross industrial margin		498.4	483.0
Operating costs		-361.8	-368.8
Operating income		136.6	114.2
Income before tax		103.5	88.2
Net income		60.0	70.3
.minority interest		0.4	0.4
.Group		59.6	70.0
Gross margin as % of net sales	%	29.5	30.1
Operating income as % of net sales	%	8.1	7.1
Net income as % of net sales	%	3.5	4.4
Gross operating margin=EBITDA (from operations)		**226.1**	**204.0**
Gross operating margin as % of net sales	%	13.4	12.7
Balance Sheet			
Net working capital		-0.4	20.2
Tangible assets		248.6	257.0
Intangible assets		637.5	630.3
Financial assets		1.0	1.0
Reserves		-145.4	-151.8
Net Invested Capital		**741.2**	**756.7**
Net financial position		269.8	318.0
Shareholders' equity		471.4	438.7
Sources of Funds		**741.2**	**756.7**
Minority interest		1.1	0.6
Change in net financial position			
Opening net financial position		**-318.0**	**-411.4**
Cash flow from operations (Income + Amortisation/Depreciation)		149.5	160.1
(Increase)/Decrease in working capital	20.6	23.8	
(Increase)/Decrease in investment		-88.3	-85.9
Change in pension reserves and other reserves		-6.3	-24.5
Change in shareholders' equity		-27.3	19.9
Total change		***48.2***	***93.4***
Closing net financial position		**-269.8**	**-318.0**

KEY FIGURES BY BUSINESS SECTOR

BUSINESS		2W				LCV	OTHER	TOTAL
		Piaggio Gilera Vespa	Derbi	Aprilia	M. Guzzi			
	2007	365.5	39.0	121.3	8.9	173.9		**708.5**
Volumes sold ('000 units)	2006	359.2	36.4	114.6	10.2	160.3		**680.8**
	Change	6.3	2.6	6.7	-1.3	13.6		**27.8**
	% change	1.7	7.1	5.8	-12.6	8.5		**4.1**
	2007	802.9	71.3	348.3	71.8	380.2	17.7	**1,692.1**
Net sales (in million €)	2006	762.1	70.3	322.2	82.6	356.6	13.7	**1,607.4**
	Change	40.8	1.0	26.1	-10.8	23.6	4.0	**84.7**
	% change	5.4	1.4	8.1	-13.1	6.6	29.0	**5.3**
	2007	3,098	259	1,051	214	2,225		**6,847**
Employees (n°)	2006	3,124	294	1,029	230	2,097		**6,774**
	Change	-26	-35	22	-16	128	0	**73**
	% change	-0.8	-11.9	2.1	-7.0	6.1	0.0	**1.1**
Investment								
	2007	7.7	3.1	6.4	3.2	4.2	19.2	**43.8**
- Fixed assets	2006	7.2	3	8.4	2.9	3.9	23.9	**49.3**
- (in million €)	Change	0.5	0.1	-2.0	0.3	0.3	-2.9	**-3.7**
	% change	7.0	3.3	-23.8	10.3	7.7	-12.0	**-7.5**
	2007	14.7	2.5	18.8	4.3	7.0	0.4	**47.8**
- R&D Capex	2006	15.5	2	17.4	3.5	2.4		**40.8**
- (in million €)	Change	-0.8	0.5	1.4	0.8	4.6	0.4	**7.0**
	% change	-5.1	27.4	8.2	24.1	192.1	100.0	**17.3**

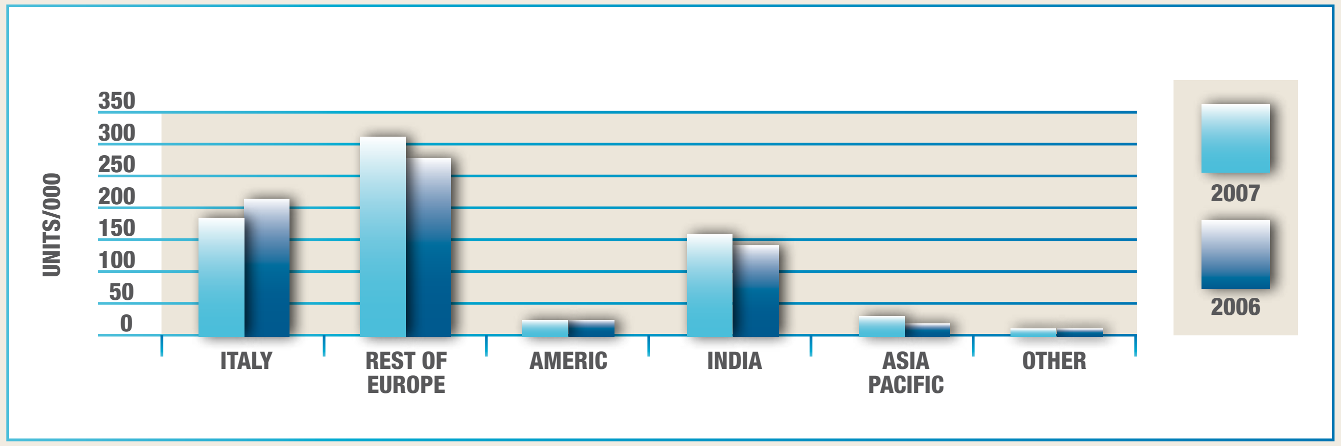
SALES VOLUMES



KEY FIGURES BY GEOGRAPHIC AREA

		ITALY	REST OF EUROPE	AMERICAS	INDIA	ASIA PACIFIC	OTHER	TOTAL
	2007	186.1	308.4	24.5	154.4	29.6	5.5	**708.5**
Volumes sold ('000 units)	2006	212	281.3	25.1	139.4	17.9	5.1	**680.8**
	Change	-25.9	27.1	-0.6	15.0	11.7	-0.4	**27.8**
	% change	-12.2	9.6	-2.1	10.7	65.4	8.6	**4.1**
	2007	570	737.7	79.3	238.0	52	15.0	**1692.1**
Net sales (in million €)	2006	618.4	648.1	82.3	206.4	38.6	13.6	**1607.4**
	Change	-48.4	89.6	-3	31.6	13.4	1.4	**84.7**
	% change	-7.8	13.8	-3.6	15.3	34.7	10.3	**5.3**
	2007	4,242	588	59	1,914	44		**6,847**
Employees (n°)	2006	4,308	591	55	1,780	40		**6,774**
	Change	-66	-3	4	134	4	0	**73**
	% change	-1.5	-0.5	7.3	7.5	10.0	0.0	**1.1**
Investment								
	2007	31.6	4.5	0.3	3.7	3.6		**43.8**
- Fixed assets	2006	40.9	3	1	3.6		0.8	**49.3**
- (in million €)	Change	-7.5	1.5	-0.7	0.1	3.6	-0.8	**-3.7**
	% change	-18.4	51.2	-66.4	4.0	100.0	-100.0	**-7.5**
	2007	39.2	2.5	0.8	4.8	0.4		**47.8**
- R&D Capex	2006	38.2	2	0	0.6			**40.8**
- (in million €)	Change	1.0	0.5	0.8	4.2	0.4		**7.0**
	% change	2.7	27.4	100.0	706.5	100		**17.3**

SALES VOLUMES



Group highlights

Consolidated net sales rose to 1,692.1 million € (+5.3 % compared to 2006).
As regards the 2-wheel sub-segment, net sales of vehicles, spare parts and accessories relating to the Piaggio, Gilera, Vespa and Derbi brands rose from 832.4 million € in 2006, including 36.5 million € of sales to the Italian Post Office, to 874.2 million € (+5.0%) in 2007 (+ 9.8% net of the Post Office contract) while net sales for the Aprilia and Guzzi brands rose from 404.8 million € in 2006 to 420.1 million € in 2007 (+3.8%).
Net sales for the LCV sub-segment improved from 356.6 million € to 380.2 million € at 31 December 2007 (+6.6%) with a 15.3% increase on the Indian market (from 206.4 million € in 2006 to 238.0 million € in 2007).

Consolidated EBITDA grew by 10.8%, reaching 226.1 million €, equal to 13.4% of net sales compared to 204.0 million € in 2006, 12.7% of net sales.

Operating income was 136.6 million €, compared to 114.2 million € in 2006 (+19.6%).

In 2007, Group **pre-tax profits** reached 103.5 million €, against 88.2 million € in 2006 (+17.3%).

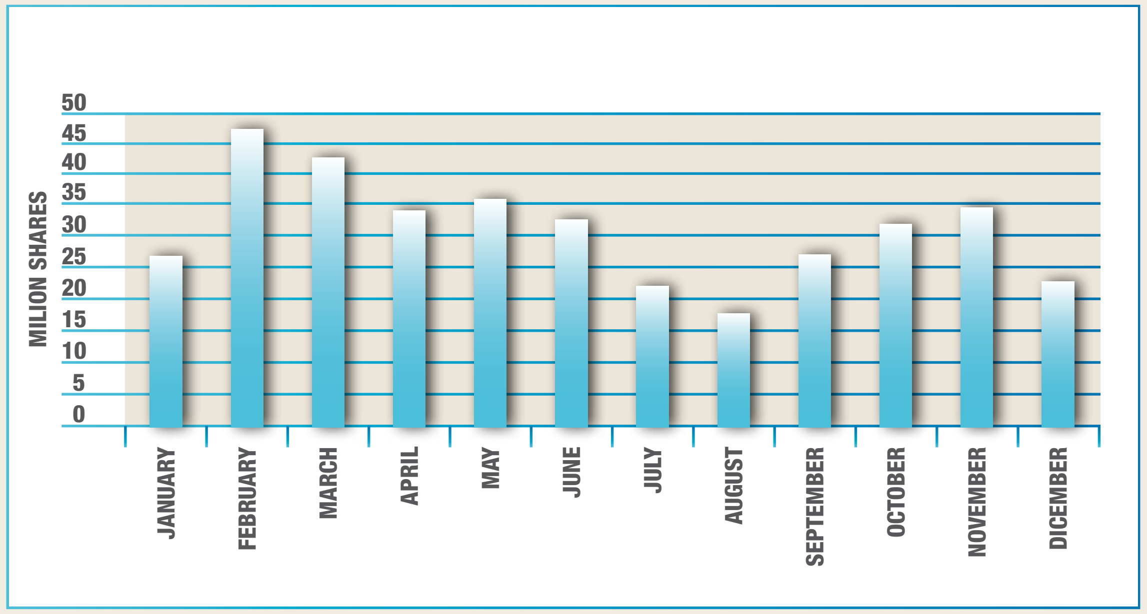
Net profit at 31 December 2007 was 60.0 million €, compared to 70.3 million € at 31 December 2006 (-14.6%), after 43.5 million € of taxation (17.9 million € at 31 December 2006), of which 17.3 million € for the release of the deferred tax asset recorded in 2006 by the parent company, in accordance with IAS 12.

The **consolidated net debt** fell from 318.0 million € at 31 December 2006 to 269.8 million € at 31 December 2007, an overall improvement of 48.2 million €. Part of this reduction was due to the positive operating cash flow, which enabled the funding of 91.7 million € of investment activities, the purchase of 7,340,000 own shares in relation to the 2007-2009 incentive plan and payment of the dividend.

Piaggio and the financial markets

Piaggio has established constant contact with shareholders and investors through its Investor Relations department which throughout the year organises presentations – both live and via conference call – when the Group publishes financial results or other events that require direct disclosure to the market.
For further information, refer to the www.piaggiogroup.com corporate website, in the Investor Relations section where one can access financial and business data, institutional presentations, periodic publications and share price updates.

Monthly traded volumes (million shares)



Official share price at:

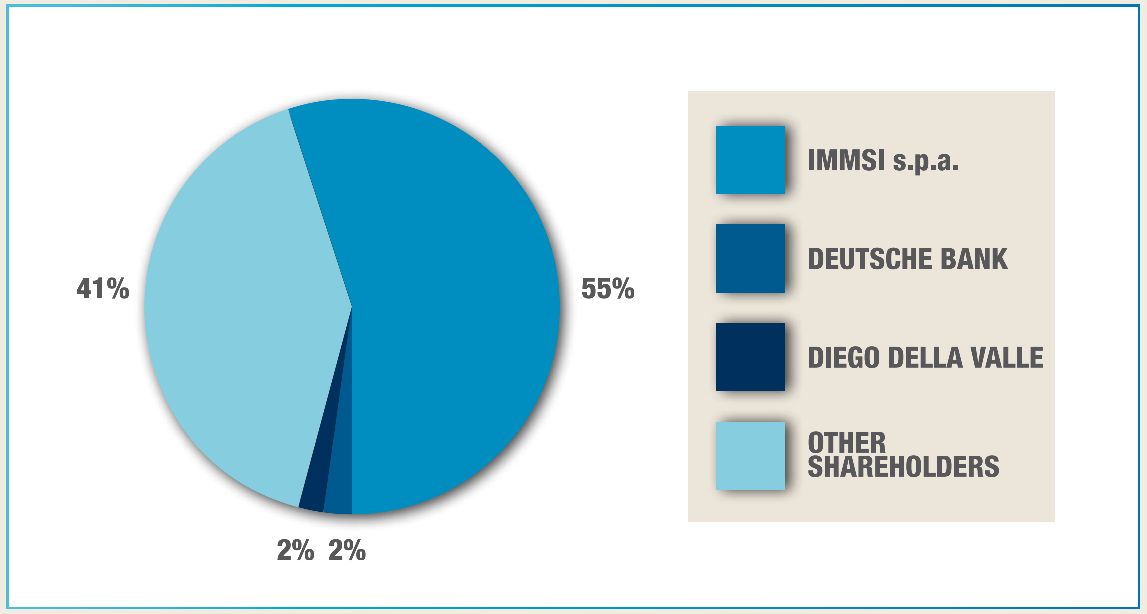
Amounts in Euros	28.12.07	29.06.07	29.12.06
Ordinary shares	2.309	3.663	3.131

Main shareholders

At 31 December 2007, the fully paid up share capital consisted of 396,040,908 ordinary shares.

Based upon the information provided to the Company in accordance with article 120 TUF, on 31 December 2007 the shareholders with an equity investment in excess of 2% of the share capital are Immsi S.p.A. (with 55.23% of the share capital), Deutsche Bank AG (with 2.01% of the share capital) and Diego Della Valle (with 2.01% of the share capital). The Company holds 7,340,000 own shares.

Shareholder	N°. of shares	% of share capital
IMMSI S.p.A.	218,750,159	55.23%
DEUTSCHE BANK	7,958,944	2.01%
DIEGO DELLA VALLE	7,958,938	2.01%
Other shareholders	161,372,867	40.75%
Total	**396,040,908**	**100%**
of which own shares	***7,340,000***	***1.85%***



Significant events during the year

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

- The design and development of new 1,000 and 1,200 cc direct injection 2-cylinder diesel engines, with different configurations;
- The construction of a new facility with an annual production capacity of up to 200,000 engines to be built in India. Production should commence between the end of 2009 and early 2010.

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

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

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

4 April 2007: the new revolutionary three-wheeled Gilera Fuoco 500ie scooter was presented in Berlin.

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

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

16 April 2007: the Piaggio MP3 250 three-wheeled scooter was launched in the United States.

7 May 2007: the shareholders passed a resolution approving a new stock option plan for the top management of Piaggio Group, having revoked the resolutions passed by the shareholders on 8 March 2006 regarding a previous incentive plan, and authorised the purchase of up to 10,000,000 own shares in order to implement such plan.

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

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

In June, the parent company commenced buying own shares in accordance with the shareholder resolution of 7 May 2007. This activity continued throughout **July, August and September.** Overall, 7,340,000 own shares were purchased at a weighted average price of € 3.6525.

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

18 July 2007: the rating agency Moody's upgraded the rating of Piaggio & C. S.p.A. to Ba2 from Ba3, with a stable outlook, as a result of the consolidation of the Group's main financial parameters and the prospect of their further improvement.

25 July 2007: the new version of the Vespa, the "S", equipped with 50 and 125 cc engines, was presented. At the same occasion, a hybrid (electric and petrol) prototype engine was presented that Piaggio, ever sensitive to environmental issues, is currently developing and which it intends to use to equip various vehicles in the scooter range in the near future.

2 September 2007: Aprilia recorded its hundredth 125 cc World Motorcycling Championship victory and won the 125 cc World Manufacturers' Championship.

24 September 2007: Aprilia won the 250 cc World Manufacturers' Championship with three races in hand, evidence of an undisputed technical superiority in the 250 cc category.

9 October 2007: the project in Vietnam aimed at producing Vespa scooters for the local market was started officially, with the Governor of Nguyen Ngoc Phi Province handing over a "manufacturing licence" to Group management. The Vietnamese project, which was approved by the Piaggio & C. S.p.A. Board of Directors on 7 September 2007, envisages that production in the new facility, which will include welding, painting and final assembly of the Vespa scooters, will commence in about two years time. The overall investment up to the commencement of production at the factory, including the industrialisation activities in loco of the Vespa, is estimated between 25 and 30 million US Dollars. Annual production capacity of the industrial facility will reach 100,000 units.

15 October 2007: Tommaso Giocoladelli was appointed Chief Executive Officer and General Manager of Moto Guzzi S.p.A., while Daniele Bandiera was reconfirmed Chairman of the Board of Directors.

21 October 2007: Spanish rider Jorge Lorenzo won the 250 cc Riders' World Motorcycling Championship on an Aprilia.

9 November 2007: at the important EICMA motorcycle show in Milan, the Piaggio Group made the worldwide launch of a range of new products, including the Piaggio X7, a high wheel mid-sized engine scooter, the Moto Guzzi Stelvio, a versatile maxi enduro, the Aprilia RX and SX 125 cc, two high-performance motorbikes with a unique design, and the new Derbi Senda Baja 125 cc.

9 November 2007: the Aprilia Offroad team won the World Manufacturers' Championship in the S2 category.

DIRECTORS' REPORT

1. Piaggio Group profile

The Piaggio Group is a world leader in the "light wheeled transport" sector, a sector the Group helped to define with the introduction in the 1940's of the "Vespa" and "Ape" vehicles. This sector comprises 2-, 3- and 4-wheeled vehicles for private and business use that enable the customer to solve those problems connected with greater mobility by virtue of the safety, manoeuvrability and low environmental impact characteristics.
As regards the light wheeled transport sector, this report covers the data relating to the two areas of activity of Group operations, 2-wheeled vehicles and light commercial vehicles.

The Group operates in the 2-wheeled sector manufacturing products with the following brands:

Piaggio – the Group's historic brand, with a broad range of products from 50 cc to 500 cc that cover all the segments of the scooter market. The Piaggio brand image is one of vehicles that are safe, stylish, robust and technically advanced, able to meet the widest urban mobility requirements.

Vespa – the scooter market's historic brand, with which the Group has been selling the Vespa, an icon of style, elegance and Italian quality for 60 years.

Gilera - the brand with which the Group sells small and mid-sized engine 2-wheeled vehicles and a range of road and offroad models that are characterised by being high performance, sporty and elegant quality products aimed at young, dynamic and sporty customers.

Derbi – the brand which sells small-engined motorbikes and scooters in Europe, aimed at young customers.

Aprilia – the vehicles bearing this brand are sporty and high-tech. The brand has a long racing history of more than 20 years of successes.

Scarabeo – with the Scarabeo brand, launched by Aprilia in 1993, the Group sells scooters of various engine sizes that the essence of style, elegance and safety.

Moto Guzzi – the Moto Guzzi is an aristocrat of large-engined motorcycles, aimed at enthusiasts seeking classical elegance combined with innovative technology.

The Group operates in the 3- and 4-wheeled sector, manufacturing products under the Piaggio, Ape, Quargo and Porter brands. Piaggio Group's light commercial vehicles stand out for the compact dimensions, high load-bearing capacity and outstanding manoeuvrability.
The vehicles produced are sold in over 50 countries.

2-, 3- and 4-wheelers are all distributed through their own sales networks, comprising over 10,000 operators in the European main and secondary networks, 250 exclusive dealers in India and 300 dealers in the USA, as well as the distribution network of Piaggio importers in other countries.

2. Piaggio group financial and business performance

Piaggio Group business results

Net sales			
Amounts in million €	**2007**	**2006**	**Change**
2-wheelers	1.294.3	1.237.2	57.1
Light Commercial Vehicles	380.2	356.6	23.6
Other	17.7	13.6	4.1
TOTAL NET SALES	**1.692.1**	**1.607.4**	**84.7**

2007 Group consolidated net sales were 1,692.1 million €, a 5.3% improvement on 2006.

The increase was due to the strong performance of both the 2-wheeled and the light commercial vehicles businesses. In particular, compared to the same period the year before, growth was due to the increases in net sales recorded in the 2-wheeled business by the Gilera and Vespa brands for 48.5 million €, Aprilia and Derbi for 19.2 million €, the 23.6 million € increase reported by the LCV business and the 19 million € increase in spare parts and accessories, which together offset the 11.3 million € negative performance of Moto Guzzi, especially towards the end of the year as a result of a weak Italian market to which must be added the effects of the delays in production start-up of the new models which was expected for 2007.

In terms of sales volumes, the 2-wheeled business had overall sales of 534,600 vehicles in 2007 (520,400 in 2006, +2.7%), while the LCV business sold 173,900 vehicles (160,300 in 2006, +8.5%), of which 154,400 in India (+10.7%). Specifically, excluding spare parts and accessories, net sales in the motorcycle sector reached 277.9 million € (+6.2 % on 2006), the scooter sector achieved 854.1 million € (+2.4% on 2006), while the LCV business unit recorded net sales of 380.2 million € (+6.6 % on 2006) of which 223.9 million € in the Indian market, a 15.4% increase compared to 31 December 2006. Net sales of spare parts and accessories totalled 195.2 million € (+10.7 % on 2006). The "Other" item mainly includes sales of engines to third parties and income from racing.

The **gross industrial margin**, the difference between "Net sales" and the corresponding "Cost of sales" for the period, was 498.4 million €, up by 3.2% compared to 2006 and with a ratio to net sales of 29.5% (30.1 % in 2006) and included 35.8 million € of industrial amortisation.

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

Operating costs at 31 December 2007 totalled 361.8 million €, down by 7.0 million € compared to the 368.8 million € in 2006 (-1.9%), and consist of employee costs, costs for services and use of third party assets and operating costs, net of operating income not included in the gross industrial margin. Operating costs also included 53.7 million € of amortisation which does not form part of the calculation of the gross industrial margin.

Furthermore, it is pointed out that operating costs at 31 December 2007 included 1.5 million € of costs for write-downs of product development projects, while included at 31 December 2006 were 10.3 million € of costs relating to the portion of charges that Piaggio & C S.p.A. incurred for the listing process.

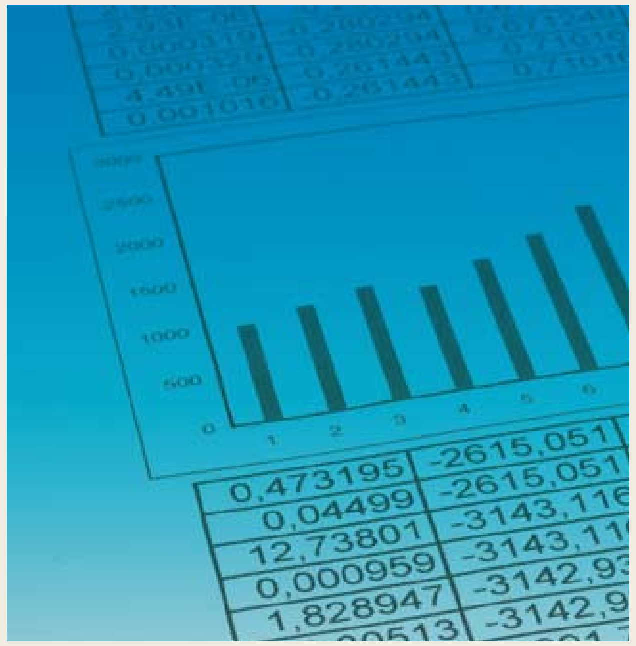
Consolidated EBITDA – defined as "Operating income" gross of amortisation of intangible assets and depreciation of tangible assets as they are recorded in the consolidated income statement – was 226.1 million €, 10.8% up compared to the 204.0 million € in the previous year. As a percentage of net sales, 2007 EBITDA stood at 13.4% compared to 12.7 in 2006.

Given the aforementioned trend in net sales and costs, **operating income** in 2007 stood at 136.6 million €, a 22.4 million € increase compared to the 114.2 million € in 2006. In 2007, the increase in profitability (measured as operating income divided by net sales) was also confirmed, standing at 8.1%, compared to 7.1% in 2006. **Borrowing costs** totalled 33.1 million €, compared to 25.9 million € in 2006, of which 15.7 million € relating to the bonded loan issued by Piaggio Finance. The increase was almost entirely due to the IAS accounting entries relating to the discounting of employee leaving indemnity, while the increase in market interest rates during 2007 was largely offset by the effect of the reduction in debt.

2007 ended with consolidated **net income** of 60.0 million €, compared to 70.3 million € recorded the previous year. Taxation for the period totalled 43.5 million €, (17.9 million € at 31 December 2006), of which 17.3 million € for the release of the deferred tax asset recorded in 2006 by the parent company, in accordance with IAS 12. The tax charge increased compared to the previous year and is closely correlated to the improvement in the financial results of the year and the effect of the above release.

Consolidated Cash Flow Statement

The consolidated cash flow statement prepared in accordance with the IFRS international accounting standards is presented in the "Consolidated Financial statements and Explanatory notes at 31 December 2007"; the following is a comment relating to the summary statement shown in the Highlights.



Cash flow generated in the period was 48.2 million €.

Cash flow from operations, i.e. net income plus amortisation and depreciation, was 149.5 million €. The positive impact of this flow on the cash generated in the period, together with the positive impact of the decrease in working capital from 20.2 million € at 31 December 2006 to –0.8 million € at 31 December 2007 (-21.0 million €) was partly offset by investment activities for 88.3 million € and by the change in reserves of 6.7 million €, as well as by 11.8 million € of the first payment of dividends after the stock exchange listing and by 26.8 million € for the purchase of own shares. This positive performance also benefited by 6.3 million from the increase in share capital deriving from the taking up of the 2004-2007 stock options during the first half of 2007.

Investment activities absorbed 88.3 million € of liquidity. The increase in **fixed assets** essentially consisted of 36.2 million € of investments in tangible assets and 58.6 million € of investments in intangible assets, of which 3.2 million € for the discounting of the financial instruments issued at the time of the Aprilia acquisition, the counter-entry of which is under goodwill.

Piaggio Group Balance Sheet

Working capital – defined as the net total of: trade receivables and other current and non-current receivables, inventories, trade payables and other long-term payables and current trade payables, other receivables (short and long-term tax receivables, deferred tax assets) and other payables (tax payables and other short-term payables) – stood at -0.4 million €, down compared to 31 December 2006 (a net decrease of -20.6 million €).

Tangible assets consist of property, machinery and industrial equipment, net of accumulated depreciation, and assets intended for sale, as set out in more detail in the Explanatory notes to the consolidated financial statements in notes 16 and 26. At 31 December 2007 these totalled 248.6 million €, down 8.4 million € compared to 31 December 2006.

Intangible assets consist of capitalised development costs, patent costs and know-how, and the goodwill arising from the merger and acquisitions operations undertaken within the Group since 2000 onwards as set out in more detail in the Explanatory notes to the consolidated financial statements in note 15. At 31 December 2007 these totalled 637.5 million €, an increase of 7.2 million € compared to 31 December 2006.

Financial assets, defined by the directors as the total of equity investments and other non-current financial assets (refer to explanatory notes 18 and 19), totalled 1 million €, the same as at 31 December 2006.

Reserves consist of pension and employee benefits reserves (Note 33), other long-term reserves (Note 31), the current portion of other long-term reserves (Note 31), deferred tax liabilities (Note 32), and totalled 145.4 million €, down compared to 31 December 2006 (-6.4 million €).

Net debt at 31 December 2007 stood at 269.8 million €, compared to 318.0 million € at 31 December 2006. The 48.2 million € decrease compared to 31 December 2006 was mainly due to the positive trend in cash flow from operations and to the further containment of working capital, which enabled the funding of 91.7 million € of investment activities, the purchase of 7,340,000 own shares in relation to the 2007-2009 incentive plan and payment of the dividend. The breakdown of the net financial position, which is set out in more detail in the specific table in the Explanatory notes, may be summarised as follows:

Amounts in million €	31/12/2007	31/12/2006
(Medium/long-term financial payables)	(177.5)	(211.3)
(Bonded loan)	(145.4)	(144.6)
(Short-term financial payables)	(66.6)	(42.8)
Financial assets	18.4	11.9
Liquid assets	101.3	68.9
Total financial position	**(269.8)**	**(318.0)**

Shareholders' equity at 31 December 2007 totalled 471.4 million €, compared to 438.7 million € at 31 December 2006.

Employees

There were 6,847 Group **employees** at 31 December 2007, including 1,141 seasonal workers, an increase of 73 compared to 31 December 2006, mainly at the Indian subsidiary.

	Average number		Actual number at	
N°. people	2007	2006	31/12/2007	31/12/2006
Senior management	115	115	111	113
Middle management	412	369	425	382
Clerical staff	1,845	1,784	1,878	1,805
Manual workers	4,940	4,715	4,433	4,474
Total	**7,312**	**6,983**	**6,847**	**6,774**

3. Significant subsequent events

On 22 January 2008, the strategic guidelines relating to the development of Group activities in Asia were illustrated. They envisage the following:

- An industrial collaboration agreement with Daihatsu for the supply of 1,300 cc petrol engines and related transmissions for vehicles of the current Porter range.
- Development of further collaboration agreements for the supply by Daihatsu of component parts and groups that will be assembled on the new vehicles of the Porter and Quargo ranges, equipped with the new diesel and turbo diesel engines that will be produced in India by the PVPL subsidiary.
- An 8-year industrial collaboration agreement with Greaves for the supply to PVPL of the single-cylinder GL 400 BSII diesel engine up to 2009 and of the new single-cylinder G 435 BSIII diesel engine from 2010, to coincide with the coming into force of the Indian Bharat III regulations on emissions.
- Entry into the Indian 2-wheeled market, presumably between the end 2009 and the beginning of 2010

Furthermore, it is pointed out that all requirements envisaged in the "Personal data protection code" (Law 196/2003) have been complied with, including those regarding the "Technical specifications concerning minimum security measures" (annex B of the Code). The Planning Document "Documento Programmatico" of Piaggio & C. S.p.A. has been updated accordingly.

4. Operating outlook

In 2008, the Piaggio Group will focus on continually improving its competitiveness in all the sectors/markets in which it operates.

Quality, product cost and productivity will be the driving factors in 2008 operations, which will aim at increasing the sales of 3- and 4-wheeled commercial vehicles in India and relaunching them in Europe by establishing the Commercial Vehicles Division. Furthermore, particular attention will be paid to relaunching Moto Guzzi and consolidating the scooter sector in Europe and in America.

By completing the product range of Aprilia motorcycles, the Group intends to improve the positioning in this segment, while at the same time gaining a greater presence on international markets.

2008 will see the Piaggio Group focusing on future development and on new investment, the most significant of which are the development of hybrid engines and the construction of the facilities in Vietnam and in India.

5. Dealings with related parties

Net sales, costs, payables and receivables at 31 December 2007 involving parent companies, subsidiaries and associated companies relate to the sale of goods or services and are part of normal Group activities.

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

Information on dealings with related parties, including that required by the CONSOB communication dated 28 July 2006, is presented in Note E of the consolidated financial statements and in Note E of the parent company's separate financial statements.

6. The market

6.1 The 2-wheeled business

In 2007, the world market for motorised 2-wheelers (scooters and motorbikes) grew by 3% compared to 2006, with over 41 million vehicles sold.

Asia remains by far the number one market: the People's Republic of China confirmed its position as the biggest world market with some 16 million vehicles sold, an increase of 6%. In second place was India which, however, after years of expansion, in 2007 suffered a downturn (-5%) to 7.4 million vehicles sold. After a weak 2006, the trend returned to positive for the Southeast Asian market, which, with over 11 million vehicles sold, progressed by 1%: of countries in this area, Indonesia (+3% compared to 2006) accounted for a large portion of volumes, with 4.6 million vehicles, some 40% of sales, followed by Vietnam and Thailand with 2.5 million and 1.7 million, accounting for 22% and 15% of regional sales, respectively.

The Japanese market contracted again, down 2% compared to the year before with volumes below 700 thousand units.

As regards the Americas market, North America (over 90% in the USA) performed poorly, with sales not growing as in previous years: around one million vehicles were sold, 7% down compared to 2006.

Latin America, however, improved markedly in 2007 as a result of Brazil's strong performance (82% of the area), which saw an increase of 26%, with 1.6 million vehicles sold.

Europe, the main area for Piaggio Group businesses, saw further growth with around 2.3 million vehicles sold in 2007 (+5%), mainly from the scooter business (+8%) but also from motorcycles (+2%). In particular, this result is due to the strong performance of the over 50cc sub-segment (+4%) to which was added the considerable growth in the 50cc sub-segment (+9%); scooters outperformed motorcycles in the over 50 sub-segment as well (+5% compared to +2%).

The scooter market

Italy

The Italian scooter market ended 2007 with 405 thousand vehicles sold, a slight improvement on the 398 thousand in 2006 (+2%); this is mainly due to the turnaround in the 50cc scooter sub-segment (+11%), while the over 50cc sub-segment contracted again (-2%). It should however be pointed out that in 2006 there was the sales contract that the Piaggio Group signed with the Italian Post Office, without which the overall scooter trend for 2007 would have shown an increase of 8%, especially in the over 50cc scooter sub-segment (+7%).

Europe

The scooter market in Europe maintained its positive trend (+8%) in 2007 as well, improving from 1 million 301 thousand units in 2006, including the Post office contract, to 1 million 401 thousand in 2007 (+10% net of the Italian Post Office vehicles); this result is due to the strong performance of both the scooter sub-segments (over 50cc increased to 673 thousand units against 639 thousand of 2006, +5% and 50cc scooters went from 662 thousand units in 2006 to 728 thousand in 2007, +10%).

Among the main countries, Italy remained the key market (around 29% of the European market) with 405 thousand units (+2 compared to 2006), followed by France with 276 thousand (+16%) and Spain with 213 thousand (-2%); Germany, with 89 thousand vehicles sold, improved 6% compared to 2006.

If the growth of the French market is due to the positive performance of both the over 50cc and the 50cc scooters, the decline in the Spanish market is a result of the further contraction of the 50cc scooter sub-segment and the substantial slowdown in over 50cc scooters in the second half of 2007. In Germany, the strong expansion of the over 50cc scooters continued, which offset the contraction in 50cc scooters. The British market was also slightly positive, recording sales of 41 thousand units: over 50cc scooters performed well, offsetting the decline in 50cc scooters.

North America

In 2007, the North American scooter market contracted 2%, falling from 64 thousand units in 2006 to 63 thousand units in 2007. 50cc scooters performed well (+4%) while over 50cc scooters declined (-7%). In 2007, the scooter market in the United States (86% of the reference area) was stable with sales over 54 thousand units. The over 50cc scooter sub-segment (-7%) inverted the growth recorded the year before with a relative weight that however was greater than that of the 50cc scooters, +9%.

The motorcycle market

Italy

At the end of 2007, the motorcycle market (including 50 cc motorcycles) in Italy contracted from 169,368 units at the end of 2006 to 163,398 at 31 December 2007 (-3.5%), mainly as a result of the continued decline of the 126-750cc motorcycle sub-segment from 96,372 units in 2006 to 87,868 in 2007 (-8.8%). However, over 750cc motorcycles improved by 4% (56,536 vehicles in 2007 against 54,370 in 2006) and 51-125cc motorcycles sold 10,317 vehicles (+1.5%).

Europe (EU area)

The motorcycle market in Europe rose from 927,248 units in 2006 to 942,610 units at 31 December 2007 (+1.7%). Of particular note is the 7.2% growth in the over 750cc

motorcycles to 322,384 units compared to 300,768 at the end of 2006. The 51-125cc motorcycle segment improved slightly (+1.4%) from 137,021 units in 2006 to 138,896 units at the end of 2007. The 126-750cc mid-sized motorcycles however declined (-2.2%), ending 2007 at 381,159 units against the 389,635 at the end of 2006.

The most important markets are France (172,961 units), Spain (164,973 units), Italy (163,398 units), Germany (129,992 units) and, finally, the United Kingdom (96,261 units).

In Europe, the main sub-segment is again that of the mid-sized motorcycles between 126 and 750cc, where the Group is represented by the Aprilia, Moto Guzzi and Derbi brands, followed by that of the maxi motorcycles with engines over 750 cc where the Group is present with the Aprilia and Moto Guzzi brands. However, compared to previous years, there has been a reversal of trends since while the 126-750cc mid-sized motorcycle sub-segment is in decline (-2.2%), over 750cc motorcycles increased significantly (+7.2%). In particular, compared to the year before, maxi motorcycles improved 14% in Spain, 12.1% in the United Kingdom, 8.8% in France, 4% in Italy, while they were stable in Germany (+0.7%).

Compared to 2006, 51-125cc motorcycles, where the Group is present with the Aprilia and Derbi, improved in the United Kingdom (+3.7%) and in Italy (+1.5%), while they declined significantly in Germany (-6.4%), Spain (-4.6%) and France (-4.4%).

North America

In 2007, the motorcycle market in North America declined substantially (-6.1%) from 1,040 thousand units in 2006 to 968 thousand in 2007.

In particular, in the United States (92% of the area), the motorcycle sub-segment contracted appreciably compared to 2006 (-7.6%) to 894,209 units compared to 968,064 the year before. This negative trend relates to all segments, but is most evident in the 51-125 motorcycles (-25.6%).

Canada, however, improved slightly, ending 2007 with an increase of 2.2%, with sales just below 74 thousand units.

6.2 Light commercial vehicle business

In 2007, the European market for light commercial vehicles (vehicles with a gross weight of up to 3.5 tons) recovered compared to 2006, +7.2% (source: Acea December 2007).

On the domestic Italian market (source: ANFIA deliveries declared by the manufacturers) for the period January-December 2006, growth was even higher (+7.8%), with 252,894 units against 234,527 in 2006.

The Indian 3-wheeled market, where Piaggio Vehicle Private Limited, a subsidiary of Piaggio & C. S.p.A., successfully operates, declined by –6% compared to 2006. During 2007, sales to end users in the 3-wheeled segment reached 380,638 units compared to the 405,465 units recorded in 2006. (source: SIAM / PVPL).

Within this market, the sub-segment for passenger vehicles (3- and 6-seaters) was stable, with 237,031 units against 236,542 in 2006. After several years of growth, the cargo segment took a downturn (–15%), from 168,923 units in 2006 to 143,607 vehicles sold in 2007. A shift in demand to the 4-wheeled cargo (< 1 ton) commercial vehicle market, which PVPL entered with the new Ape Truk, is to be considered.

7. The regulatory context

Italy

In 2007, the process to apply the regulations contained in the Legislative Decree on the New Highway Code continued. In particular, application of the new moped registration system that came into force on 14 July 2006 continued without any particular problems. This system envisages the following innovations:

- new licence plates,
- new vehicle registration certificate,
- sale and exchange of title without the need for a notary (since mopeds are considered non-registered assets).

As a consequence thereof, all new mopeds registered for the first time and, in the future and on an optional basis, those already in circulation, have a new licence plate and new vehicle registration documents which allow the transport of a passenger provided that the driver is an adult. However, the mandatory application of the regulation to all mopeds has still not been defined in terms of timing or method and will be subject to a further ministerial circular.

As for the issue of licences for mopeds, procedures continue in a normal way for both minors and adults.

The end of the 2006-2007 academic year saw the end of the education campaigns organised at schools by the ANCMA, which the Group supported, in particular with the involvement of its own dealers in implementing part of the free courses held at schools.

As for regional and local initiatives to help reduce atmospheric pollution, the initiatives of the Regions of Lombardy, Piedmont, Emilia Romagna, Tuscany and the city of Rome should be noted. Starting in September 2006 for the three regions and from January 2007 for Rome, a permanent traffic ban applies to Euro 0 two-stroke mopeds and motorcycles. This ban applies to the area of 135 communes in Lombardy, 35 communes in Piedmont, in communes of at least 50,000 inhabitants in Emilia Romagna and in 23 communes of Tuscany.

Among the campaigns to encourage the replacement of vehicles in circulation, of note is the completion of the Lazio region campaign relating to the communes of Rome and Frosinone as a result of funds having been fully used. There are currently no other initiatives.

As for the insurance rates applied to 2-wheelers in Italy - which according to statistical analyses produced by DOXA-ANCMA represent the main barrier to the purchase of a 50cc scooter – there have been no significant changes. Depending on the area and the age of the rider, the average premiums for moped insurance have risen further or stayed at the very high levels of the last two years.

Finally, the Italian Department of Motor Vehicles (Motorizzazione Civile) has officially recognised the right to circulate on motorways, ring-roads and assimilated roads for heavy quads for goods transport (the category that includes the Quargo). Heavy quads lacking a body (ATVs, for example) are excluded from this.

Europe

As regards pollution emissions, in compliance with EU directives 2002/51/CE and 2003/77/CE, on 1 January 2007, the Euro 3 phase came into force for newly registered motorcycles over 50 cc. However, a clause has been applied in all European countries that allows Euro 2 motorcycles that were already in the dealer network to be registered throughout 2007.

Furthermore, a “small series” clause has been applied for the first time relating to vehicles with sales below 5,000 units per year. For these vehicles, the application of directives 2002/51/CE and 2003/77/CE has been deferred for one year, therefore the Euro 3 limits apply to those models as of 1 January 2007 for new type- approvals and as of 1 January 2008 for new registrations.

Future environmental regulations relating to 2- and 3-wheeled motor vehicles continued to be analysed by the EU throughout 2007, in particular as regards mopeds, tricycles and quads. However, these regulations are still in the draft stage and there are no certain dates for their publication as law.

The definition of harmonised international regulations regarding noise, braking and polluting emissions for 2-wheeled vehicles continued actively throughout 2007. Piaggio made a significant contribution to advancing the study activities on which the new regulation will be based at both a European and international level.

Following the coming into force of the Euro 4 parameters in the motor vehicle sector (N1 – Porter commercial vehicles), on 27 June 2007 the European Union adopted EU Regulation 715/2007/CE, which establishes the coming into force dates of the new Euro 5 (applicable to new type- approvals from 1/9/2009 and new registrations from 1/9/2010) and Euro 6 (applicable to new type- approvals from 1/9/2014 and new registrations from 1/9/2015) environmental regulations.

Overall, the products of the Piaggio Group conform to both the strictest European regulations and, with specific adaptations, to the regulations in North America and other non-EU countries (China, India, etc.).

8. The Piaggio Group

8.1 The 2-wheeler business unit

In 2007, the Piaggio Group, taking into consideration all the brands managed, Piaggio, Gilera, Vespa, Derbi, Aprilia and Guzzi, sold a total of 534.6 thousand units in the 2-wheeler sector (+2.7% compared to 2006), with net sales of 1,294.3 million € (4.6%) including spare parts and accessories.

Looking at the individual brands, 2007 again saw strong growth for Vespa which sold more than 117 thousand units (+17.1% compared to the year before) thanks to the performance of the LX, the GTS, the range of which was expanded with the 125cc version that made the GTS accessible also to those with only a car licence, and to the launch of the Vespa S. Sales volumes were down for Piaggio, which however had been lifted in 2006 by the Italian Post Office contract for 24,300 vehicles. Excluding the Post Office contract, the 209 thousand units sold in 2007 were 5% better than 2006; this result was above all possible by the success of the innovative MP3 and by the Cruiser, the more “motorcycle-like” version of the Beverly.

2007 was also a good year for Gilera, which sold some 39 thousand units, an increase of 12.2%. This result stems from the extension of the Nexus range with the 125 version, the introduction of the new Storm, but above all the Fuoco, Gilera's 3-wheeled scooter. 2007 saw the launch of the GP 800, the first twin-cylinder scooter produced by the Piaggio Group, and by far the most powerful on the market, which will contribute to the growth of the Gilera brand from early 2008.

As for Aprilia, the results for 2007, with 121.3 thousand units sold and 303.2 million € of net sales (+5.8% and +6.4%, respectively, compared to 2006), were conditioned by a slight reduction in volumes in the scooter sub-segment, offset by the strong performance of the motorcycle sub-segment.

While the scooter results reflect a product range which is being renewed and technologically updated, the positive result for motorcycles was due to the good performance in Italy of the new RS 125, the entry into the 126 cc – 1000 cc sub-segment with the new Pegaso 650 Strada and Trail and Tuono 2007 edition.

In 2007, Moto Guzzi reached sales volumes of 8,914 motorcycles compared to the 10,210 in 2006 (-12.7%) and net sales of 63.7 million €, compared to 75.0 million € the year before (-15.1%), due to delays in launching new models.

Net sales of spare parts and accessories grew 12.5% in 2007, rising from 141.2 million € in 2006 to 158.8 million €.

8.2 The 2-wheeler product range

The Piaggio, Vespa, and Gilera brands, formed by a broad range of products that largely already comply with Euro 3 regulations and are entrenched in the leading positions in sales tables, ensure excellent coverage of the various market segments.

The two best-selling models in 2007 were the Vespa LX (more than 69 thousand units sold) and the Piaggio Liberty (around 44 thousand units), followed by the Zip in third place (36 thousand units), the Fly in fourth (29 thousand units) and the Beverly in fifth (28 thousand units); there was a new strong increase in volumes of the Vespa GT/GTS range which, after having doubled sales in 2006, reached almost 25 thousand units sold in 2007.

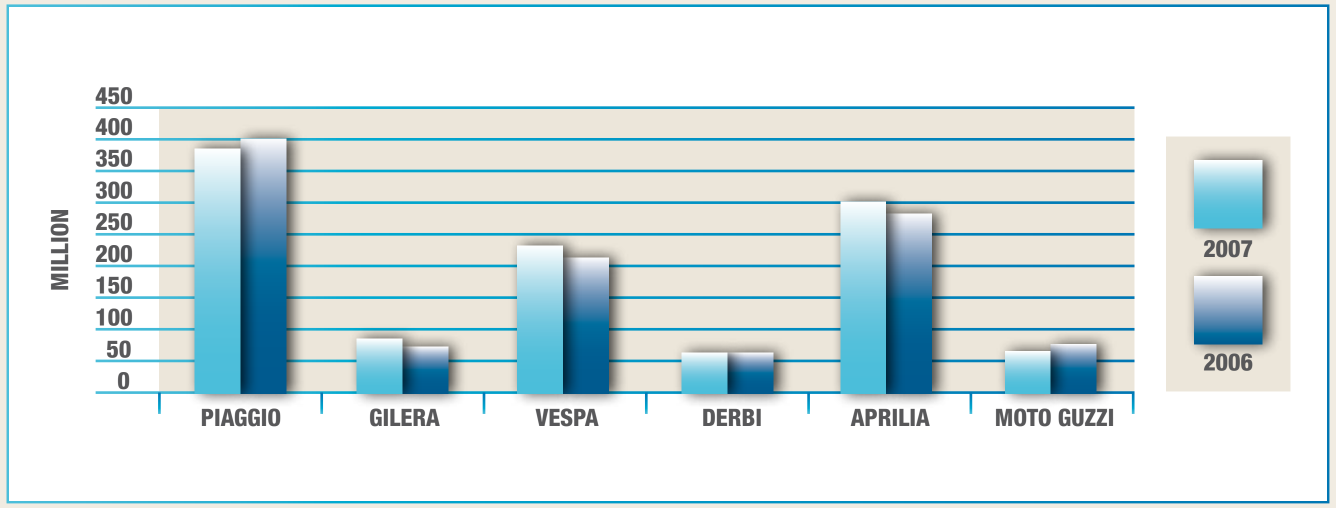
During 2007, Piaggio completed international distribution of the MP3 (more than 18 thousand units sold at the year-end), which can also be equipped with the 400cc engine, to which was added the “motorcycle-like” Beverly Cruiser in the 500cc version with a new, twin-sparkplug engine, and the Carnaby, the new high wheel 125cc and 200cc scooter.

In 2007, Gilera continued to reposition its brand towards premium customers: in the first quarter, the Nexus range

Directors' report

	2007		2006		% change		Change	
	Volumes Sell in ('000 units)	Net sales (million €)	Volumes Sell in ('000 units)	Net sales (million €)	Volumes	Net sales	Volumes	Net sales
Piaggio	209.3	386.5	224.4	396.9	-6.7%	-2.6%	-15.1	-10.3
Gilera	39.0	81.6	34.8	68.0	12.2%	19.9%	4.2	13.6
Vespa	117.2	233.7	100.1	208.8	17.1%	11.9%	17.1	24.9
Derbi	39.0	63.3	36.4	62.2	7.1%	1.8%	2.6	1.1
Aprilia	121.3	303.2	114.6	285.1	5.8%	6.4%	6.7	18.1
M. Guzzi	8.9	63.7	10.2	75.0	-12.7%	-15.1%	-1.3	-11.3
Total	**534.6**	**1,131.0**	**520.4**	**1,096.0**	**2.7%**	**3.3%**	**14.2**	**36.1**
of which scooters								
Piaggio/Vespa/Gilera	361.8	696.1	355.7	668.2	1.7%	4.2%	6.1	27.9
Derbi	7.9	9.6	10.2	14.3	-22.2%	-33.0%	-2.3	-4.7
Aprilia	83.6	148.4	84.8	151.9	-1.5%	-2.3%	-1.3	-3.5
Total Scooters	**453.3**	**854.1**	**450.7**	**834.4**	**0.6%**	**2.4%**	**2.6**	**19.7**
of which motorcycles								
Piaggio/Vespa/Gilera	3.7	5.8	3.504	5.531	5.6%	4.0%	0.2	0.2
Derbi	31.1	53.7	26.2	47.9	18.4%	12.1%	4.8	5.8
Aprilia	37.7	154.8	29.8	133.1	26.6%	16.2%	7.9	21.6
M. Guzzi	8.9	63.7	10.2	75.0	-12.7%	-15.1%	-1.3	-11.3
Total Motorcycles	**81.4**	**277.9**	**69.7**	**261.6**	**16.7%**	**6.2%**	**11.7**	**16.3**
Spare parts and accessories		158.8		141.2		12.5%		17.7
Other		3.4				N.S.		3.4
TOTAL	**534.6**	**1,294.3**	**520.4**	**1,237.2**	**2.7%**	**4.6%**	**14.2**	**57.1**

2-WHEELER NET SALE



was extended with the 125cc version, making the sports nature of the Gilera GT accessible to those with only a car licence; the second half of the year, however, delivered the true novelty of 2007, the Fuoco 500, a 3-wheeled scooter with a particularly sporty character.

In 2007, Vespa also added a new model, the Vespa S with a 50cc 2-stroke and a 125cc that adds a touch of sportiness to the most classic scooter on the market. In only four months, some 6,500 units were sold.

The Aprilia product range consists of a diverse series of scooters and motorbikes with various engine sizes.

In 2007, the process of renewing the Scarabeo range was completed with the launch of the new 125 and 200 models, which should achieve impressive sales results. The two new vehicles substitute the Street models having the same engine capacity and are positioned at the top end of the segment of reference in terms of equipment and performance (they are unique in having twin camshafts), with the aim of consolidating the brand on the Italian market and of being a main player in the European market. As concerns the motorcycles, 2007 saw the launch of two new major models, the Shiver 750 and the Mana 850, which opened the door to Aprilia of the mid-sized Naked segment (40% of the European market), and the completion of the Pegaso range with the launch of the Factory version.

In the first quarter of 2007, Moto Guzzi confirmed the major evolution in its range of vehicles, thanks to a series of style and quality innovations that regarded all models.

In the last months of the year, the Breva received a major upgrade with the 1200 engine and some style and quality details, and the new Griso 8v was presented, a model that provides a presence in the important premium sports Naked sub-segment, which is ever expanding. This model is the first in the range to benefit from the revolutionary 4-valve per cylinder engine that meets the need for higher performance Moto Guzzi engines and which will be extended to the entire range.

Finally, the Stelvio 1200 4V enduro and the vintage-styled V7 Classic were unveiled at the Milan international motorcycle show in November, much to the interest of both the public and journalists.

8.3 The LCV business unit

The Light Commercial Vehicles (LCV) division operates in the 3- and 4-wheeled vehicle segment, developing, manufacturing and selling the APE, Porter and Quargo vehicles in Europe and in India, in a variety of versions and engine sizes.

The Light Commercial Vehicles (LCV) division ended 2007 with 173,871 units sold, an increase of 8.4% compared to the 2006 volumes, while net sales rose from 356.6 million € in 2006 to 380.2 million € in 2007 (+6.6%). The net sales generated in Europe totalled 163.2 million €, while India, following strong growth in volumes and including net sales for spare parts and accessories, reached 217.0 million € of net sales.

With 19,500 units sold in Europe, Piaggio consolidated its role as the key player in the niche of "compact" commercial vehicles which are small, highly manoeuvrable and have a high load-bearing capacity in relation to their size.

The growth in volumes and net sales achieved in 2007 by Piaggio Vehicles in India, in spite of a decline in the 3-wheeler market, enabled our subsidiary to continue strengthening its presence on the local market, where it confirmed its position as the second Indian operator.

Sales on the local market improved from 137,577 units in 2006 to 149,790 units in 2007 (+8.9%). In particular, Piaggio Vehicles consolidated its role as market leader in the cargo (freight) segment and as the key follower in terms of dynamism and innovation in the passenger segment.

In the cargo sub-segment (0.5 tons and 0.75 tons), thanks in particular to the "Piaggio Ape 501" and its numerous personalisation possibilities to meet the varying needs of customers, the market share of Piaggio Vehicles stood at 43.6%, increasing the gap, now 23%, with the second manufacturer (SIAM / Piaggio Vehicles figures).

Piaggio Vehicles increased its market share significantly in the passenger sub-segment as well, 36.8% against 30.4% in 2006, increasingly asserting itself as a valid alternative to the historic local market leader.

As regards the product range in Europe, 2007 featured the introduction of the Quargo Model Year 2007 and the Ape Calessino (a limited edition Ape for passenger transport sporting luxury fittings of which only 999 were produced), while the Ape Truk (derived from the European Quargo) was introduced on the Indian market in order to be present on the 4-wheeled commercial vehicle market, currently in great expansion. In 2007, net sales of spare parts and accessories increased 3.7% from 35.1 million € in 2006 to 36.4 million €.

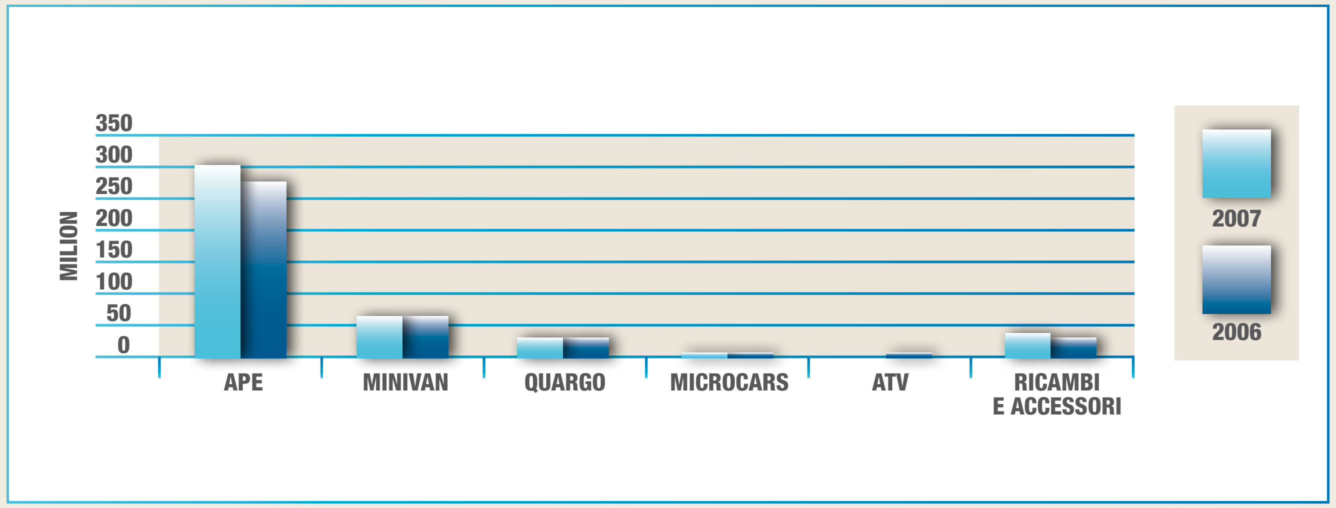
8.4 Research and development

The Piaggio Group carries out its research and development activities of new products or technologically advanced solutions to be applied to its vehicles and engines in the production facilities of Pontedera, Noale, Mandello del Lario and Barcelona. Piaggio Vehicles uses the product development projects carried out centrally in Pontedera for its LCV business.

The Piaggio Group continued in 2007 with its policy aimed at maintaining technological leadership in the sector, setting aside overall resources of 70.6 million € (of which 62.2 million € in Piaggio & C. S.p.A., 4.0 million € in Nacional Motor, and 4.4 million € in Moto Guzzi) for R&D activities, 4.2% of net sales (4.0% in 2006), of which 47.9 million € was capitalised under intangible assets as development costs, patent costs or know-how, depending on the category.

	2007		2006		% change		Change	
	Volumes Sell in ('000 units)	Net sales (million €)	Volumes Sell in ('000 units)	Net sales (million €)	Volumes	Net sales	Volumes	Net sales
Ape	161.0	250.1	149.2	228.2	7.9%	9.6%	11.8	21.9
Minivan	7.0	62.4	6.8	61.7	3.4%	1.2%	0.2	0.7
Quargo	5.4	28.1	3.8	27.3	44.3%	3.2%	1.7	0.9
Microcars	0.3	2.4	0.4	3.0	-22.9%	-19.0%	-0.1	-0.6
ATV	0.1	0.7	0.2	1.3	-42.2%	-46.4%	-0.1	-0.6
Spare parts & accessories		36.4		35.1		3.7%		1.3
Other		0.0		0.1		-100.0%		-0.1
TOTAL	**173.9**	**380.2**	**160.3**	**356.6**	**8.4%**	**6.6%**	**13.5**	**23.6**
of which India	154.4	238.0	139.4	206.4	10.7	15.3	15.0	31.6

LCV NET SALES



In particular, research activities relating to product innovation and manufacturing technology projects used 4.0 million € of resources; the development activities for the remaining 66.6 million € concerned in particular new vehicles and new engines (environmentally friendly above all).

Following the development activities for new 2-wheeled products, for an overall cost of 57.6 million €, of which 24.2 million € for the Piaggio, Gilera, and Vespa brands, 4.0 million € for Derbi and 25.0 million € for Aprilia, during 2007 the offer was able to benefit from the production start-up of many vehicles.

Piaggio launched the new Carnaby scooter, the X7 and the X8 Evolution, and began experimenting with a hybrid engine; 2007 saw Vespa launch its Vespa S models, while Gilera launched the new GP800.

Aprilia on the other hand launched new models of the Scarabeo and Sport City scooters. As regards motorcycles, the new Mana and Shiver were launched.

As for engines, development activities focused on the new 1000 and 1200cc 4-cylinder engines.

Regarding the LCV business, the total cost in 2007 was 9.0 million €, compared to 4.4 million € spent in 2006. During the year, the Ape Calessino, the Porter Maxi and the Porter GPL were all developed, as well as a new diesel engine in various sizes, which will be produced in India.

As for Guzzi, research and development costs totalled 4.4 million € which were mostly capitalised, and concerned the production launch of both new vehicles such as the Bellagio and the Stelvio as well as the new 4-valve engine.

R&D projects funded by the Ministry of Economic Development

The accounting checks of the agent bank were completed in 2007 with the subsequent drawdown of the subsidised loans and the grants related to assets for the X-11 ("Innovative, high performance maxi scooter for a global market") and T.W.O. (Two Wheels Optimized: innovative, highly technological solutions for 2-wheeled vehicles with a high degree of ecological friendliness, safety, ergonomics, comfort and handling performance)" projects.

The Ministry of the University and Research provided some 2 million Euros, the balance of the grant related to

Company	2007			2006		
Amounts in million €	Capitalised	Costs	Total	Capitalised	Costs	Total
Piaggio & C.	41.0	21.2	62.2	35.3	22	57.3
of which 2-wheeler Piaggio/Gilera/Vespa	15.1	13.1	28.2	15.5	13.9	29.4
of which 2-wheeler Aprilia	18.9	6.1	25.0	17.4	6.1	23.5
of which VTL	7.0	2.0	9.0	2.4	2	4.4
Nacional Motor (Derbi)	2.6	1.4	4.0	2	2.3	4.3
M. Guzzi	4.3	0.1	4.4	3.5	0.5	4.0
Total	**47.9**	**22.7**	**70.6**	**40.8**	**24.8**	**65.6**

assets for the project on innovative, high performance vehicles (PAVI), which ended positively in 2006.
During the year, research activities funded by the European Union continued, which see the Piaggio Group active, as project coordinator as well, in highly innovative onboard systems for active and passive safety on 2- and 3-wheeled vehicles. Together with the introduction of the EU's New Framework Programme (7PQ), the Group presented two new projects, having consolidated positive relations.
The Group also completed the LAMBDA ION and TETRA industrial research projects funded by the Tuscany Region for two feasibility studies that will contribute to the development of more efficient engines and safer vehicles.
In June, within the framework of the Industria 2015 programme, the Piaggio Group accepted the invitation of the Ministry of Economic Development to present planning ideas for the topical areas of Sustainable Mobility and Energy Efficiency.
The research activities suggested by the Group as well as other Italian companies enabled research tenders to be defined, which are expected to be published in March 2008.
Also of note is that the Technical Scientific Committee of the Ministry of the University and Research has changed the name (to Piaggio) on 5 research projects presented by Aprilia in 1999/2001 and not completed. We mention in particular the O.N.E. project, which obtained the EUREKA label and of which we already have the ministerial concession decree, which is of particular importance for both the qualitative and the quantitative aspects of the research, since there is a limit of some 14 million Euros of costs allowed.
Finally, of note is the publication of the Ministry of the University and Research's concession decree regarding the Mid2R project on injection systems in traditional and methane-burning engines (8 million Euros of costs allowed), where the Group plays a leading role in a consortium of companies.

8.5 Production

Pontedera facilities

During 2007, a new line to assemble and test high performance engines was completed: it regards the 4-stroke 4-valve 750cc with manual transmission for the Shiver Aprilia motorcycle, and the 4-stroke 4-valve 850cc engines in the versions with the Continuously Variable Transmission for the GP800 scooter and with the sequential transmission for the MANA Aprilia motorcycle.
Still regarding 2-wheelers, industrialisation has been completed for the assembly-testing of the GP800 maxi scooter.
Furthermore, the S.P.I.R.A.L. ("Sviluppo Processo Informatizzato per la Rilevazione delle Anomalie di Linea" – Development of an automated process for detecting line anomalies) project was implemented, aiming to improve the quality of finished vehicles with a more effective instrument for detecting and solving anomalies.

Scorzè facility

Industrialisation of the MANA and SHIVER motorcycles has been implemented on the existing assembly lines.

Mandello del Lario facility

The preliminary project to restructure the industrial site has been completed.
A new internal production layout has been planned, with a modified goods flow and routing, a new entrance has been opened and the road front has been improved to increase the visibility of the Moto Guzzi trademark, as well as a front end for customers.
The work will involve major demolition and building extensions, and the substitution of a substantial part of the mechanical and electrical supply systems.

Barcelona facility

A new line has been completed to assemble and test the integral wheel sub-groups.

Baramati facility

A new building is under completion, which will house production of the new 1,200cc twin-cylinder engines.

HANOI facility

Construction is underway of a new facility for the production of Vespa vehicles, which will be ready by the end of 2009.

Environmental, and occupational health and safety certification

The ISO 14001:2004 (environmental) and OHSAS 18001:1999 (occupational health and safety) certification processes have been successfully completed for the facilities in Pontedera, Noale, Scorzè and Ternate.

World Class Manufacturing

During 2007, the World Class Manufacturing project was started, regarding production and logistics in the facilities of Pontedera, Scorzè, Barcelona and Mandello Del Lario, aiming to improve the Key Performance Indicators of the facilities by applying "lean production" techniques.

9. Risk factors

The Piaggio Group has implemented risk management procedures in the areas of main exposure, which are identifiable at the strategic, market, operating, financial and legal levels.

Strategic risks

The Piaggio Group has identified as strategic risks the system of opportunities and threats.
In particular, the Group's strategy aims to:

- Grasp new business opportunities both in geographic and market segment terms;
- Correctly assess the potential of markets;
- Invest financial resources in the areas of greatest potential;
- Choose the most suitable form of presence for the local needs;
- Protect its brand names and its products.

Market risks

Risks associated with changes in customer preferences – Our success depends on our ability to produce products that satisfy consumer tastes and that meet their transport requirements. If our products were not to satisfy our customers, we would achieve lower than planned sales, we would need to offer greater discounts and we would therefore have lower margins. The Piaggio Group, which constantly invests in research and development activities, has a dedicated team capable of anticipating and meeting market needs and trends, and introducing innovative products.
Risks associated with the high level of competition in the market – Many of the Group's main competitors have sig-

nificantly greater dimensions, financial resources and production capacity.

An extremely aggressive pricing policy implemented by the competition could force our Group to increase discounts, thereby reducing margins, in order to defend its market share. The Group's ability to continually introduce innovative products to the market protects us at least in part from this risk.

Risks associated with the protection of trademark, licence and patent rights - The Piaggio Group protects its products and its trademarks worldwide. In some countries where the Group operates there are no regulations in place to ensure certain levels of protection for intellectual property. This may undermine the measures implemented by the Group to protect itself from third parties abusing this situation. Illegal copying by part of the competition may have negative repercussions on our sales.

Risks associated with seasonal variations of the business cycle - Our business is highly cyclical seasonally. Sales of 2-wheeled vehicles are concentrated in spring and summer. Furthermore, an excessively rainy spring may reduce the sales of products with negative effects on our financial results and business situation. In order to face up to these risks, the Piaggio Group has established a flexible production structure which, thanks to vertical part-time and term contracts, is able to cope with peaks in demand.

Risk relating to the regulatory framework of reference - Our business is highly regulated. In order to be type-approved, our products must meet minimum technical requirements in terms of safety, noise, consumption and gas emissions that various domestic and international government institutions have defined. The issuing of regulations that are more restrictive than existing ones may place the products currently in circulation off the market and force manufacturers to invest in order to comply with them. In this respect, the Piaggio Group, as a leading manufacturer worldwide, is often invited to attend with representatives the parliamentary committees empowered with drafting new regulations.

Risks relating to the macroeconomic situation - Our business is also affected by general economic conditions, which may differ in the various markets in which we operate.

Operating risks

Operating risks are all those factors internal to the corporate organisation, as well as external to it but related to current operations, which may have negative effects on the Group.

In order to satisfy the needs of the various markets, the Group must be able to organise and coordinate integrated production, logistic and commercial processes. The activity of procuring goods, proper warehouse management, and the ability to deliver vehicles and spare parts in a timely manner are essential for the success of our strategies.

Factors external to the company, such as prolonged strikes in the transport sector, may halt production and the delivery of the vehicles produced.

Risks associated with dependency on suppliers and the policy of global sourcing – In carrying out its activities, the Group uses various suppliers of raw materials, semi-finished products and components for its vehicles.

The Group's business is conditioned by the ability of its suppliers to ensure the qualitative standards and the specifications required for the products, as well as the related delivery times.

The Group has implemented a component purchasing policy consisting in increasing deliveries from low-cost Asian countries (while maintaining the qualitative standard unchanged), taking advantage of its direct presence in India and China.

In the future, the unavailability of the products provided or any supplier defaults with regard to quality, the specifications required and/or delivery times may lead to increased costs for supplies, interruptions and damage to the Group's business.

Risks associated with the operations of the industrial facilities – The Group operates out of industrial facilities located in Italy, Spain and India. These facilities are subject to operating risks, including for example, equipment failure, non-compliance with applicable regulations, the withdrawal of permits and licences, the non-availability of staff, natural catastrophes, sabotage, assaults or significant interruptions in the provision of raw materials or components. Any interruption in production may have a negative impact on the business and the financial and economic situation of the Group.

Operating risks associated with the industrial facilities in Italy and abroad are insured with specific policies divided among the various facilities according to their relative importance.

Financial risks

Risks associated with financial debt - At the balance sheet date, Piaggio Group's main sources of finance are:

- a bonded loan for a total of 150 million Euros, issued by Piaggio Finance and guaranteed by Piaggio & C., maturing on 30 April 2012 and bearing a fixed rate coupon of 10%;
- bank borrowings for a total of 176.4 million Euros, the breakdown of which is detailed by type, rate and maturity in the explanatory notes.

Furthermore, the Group has some other minor loan agreements and revocable credit lines outstanding for a total amount of €/000 389,535.

The outlined debt may in the future negatively condition the Group's business, limiting its ability to borrow further or to borrow at less favourable terms.

Exchange risk – The Piaggio Group carries out transactions in currencies other than the Euro, which exposes it to the risk arising from fluctuations in the exchange rates of the various currencies.

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.

Group policy requires that the hedges must be at least 66% of the business exposure of each month.

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

In 2007, exchange rate risk was managed in line with the policy adopted in 2005 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.

Interest rate risk – the Group owns assets and liability, which are affected by changes in interest rates, which are needed for the management of liquidity and financial requirements. These assets and liabilities are subjected to interest rate risk, which is hedged by the use of derivative instruments.

Collection risk – the Piaggio Group is exposed to risks associated with delays in the payment of receivables. To counteract this risk, the parent company has signed agreements with some major Italian and foreign factoring companies to sell without recourse of its trade receivables.

Country risk – the Piaggio Group operates internationally and is exposed to risks associated with this extensive internationalisation. Political instability in some of the countries in which we operate, changes in legislation and the raising of customs barriers may have negative effects on our profitability.

Legal risks

Risks associated with product liability – The Piaggio Group is exposed to the risk of lawsuits being taken out for product liability in the countries in which it operates. Even though no claim for damages has yet been made to the

Group that has not been covered by an insurance policy, such claims could be made in the future, with particular reference to the use of 2-wheeled vehicles in the United States. Any successful claims for damages that exceed the existing insurance cover regarding product liability may have some negative effects on the business, as well as the economic and financial situation of the Group.

Risks associated with defective vehicles – The vehicles produced by the Piaggio Group, including the components supplied by third parties and installed on them, may have unexpected defects that may require prompt repair under warranty as well as expensive recalls.

To prevent such risks, the Piaggio Group has implemented a quality control system for components received and for finished products with some of the highest standards on the market.

Risks associated with the disclosure of financial information – The group is exposed to the risk of possible inadequacies in the corporate procedures in place to ensure compliance with the main Italian and foreign regulations to which it is subjected. In 2007, the Group appointed the manager in charge and formalised the plan to adapt the internal control systems for companies with registered offices outside the UE.

Its international presence exposes the Group to various tax regulations. Their evolution may expose to Group to risks of non-compliance.

10 Human resources and quality systems

10.1. Quality and customer service

2007 marks implementation within the Group of the Integrated System to Manage Quality, Safety and the Environment (Sistema Integrato di Gestione della Qualità, della Sicurezza e dell'Ambiente) planned to make available a series of "instruments" to "understand and know" stakeholder expectations and to develop short- and medium-term improvement programmes that enable them to be met. All this led to the system itself being certified in compliance with international standards of excellence (UNI EN ISO 14001:2004 and OHSAS 18001:1999) for all the facilities of the parent company.

During 2007, the analysis activities of Customer and Dealer Satisfaction were integrated with the planning of a system to detect Vendor Satisfaction, which will enable the Group to strengthen its partnership with those suppliers that are key to the creation of product value; this initiative parallels and supports the innovative instrument of the supplier portal, which will bear its fruits in 2008.

In order to efficiently manage customer relations, an integrated, multichannel system of Group contact centres has been developed and extended to all the main European countries and to the United States, and this system is at the heart of important Customer Relationship Management (CRM) activities that will be carried out during 2008.

The need to strengthen technical support and service to the network regarding key topics, such as the technological evolution of the products, has led to insourcing Technical Help Desk activities: each Brand/Country now has its own technical After-Sales assistance platform, supporting the activities of the Dealers.

The result, which will be better seen in 2008, is improved quality in the service provided and a greater direct feedback from the market on products (especially for new models).

Finally, the spare parts level of service, which had a few problems in 2006, had already returned to "competitive" levels during the first months of 2007 and stayed that way throughout the year.

10.2 The organisation

During 2007, the group further strengthened its international marketing and industrial presence.

Particular attention was focused in Asia, where the Group, which already has an industrial presence in India and in China, commenced building a new production facility in Vietnam. Special attention has been paid to detailed organisational planning (corporate regulatory framework) so as to provide the basis for solid and organic corporate governance, capable of "standardising" behaviour while protecting the specific and distinguishing characteristics of brand/market/geographic area. Along with the organisational planning, initiatives have been implemented aiming to create a "management model" that is consistent with the Group's international "vocation".

In particular, some instruments have been introduced, such as:

- "P&Co" Group house organ – distributed worldwide and planned in order to create a "world wide community" – where professional and managerial experiences meet and discuss;
- Piaggio Net International – an intranet that is operational in Europe, created as a platform for discussion and interaction, this is the first part of a global networking plan;
- "*Progetto Master*", a policy for inserting into the company young people with personal and professional characteristics, capable of stimulating in the future a management style that is focused on innovation, competition and adding value to the cultural "wealth" existing within the Group.

Furthermore, the leadership and managerial profile guiding the rewarding, development and the enhancement of Group human resources (key managers & people) has been identified.

10.3 Personnel

In 2007, the overall Group personnel – that is, not only Group employees worldwide but also seasonal workers for Piaggio operations – totalled 7,390 people, of whom 4,798 working in Italy, an overall increase of 234.

The 3% increase - decidedly lower than the turnover rate – confirms the continuous efforts of the Group to seek innovations aimed at improving the overall efficiency of the organisation.

In particular, the re-engineering of the processes made possible by the development of IT, which will continue in 2008, enabled a diversification of the workforce mix with a growth rate of professional and/or specialised personnel focused on product and process innovation and development (+10.9%, from 5% to 5.7% of the total workforce) and product testing and laboratory activities. 5,706 people held stable employment within the Group, 4,237 of them in Italy, an increase of 103. Of note is the development of the various ventures in the Far East, which will characterise 2008 as well, with the consolidation of the start-up Piaggio Vietnam Co. Ltd.

In this framework, the most consolidated venture, PVPL, continues to develop and records an increase in people holding stable employment from 671 at 31.12.2006 to 800 at 31.12.2007, with a substantial increase in managerial staff, from 66 to 98.

10.4 Industrial relations

2007 was characterised by a renewal in industrial relations. In particular, relations at the national level were developed to ensure information and dialogue on topics that regard the Group as a whole.

In the second half, the business strictly related to renewing the national collective bargaining agreement of the metalworkers' sector, which expired on 30 June, was managed in parallel with the consolidated handling of current integrated agreements (by facility/operating unit).

As regards the environment, and health and safety at the workplace, in addition to the normal activities of information and discussion with the worker safety representatives of each operating unit, new instruments were put in place with the aim of being certified OHSAS 18001, evidence of the company's commitment to develop the business in a framework of social and environmental sustainability.

The quality of the industrial relations was confirmed by the number of strikes, which fell from 30 in 2006 to 23 in 2007 (11 of which connected with the collective bargaining agreement), with a 46.7% reduction in hours lost as a result of internal dissent.

Absenteeism as a result of illness and injury was stable at 5.6%.

11. Other information

11.1 Corporate

During the year, the Group's corporate structure changed as a result of the following events:

- The voluntary liquidation of Piaggio Portugal Limitada, following the appointment as importer of two local companies which will continue to represent Piaggio on the Portuguese market.
- On 26 January 2007, Piaggio & C. S.p.A. sold its 20% equity investment in D.E.V. S.r.l. in liquidation to Holdipar S.r.l. with registered office in Asolo (TV), Via S. Anna 9, for 40,000 Euros. Piaggio & C. S.p.A. is no longer a shareholder of D.E.V. S.r.l.
- Effective 28 February 2007, completion of the closure of the AWS branch in the United Kingdom following the transfer of its activities to Piaggio Limited.
- The voluntary liquidation of Piaggio Indochina Pte Ltd.
- Effective 1 October 2007, completion of the closure of the AWS branch in France following the transfer of its activities to Piaggio France S.a.s.
- On 2 October 2007, establishment of Piaggio Vietnam Co. Ltd. with registered office in Hanoi, Vietnam, with 51% of the share capital held by Piaggio & C. S.p.A. and 49% by Piaggio Vespa Bv.
- On 19 December 2007, Aprilia Japan changed its company name to Piaggio Group Japan.
- Merger by incorporation of Aprilia Hellas S.A. into Piaggio Hellas S.A., effective 31 December 2007.

Furthermore, the following transactions took place in early 2008:

- On 10 January 2008, disposal of the 0.5% equity investment in Geofor Patrimonio S.p.A. to the Municipality of Pisa.

11.2 Disputes

As part of the case brought by Leasys S.p.A-Savarent at the Court of Pisa against the Company as guarantor of the latter in relation to the requests made by Europe Assistance against Leasys at the Court of Monza, regarding the initial supply of vehicles for Poste Italiane, on 28 June 2006 the Judge in Pisa issued an ruling suspending judgment until the procedure is completed in the Court of Monza.
Furthermore, Leasys S.p.A. has appealed by means of an injunction claiming payment of some invoices relating to costs incurred by Leasys as a result of having tested the mopeds rented by Leasys to Poste Italiane S.p.A.. The Company has opposed such injunction since, in accordance with the underlying supply contract, the testing in question and the related costs were not the responsibility of the Company.
On 25 May 2006, Piaggio & C. S.p.A. brought a case against some companies of the Case New Holland Group (Italy, Holland and USA), in order to recover damages under contractual and non-contractual responsibility relating to the execution of a supply and development contract of a new family of utility vehicles. At the hearing on 16/03/2007, the judge set the dates, as established pursuant to article 183 of the Italian Code of Civil Procedure, for filing motions and has set a hearing for 17/10/2007 in which to discuss the motions submitted by the parties. This latter hearing has been postponed in order to appoint a new judge to the case.
On 29/05/2007, Gammamoto S.r.l., are former Aprilia concessionaire for Rome, brought a case against the Company regarding contractual and non-contractual responsibility. The Company has contested the entire basis of Gammamoto's claims and has objected regarding the competence of the judge.
The next hearing has been set for 26 March 2008.
As regards the tax disputes involving the parent company Piaggio & C S.p.A., an appeal has been lodged regarding the notice of inspection relating to 2002 delivered to the Company. This inspection originated with the arrival at the Company of the Italian tax authorities (Agenzia delle Entrate) in 2007 on the basis of findings listed in the inspection procès-verbal drafted in 2002 following a general check. In this respect, the Company did not deem it necessary to make any provisions in consideration of the positive indications expressed by the professional experts engaged by the defence. The main tax disputes of the other Group companies concern P&D S.p.A. in liquidation, Piaggio Espana SA incorporated into Nacional Motor S.A. and Piaggio Vehicles PVT Ltd.
In more detail, with regard to P&D S.p.A. in liquidation, there are disputes arising from the notices of inspection issued by the Italian tax authorities for the tax periods 1993, 1994, 1995-1997 and 2000-2002 based on the 1999 inspection, which led to the drafting of the inspection procès-verbal.
Regarding the notices of inspection, the courts found in favour of the Company in the first and second degrees for the years 1993 and 1994. The government lawyers (Avvocatura Generale dello Stato) has appealed to the Supreme Cassation Court (Suprema Corte di Cassazione) regarding these second instance sentences and P&D promptly filed counter-appeals and incidental motions. The case is pending and, to date, we are waiting for the Supreme Court to fix a date for the next hearing.
As regards the later years, the judges of the Pisa Provincial Tax Commission found in favour of P&D in the first degree for the years from 1995-1997, while the Florence Regional Tax Commission found against P&D, finding the inspection notices to be legitimate, setting off legal costs. The Company has decided to appeal to the Supreme Cassation Court, followed by a counter-appeal filed by the government lawyers. To date, we are waiting for a hearing date to be set.
Finally, concerning the inspection notices for the years 2000, 2001 and 2002, P&D S.p.A. has appealed to the Pisa Provincial Tax Commission, but the decision has been delayed pending the outcome of the Cassation Court's ruling on the disputes relating to the earlier years.
In relation to the above dispute, the Company has not considered it necessary to make provisions in the balance sheet in light of the positive outcome of all the judgments issued so far by the tax commissions from time to time involved in the case, at least up to the most recent ruling of the Florence Regional Commission which is the only exception, and in consideration of the positive indications expressed by the professional experts engaged by the defence regarding the existence of valid reasons to appeal the Supreme Court's ruling against P&D and on the reasonable likelihood of a positive outcome to the proceedings currently pending before the competent judicial authorities.

As regards Nacional Motor S.A., there is a tax dispute before the Supreme Court (the highest court of judgment), for which the company has arranged to allocate the contested amount.
Finally, as concerns Piaggio Vehicles PVT Ltd, there are currently various disputes regarding different years between 1998 and 2003 regarding both direct taxation and customs duties. The company has not considered it necessary to make provisions in the balance sheet in light of the positive indications expressed by the professional experts engaged by the defence.

11.3 Stock option plan

In reference to the incentive plan for 2004-2007 ("**2004-2007 plan**"), on 31 January 2007, 5,328,760 new shares were issued and allotted to the beneficiaries who had exercised on 26 January 2007; of these, 3,920,760 at a price of € 0.98 and 1,408,000 at a price of € 1.72.
At the date of approval of these financial statements, all the options allocated under the 2004-2007 Plan have been duly exercised.

Rights	N°. of options	Average exercise price (Euros)	Market price (Euros)
Rights existing at 31.12.2006	**5.328.760**		
° of which exercisable at 31.12.2006	**5.328.760**		
New rights granted in 2007	6.510.000	3.55	3.704*
Rights exercised in 2007	5.328.760	1.1755	3.135
Rights that expired in 2007			
Rights existing at 31.12.2007	**6.510.000**		
° of which exercisable at 31.12.2007	**0**		
* market price of the underlying financial instruments at the grant date.			

Consequently, the new share capital of Piaggio & C. S.p.A. has become € 205,941,272.16 represented by 396,040,908 shares of € 0.52 par value. On 7 May 2007, the ordinary shareholder meeting of the Company, conditional upon revoking the resolutions passed by the shareholder meeting on 8 March 2006 in relation to establishing a stock incentive plan for the period 2007-2009, approved, in accordance with article 114-bis of Law 58/1998, a new incentive plan for the top management of the Company or of Italian and/or foreign companies controlled by it in accordance with article 2359 of the Italian Civil Code, as well as to the managing directors of those subsidiaries ("**2007-2009 plan**") to be implemented by means of granting options at no cost to purchase Piaggio ordinary shares held by the Company. In this regard, the shareholders also authorised, in accordance with article 2357 of the Italian Civil Code, the purchase, on one or more occasions and at any time, for the maximum period allowed by applicable regulations and commencing from the date of the resolution, of up to a maximum of 10,000,000 ordinary shares of the Company, within a minimum and maximum price range corresponding to the arithmetic mean of the official prices recorded by Piaggio ordinary shares in the ten stock exchange business days prior to each purchase, respectively decreased or increased by 10%. Under such plan, 6,510,000 options have been granted for a corresponding number of shares. As part of the above, in June, July, August and September 2007, the Company purchased 7,340,000 own shares at a weighted average price of 3.6525 Euros.

11.4 Information on the ownership structure

Information on the ownership structure required by article 123-bis of the TUF (the Italian consolidated finance law) is provided in a specific corporate governance section of the annual report.

11.5 Plan to adapt the internal control systems for group companies with registered offices outside the eu

Regulatory context

Article 36 (Conditions for listing shares of companies that control companies established and regulated by the laws of countries outside the European Union) of the Regulation approved by CONSOB with Resolution 16191 dated 29 October 2007 (new "Regulation of markets"), with reference to the conditions for admitting to trading companies that control companies established and regulated by the laws of countries outside the European Union, envisages that:

"1. The shares of companies that control other companies established and regulated by the laws of countries outside the European Union may be admitted to trading in an Italian regulated market if the subsidiary companies:

a) draw up financial statements or consolidated financial statements and make it available to the shareholders of the parent company in accordance with the provisions of article 2429, paragraph 4 of the Italian Civil Code;

b) submit the financial statements under letter a) to an audit in accordance with standards that are equivalent to those prevailing in the European Union;

c) publish their articles of association, the composition, and the powers of the corporate bodies in accordance with the law that applies to them or voluntarily;

d) are committed to provide the auditor of the parent company with the information necessary for the auditor to audit the annual and interim accounts of the parent company;

e) put an internal control system in place which is suitable to the size and complexity of the business carried out and which can regularly supply the necessary information on the management and economic, asset, and financial information to the management, the control body, and the auditor of the parent company. The suitability of the control system will be certified by the control body of the parent company at least once a year".

Article 39 (Final and transitional provisions) of the Regulation of markets also envisages that:

"The companies with listed shares as provided under articles 36 and 37 will bring themselves into line with the provisions contained therein within eighteen months from when they come into effect. They will promptly send CONSOB their adjustment plan and their estimated timetable and will publish the essential elements in the manner provided under article 66, paragraphs 2 and 3 of the rules adopted by CONSOB with decision no. 11971 of 1999, as amended.

The accounting document provided under article 82 of said regulation will contain the details regarding implementation of the plan."

Measures to be adopted to apply the regulations in practice

In accordance with the provisions of article 39 of the above Regulation of markets, on 6 November 2007, the Company sent to CONSOB the adjustment plan adopted and the timetable and presented the information regarding its implementation in the quarterly report at 30 September 2007.

In order to apply these regulations in practice, PIAGGIO & C. S.p.A. has identified the following measures:

- Definition of the scope of company analysis involved in the monitoring.
- Identification and measurement of the risks inherent in the accounting items.
- Definition and analysis of the standard controls and processes. "Personalisation" by company of the processes, the administrative procedures and the controls.
- Review of the operational and administrative procedures.
- Security and reliability assessment of the IT system dedicated to detecting administrative facts.
- Carrying out specific control tests to verify the reliability of the accounting items.

These activities are illustrated in detail below.

1. Definition of the scope of company analysis involved in the monitoring

The scope of analysis involved in the monitoring refers to all the companies controlled by Piaggio that are established and regulated by the laws of countries outside the European Union and that are involved in this plan ("Non-

EU subsidiaries").

To date, the non-EU subsidiaries are the following:

- Piaggio Group Japan Corporation;
- Piaggio China;
- Piaggio Asia Pacific PTE Ltd.;
- Piaggio Group Americas Inc.;
- Piaggio Hrvatska do.o.;
- Piaggio Vehicles Private Limited.

Aprilia World Service Holding do Brasil Ltda and Aprilia Brasil S.A are excluded from the scope of this plan in that they are non-operational companies, as is Piaggio Indochina PTE Ltd in liquidation.

2. Identification and measurement of the risks inherent in the accounting items (to be carried out by 31 March 2008).

PIAGGIO & C. S.p.A. will send a specific form to the non-EU subsidiaries, aimed at analysing the level of risk inherent in the processes of detecting administrative facts and of attributing the amounts of the individual accounting items.

In this regard, the level of risk existing for each of the accounting items will be determined, calculated on the basis of a mix of: how material, manual and discrete the transactions associated with such accounting items are.

The level of risk so determined will be used to determine the degree of the controls needed to be carried out on the individual items examined.

3. Definition and analysis of the standard controls and processes. "Personalisation" by company of the processes, the administrative procedures and the controls (to be carried out by 30 April 2008).

This activity will be used to describe all the processes that generate accounting data to be examined (such as those relating to the asset cycle, the liabilities cycle, fixed assets, employees, finance, etc.). A processing approach is the one intended to be followed, in that it ensures greater detail in the sequence of the activities involved, as well as more precision in identifying the existing control points or those to be implemented.

As a result of this mapping, standard documentation will be produced for each accounting cycle, which will be personalised with the contribution of the administrative sectors of the individual non-EU subsidiaries and which will become a reference for implementing the operational and administrative procedures.

4. Review of the operational and administrative procedures (to be carried out by 31 July 2008).

Beginning with the mapping of the processes and the controls for all the administrative cycles involved (refer to point 3), the procedures that will govern the administrative activity under examination will be reviewed and/or drafted.

In the individual non-EU subsidiaries, the procedures will be prepared/updated/implemented, if necessary, then they will be shared with and approved by company management and the supervisory bodies.

5. Security and reliability assessment of the IT system dedicated to monitoring the administrative facts (to be carried out by 31 July 2008).

Specific assessments will be carried out to ensure the security and reliability of the IT systems dedicated to monitoring the administrative facts.

In this manner, it will be possible to analyse and measure the reliability of such IT systems for the monitoring of the administrative facts.

6. Carrying out specific control tests to verify the reliability of the accounting items (to be carried out starting September 2008 up to the reporting dates of the individual non-EU subsidiaries).

This phase will focus on carrying out specific control tests in order to verify the reliability of the accounting items.

So as to rationalise and optimise the test activity, a specific computerised model will be used, which will also be used as a support for the statement required by CONSOB

from the manager in charge of preparing the corporate and accounting documents.

This model will be used to verify the correctness of the financial and economic figures of the non-EU subsidiaries and will also provide useful information for the preparation of the Piaggio & c. S.p.A. consolidated financial statements.

Specifically, the computerised model will work based on the following logical steps:

1. Inputting the accounting items and the related amounts to be examined and automatic balance verification.
2. Selection of the accounting items to be tested and automatic linking with the process/es involved, the expected control and the tests to be carried out.
3. Calculation of the number of tests to be carried out for each accounting item in relation to the pre-defined level of risk, as indicated in point 3, and the ensuing minimum percentage to check.
4. Carrying out of the control tests.
5. Verification and certification of the results obtained.

In connection with the individual accounting items, ad hoc specific tests will be introduced in addition to the typical everyday operating controls.

These tests will refer to the entire operating cycle of the transactions being analysed, therefore regarding both the operational aspects (budget, authorisations, signature powers, etc.) and those of a more accounting/administrative nature (correct measurement for accounting and tax purposes, proper presentation in the financial statements, uniformity of the accounting standards used). The following will be defined for each test: the subject and the aim of the check, the critical level, the frequency, the person in charge of carrying it out, the documentation necessary for carrying out the check, the related evidence and the result of the test. Upon completing the test, the computerised model will allow the information to be obtained that is necessary to express an opinion on the reliability of the accounting and administration system. Specifically, the following will be shown for each of the accounting items (even progressively during the tests):

- the amount as a total and as a percentage of the individual accounting item of the overall tests carried out and an automatic comparison with the minimum percentages to check; the overall amount of the tests with a positive result relating to the accounting item checked; calculation and automatic comparison of the percentage of positive results gradually acquired with the prearranged percentage of acceptability.

- the final result of the entire accounting situation, expressed in terms of "depth of analysis" and of percentage of tests passed.

11.6 Dealings with the parent company.

Piaggio & C. S.p.A. and the companies it controls are managed and coordinated by IMMSI in accordance with articles 2497 onwards of the Italian Civil Code. During the year, this management and coordination has regarded the following activities:

- As regards mandatory accounting information, in particular the financial statements and the directors' reports relating to the situation of Group companies, IMMSI has created a group manual which identifies the main accounting principles adopted and the optional choices implemented so as to represent the consolidated accounting situation in a consistent and uniform manner.

- IMMSI also defined the methodology and the timescale for drafting the Budget and, generally, the industrial plan of the Group companies, as well as the final management analyses supporting management control activities.

- Furthermore, in order to optimise Group resources, IMMSI provided services relating to the development and the management of the Company's property assets, carried out property consultancy and provided other services of an administrative nature.

- Finally, IMMSI provided consultancy and assistance in matters of extraordinary finance, organisation, strategy and coordination to the Company and its subsidiaries, as well as providing services to optimise the Group's economic and financial structure.

EQUITY INVESTMENTS OF THE MEMBERS OF THE COMPANY BOARDS, GENERAL MANAGERS AND MANAGERS WITH STRATEGIC RESPONSIBILITIES

Number of Piaggio & C. shares	N°. shares held at 31/12/06	N°. shares purchased in 2007	N°. shares sold in 2007	N°. shares held at 31/12/07
Colaninno Roberto(*)	217,907,659	-	-	0
Bandiera Daniele (**)	0	600,000	600,000	0
Pallottini Michele (**)	0	976,042	976,042	0
Total	**217,907,659**	**1,576,042**	**1,576,042**	**0**

(*) On 31.12.2006 Roberto Colaninno, a declarant as per article 93 of Law 58/1998, through Omniaholding SpA, Omniainvest SpA, Omniapartecipazioni SpA and Immsi SpA indirectly controlled Piaggio & C. SpA and the Piaggio Group.
On 30.12.2006, effective 1 January 2007, the shareholders of Omniaholding with warrants exercised those warrants relating to the "Omniaholding S.p.A. 2001-2007" non-convertible bonded loan, valid for the subscription of newly-issued Omniaholding shares. As a result of the transaction, Piaggio & C. SpA and the Piaggio Group are no longer indirectly controlled by Roberto Colaninno, but by Omniaholding SpA, a company wholly owned by the Colaninno family.

(**) Shares from the 2004-2007 stock option plan.

Milan, 7 March 2008

For the Board of Directors
Chairman and Chief Executive
Roberto Colaninno

REPORT ON CORPORATE GOVERNANCE

in accordance with articles 124 bis TUF and 89 bis of the CONSOB Regulation of Issuers and article IA.2.6 of the Stock Exchange Regulation Instructions

Glossary

Code: the Corporate Governance Code of listed companies approved in March 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.

Civil Code: the Italian Civil Code.

Board: the Board of Directors of the Issuer.

Issuer: the Issuer of listed shares to which the Report refers.

Financial period: the financial period to which the Report refers.

Stock Exchange Regulation Instructions: the Instructions of the Regulation of the Markets organised and managed by Borsa Italiana S.p.A.

Stock Exchange Regulation: the Regulation of the Markets organised and managed by Borsa Italiana S.p.A.

Consob Regulation of Issuers: the Regulation issued by CONSOB with resolution n°. 11971 dated 1999 regarding issuers.

Consob Regulation of Markets: the Regulation issued by CONSOB with resolution n°. 16191 dated 2007 regarding markets.

Report: the corporate governance report that companies must prepare in accordance with articles 124 bis TUF, 89 bis of the CONSOB Regulation of Issuers and article IA.2.6. of the Stock Exchange Regulation Instructions.

TUF: Law 24 February 1998, n. 58 (Testo Unico della Finanza), the Consolidated Finance Law.

1. Issuer profile

Founded in 1884, the Issuer, with registered office in Pontedera (Pisa), is today one of the leading world manufacturers of 2-wheeler motor vehicles.

The Issuer is approximately 55% controlled by IMMSI S.p.A., Chairman and Chief Executive of the Issuer is Roberto Colaninno, Deputy Chairman is Matteo Colaninno and the General Managers are Daniele Bandiera (Operations) and Michele Pallottini (Finance).

The Issuer is one of the four world leaders in its reference market. The product range includes scooters, mopeds and motorcycles from 50 to 1,200cc under the Piaggio, Vespa, Gilera, Aprilia, Moto Guzzi, Derbi and Scarabeo brands. The Issuer also operates in the 3- and 4-wheeled light transport sector with the Ape, Porter and Quargo.

The Issuer is organised along the traditional management and control model, in accordance with articles 2380 bis onwards of the Italian Civil Code, with shareholder meetings, a Board of Directors and a Board of Statutory Auditors.

2. INFORMATION on the OWNERSHIP STRUCTURE (as per article 123 bis TUF) at 31/12/2007

a) Structure of the share capital

Amount of the subscribed and paid up share capital: 205,941,272.16 Euros.

Categories of shares:

	N°. shares	% of share capital	Listed (indicate the markets) / unlisted	Rights and obligations
Ordinary shares	396.040.908	100	MTA	Each share entitles to one vote. The shareholder rights and obligations are those established in articles 2346 onwards of the Italian Civil Code

Financial instruments that grant the right to subscribe newly-issued shares:

	Listed (indicate the markets) / unlisted	N°. of instruments in circulation	Category of shares servicing the conversion/exercise	N°. Of shares servicing the conversion/exercise
Warrants	unlisted	10,000	ordinary shares	Up to a maximum of 25.000.000 shares.

At the date of approval of this Report, 6.510.000 options had been granted to managers of the Issuer, of its Italian and foreign subsidiaries and to executive directors of those subsidiaries, which give the right to subscribe shares of the Issuer held by the company, in conformity with the incentive plan approved by the shareholder meeting of the Issuer on 7 May 2007 and notified to the market in an information memorandum prepared in accordance with article 84-bis of the CONSOB Regulation of Issuers. This document is available on the Issuer's www.piaggiogroup.com corporate website at the Investor Relations / Information Memorandum section.

b) Restrictions on the transfer of securities

There are no restrictions on the transfer of securities.

c) Significant equity investments in the share capital

At 31 December 2007, the Issuer held 7.340.000 own shares.

The significant equity investments in the share capital of the Issuer, based upon the information provided in accordance with article 120 of the TUF, are:

Declarant	Direct shareholder	% of ordinary share capital	% of voting share capital
Omniaholding S.p.A.	IMMSI S.p.A.	55.234 (i)	55.234 (i)
Deutsche Bank AG	Deutsche Bank AG	2.010	2.010
Diego della Valle	Diego della Valle	2.010 (ii)	2.010 (ii)

(i) At the date of approval of this Report, based upon the information provided in accordance with article 120 of the TUF, IMMSI S.p.A. holds an equity investment of 55.877 % of the ordinary share capital and 55.877% of voting share capital. It is pointed out that, based upon the information provided in accordance with paragraph 7 of article 114 of the TUF, at the date of approval of this Report, IMMSI S.p.A. holds an equity investment of 56.556% of the ordinary share capital and 56.556% of voting share capital.

(ii) Diego della Valle also indirectly holds, through Diego Della Valle & C. SApA, a potential equity investment of 3% of the ordinary share capital and 3% of voting share capital, (the declarant may acquire this equity investment as a result of contractual agreements).

d) Securities bearing special rights

No securities have been issued bearing special rights of control.

e) Employee share ownership: mechanism to exercise voting rights

There is no employee share ownership scheme.

f) Restrictions to voting rights

There are no restrictions to voting rights.

g) Shareholder agreements

There is currently in force between Omniaholding S.p.A., B&L S.r.l. and Ruggero Magnoni an agreement signed on 6 November 2002 (subsequently integrated on 13 March 2003 and on 9 November 2005), which aims to govern their relations as shareholders of Omniainvest S.p.A .. In particular, the agreement governs the criteria for appointing members of the Board and of the Board of Statutory Auditors of Omniainvest S.p.A..

The parties to the agreement and the Omniainvest S.p.A. shares held by them that are covered by the agreement are:

- 56,896,493 shares, equal to approximately 79.548% of the share capital, held by Omniaholding S.p.A.;
- 7,600,937 shares, equal to approximately 10.627% of the share capital, held by Ruggero Magnoni;
- 1,000,000 shares, equal to approximately 1.398% of the share capital, held by B&L S.r.l.

The shares covered by the agreement therefore represent 91.573% of the share capital of Omniainvest S.p.A..

The Omniainvest Agreement, an extract of which was published in the Finanza e Mercati daily newspaper on 19.11.2005, will expire on 31.10.2008.

h) Appointment and substitution of Directors and changes to the bylaws

The provisions of the Issuer's bylaws that govern the composition and appointment of the Board (article 12) are suitable to ensure compliance with the provisions introduced in this regard by Law 262/2005 (article 147-ter of the TUF) and by Law 29 December 2006, n°. 303.

Changes to the bylaws are governed by the current *pro tempore* regulations.

In accordance with article 12.3 of the Issuer's bylaws, the slate of candidates for the office of Director must be filed by the shareholders at the registered office at least 15 (fifteen) days before the date of the shareholder meeting in first call.

Only those shareholders who, alone or as a group, represent at least 2.5% (two point five percent) of the share capital, or another percentage established by legal or regulatory provisions, may present slates.

For a slate to participate in the apportionment of the Directors to be elected, it needs to obtain at least half the percentage of votes needed in order to present the slate itself.

Minority slates are entitled to 1 (one) Director.

The appointment mechanism adopted to choose the candidates of the various slates is as follows:

a) in the order in which they are listed, all the directors to be appointed bar one are taken from the slate that received the most shareholder votes;

b) the remaining director is taken from the minority slate that may not in any way, not even indirectly, linked with the shareholders who presented or voted the slate referred to in point a) and that received the most shareholder votes, being the first candidate on the list of names.

Should the minority slate referred to in point b) not have obtained a percentage of votes equal to at least half of that required, in accordance with the above, for the purpose of presenting the slate itself, all the Directors to be appointed

shall be taken from the slate referred to in point a). If the appointment of the minimum number of Directors having the necessary requirements of independence established by law in relation to the overall number of Directors is not ensured with the candidates elected in the above manner, the non-independent candidate elected as listed last in the slate that received the most votes, as per point a) above, shall be substituted by the independent candidate not elected in the same slate listed in the progressive order, or, otherwise, by the first independent candidate listed in order not elected in the other slate, depending on the number of votes they each received.
This substitution procedure shall continue until the Board is made up of at least the minimum number of members having the requirements established in paragraph 3 of article 148 of the TUF required by law.
Finally, if this procedure does not ensure this last result, then the substitution will be made by simple majority shareholder resolution, conditional upon the presentation of candidates having the above requirements.
If only one slate is presented or no slate is presented, then the shareholders resolve in accordance with the majority established by law, without observing the above procedure.

i) Powers to increase the share capital and authorisations to purchase own shares

1. As regards the *2004-2007 Stock Option Plan*, the Board received the following powers to increase the share capital of the Issuer:

- With a resolution on 7 June 2004, the extraordinary shareholder meeting of the Issuer attributed powers to the Board, in accordance with article 2443 of the Civil Code, for a period of five years from the date of effectiveness of the resolution, to increase in one or more occasions, the share capital, with a premium, for a maximum amount of 10,587,241.60 Euros par value by issuing up to a maximum of 20,360,080 shares of 0.52 Euros par value, against payment in cash, to service the option rights reserved, in accordance with paragraphs 5 and 6 of article 2441 of the Civil Code, within the framework of the *2004-2007 Stock Option Plan*; the Board was also empowered to establish, in accordance with paragraph 2 of article 2439 of the Civil Code, that the share capital will be considered increased, by each increase, by an amount equal to the subscriptions received within five years from the date of filing the above resolution with the Registry of Companies.

- With a resolution on 8 March 2006, the extraordinary shareholder meeting of the Issuer attributed powers to the Board, in accordance with article 2443 of the Civil Code, for a period of five years from the date of effectiveness of the resolution, to increase in one or more occasions, the share capital, with a premium, for a maximum amount of 551,200.00 Euros par value by issuing up to a maximum of 1,060,000 new ordinary shares of 0.52 Euros par value, against payment in cash, to service the option rights reserved, in accordance with paragraphs 5 and 6 of article 2441 of the Civil Code, within the framework of the *2004-2007 Stock Option Plan* approved by a Board resolution on 4 May 2004; the Board was also empowered to establish, in accordance with paragraph 2 of article 2439 of the Civil Code, that the share capital will be considered increased, by each increase, by an amount equal to the subscriptions received within five years from the date of filing the above resolution with the Registry of Companies.

At the date of this Report, the Board has exercised its power to increase the share capital to service the option rights reserved within the framework of the *2004-2007 Stock Option Plan* for a total amount of 11,113,840.92 Euros par value by issuing 21,372,771 new ordinary shares of 0.52 Euros par value. It is pointed out that all the options granted under the mentioned 2004-2007 Stock Option Plan have been exercised.

2. As regards the *PIAGGIO & C. 2004-2009 Warrants*, the Board has received the following powers to increase the share capital of the Issuer:

- With a resolution on 18 April 2005, the extraordinary shareholder meeting of the Issuer attributed powers to the Board, in accordance with article 2443 of the Civil Code, to increase in one or more occasions, the share capital up to an amount of 13,000,000.00 Euros par value, against payment, with or without premium, by issuing a maximum number of 25,000,000 ordinary shares with the same features as those already in circulation, for a period five years from the date of filing the above resolution with the Registry of Companies, disapplying pre-emption rights in the company's interest, in accordance with paragraph 5 of article 2441 of the Civil Code, and reserving the right to subscribe these shares exclusively to the holders of the "*PIAGGIO & C. 2004-2009 Warrants*"; the Board was also empowered to ensure that the share capital be increased by the amount of the subscriptions received within the period that will be determined by a Board resolution, as well as, consequently, the power to establish, from time to time, the issue price of the shares, the coupon, the timing, the methods and the conditions of issue, including the powers to ensure that the new shares are released against offset of the receivables to which the holders of such warrants may be entitled as a result of exercising those warrants.

At the presentation date of the report, no capital increase has been carried out in connection with the above powers.

On 7 May 2007, the ordinary shareholder meeting of the Issuer approved, in accordance with article 114-bis of the TUF, a new incentive plan for the top management of the Company or of Italian and/or foreign companies controlled by it in accordance with article 2359 of the Italian Civil Code, as well as for the managing directors of those subsidiaries (*"2007-2009 plan"*) to be implemented by means of granting options at no cost to purchase Piaggio ordinary shares held by the Company.
In this regards, the shareholders also authorised, in accordance with article 2357 of the Italian Civil Code, the purchase, on one or more occasions and at any time, for the maximum period allowed by applicable regulations and commencing from the date of the resolution, of up to a maximum of 10,000,000 ordinary shares of the Company, within a minimum and maximum price range corresponding to the arithmetic mean of the official prices recorded by Piaggio ordinary shares in the ten stock exchange business days prior to each purchase, respectively decreased or increased by 10%.
As part of the above, in June, July, August and September 2007, the Issuer purchased 7,340,000 own shares at a weighted average price of 3.6525 Euros.

l) Change of control clauses

The Issuer and its subsidiaries have signed no significant agreement that become effective, or are modified or cancelled in the event of a change in control of the Issuer.

m) Payments to Directors in the event of resignation, removal or termination of employment following a takeover bid

No agreements have been signed between the Issuer and the Directors that envisage indemnities in the event of resignation, removal/revocation without cause or if employment is terminated following a takeover bid.

3. Compliance

The Issuer has adopted the Code.

The Issuer is not subject to foreign provisions of law that influence its corporate governance structure.

4. Management and coordination activities

The Issuer and its subsidiaries are managed and coordinated by IMMSI S.p.A. in accordance with articles 2497 onwards of the Italian Civil Code. This activity is carried out as illustrated in the specific section of the Directors' Report.

5. Board of directors

5.1. Composition

The Board of the Issuer in office at the date of this Report has eleven members, appointed by the ordinary shareholder meeting of 28 August 2006. It is pointed out that in 2006, in accordance with paragraph 1 of article 2386 of the Italian Civil Code, Gianclaudio Neri was co-opted to the Board and appointed Director, substituting Rocco Sabelli. The ordinary shareholder meeting of 7 May 2007 confirmed this appointment and that Board will remain in office until the date of the shareholder meeting called to approve the financial statements relating to the financial period ended at 31 December 2008. It is pointed out that the current Board was appointed by a majority resolution (without applying the slate voting system) proposed by the shareholder IMMSI S.p.A. in accordance with the provisions of article 12.4 of the Issuer's bylaws.

The curricula vitae of the Directors are filed at the registered office of the Issuer and are available on the Issuer's www.piaggiogroup.com corporate website in the Investor Relations / Information Memorandum section.

There were no changes in the Board composition after the end of the financial period.

Maximum aggregation of positions held in other companies

The Board has not defined general criteria regarding the maximum number of management and control positions in other companies that may be considered compatible

Name	Position	In office from	Exec.	Non-Exec.	Indep.	Indep. TUF	% BoA	Other offices
Roberto Colaninno	Chairman CEO	28/08/2006	X				100	5
Matteo Colaninno	Deputy Chairman	28/08/2006	X				86	5
Gianclaudio Neri	Director	13/11/2006		X			86	3
Michele Colaninno	Director	28/08/2006		X			71	7
Luciano Pietro La Noce	Director	28/08/2006		X			100	8
Giorgio Magnoni	Director	28/08/2006		X			71	4
Daniele Discepolo	Director	28/08/2006		X	X	X	100	9
Franco Debenedetti	Director	28/08/2006		X	X	X	100	4
Riccardo Varaldo	Director	28/08/2006		X	X	X	100	2
Luca Paravicini Crespi	Director	28/08/2006		X	X	X	100	6
Giangiacomo Attolico Trivulzio	Director	28/08/2006		X			100	5

LEGEND
Exec.: indicates whether the Director may be qualified as executive
Non-exec.: indicates whether the Director may be qualified as non-executive
Indep.: indicates whether the Director may be qualified as an independent in accordance with the provisions of the Code
Indep. TUF: indicates whether the Director has the requirements of independence established in paragraph 3 of article 148 of the TUF (article 144-decies, of CONSOB's Regulation of Issuers)
% BoA: indicates (in percentage terms) the attendance of the Director at Board meetings
Other offices: indicates the overall number of offices held in other companies of the group to which the Issuer belongs, in companies listed on regulated markets (even abroad), in financial, banking, insurance companies or companies of significant dimensions.

Nominativo	Carica	C.N.	% C.N.	C.R.	% C.R.	CCI	% C.C.I.
Luciano Pietro La Noce	Amministratore	M	_	M	100		
Daniele Discepolo	Amministratore					P	100
Franco Debenedetti	Amministratore	P	_	M	100		
Riccardo Varaldo	Amministratore			P	100	M	67
Luca Paravicini Crespi	Amministratore	M	_			M	100

LEGEND
A.C.: the Appointments Committee; C/M indicates whether the Director is chairman/member of the Appointments Committee
% A.C.: indicates (in percentage terms) the attendance of the Director at committee meetings (during the financial period, there was no need to hold meetings of the Appointments Committee)
R.C.: the Remuneration Committee; C/M indicates whether the Director is chairman/member of the Remuneration Committee
% R.C.: indicates (in percentage terms) the attendance of the Director at Remuneration Committee meetings (this percentage is calculated on the number of meetings attended by the Director out of the number of Remuneration Committee meetings held during the financial period or since appointment)
I.C.C.: the Internal Control Committee; C/M indicates whether the Director is chairman/member of the internal control committee
%. I.C.C.: indicates (in percentage terms) the attendance of the Director at Internal Control Committee meetings (this percentage is calculated on the number of meetings attended by the Director out of the number of Internal Control Committee meetings held during the financial period or since appointment)

with the effective performance of the role of Director of the Issuer, without prejudice to the duty of each Director to assess the compatibility of the positions of director and statutory auditor held in other companies listed on regulated markets, in financial, banking, insurance companies or companies of significant dimensions, with the diligent performance of the duties taken on as Director of the Issuer.

In the meeting on 7 March 2008, the Board, in ascertaining the positions currently held by its Directors in other companies, considered that the number and the quality of the positions held do not interfere and that they are therefore compatible with the effective performance of the role of Director of the Issuer.

As regards the positions held by Directors of the Issuer in the parent company IMMSI S.p.A., it is pointed out that the majority of the Board members of the Issuer hold no management or control position in IMMSI S.p.A..

Below is the list of companies in which each Director holds a position of management or control, with a note of whether the company in which the position is held is part of the group to which the Issuer belongs.

Full name	Company	Management and control positions held in incorporated companies
Roberto Colaninno	- IMMSI S.p.A. *	Chairman, BoA
	- Omniaholding S.p.A. *	Chairman, BoA
	- Omniainvest S.p.A. *	Chairman, BoA
	- RCN Finanziaria S.p.A. *	Director
	- Rodriquez Cantieri Navali S.p.A. *	Director
Gianclaudio Neri	- Rodriquez Cantieri Navali S.p.A. *	Chief Executive Officer and General Manager
	- Intermarine S.p.A. *	Director
	- RCN Finanziaria S.p.A. *	Director
Matteo Colaninno	- Omniaholding S.p.A. *	Deputy Chairman and Chief Executive Officer
	- IMMSI S.p.A. *	Director
	- Omniainvest S.p.A. *	Director
	- RCN Finanziaria S.p.A. *	Director
Michele Colaninno	- Is Molas S.p.A. *	Director
	- Moto Guzzi S.p.A. *	Director
	- Omniainvest S.p.A. *	Director
	- Rodriquez Cantieri Navali S.p.A. *	Director
	- Omniaholding S.p.A. *	Chief Executive Officer
	- IMMSI S.p.A. *	Director
	- Piaggio Vietnam Co. Ltd. *	Director
Daniele Discepolo	- Zucchi S.p.A.	Director
	- Invextra S.p.A.	Chairman, BoA
	- Esaote S.p.A.	Director
	- ACP Capital Ltd.	Director
	- Dafofin One S.A.	Director
	- Beta Skye S.r.l.	Chairman, BoA
	- Investimenti & Sviluppo S.p.A.	Director
	- Blue Home S.r.l.	Director
	- Kaitech S.p.A.	Chairman, BoA
Luciano Pietro La Noce	- Rodriquez Cantieri Navali S.p.A. *	Chairman, BoA
	- Is Molas S.p.A. *	Chairman, BoA
	- Apuliae S.p.A. *	Chairman, BoA
	- Pietra S.r.l. *	Chairman, BoA
	- Omniainvest S.p.A. *	Chief Executive Officer
	- B&L S.r.l.	Only Director
	- IMMSI S.p.A. *	Chief Executive Officer
	- RCN Finanziaria S.p.A. *	Chairman, BoA
Giorgio Magnoni	- Acqua Blu S.r.l.	Chairman, BoA
	- SO.PA.F. S.p.A.	Deputy Chairman, BoA
	- LM LS S.p.A.	Director
	- Management & Capitali S.p.A.	Supervisory Director

Full name	Company	Management and control positions held in incorporated companies
Franco Debenedetti	- CIR S.p.A.	Director
	- COFIDE S.p.A.	Director
	- Fondazione Rodolfo Debenedetti	Director
	- IRIDE S.p.A.	Director
Luca Paravicini Crespi	- CIR S.p.A.	Director
	- Gruppo Editoriale l'Espresso S.p.A.	Director
	- Scala Group S.p.A.	Director
	- Education.it S.p.A.	Director
	- Consilium SGR S.p.A.	Director
	- Il Gallione S.p.A.	Director
Riccardo Varaldo	- Finmeccanica S.p.A	Director
	- Italy-Japan Business Group	Board member
Gian Giacomo Attolico Trivulzio	- Immobiliare Molgora S.p.A.	Chairman, BoA
	- Spafid S.p.A.	Director
	- Ecovolt S.r.l.	Director
	- Arkegaz S.r.l.	Director
	- Fondazione Poldi Pezzoli	Director

* The company is part of the Group to which the Issuer belongs.

5.2. Role of the board of directors

7 (seven) Board meeting were held during the financial period, on: 16 March 2007; 11 April 2007; 7 May 2007; 18 June 2007; 7 September 2007; 5 November 2007; 17 December 2007.

Board meetings lasted ninety minutes on average.

At least 5 (five) Board meeting are expected during the current financial period. Apart from the 2 (two) meetings already held on 30 January 2008 and 7 March 2008 (approval of the draft separate financial statements and consolidated financial statements for the financial period ended 31 December 2007), the 2008 calendar of the main corporate events (communicated to the market and to Borsa Italiana S.p.A. in accordance with regulatory provisions) envisages another 3 (three) meetings on:

- 8 May 2008 – approval of the Interim Management Statements at 31 March 2008;
- 25 August 2008 – approval of the half-year financial report at 30 June 2008;
- 7 November 2008 – approval of the Interim Management Statements at 30 September 2008.

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The Board is central to the corporate organisation. It is in charge of the strategic and organisational functions and responsibilities, as well as of ascertaining the existence of the controls needed to monitor the performance of the Issuer and of the Group companies which report to the Issuer.

Further to the Issuer's undertakings with Borsa Italiana S.p.a. at the time of the listing, in the meeting on 28 August 2006, regarding the division of its management responsibilities, the Board resolved to reserve in all cases to the entire Board not only those powers reserved to it by law or the bylaws, but also those listed below:

a) to acquire or dispose of equity investments in companies or business units;

b) to sign and amend loan agreements of any kind in excess of 25 million Euros;

c) to provide collateral security on assets and to provide guarantees on third party obligations other than those provided in the interests of companies controlled directly or indirectly;
d) to transfer trademarks, patents and other intellectual property rights, as well as to sign licencing agreements;
e) to sign and amend long-term agreements of a commercial nature, including joint ventures;
f) to buy and sell property;
g) to carry out other extraordinary transactions valued in excess of 50 million Euros;
h) without prejudice to the above items, to carry out dealings with related parties, as defined by the provisions of applicable law and regulations, with the exclusion of transactions that are typical and usual Company business carried out at arm's length;
i) to appoint the Company's general manager and manager in charge of administration, finance and control;
j) to appoint the directors and the general managers of the companies controlled directly and indirectly.

As part of its duties, the Board examines and approves the strategic, industrial and financial plans of the Issuer and of the group which reports to the Issuer, the Issuer's corporate governance system and the structure of the group which reports to the Issuer.

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During the year, the Board assessed on a quarterly basis the appropriateness of the organisational, administrative and accounting structure of the Issuer, with particular reference to the internal control system and the management of conflicts of interest, following the procedures adopted by the Issuer in that regard. In this respect, the Board was from time to time assisted by the Internal Control Committee, the Manager in Charge of Internal Control, the auditing firm Cogitek s.r.l. and the Manager in charge of preparing the corporate accounting documents as well as the procedures and verifications also implemented in accordance with Law 262/2005.

On 6 November 2007, the Issuer presented its plan and timetable to adapt its strategic subsidiaries established and regulated by the laws of countries outside the EU to the conditions established in article 36 of CONSOB's Regulation of Markets. The Plan was published in the quarterly report approved by the Piaggio Board on 5 November 2007 and is available on the Issuer's www.piaggiogroup.com corporate website in the Investor Relations / Financial Information.

As regards the remuneration of Directors, in accordance with article 18 of the bylaws, each Director was reimbursed the expenses incurred in the performance of his duties and received annual emoluments approved by the ordinary shareholder meeting at the time of appointment, which remain unchanged in the absence of a different shareholder resolution.

The remunerations of the Chairman, the Deputy Chairman and the Chief Executive Officer were however approved by the Board, having consulted with the Board of Statutory Auditors.

As regards the remuneration of the delegated bodies and top management, the Issuer implements a policy that envisages incentives linked to company profitability, also by means of specific corporate incentive plans that include the granting of stock options.

The amount of emoluments received by the members of the Board in 2007 is detailed in the explanatory notes to the financial statements in accordance with article 78 and Attachment 3C CONSOB's Regulation of Issuers, as amended.

The Board assessed general operating performance at least quarterly, taking account of the information received from the delegated bodies, as well as periodically comparing actual results with the budgets.

Following the listing of the Issuer and the resolutions subsequently passed by the Board in the meeting on 28 August 2006 concerning the division of its management duties, the Board needs to examine and grant prior approval to dealings of the Issuer and its subsidiaries that have a significant strategic, economic, business or financial importance to the Issuer itself.

In compliance with current regulatory provisions and the bylaws, the Board also needs to examine and grant prior approval to dealings of the Issuer and its subsidiaries where one or more Directors have personal or third party interests.

The "Procedure for significant dealings and dealings with related parties" approved by the Issuer defines the quantitative and/or qualitative criteria that lead to the identification of those dealings needing to be examined and approved by the Board.

These criteria have been identified in relation to the type of dealing in question, with specific and distinct reference to (i) significant dealings from the economic, business and financial viewpoint or in relation to the activities of the Issuer ("Significant Dealings", as defined below); as well as (ii) dealings with related parties ("Dealings with Related Parties", as defined below).

In order to concretely implement articles 9.C.1. and 9.C.2 of the Code, the Board has defined specific procedures to ensure the Directors receive complete and exhaustive information regarding Significant Dealings and Dealings with Related Parties.

Significant Dealings

The following are considered to be significant dealings from the economic, business and financial viewpoint or in relation to the activities of the Issuer ("Significant Dealings"):

1) the acquisition or disposal of equity investments in companies or business units;
2) the signing and amending of loan agreements of any kind in excess of 25 million Euros;
3) the provision of collateral security on assets and guarantees on third party obligations other than those provided in the interests of companies controlled directly or indirectly;
4) the transfer of trademarks, patents and other intellectual property rights, as well as the signing of licencing agreements;
5) the signing and amending of long-term agreements of a commercial nature, including joint ventures;
6) the purchase and sale of property;
7) other extraordinary transactions valued in excess of 50 million Euros;
8) the appointment of the Company's general manager and manager in charge of administration, finance and control;
9) the appointment of directors and general managers of the companies controlled directly and indirectly.

For the purposes of calculating the amounts indicated in points 2) and 7) above, reference must be made to each dealing individually considered; exceptionally, for dealings that are strictly and objectively linked within the same strategic or executive plan, reference must be made to the overall value of all the associated dealings.

In relation to each Significant Dealing, the Board shall receive from the delegated bodies information that is sufficient to permit a preliminary examination of the key elements of such transaction. In particular, it shall be provided with exhaustive information regarding the strategic reasons for the Significant Dealing the foreseeable economic and financial effects of the transaction, even at the consolidated level.

Dealings with Related Parties

In accordance with article 2, paragraph 1, point h) of CONSOB's Regulation of Issuers, Related Parties are deemed to be those parties so defined by the international accounting standard regarding related party disclosures, adopted following the procedure set forth in article 6 of regulation (CE) n°. 1606/2002 (IAS 24).

So as to ensure prompt compliance with the principles and procedures outlined above, the delegated bodies prepare and update the list of names of identifiable Related Parties.

Dealings with Related Parties, except for Typical Dealings with Related Parties at Arm's Length (as defined below), must therefore be examined and approved by the Board of the Issuer, without prejudice in all cases to the competency of the entire Board in the event of Typical Dealings with Related Parties at Arm's Length that may also be qualified as Significant Dealings. In this case, the principles and procedures mentioned above are applied referring to significant dealings.

As regards the above Procedure:

- a "Typical transaction" is one that is recurring, usual or part of normal business affairs of the Issuer as regards type, purpose and method of determining the consideration;
- an "Arm's length transaction" is one closed at market conditions or at conditions in line with normally followed negotiating procedures or at conditions not differing from those practised for similar transactions.

In relation to each Dealing with Related Parties reserved for the Board, the Board shall receive from the delegated bodies information that is sufficient to permit a preliminary examination of the key elements of such transaction, with particular reference to the following elements:

- general features of the transaction (indicating in particular the purpose, the reasons, the consideration and the timing of the transaction, as well as the nature of the relationship);
- method of determining the consideration and/or of the main terms and conditions that may generate liabilities for the Company;
- foreseeable economic and financial effects of the transaction, even at the consolidated level;
- any interests (even if indirect) of members of the company boards in the transaction.

The Board, following receipt of information from the delegated bodies and whenever it deems appropriate, taking account of the nature, amount and other features of the individual Dealing with Related Parties (as established in article 9.C.1 of the Code), may require that it be closed with the assistance of one or more experts who express an opinion on the economic conditions and/or the executive and technical aspects of the transaction. The choice of experts to be used shall fall upon individuals of proven professionalism and competence, of whom the Board shall ascertain the independence and the absence of conflicts of interest in the transaction.

In accordance with article 9.C.2 of the Code, Directors who have an interest, even if potential or indirect, in a Dealing with Related Parties must previously and exhaustively inform the Board of the existence of the interest and the related circumstances. The Board must assess, in relation to each concrete case and on the basis of the information provided by the Director in question, also by taking account of the need to ensure the proper functioning of the management body, the appropriateness of requiring said Director: (i) to absent himself from the meeting before discussions begin until a decision has been taken; or (ii) to abstain from voting.

Dealings with Related Parties other than those reserved for the examination and approval of the Board fall within the purview of the delegated bodies, in accordance with the mandates granted them.

Except as specified below, the delegated bodies provide the Board, in the next meeting, exhaustive information regarding the key elements of the Dealing with Related Parties carried out by themselves, as well as any risk profiles or other critical elements. In particular, exhaustive information must be provided regarding the following elements:

- the general features of the transaction (indicating in particular the nature of the relationship and the reasons behind the transaction);
- the foreseeable economic and financial effects of the transaction, even at the consolidated level.

In all cases, wherever they deem it appropriate, the delegated bodies retain the right to submit for examination and approval of the Board of the Issuer the Dealings with Related Parties that, while not being reserved for the Board, contain specifically critical and/or risk elements for the safeguarding of corporate assets or the protection of minority interests. In this case, the related procedure is applied.

On 7 March 2008, the Board of the Issuer carried out the annual assessment in accordance with article 1.C.1, point g) of the Code, deeming that the composition and the performance of the Board are adequate for the management and organisational requirements of the Issuer, also considering that nine out of a total of eleven members are non-executive Directors, of whom four are independent non-executive Directors, who also ensure an appropriate composition of the Committees established within the Board.

The shareholders have not authorised derogations from the rule prohibiting competition, as established in article 2390 of the Italian Civil Code.

5.3. Delegated bodies

Managing Directors

The Chairman of the Issuer, Roberto Colaninno, also holds the position of Chief Executive Officer.

The Chairman and Chief Executive Officer has been granted full powers of ordinary and extraordinary management, except for the powers reserved to the entire Board by law, the bylaws and the Board resolution passed on 28 August 2006 (Refer to 5.2. above).

Chairman

The Chairman of the Board:

a) is the key manager of the Issuer (chief executive officer) and

b) is not the controlling shareholder of the Issuer.

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Information to the Board

During the year, the Chief Executive Officer reported quarterly to the Board regarding the activities he carried out in relation to the powers granted to him.

5.4. Other executive directors

Matteo Colaninno, the Deputy Chairman.

5.5. Independent directors

The number and stature of the Non-executive Directors and the Independent Directors ensure that their judgment may have a significant weight upon the decision-making of the Issuer's Board. The Non-executive Directors and the Independent Directors bring their specific competencies to Board discussions and contribute to decisions being made in the company's interest.

Possession of the requirements for independence as per article 3 of the Code and article 148, paragraph 3, points b) and c) of the TUF, of the current Independent Directors has been verified by the Board in the meetings held on 16 March 2007 and 7 March 2008.

It is pointed out that, in order to rule out potential risks of limiting management independence of the Issuer that could arise, in particular, by an overlapping of the Boards of the Issuer and of the parent company IMMSI S.p.A.: (a) the current Board of the Issuer contains five Non-executive Directors (Michele Colaninno, Luciano Pietro La Noce, Giorgio Magnoni, Gianclaudio Neri and Gian Giacomo Attolico Trivulzio) and four Independent Non-executive Directors (Daniele Discepolo, Franco Debenedetti, Riccardo Varaldo and Luca Paravicini Crespi; (b) the majority of the members of the Board of the Issuer has no management or control duties in IMMSI S.p.A. The Independent Directors possess the requirements for independence as per article 3 of the Code and article 148, paragraph 3, points b) and c) of the TUF, in that each of them:

(i) does not directly or indirectly control the Issuer, even through subsidiaries, trustees or third parties, nor is able to exercise substantial influence on it;

(ii) is not party, either directly or indirectly, to any shareholder agreement by which one or more individuals can exercise control or substantial influence over the Issuer;

(iii) is not, nor has been in the last three years, a key manager (that is, the Chairman, the Legal Representative, Chairman of the Board of Directors, an Executive Director or a manager with strategic responsibilities) of the Issuer, of a strategic subsidiary, of a company jointly controlled with the Issuer, of a company or an entity that, even jointly through a shareholder agreement, controls the Issuer or exercises substantial influence over it;

(iv) has no, nor has in the previous year, direct or indirect (for example, through subsidiaries or companies in which the individual is a key manager, as described in point (iii) above, or as a partner in a firm of professionals or consultancy firm), significant business, financial or professional relationship or employment contract: (a) with the Issuer, one of its subsidiaries, or with any of their key managers, as described in point (iii) above; (b) with a party that, even jointly with others by means of a shareholder agreement, controls the Issuer, or – in the case of a company or entity – with its key managers, as described in point (iii) above;

(v) notwithstanding point (iv) above, has no independent or employment work relationship, nor other relationships of a professional or economic nature such as to compromise his/her independence: (a) with the Issuer, its subsidiaries, parent companies or jointly-controlled companies; (b) with the Issuer's Directors; (c) with parties related by marriage, family or affinity within the fourth degree of the Directors of the companies as described in point (a) above;

(vi) does not receive, nor has received in the last three years, from the Issuer or a subsidiary or parent company, significant additional remuneration beyond the fixed emolument as Non-executive Director of the Company, including incentive plans (even stock-based) connected with company performance;

(vii) has not been a Director of the Issuer for more than nine of the last twelve years;

(viii) is not an Executive Director in another company in which an Executive Director of the Issuer is also Director;

(ix) is not a shareholder or Director in a company or entity belonging to the network of the company mandated to audit the Issuer;

(x) is not a close relative of a person who is in one of the above situations and is not a spouse, relative or with an affinity within the fourth degree of Directors of the Issuer, its subsidiaries, parent companies or jointly-controlled companies.

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The Board of Statutory Auditors has verified that the criteria and the monitoring procedures adopted by the Board to assess the independence of its members had been correctly applied and the results of this check will be published in the report of the statutory auditors to the shareholder meeting in accordance with article 2429 of the Italian Civil Code. During the year, 2 meetings of the Independent Directors were held: on 19 February 2007 and on 17 December 2007.

At the meeting on 19 February 2007, to which the Chairman and Chief Executive Officer Roberto Colaninno and the Chairman of the Board of Statutory Auditors Giovanni Barbara were also invited, the Independent Directors began establishing the most suitable measures to ensure effective coordination and a proper flow of information between the Independent Directors. At the meeting on 17 December 2007, which was also attended by the Chairman Roberto Colaninno and the Chairman del Board of Statutory Auditors Giovanni Barbara, discussions focused on strategic topics, also of an international nature, regarding the group to which the Issuer belongs, referring also to previous resolutions passed by the Board.

5.6. Lead independent director

The Board has appointed the Independent Non-executive Director Daniele Discepolo as Lead Independent Director in accordance with the Code so that he may be the point of reference and coordination of the requests of the Non-executive Directors, especially the Independent Directors. The Lead Independent Director Daniele Discepolo, an Independent Director possessing the necessary accounting and finance skills, is also Chairman of the Internal Control Committee.

During the year, the Lead Independent Director called 2 meetings of the Independent Directors of the Issuer. Refer to 5.5. above.

6. Public disclosure of insider information

6.1. Procedure for the public disclosure of insider information

In order to monitor access to and the circulation of insider information before it is publicly disclosed and to ensure compliance with the confidentiality requirements established by legal and regulatory provisions, as well as to govern the internal handling and external communication of such information, the Board adopted a “Procedure for public disclosure of insider information”.

In accordance with this procedure, the Chairman of the Board, the Chief Executive Officer and the Investor Relations department (refer to point 7 below) ensure the proper handling of the disclosure to the market of insider information and monitor compliance with said Procedure.

The Investor Relations department and the Chief Press Officer, informed by the top management of the Group or otherwise aware of significant facts concerning the Issuer or its subsidiaries, discuss with the General Manager Finance and the Head of Legal Affairs to verify the requirements of law and in particular if the information should be considered insider information.

If it is considered insider information or applicable regulations require public disclosure, the Chief Press Officer prepares a press release and, with the assistance of the Head of Legal Affairs, ensures that it complies with current applicable law.

The text of the press release must be submitted to the Chairman and to the Chief Executive Officer and, if necessary, to the Board of Directors for final approval prior to its public disclosure.

The press release is put on the Network Information System (NIS) organised and managed by Borsa Italiana, and is transmitted to CONSOB and to at least two press agencies via the NIS. Furthermore, the Company inserts the press release on the www.piaggiogroup.com corporate website in the Investor Relations section and ensures the information remains there for at least two years.

So as to ensure the handling of insider information within the Group, the Procedure is notified to the Managing Directors of the main subsidiaries, that is, those companies controlled by the Issuer that are consolidated.

The handling of insider information regarding subsidiaries is the responsibility of their Managing Directors, who

shall promptly transmit to the General Manager Finance and/or the Investor Relations department of the Issuer all information that they consider may be insider information in accordance with the Procedure.
The General Manager Finance and/or the Investor Relations department receiving the insider information advice from the Managing Directors of subsidiaries discusses with the Head of Legal Affairs to verify the legal obligations and in particular if the information is to be considered insider information.
If it is deemed insider information or applicable regulations require public disclosure, the Chief Press Officer prepares a press release and, with the assistance of the Head of Legal Affairs, ensures that it complies with current applicable law.
The text of the press release must be submitted to the Chairman and to the Chief Executive Officer and, if necessary, to the Board of Directors for final approval prior to its public disclosure.

6.2 Register of persons with access to insider information

With particular reference to the requirement for listed issuers, for parties in controlling relations with them and for persons acting in their name or on their behalf, to establish and manage a register of persons with access to insider information in accordance with article 115-bis of the TUF, in a meeting on 24 March 2006, the Board of Directors of the Company resolved to (i) mandate the parent company IMMSI S.p.A., in accordance with article 152-bis of the Regulation of Issuers, to keep, manage and update the register of persons with access to insider information of Immsi S.p.A. also on behalf of Piaggio and the companies of the Piaggio Group; (ii) acknowledge the "Procedure for the management of the register of persons with access to insider information" adopted by IMMSI S.p.A. with a resolution of its Board of Directors on 24 March 2006. On 5 November 2007 the Board, deeming it appropriate for the Issuer to independently establish, keep and manage a register of persons with access to insider information relating to the group which reports to the Issuer, adopted an independent "Procedure for the management of the register of persons with access to insider information – Piaggio & C. S.p.A. Group" envisaging its application also regarding parties that control the Issuer, subject to the necessary adjustments to the corporate organisational structures in the respective organigrammes.
Both procedures are available on the www.piaggiogroup.com corporate website in the Investor Relations / Procedures section.

6.3. Internal Dealing

As regards management of the disclosure requirements arising from the new regulation on Internal Dealing, in accordance with article 114, paragraph 7 of the TUF and articles 152-sexies, 152-septies and 152-octies of the Regulation of Issuers, in force for listed companies as of 1 April 2006, the Board of the Issuer, on 3 May 2006, resolved to adopt the "Procedure for complying with the obligations regarding Internal Dealing", with binding effectiveness as of the listing date.
Releases regarding significant transactions pertaining to the Internal Dealing regulation carried out in 2007 have been disclosed to the market in compliance with said Procedure and are available on the Issuer's www.piaggiogroup.com corporate website in the Investor Relations section.

7. Board committees

The Appointments Committee, the Remuneration Committee and the Internal Control Committee have been established within the Board.

8. Appointments committee

The Board, in compliance with the provisions of the Code and in consideration of the presence in the bylaws of the slate voting system for the appointment of the Board, has established an internal Appointments Committee.

During the year, there was no need to hold meetings of the Appointments Committee.

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The Appointments Committee mostly consists of Independent Non-executive Directors.
The Appointments Committee has three members: Franco Debenedetti (the Chairman), Luca Paravicini Crespi and Luciano La Noce.

Appointments Committee functions

The Appointments Committee has the duty of verifying that the procedure of presenting slates established in the bylaws is carried out correctly and transparently, in compliance with the applicable provisions of law and the bylaws. Having verified compliance of the above procedure, with particular reference to the completeness of the documents to be filed and the timeliness of such filing, the committee carries out the necessary formalities for the presentation of those slates to the shareholder meeting called to appoint the Board or its members.
In accordance with article 6.C.2, point c) of the Code, the Appointments Committee is also authorised to express, whenever it deems necessary, opinions to the Board regarding its size and composition.

9. Remuneration committee

The Board of the Company, in compliance with the provisions of the Code, has established an internal Remuneration Committee.

During the year, 2 (two) meetings of the Remuneration Committee were held, on 11 April 2007 and 14 November 2007.

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During the year, the Remuneration Committee consisted of Non-executive Directors, mostly independent.
The Remuneration Committee has three members: Riccardo Varaldo (the Chairman), Luciano La Noce and Franco Debenedetti.

During the year, the Committee passed no resolutions from which any Directors needed to abstain.

Remuneration Committee meetings were attended by non-members upon the invitation of the Committee itself.

Remuneration Committee functions

The duties of the Remuneration Committee are: (i) to formulate proposals to the Board regarding the remuneration of the Chief Executive Officer and the other Directors with specific duties, monitoring the application of such decisions; and (ii) to formulate general recommendations to the Board regarding the remuneration of senior managers with strategic responsibilities within the Piaggio Group, taking account of the information and indications provided by the Chief Executive Officer, while periodically assessing the criteria adopted for the remuneration of senior management.
The Remuneration Committee also has duties in relation to the management of any stock option plans approved by the competent organs of the Company.
At the meeting on 11 April 2007, the Committee, in carrying out its business, examined the draft Regulation of the new incentive and loyalty plan for the top management of Piaggio and of the Italian and foreign companies it controls.
As a result of these verifications, the Committee, deeming the plan to be essentially consistent with international practices and conforming to the recommendations of the

Code as regards the remuneration of Executive Directors and top management, recommended that the Issuer should adopt it.

At the meeting on 14 November 2007, the Committee assessed the criteria adopted by the Issuer regarding the remuneration of senior managers with strategic responsibilities.

To this end, it invited Luciana Franciosi, Manager of the Personnel Organisation and Quality Systems function, to attend the meeting, in which she illustrated the "Piaggio Group compensation system" and described in detail the Group's current organisational structure.

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Minutes were taken at all Committee meetings.

During the course of its business, the Remuneration Committee had the opportunity to access the information and corporate functions it needed in order to perform its duties, and also made use of external consultants, within the terms established by the Board.

No financial resources have been allocated to the Remuneration Committee in that it uses the Issuer's facilities for carrying out its business.

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10. Remuneration of the directors

The remuneration of the Executive Directors is not linked to the financial results of the Issuer and/or the achievement of specific objectives previously indicated by the Board. A significant part of the remuneration of senior managers with strategic responsibilities is linked to the financial results of the Issuer and/or the achievement of individual objectives previously indicated by the Chief Executive Officer.

There is a stock-based incentive plan for managers of the Issuer or of Italian and/or foreign companies it controls, in accordance with article 2359 of the Italian Civil Code, and the managing directors of those subsidiaries.

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The remuneration of the Non-executive Directors is not linked to the financial results of the Issuer.

There is no stock-based incentive plan for Non-executive Directors.

The remuneration of the Non-executive Directors was decided by the shareholders.

All Directors of the Issuer receive the same emoluments of 40,000 Euros per annum.

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Name	Emoluments for the office	Non-monetary benefits	Bonuses and other incentives	Other remuneration	Total
Roberto Colaninno	1,040,000 (1)				1,040,000
Matteo Colaninno	100,000 (2)				100,000
Gianclaudio Neri	40,000				40,000
Michele Colaninno	40,000			10,000	50,000 (3)
Luciano Pietro La Noce	40,000				40,000
Giorgio Magnoni	40,000				40,000
Daniele Discepolo	60,000 (4)				60,000
Franco Debenedetti	40,000				40,000
Riccardo Varaldo	50,000(5)				50,000
Luca Paravicini Crespi	50,000 (5)				50,000
Gianclaudio Attolico Trivulzio	40,000				40,000
Daniele Bandiera	-	9,924	-	816,774	826,698(6)
Michele Pallottini	-	10,040	-	914,625	924,665(6)

(1) This amount includes 600,000 Euros as emoluments for the office of Chairman and 400,000 Euros as emoluments for the office of Chief Executive Officer.
(2) This amount includes 60,000 Euros as emoluments for the office of Deputy Chairman.
(3) The emoluments are paid to the company of employment.
(4) This amount includes 20,000 Euros as emoluments for the office of Chairman of the Internal Control Committee.
(5) This amount includes 10,000 Euros as emoluments for the office of member of the Internal Control Committee.
(6) This amount includes 10,000 Euros as emoluments for the office of Director of Moto Guzzi S.p.a. These emoluments are paid to the company of employment.

The table lists the emoluments received by the Directors and the two general managers during the year in accordance with the criteria in Attachment 3C.

In particular, the **emoluments for the office** indicate: (i) the emoluments for the period approved by the shareholders, or as per paragraph 2 of article 2389 of the Civil Code, yet not paid and (ii) any profit sharing, (iii) attendance payments, (iv) expenses refunded; the **non-monetary benefits** column indicates the fringe benefits (following a criterion of taxable income) including any insurance policies; **Bonuses and other incentives** include one-off portions of remuneration; **other remuneration** indicates (i) emoluments for positions held in listed and unlisted subsidiaries (ii) employee remuneration (gross of social security and tax charges for the employee's account, excluding the mandatory collective social security charges for the company's account and the provision for employee leaving indemnity) (iii) indemnities payable upon leaving office, and (iv) any other remuneration from other services provided.

Other than the two general managers, whose remuneration is indicated in the above table, the Issuer has no further senior managers with strategic responsibilities.

11. Internal control committee

The Board has established an Internal Control Committee. During the year, 5 (five) meetings of the Internal Control Committee were held: on 7 February 2007; 10 April 2007; 3 July 2007; 10 October 2007 and 27 November 2007.

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The Internal Control Committee of the Issuer consists of Independent Non-executive Directors.

During the year, the Internal Control Committee consisted of at least three members: Daniele Discepolo (the Chairman), Riccardo Varaldo and Luca Paravicini Crespi.

The Director Daniele Discepolo possesses the necessary accounting and finance skills required by the Board at the time of his appointment.

Internal Control Committee meetings were attended by non-members upon the invitation of the Committee itself.

Functions attributed to the Internal Control Committee

The Internal Control Committee is a consultative body that can put forward proposals to the Board and is mandated to carry out the following duties:

(i) assist the Board in carrying out internal control activities, in particular in defining the guidelines of the system and the periodic monitoring of the adequacy, effectiveness and actual functioning of the system;

(ii) examine the work plan prepared by the person in charge of internal control and the half-yearly reports transmitted by him;

(iii) assess, together with the Manager in charge of preparing the corporate accounting documents and the auditors, the adequacy of the accounting principles used for the audit and their consistency for the purposes of preparing the consolidated financial statements;

(iv) assess the proposals formulated by the auditors regarding the mandate, the work plan prepared for the audit and the results illustrated in the report and in the letter of suggestions;

(v) report to the Board, at least every six months, at the time of approving the financial statements for the financial period and the half-year report, regarding activities carried out and the adequacy of the internal control system;

(vi) carry out any further duties that the Board deems appropriate to assign to the Committee, in particular regarding relations with the auditors and the consultative functions concerning dealings with related parties envisaged by the specific procedure approved by the Board.

During the year, the Internal Control Committee monitored the internal control system and, in this regard, the progress of the Internal Auditing work plan, with a particular focus on the implementation of corrective measures following the 2005 and 2006 audits, the progress of the 2007 audit plan, the commencement of risk analysis activities and the implementation of the measures needed to adapt the Issuer to the provisions of Law 262/2005.

As regards this last aspect, on 9 November 2007, the Issuer publicly disclosed the plan and the timetable to adapt its subsidiaries established and governed by the laws of countries outside the EU to the terms of article 36 of CONSOB's Regulation of Markets.

This plan is published in the quarterly report at 30 September 2007 and available on the Issuer's website in the Investor Relations/Financial Information section.

In its meetings, the Committee also discussed the most appropriate measures with regard to the 2008 audit, with a view to progressively improve the internal control system so as to ensure maximum efficiency and security.

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Meetings of the Internal Control Committee were attended by the Chairman of the Board of Statutory Auditors, Giovanni Barbara.

Minutes were taken at all Internal Control Committee meetings. During the course of its business, the Internal Control Committee had the opportunity to access the information and corporate functions it needed in order to perform its duties, and also made use of external consultants, within the terms established by the Board.

No financial resources have been allocated to the Internal Control Committee in that it uses the Issuer's facilities for carrying out its business.

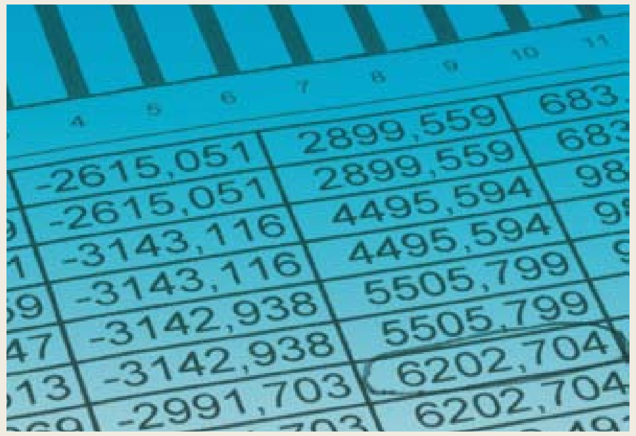
12. Internal control system

The Board defines the guidelines of the internal control system, that is, the set of processes aimed at monitoring the efficiency of corporate operations, the reliability of financial information, compliance with regulations and the law, the safeguarding of corporate assets.

The Board (i) prevents and manages corporate risks regarding the Issuer and the group which reports to the Issuer by defining suitable control guidelines that ensure that such risks are correctly identified and adequately measured, monitored, managed and assessed, even as regards safeguarding corporate assets and the fit and proper management of the company; (ii) periodically (at least annually) verifies the adequacy, efficiency and effectiveness of the internal control system.

In carrying out such functions, the Board is assisted by an Executive Director appointed to supervise the functioning of the internal audit system (the '"Director Appointed") and the Internal Control Committee; it also takes account of the organisational and management models adopted by the Issuer and the group which reports to the Issuer in accordance with Law 231/2001.

The Board, in response to a proposal by the Director Appointed and having obtained the opinion of the Internal Control Committee, has appointed the Person in charge of Internal Control and ensured that the individual receives adequate means to carry out his/her functions, even from the viewpoint of operating structure and internal organisational procedures to access the information needed by the position, authorising the Chief Executive Officer and the General Manager Finance to agree the terms and conditions of the appointment.



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During the year, the Internal Control Committee reported regularly to the Board regarding its activities, the results of the checks made and the functioning of the internal control system, highlighting how the system was essentially consistent with the dimensions and the organisational and operating structure of the Issuer.

12.1. Executive director appointed to supervise the internal control system

The Board has mandated the Chairman and Chief Executive Officer Roberto Colaninno as executive director appointed to supervise the internal control system.

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The executive director appointed to supervise the functioning of the internal control system:

- identified the main corporate risks (strategic, operating, financial and compliance), taking account of the characteristics of the activities carried out by the Issuer and its subsidiaries, and periodically submitted them to the Board for examination
- implemented the guidelines drawn up by the Board, as well as planned, implemented and managed the internal control system, constantly monitoring its overall adequacy, effectiveness and efficiency
- adapted this system to the development of operations and to the legal and regulatory framework
- proposed to the Board the appointment of the Person in charge of Internal Control

12.2. Person in charge of internal control

The Board, in response to a proposal by the Director Appointed and having obtained the opinion of the Internal Control Committee, appointed Pierantonio Piana of Cogitek S.r.l. as Person in charge of Internal Control, authorising the Chief Executive Officer and the General Manager Finance to agree the terms and conditions of the appointment.

The term of this appointment coincides with that of the current Board.

The Person in charge of Internal Control has no operating responsibilities and does not report to anyone in operational departments, including administration and finance.

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The Person in charge of Internal Control:

- had direct access to all the information needed to perform his duties;
- reported on his activities to the Internal Control Committee and to the Board of Statutory Auditors;
- also reported on his activities to the executive director appointed to supervise the functioning of the internal control system

In 2007, the Person in charge of Internal Control had a budget of 20,000 Euros in order to perform his duties.

During the year, the Person in charge of Internal Control, assisted by the internal audit function, extensively verified the internal control system of the Issuer on the basis of international best practices. In particular, the verification covered the corporate governance system of the Issuer, the organisation of authorisations and powers of attorney, implementation of the regulatory and legal framework in accordance with Law 626/1994, Law 231/2001 and Law 262/2005, the procedures of planning, budgeting and management control, the control of costs, corporate risk management, the implementation of administrative and operating control procedures, and the implementation of processes to safeguard corporate assets.

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The Issuer has established an internal audit function and the Person in charge of Internal Control is also in charge of that function.

The internal audit function has been outsourced to Pierantonio Piana of Cogitek S.r.l..

There are no links between the Issuer and Cogitek S.r.l., the company handling the internal audit function.

The internal audit function has been outsourced to ensure full independence and autonomy in carrying out its business.

12.3. Organisational model as per law 231/2001

The Issuer has adopted the organisational, management and control model for the prevention of the crimes established in Law 231/2001, as amended. At the date of this Report, the Supervisory Body, in office for the years 2006-2007-2008, therefore until the approval of the financial statements at 31 December 2008, consists of Giovanni Barbara, a member of the Board of Statutory Auditors and chosen from among the statutory auditors; Alessandro Bertolini, the Head of Legal Affairs of the Issuer; and Enrico Ingrilli, the Chairman, as the member designated by the Chief Executive Officer together with the Chairman of the Board of Statutory Auditors, chosen among external executives possessing the necessary prerequisites.

In the meeting on 5 December 2006, the Supervisory Body updated the Organisational Model in accordance with Law 231/2001 in the part relating to the Internal Control mechanisms, describing the crimes and administrative offences connected with breaching the information requirements following the listing.

The updated version of the Model was sent to all senior managers of the Piaggio Group and published on the corporate intranet. The Model is also available on the Issuer's website in the Investor Relations/Corporate Governance/ Governance Model section.

On 27 November 2007, the Supervisory Body approved a new Supervisory Body Regulation, which was updated and reviewed as a result of new legal and regulatory changes.

It is pointed out that, on 3 March 2005, the subsidiary Moto Guzzi S.p.A. also adopted its own organisational, management and control model in accordance with Law 231/2001 and appointed its own Supervisory Body, which has the same members as the Supervisory Body of the Issuer.

12.4. Auditors

Deloitte & Touche S.p.A. was appointed by the shareholders on 30 March 2006 to audit the Issuer until the approval of the financial statements at 31 December 2011.

12.5. Manager in charge of preparing the corporate accounting documents

The Manager in charge of preparing the corporate accounting documents of the Issuer is Alessandra Simonotto, Manager of Administration and Credit Management of the Issuer.

In accordance with article 17.3 of the Issuer's bylaws, the Manager in charge of preparing the corporate accounting documents must possess all the requirements of integrity established by applicable regulations for persons carrying out administration and control functions, professional prerequisites characterised by specific knowledge of accounting and administration. This knowledge, to be verified by the Board, must have been acquired through work experience in a position of adequate responsibility for a suitable period of time.

The Manager in charge of preparing the corporate accounting documents is appointed by the Board, subject to the mandatory opinion of the Board of Statutory Auditors.

At the time of the appointment, the Board granted the Manager in charge of preparing the corporate accounting documents all the powers and means needed to carry out her duties.

13. Interests of directors and dealings with related parties

Refer to 5.2. above.

14. Appointment of statutory auditors

The appointment and substitution of Statutory Auditors is governed by applicable law and regulations in force and by article 24 of the Issuer's bylaws. The provisions of the Issuer's bylaws governing the appointment of the Board of Statutory Auditors are appropriate to ensure compliance with the provisions of paragraph 2-bis of article 148 of the TUF introduced by Law 262/2005 and the provisions of Law 303/2006.

In accordance with article 24 of the Issuer's bylaws, the slates presented by the shareholders must be filed at the registered office at least fifteen days before the date of the shareholder meeting in first call.

The Board of Statutory Auditors is appointed on the basis of slates presented by the shareholders. No shareholder, including shareholders party to a significant shareholder agreement in accordance with article 122 of the TUF, the parent company, subsidiaries and jointly controlled companies in accordance with article 93 of the TUF, may present or take part in presenting, not even through third parties or trust companies, more than one slate nor vote for other slates.

Only those shareholders who, alone or as a group, represent at least 2.5% (two point five percent) of the share capital with voting rights, or another percentage established by legal or regulatory provisions, may present slates.

The Board of Statutory Auditors is elected as follows:

a) in the order in which they are listed, two standing auditors and one substitute are taken from the slate that received the most shareholder votes;

b) in the order in which they are listed, one standing auditor and the other substitute are taken from the second slate that received the most shareholder votes, which, in accordance with applicable regulations, may not in any way, not even indirectly, be linked with the shareholders who presented or voted the slate referred to in point a).

In the event of two or more slates receiving the same amount of votes, the older candidates will be elected as Statutory Auditors.

The standing auditor taken from the second slate that received the most shareholder votes, as per point b) above, becomes Chairman of the Board of Statutory Auditors.

The above procedures for electing the Board of Statutory Auditors do not apply when only one list is presented or votes; in such cases, the shareholders vote by relative majority.

If, at the end of the term for presenting the slates, only one slate has been filed, or only slates presented by shareholders who are significantly linked in accordance with applicable law and regulations at the time, then slates may be presented for another five days after such date; in this case, the minimum threshold for presenting slates is halved.

When the shareholders need to appoint the standing and/or substitute auditors needed to complete the Board of Statutory Auditors, the following procedure is used: if statutory auditors elected in the majority slate need to be substituted, the appointment is by relative majority without any restriction of slates; if, however, statutory auditors elected in the minority slate need to be substituted, the shareholders substitute them by relative majority, choosing among the candidates indicated in the slate to which the statutory auditor to be substituted belonged.

15. Statutory auditors

The Board of Statutory Auditors in office at the date of this Report, appointed by resolution of the ordinary shareholder meeting on 30 March 2006 (based on the statutory provisions applicable prior to the listing) and in office until the approval of the financial statements at 31 December 2008, consists of:

Name	Office	In office from	Indep.	% attendance	Other offices
Giovanni Barbara	Chairman	30/03/2006	X	100	0
Attilio Francesco Arietti	Standing Auditor	30/03/2006	X	86	0
Alessandro Lai	Standing Auditor	30/03/2006	X	86	2
Mauro Girelli	Substitute Auditor	30/03/2006	X	_	2

LEGEND
Indep.: indicates whether the statutory auditor may be qualified as independent in accordance with the criteria of the Code.
% attendance: indicates attendance (in percentage terms) of the statutory auditor at meetings of the Board of Statutory Auditors (the percentage is calculated on the number of meetings attended out of the number of meetings held during the year or since the statutory auditor's appointment).
Other offices: indicates the total number of offices held in listed companies other than the Issuer.

Statutory Auditor Maurizio Maffeis ceased to be a substitute auditor on 11 May 2007.

The professional curricula of the Statutory Auditors in accordance with articles 144 octies and 144 decies of CONSOB's Regulation of Issuers are available on the Issuer's website in the "Investor Relations/Information Memorandum" section.

During the year, the Board of Statutory Auditors met (7) seven times, on: 7 February 2007; 8 March 2007; 11 April 2007; 7 May 2007; 19 July 2007, 10 October 2007 and 27 November 2007.

The delegated bodies reported adequately and in a timely manner to the Board of Statutory Auditors regarding their activities, the general management situation and the business outlook, as well as the most significant transactions in terms of size and characteristics carried out by the Issuer and its subsidiaries, as established by law and the bylaws, therefore at least quarterly.

On 5 February 2008, the Board of Statutory Auditors verified the existence of the independence requirements of its members on the basis of the criteria established by the Code for the independence of the Directors.

The Issuer requires any Statutory Auditor who, on his own behalf or on behalf of third parties, has an interest in a specific transaction of the Issuer to promptly and exhaustively inform the other Statutory Auditors and the Chairman of the Board regarding the nature, terms, origin and scope of the interest.

The Statutory Auditors periodically verify the independence of the auditors and express their opinion in the report to the shareholders.

The Board of Statutory Auditors, in carrying out its business, regularly coordinated with the internal audit function and the Internal Control Committee through discussions with the manager of the internal audit function and the Person in charge of Internal Control.

16. Shareholder relations

The Company believes it is in its own interest from the time of the listing – as well as its duty towards the market – to promote continuous discussion with the shareholders and institutional investors, based on a reciprocal understanding of roles; this relationship is to be developed in compliance with the "Procedure for the public disclosure of insider information" described in point 6 above.

In this respect, it is believed that these relations with the shareholders and institutional investors may be facilitated by establishing dedicated corporate structures with adequate staff and organisational means.

To this end, an Investor Relations office was established to handle relations with the shareholders and institutional investors and to carry out any specific duties regarding the handling of price-sensitive information, as well as relations with CONSOB and Borsa Italiana S.p.A..

At the time of this Report, the head of the Investor Relations office is Leonardo Caputo (who is also the head of International Operations). He may be contacted at: investorrelations@piaggio.com

Investor information is also ensured by making the most significant corporate documents available in a timely and continuous manner on the Company website in the "Investor Relations" section.

In particular, the company website makes available in Italian to investors all press releases distributed to the market, the periodic accounting documentation of the Company approved by the company organs (consolidated and separate financial statements; half-year report; quarterly reports), as well as the documentation distributed at meetings with professional investors, analysts and the financial community.

Furthermore, the website contains the Issuer's bylaws, the documents prepared for shareholder meetings, releases regarding Internal Dealing, the current corporate governance report and any other document which needs to be published on the Issuer's website in accordance with applicable regulations.

17. Shareholder meetings

In accordance with article 8.2. of the Issuer's bylaws, "Shareholders for whom the advice established by paragraph 2 of article 2370 of the Civil Code has been received by the Company in the term of two business days prior to the date of the individual shareholder meeting may attend the meeting".

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To facilitate shareholder attendance at these meetings, the bylaws also establish that the shareholder meeting may be held with participation in more than one location, connected by video, conditional upon compliance with the collective method and the principles of good faith and of shareholders receiving equal treatment (paragraph 2 of article 6 of the bylaws). The Company does not currently see the need to propose the adoption of a specific regulation governing shareholder meetings, considering that it deems appropriate that, in principle, the shareholders shall be assured the widest attendance and voice in shareholder discussions.

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The Board reported to the shareholders regarding its current and future activities, and is committed to ensure adequate shareholder information regarding the elements necessary for them to take informed decisions in relation to shareholder business.

It is pointed out that there have been no significant changes in the market capitalisation of the Issuer or in the composition of the shareholders to warrant proposing to the shareholders changes to the bylaws in relation to the percentages established for exercising the requirements to protect minority interests. In this regard, it is pointed out that, in application of article 144-quater of CONSOB's Regulation of Issuers n. 11971/1999 for the presentation of slates to appoint members of the Board of Directors and of the Board of Statutory Auditors, articles 12.3 and 24.1 of the Issuer's bylaws require a 2.5% threshold of the voting share capital or another percentage established by legal or regulatory provisions.

18. Changes after the close of the financial period

After the end of the financial period, no changes occurred to the corporate governance structures other than those reported in the specific sections.

PIAGGIO GROUP

Consolidated financial statements at 31 December 2007

INCOME STATEMENT

In thousand Euros	Note	2007	2006	Change
Net sales	**4**	**1,692,126**	**1,607,412**	**84,714**
of which to related parties		*1*	*30*	*(29)*
Costs for materials	5	1,020,442	946,528	73,914
of which to related parties		*51,202*	*35,610*	*15,592*
Costs for services and use of third party assets	6	303,560	323,073	(19,513)
of which to related parties		*1,393*	*4,659*	*(3,265)*
of which for non-recurring transactions		*0*	*10,276*	*(10,276)*
Employee costs	7	237,754	236,168	1,586
Depreciation of tangible assets	8	39,802	40,225	(423)
Amortisation of intangible assets	8	49,724	49,557	167
Other operating income	9	127,487	128,741	(1,254)
of which to related parties		*4,417*	*1,762*	*2,655*
Other operating costs	10	31,754	26,378	5,376
of which to related parties		*14*	*36*	*(22)*
Operating income		**136,577**	**114,224**	**22,353**
Income/(loss) from equity investments		79	(17)	96
Financial income	11	17,552	15,476	2,076
Borrowing costs	11	(50,679)	(41,445)	(9,234)
Income before tax		**103,529**	**88,238**	**15,291**
Tax for the period	12	43,527	17,893	25,634
Income from functioning assets		**60,002**	**70,345**	**(10,343)**
Assets intended for disposal:				
Gain/loss from assets intended for disposal	13	0	0	0
Consolidated net income		**60,002**	**70,345**	**(10,343)**
Attributable to:				
Parent company shareholders		59,561	69,976	(10,415)
Minority shareholders		441	369	72
Income per share (in €)	14	0,15	0,18	(0,03)
Diluted income per share (in €)	14	0,14	0,17	(0,01)

BALANCE SHEET

In thousand Euros	Note	At t31/12/2007	At 31/12/2006	Change
ASSETS				
Non-current assets				
Intangible assets	15	637,535	630,316	7,219
Property, plant and machinery	16	248,595	256,966	(8,371)
Property investment	17			0
Equity investments	18	725	754	(29)
Other financial assets	19	235	240	(5)
of which to related parties		*0*	*63*	*(63)*
Long-term tax receivables	20	7,821	7,716	105
Deferred tax assets	21	33,532	46,742	(13,210)
Trade receivables	22	0	174	(174)
Other receivables	23	8,877	6,402	2,475
of which to related parties		*830*	*803*	*27*
Total non-current assets		**937,320**	**949,310**	**(11,990)**
Assets intended for disposal	**27**			**0**
Current assets				
Trade receivables	22	121,412	137,187	(15,775)
of which to related parties		*2,042*	*1,106*	*16*
Other receivables	23	20,345	33,417	(13,072)
of which to related parties		*226*	*3,579*	*(2,017)*
Short-term tax receivables	20	19,621	35,383	(15,762)
Inventories	24	225,529	233,306	(7,777)
Other financial assets	25	18,418	11,866	6,552
of which to related parties		*58*	*30*	*28*
Cash and cash equivalents	26	101,334	68,857	32,477
Total current assets		**506,659**	**520,016**	**(13,357)**
TOTAL ASSETS		**1,443,979**	**1,469,326**	**(25,347)**

Piaggio Group - Consolidated financial statements at 31 December 2007

BALANCE SHEET

In thousand Euros	Note	At 31/12/2007	At 31/12/2006	Change
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Capital & reserves attributable to parent company shareholders	28	470,397	438,091	32,306
Capital & reserves attributable to minority shareholders	28	1,050	607	443
Total shareholders' equity		**471,447**	**438,698**	**32,749**
Non-current liabilities				
Financial liabilities due after 12 months	29	322,921	355,935	(33,014)
Reserves for pensions and employee benefits	33	62,204	78,148	(15,944)
Other long-term reserves	31	19,969	21,906	(1,937)
Tax payables	34		188	(188)
Other long-term payables	35	20,746	17,499	3,247
Deferred tax liabilities	32	39, 514	34,822	4,692
Total non-current liabilities		**465,354**	**508,498**	**(43,144)**
Current liabilities				
Financial liabilities due within 12 months	29	66,614	42,794	23,820
Trade payables	30	347,460	394,709	(47,249)
of which to related parties		*4,781*	*10,225*	*(5,444)*
Tax payables	34	9,683	15,375	(5,692)
Other short-term payables	35	59,662	52,370	7,292
of which to related parties		*180*	*156*	*24*
Current portion of other long-term reserves	31	23,759	16,882	6,877
Total current liabilities		**507,178**	**522,130**	**(14,952)**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,443,979**	**1,469,326**	**(25,347)**

CASH FLOW STATEMENT

In thousand Euros	2007	2006
Operations		
Consolidated net income	59,561	69,976
Minority interest	441	369
Tax for the period	43,527	17,893
Depreciation of property, plant and machinery	39,802	40,225
Amortisation of intangible assets	49,724	49,557
Non-monetary costs for stock options	1,749	2,561
Allocation to reserves for risks and reserves for pensions and employee benefits	14,375	28,861
Write-downs / (Revaluations)	4,226	1,652
Capital loss / (gain) on disposal of property, plant and machinery	(143)	(4,265)
Financial income	(2,858)	(15,476)
Financial charges	32,695	41,445
Income from public grants	(1,728)	(381)
Change in current assets:		
(Increase)/Decrease in trade receivables	19,564	15,781
(Increase)/Decrease in other receivables	37,176	(38,710)
(Increase)/Decrease in inventories	7,777	(41,277)
Increase/(Decrease) in trade payables	(47,405)	98,026
Increase/(Decrease) in other payables	16,521	25,860
Increase/(Decrease) in reserves for risks	(10,624)	(42,329)
Increase/(Decrease) in reserves for pensions and employee benefits	(14,755)	(10,717)
Other changes	(39,919)	(12,494)
Liquid funds generated by operations	**209,706**	**226,557**
Interest paid	(17,764)	(39,921)
Tax paid	(23,519)	(26,328)
Cash flow from operations (A)	**168,423**	**160,308**

In migliaia di euro	2007	2006
Investment		
Investment in property, plant and machinery	(36,184)	(41,636)
Sale price, or redemption value, of property, plant and machinery	1,684	6,050
Investment in intangible assets	(55,332)	(48,639)
Sale price, or redemption value, of intangible assets	40	515
Non-consolidated equity investments		(160)
Sale price of equity investments	20	59
Repayment of loans provided	(86)	9,897
Purchase of financial assets	(6,524)	(11,841)
Sale price of financial assets		8
Interest received	2,271	9,349
Sale price of assets intended for disposal or sale		(55)
Cash flow from investment (B)	**(94,111)**	**(76,453)**
Financing		
Increase in share capital	6,264	16,804
Loans received	26,145	1,352
Outflows to repay loans	(39,636)	(66,072)
Finance leases received	14	
Dividends paid	(11,881)	
Repayment of finance leases	(943)	(918)
Purchase of own shares	(26,830)	
Cash flow from financing (C)	**(46,867)**	**(48,834)**
Increase / (Decrease) in liquid funds (A+B+C)	27,445	35,021
Opening balance	**66,639**	**30,655**
Translation difference	778	963
Closing balance	**94,862**	**66,639**

This schedule shows the factors behind changes in liquid funds, net of short-term bank overdrafts, as required by IAS no. 7.
Moreover, it is pointed out that the €/000 (617) enhancement of the "Aprilia shareholder financial instruments", the €/000 3,465 adjustment of the present value of the "Aprilia warrants" and the €/000 382 adjustment of the "EMH instrument", that are covered in more detail in the Explanatory Notes to the Consolidated Financial Statements in the paragraph regarding intangible assets, are not reflected in the above flows in that they did not involve cash or cash equivalents.

The table below shows the details of the cash and cash equivalents balance at 31 December 2007 and at 31 December 2006.

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Cash and cash equivalents	101,334	68,857	32,477
Current account overdrafts	(6,472)	(2,218)	(4,254)
Closing balance	**94,862**	**66,639**	**28,223**

NET FINANCIAL POSITION

In thousand Euros	Note	At 31/12/2007	At 31/12/2006	Change
Medium- and long-term financial payables:				
Medium- and long-term bank loans	29	(147,912)	(169,740)	21,828
Due for leases	29	(9,746)	(10,430)	684
Due to other lenders	29	(11,409)	(12,607)	1,198
Aprilia instruments	29	(8,474)	(18,530)	10,056
Total		**(177,541)**	**(211,307)**	**33,766**
Bonded loan	29	(145,380)	(144,628)	(752)
Short-term financial payables:				
Current account overdrafts	29	(6,472)	(2,218)	(4,254)
Current account payables	29	(12,601)	(952)	(11,649)
Due to factors	29	(9,332)	(4,464)	(4,868)
Bank loans	29	(28,502)	(19,236)	(9,266)
Due for leases	29	(695)	(940)	245
Due to other lenders	29	(2,690)	(14,984)	12,294
Aprilia instruments	29	(6,322)	0	(6,322)
Total		**(66,614)**	**(42,794)**	**(23,820)**
Other current financial assets				
Financial receivables due from third parties	25	435		435
Financial receivables due from associated companies	25	58	30	28
Securities	25	17,925	11,836	6,089
Total		**18,418**	**11,866**	**6,552**
Cash and cash equivalents	*26*	*101,334*	*68,857*	*32,477*
Total Net financial position		**(269,783)**	**(318,006)**	**48,223**

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

In thousand Euros	
Increase/decrease in liquid funds from the cash flow statement	**27,445**
Outflow for repayment of loans	39,636
Loans received	(26,145)
Repayment of finance leases	943
Finance leases received	(14)
Purchase of financial assets	6,524
Loans granted	86
Translation differences	778
Present value effect of EMH financial instrument not included in the IAS cash flow statement in that it does not involve a monetary change	(382)
Present value effect of APRILIA SHAREHOLDERS financial instrument not included in the IAS cash flow statement in that it does not involve a monetary change	617
Non-monetary change in financial receivables and financial payables (Amount included under the other changes in the operating assets in the cash flow statement)	(1,265)
Change in the net financial position	**48,223**

Piaggio Group - Consolidated financial statements at 31 December 2007

CHANGES IN SHAREHOLDERS' EQUITY 1 JANUARY 2007 / 31 DECEMBER 2007

In thousand Euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of derivatives	IAS transition reserve	Group con-solidation reserve	Group conversion reserve	Stock option reserve	Retained earnings	Earnings for the period	Consoli-dated Group shareholders' equity	Minority interest capital and reserves	TOTAL SHAREHOLD-ERS' EQUITY
At 1 January 2007	**203,170**	**32,961**	**723**	**59,819**	**(4,113)**	**993**	**(852)**	**4,827**	**70,587**	**69,976**	**438,091**	**607**	**438,698**
Translation of financial statements in foreign currency							559				559	2	561
Change in IAS reserves				2,884				1,749			4,633		4,633
Allocation of profit			3,550						66,426	(69,976)	0		0
Payment of dividends									(11,881)		(11,881)		(11,881)
Stock options exercised	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 year										59,561	59,561	441	60,002
At 31 December 2007	**202,124**	**3,493**	**4,273**	**62,703**	**(5,859)**	**993**	**(293)**	**6,576**	**136,826**	**59,561**	**470,397**	**1,050**	**471,447**

CHANGES IN SHAREHOLDERS' EQUITY 1 JANUARY 2006 / 31 DECEMBER 2006

In thousand Euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of derivatives	IAS transition reserve	Group consolidation reserve	Group conversion reserve	Stock option reserve	Retained earnings	Earnings for the period	Consoli-dated Group shareholders' equity	Minority interest capital and reserves	TOTAL SHARE-HOLDERS' EQUITY
At 1 January 2006	**194,827**	**24,500**	**723**	**56,898**	**(4,113)**	**993**	**1,532**	**2,266**	**32,704**	**37,883**	**348,213**	**254**	**348,467**
Translation of financial statements in foreign currency							(2,384)				(2,384)	(16)	(2,400)
Change in IAS reserves				2,921				2,561			5,482		5,482
Allocation of profit									37,883	(37,883)	0		0
Stock options exercised	8,343	8,461									16,804		16,804
Other movements													
Earnings for the year										69,976	69,976	369	70,345
At 31 December 2006	203,170	32,961	723	59,819	(4,113)	993	(852)	4,827	70,587	69,976	438,091	607	438,698

EXPLANATORY AND ADDITIONAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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A) GENERAL ASPECTS

Piaggio S.p.A. (the Company) is a limited 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 report documents. The main activities of the company and its subsidiaries (the Group) are described in the Directors' Report.

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

Consolidation area

At 31 December 2007, the structure of the Piaggio Group was that attached to the Directors' report and is referred to here as well.

The consolidation area has not changed significantly compared to the consolidated financial statements at 31 December 2006.

As regards the income statement items, compared to 2006 the scope of consolidation changes as a result of the completion of the liquidation procedures involving Motocross Company S.r.l. and Aprilia Research & Development S.A.. These changes are somewhat limited and do not alter the comparability of the income figures for the two periods in question.

As regards the balance sheet, compared to 2006, the scope of consolidation changes as a result of the inclusion of Piaggio Vietnam Co., a newly-incorporated company.

Conformity with international accounting standards

The consolidated financial statements of Piaggio Group at 31 December 2007 have been prepared in conformity with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as being in conformity with the provisions established in Article 9 of Law n°. 38/2005 (CONSOB Resolution n°. 15519 dated 27/7/06 regarding "Provisions for the presentation of financial statements", CONSOB Resolution n°. 15520 dated 27/7/06 regarding "Changes and additions to the Regulation of Issuers adopted by Resolution n°. 11971/99", CONSOB communication n°. 6064293 dated 28/7/06 regarding "Corporate reporting required in accordance with article 114, paragraph 5 of Law 58/98"). Account was also taken of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC").

It is pointed out that following the changes made to the regulations governing employee leaving indemnity ("TFR") by Law 27 December 2006 n°. 196 ("2007 Budget") and by subsequent Laws and Regulations, the accounting criteria applied to the amounts of employee leaving indemnity accrued at 31 December 2006 and to those maturing from 1 January 2007, have been modified as of this financial period, in accordance with IAS 19 and the interpretations defined in July by the competent Italian technical bodies.

As a result of the reform of supplementary pension plans pursuant to this Law, the employee leaving indemnity accrued to 31 December 2006 will remain within the company as a defined benefits plan (benefit obligation accrued subject to actuarial assessment), while the amounts accruing from 1 January 2007, due to the choices made by the employees in the first half of the year, will become types of supplementary pension plans or transferred from the company to the treasury reserve managed by INPS, which are, since the choice is made by the employee, defined contribution plans (no longer subject to actuarial assessment).

In the light of the new regulatory provisions, it has become necessary to redetermine the amount of the liabilities accrued at 31 December 2006 in order to adjust the actuarial assessment model previously used to determine the amount of the company's future obligation (Projected unit credit method), on the basis of the new actuarial estimates (the legal revaluation rate established for this programme instead of the estimated salary increases) without considering, given the by now essentially complete accrual of the obligation, the pro-rata portion of the service provided on the amount to accrue in the future. As established in paragraph 109 of IAS 19, this recalculation involved the recognition of a curtailment of non-recurring income, recorded as a reduction in employee costs. It is pointed out that the economic and financial effects generated by the new method are included in the income statement.

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

The 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.

This consolidated financial report has been audited by Deloitte & Touche S.p.A..

1. Content and form of the financial statements

Form of the consolidated financial statements

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

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

Consolidated balance sheet

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

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

Consolidated income statement

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

Consolidated cash flow statement

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

Change in consolidated shareholders' equity

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

Content of the consolidated financial statements

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

2. Consolidation principles and valuation criteria

Using the line-by-line method, the consolidated financial statements at 31 December 2007 include the financial statements of the parent company and the companies in which the Piaggio Group holds the majority of voting rights, and in any case of all the companies in which it exercises a dominant influence, the list of which is supplied in section M.

At 31 December 2007, the subsidiaries and associated companies of Piaggio & C. S.p.A. were as follows:

	Subsidiaries			Associated companies			Total
	Italy	Abroad	Total	Italy	Abroad	Total	
Companies:							
- consolidated on a line-by-line basis	4	20	24				24
- consolidated on an equity basis		3	3		1	1	4
- valued at cost				3	2	5	5
Total companies	4	23	27	3	3	6	33

2.1 Consolidation principles

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

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

The portion of shareholders' equity and net income of the subsidiaries that is due to minority interest have been recorded in specific items under shareholders' equity and in the Income statement called "Minority interest capital and reserves" and "Minority interest", respectively.

Subsidiaries

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

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

IFRS 5 and which are recorded and measured at fair value less sale costs.
The goodwill arising from the acquisition is recorded as an asset and initially measured at cost, represented by the surplus of the acquisition cost compared to the Group share in fair values of the assets, liabilities and identifiable contingent liabilities recorded.
The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control is assumed until such time as that control ceases to exist.
The portions of shareholders' equity and income attributable to minority interest are indicated separately, in the consolidated balance sheet and consolidated income statement, respectively.

Associated companies

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

Joint control companies

These are businesses over whose activities the Group has joint control, established by contractual agreements; such joint venture agreements, which imply the establishment of a separate entity in which each participant has a share of the equity investment, are called joint control equity investments. The Group records joint control equity investments by using the equity method.
With reference to transactions between a Group company and a joint control company, unrealised gains and losses are eliminated to an extent equal to the percentage of the Group's equity investment in the joint control company, except where the unrealised losses represent evidence of a reduction in value of the transferred asset.

Equity investments in other companies

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

Transactions eliminated in the consolidation process

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

Transactions in foreign currency

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

Consolidation of foreign companies

The separate financial statements of each company that belongs to the Group are drawn up in the currency of the main economic environment in which it operates (the operating currency). For the purposes of the consolidated financial statements, the financial statements of each foreign company are expressed in Euros, the operating currency of the Group and the currency for the presentation of the consolidated annual report.
All the assets and liabilities of foreign companies in currencies other than the Euro and which fall within the consolidation area are converted by using the exchange rates in force at the reference date of the financial statements (current exchange rate method). Income and costs are converted at the average rate for the period. Exchange rate differences arising from the application of this method are classified as an item of shareholders' equity until the equity investment is disposed of. In preparing the consolidated cash flow statement, average exchange rates have been used to convert the cash flows of the foreign subsidiaries.
During first-time adoption of the IFRS, the cumulative exchange rate differences generated by the consolidation of foreign companies outside the Euro zone have not been reversed, as allowed by IFRS 1 and therefore have been maintained.
Conversion differences that arise from the comparison between opening shareholders' equity converted at current exchange rates and the same converted at historic exchange rates, as well as the difference between the result for the period expressed at average exchange rates and that expressed at current exchange rates, are charged to the shareholders' equity item "Other reserves".
The exchange rates used for the conversion into Euros of the financial statements of the companies included in the consolidation area are shown in the table below.

Currency	Exchange rate at 31 December 2007	Average rate 31 December 2007	Exchange rate at 31 December 2006 2005	Average rate 31 December 2006
US dollar	1,47210	1,37064	1,31700	1,25567
Pound sterling	0,73335	0,68455	0,67150	0,68182
Indian rupee	58,02100	56,58880	58,29750	56,89314
Singapore dollar	2,11630	2,06362	2,02020	1,99399
Chinese renminbi	10,75240	10,41860	10,27930	10,00898
Croatian kune	7,33080	7,33809	7,35040	7,32489
Japanese yen	164,93000	161,24064	156,93000	146,06235

2.2 Accounting standards

Intangible assets

An intangible asset which is bought and produced internally is recorded under assets, in accordance with the provisions of IAS 38, only if it is identifiable, verifiable and it is likely to generate future economic benefits and its costs can be reliably determined.
Intangible assets with a finite life are recorded at purchase or production cost net of accumulated amortisation and impairment. Amortisation is equated to their expected useful life and starts when the asset is available for use.

Goodwill

In the case of the purchase of businesses, assets, liabilities and contingent liabilities acquired and identifiable are recorded at their fair value at the date of acquisition. The positive difference between the acquisition cost and the Group's portion in the fair value of the assets and liabilities is classified as goodwill and is recorded in the financial statements as an intangible asset. Any negative goodwill is recorded on the income statement at the moment of acquisition.
Goodwill is not amortised, but is tested for impairment on an annual basis, or more frequently if specific events or changed circumstances indicate the possibility that there has been a loss in value, in accordance with the provisions of IAS 36 Reduction in asset values. After the initial recording, goodwill is valued at cost net of any accumulated impairment.

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

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

After 1 January 2004, following the acquisitions that occurred in 2004, further goodwill was generated, the amount of which was recalculated in light of the various values assumed by the shareholders' equity of the companies acquired, in relation to the provisions of IFRS 3.

Development costs

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

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

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

Other intangible assets

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

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

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

Below is a summary of the amortisation periods for the various headings under Intangible assets:

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

Property, plant and machinery

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

The costs incurred following acquisition are capitalised only if they increase the future economic benefits inherent in the asset to which they refer. All the other costs are recorded in the income statement when they are incurred.

Construction in progress is valued at cost and is depreciated from the period in which it comes into operation.

Depreciation is determined on a straight-line basis on the cost of the assets net of the related residual values,

depending on their estimated useful life by applying the percentage rates shown in the comment to the heading.

Land is not depreciated.

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

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

The Group also has production plants in countries where the right of ownership is not allowed. Until the last financial period, it had classified under land the rental instalments paid in advance to secure the availability of the land where its production facilities are located and under depreciation the accrual of such instalment. This based upon the premise that, on the one hand local law does not permit the purchase of property and, on the other hand, the almost 90-year term of the contract means the situation could fall under a lease.

As of this year, on the basis of a recent IFRIC clarification, the Group has reclassified under receivables the rental instalments paid in advance to secure the availability of the land where its production facilities are located.

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

Impairment

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

The recoverable amount is the higher between the net sale price and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value by using a rate gross of tax which reflects current market valuations of the present value of money and the specific risks of the asset concerned.

If the recoverable amount of an asset (or of a cash flow generating unit) is estimated to be lower than the current book value, then the book value of the asset is reduced to the lower recoverable value. An impairment is recorded in the income statement immediately, unless the asset is land or buildings other than property investments recorded at reassessed values, in which case the loss is charged to the respective revaluation reserve.

When the continuation of a write-down is no longer justified, the book value of the asset (or of the cash flow generating unit) is increased to the new value arising from the estimate of its recoverable value, but to no more than the net book value which the asset would have had if the write-down for impairment had not been applied. The recovery in value is immediately recorded in the income statement.

An intangible asset with an indefinite useful life is tested for impairment annually, or more frequently, if there is an indication that the asset may be impaired.

Property investments

International accounting standards have regulated property assets used for production or administration purposes (IAS 16) separately from property investments (IAS 40). As allowed by IAS 40, property and buildings that are not for operations and are held in order to earn rent and/or to increase the value of assets are measured at cost net of accumulated depreciation and impairment losses.

Property investments are eliminated from the financial statements when they are sold or when the property investment is unusable in the long term and no future economic benefits are expected from its possible disposal.

Non-current assets held for sale

Non-current assets (and groups of assets being disposed of) classified as held for sale are measured at the lower of their previous book value and the market value net of selling costs.

Non-current assets (and groups of assets being disposed of) are classified as held for sale when it is expected that their book value will be recovered through a disposal rather than through using them as an operating asset for the company. This condition is met only when the sale is highly likely, the asset (or group of assets) is available for immediate sale in its current condition and management has made a commitment to sell, which should take place within twelve months of the classification under this heading.

Financial assets

Financial assets are recorded and reversed from the balance sheet on the basis of their trade date and are initially measured at cost, including the charges directly associated with the acquisition.

At subsequent financial statement dates, the financial assets which the Group intends and has the ability to maintain to maturity (securities held to maturity) are recorded at amortised cost using the effective interest rate method, net of write-downs made to reflect impairment.

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

Inventories

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

The purchase or production cost is determined in accordance with the weighted average cost method.

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

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

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

Receivables

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

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

Factoring transactions

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

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

Cash and cash equivalents

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

Financial liabilities

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

Derivative instruments and hedge accounting

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

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

Financial derivative instruments are used solely with the intent of hedging, in order to reduce the risk from exchange and interest rate variations and changes in market prices.

In line with the provisions of IAS 39, financial derivative instruments can be recorded in accordance with the methods established for hedge accounting only when, at the start of the hedge, there is the formal designation and documentation of the hedge itself, when it is presumed that the hedge is highly effective, when the effectiveness can be reliably measured and when the hedge itself is highly effective during the various accounting periods for which it is designed.

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

- *Fair value hedge*:If a financial derivative is designated as a hedge for the exposure to variations in the fair value of an asset or a liability, attributable to a particular risk which can have an impact on the income statement, gains or losses arising from subsequent assessments of the fair value of the hedge are recorded on the income statement. The gain or loss on the hedged item, attributable to the risk hedged, changes the book value of that item and is recorded in the income statement.
- *Cash flow hedge* If a derivative instrument is designated as a hedge of the exposure to changes in the cash flows of an asset or liability recorded in the financial statements or of a transaction that is considered highly likely and which could have an impact on the income statement, the effective portion of gains or losses on the financial instrument is recorded under shareholders' equity. The accumulated gain or loss is reversed from shareholders' equity and recorded on the income statement in the same period in which the hedged transaction is recorded. The gain or loss associated with the hedge or that part of the hedge that is ineffective, is immediately recorded in the income statement. If a hedging instrument or a hedge are closed, but the hedged transaction has not yet taken place, the accumulated gains and losses, which until that moment had been recorded under shareholders' equity, are recorded in the income statement when the related transaction occurs. If the hedged transaction is no longer considered likely to occur, then the unrealised gains or losses held under shareholders' equity are immediately recorded on the income statement.

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

Long-term reserves

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

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

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

Reserves for pensions and employee benefits

With the adoption of the IFRS, employee leaving indemnity is considered a defined benefit obligation to be recorded in accordance with IAS 19 - Employee Benefits. Consequently, it must be recalculated using the "Projected Unit Credit Method", by undertaking actuarial valuations at the end of each period. Payments for defined benefit plans are charged to the income statement in the period in which they fall due. The liabilities for benefits following the employment relationship recorded in the financial statements represent the present value of liabilities for defined benefit plans adjusted to take account of actuarial gains and losses and the unrecorded costs related to previous employment services, and reduced by the fair value of the programme assets. Any net assets resulting from this calculation are limited to the value of the actuarial losses and the cost in relation to unrecorded previous employment services, plus the present value of any repayments and reductions in future contributions to the plan.

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

Stock option plan

In accordance with the provisions of IFRS 2 – Share-based payments, the overall amount of the fair value of the stock options at the grant date is recorded entirely in the income statement under employee costs with a counter entry recognised directly in shareholders' equity should the assignees of the equity instruments become rights holders at the grant date.

In the case in which a "vesting period" is envisaged in which certain conditions must apply before the assignees can become rights holders, the cost of compensation, determined on the basis of the fair value of the portions at the grant date, is recorded under employee costs on a straight-line basis over the period between the grant date and the vesting date, with a counter entry recognised directly under shareholders' equity.

Fair value is determined using the Black Scholes method.

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

Deferred taxation

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

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

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

Payables

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

Recognition of net sales

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

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

Grants

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

Operating grants are recorded in the financial statements provided that the right to receive them is certain and they

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are charged to the income statement in relation to the costs against which they are provided.

Financial income

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

Financial charges

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

Dividends

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

Income taxes

Taxation is the sum total of current and deferred taxes. The consolidated financial statements include the tax set aside in the financial statements of the individual companies that are part of the consolidation area on the basis of the estimated taxable income determined in conformity with the national legislation in force at the closing date of the financial statements, taking account of the applicable exemptions and the tax credits due. Income taxes are recorded in the income statement, except for those relating to items directly charged or credited to shareholders' equity, in which case the tax effect is recognised directly

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under shareholders' equity. Income taxes are stated under the heading "Tax payables", net of payments on account and withholding taxes paid. The taxes due in the case of the distribution of reserves on which tax has been suspended recorded in the financial statements of the individual Group companies are not set aside since their distribution is not expected. Effective from 2007 and for a three year period, the parent company and Moto Guzzi S.p.A. have opted for Domestic Tax Consolidation *(Consolidato Fiscale Nazionale)* as established in articles 117 to 129 of the Consolidated Income Tax Law *(T.U.I.R.)*, where IMMSI S.p.A. is the consolidating company and in which other companies of the IMMSI Group take part. The consolidating company determines a single tax base for the group of companies opting for Domestic Tax Consolidation and is thereby able to offset taxable income with tax losses in a single tax return. Each company opting for Domestic Tax Consolidation transfers to the consolidating company its taxable income or tax loss. The latter records a receivable due from the participant equal to the IRES to be paid. However, if a company presents tax losses, then the consolidating company records a payable equal to the IRES on the part of the loss actually offset at the Group level.

Income per share

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

Use of estimates

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

Dealings with related parties

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

New accounting standards

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

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

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

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

On 5 July 2007, IFRIC issued interpretation IFRIC 14 on IAS 19 – *Defined benefit plan assets and minimum funding requirements* which will apply from 1 January 2008. The interpretation provides the general guidelines on how to determine the limit on the amount established by IAS 19 to be recognised as an asset to service the plans and provides an explanation of the accounting effects arising from the presence of a minimum funding requirement clause.
At the issue date of these financial statements, the European Union has not yet completed its approval process of this interpretation. Finally, during 2006 and 2007, the following interpretations were issued that govern scenarios that are not present in the Group:

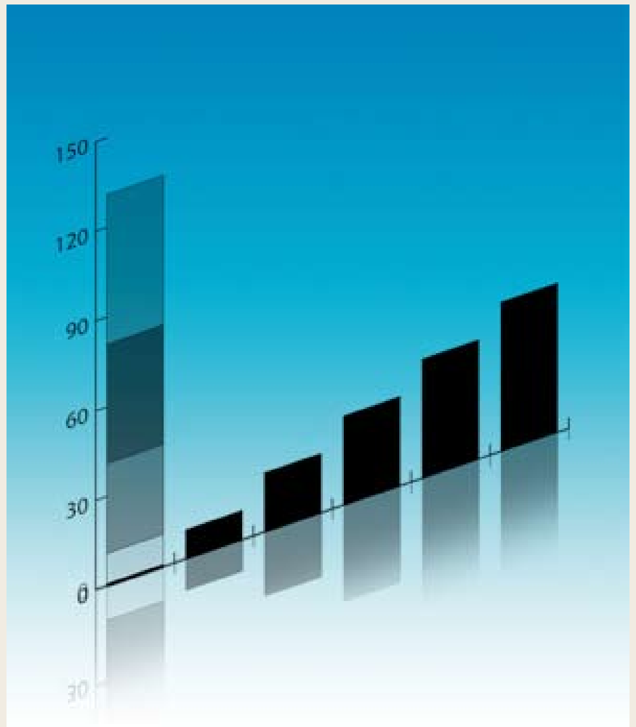
- IFRIC 8 – *Scope of IFRS 2* (applicable from 1 January 2007);
- IFRIC 12 – *Service Concession Arrangements* (applicable from 1 January 2008);
- IFRIC – *Customer Loyalty Programmes* (applicable from 1 January 2009).

B) INFORMATION BY SECTOR

3. Information by business sector and by geographic area

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 is related to two-, three- and four-wheeled vehicles for private or professional 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 worldwide under the Piaggio, Aprilia, Moto Guzzi, Gilera, Derbi, Vespa and Scarabeo brands.
The products are mainly distributed through dealers, whether they be two, three or four-wheeled vehicles.
Within the light transport sector, the Piaggio Group operates on the basis of policies which are common to all the companies/products: by establishing specific management policies so as to reflect the search for a common identity within which to direct the global strategies.
The scope of application of these policies concerns various



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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 procuring supplies are implemented worldwide on the same basis. In light of this the Group operates by seeking to take advantage of benefits from synergy arising mainly from: shared parts common to several vehicles and shared suppliers.
Cash management is handled centrally by the parent company so as to concentrate the financial resources needed to be able to implement investments aimed at generating benefits for all the parts of the Group, by monitoring breakeven times.
The development of new products is managed singly for the whole Group on the basis of an approach which takes into account the various needs of the key markets.
At an organisational level a system has been established which, through the integration of the various brands, enables the realisation of global strategies aimed at looking for synergy to increase the value of the Group and emphasise its distinct features.
This synergy arises from the concentration of technical, industrial and other central activities which are coordinated by Corporate Divisions, thus 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 following table presents the economic and financial data for the Group at 31 December 2007:

In million Euros	Consolidated
NET SALES	
Sales to third parties	1,692.1
Inter-sector sales	
TOTAL NET SALES	**1,692.1**
Gross industrial margin	498.4
Net borrowing costs	(33.1)
Income from equity investments	0.1
Income before taxation	103.5
Taxation	43.5
Minority interest	(0.4)
NET INCOME	**59.6**
OTHER INFORMATION	
Increases in tangible and intangible assets	91.5

SECONDARY SECTOR: MARKET SEGMENTS

In million Euros	2W	LCV	Other	Consolidated
NET SALES				
Sales to third parties	1,294.3	380.1	17.7	1,692.1
Inter-sector sales				
TOTAL NET SALES	**1,294.3**	**380.1**	**17.7**	**1,692.1**
Gross industrial margin				498.4
Net borrowing costs				(33.1)
Income from equity investments				0.1
Income before taxation				103.5
Taxation				43.5
Minority interest				(0.4)
NET INCOME				59.6
OTHER INFORMATION				
Increases in tangible and intangible assets				91.5

Third sector: geographic area

The following table gives the economic and financial figures for the Group at 31 December 2007 in relation to the geographic "destination" areas, that is, based on the nationality of the customer or of the supplier/lender.

In million Euros	Italy	Rest of Europe	America	India	Asia	Rest of the world	Consolidated
NET SALES							
Sales to third parties	570.1	737.7	79.3	238.0	52.0	15.0	1,692.1
Inter-sector sales							
TOTAL NET SALES	570.1	737.7	79.3	238.0	52.0	15.0	1,692.1
BALANCE SHEET							
TOTAL ASSETS	1,152.8	153.2	30.7	83.0	16.8	7.4	1,443.9
TOTAL LIABILITIES	1,145.6	195.9	1.1	85.7	15.5	0.1	1,443.9

C) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

4. Net sales €/000 1,692,126

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

This heading does not include transport costs, which are recharged to customers (€/000 38,906) and advertising cost recoveries invoiced (€/000 7,608), which are shown under other operating income.

The net sales of Group core business assets essentially refer to the marketing of vehicles and spare parts in European and non-European markets.

Net sales by business sector

The breakdown of net sales by business sector is shown in the following table 1.

Net sales by geographic area

The breakdown of net sales by geographic area is shown in the following table 2.

Table 1

In thousand Euros	2007		2006		Changes	
	amount	%	Amount	%	amount	%
2-wheelers	1,294,259	76.48	1,237,190	76.97	57,069	4.61
LCV	380,155	22.47	356,558	22.18	23,597	6.62
Other	17,712	1.05	13,664	0.85	4,048	29.63
Total	1,692,126	100.00	1,607,412	100.00	84,714	5.27

Table 2

In thousand Euros	2007		2006		Changes	
	amount	%	Amount	%	amount	%
Italy	570,079	33.69	618,440	38.47	(48,361)	-7.82
Rest of Europe	737,712	43.60	648,055	40.32	89,657	13.83
America	79,281	4.69	82,330	5.12	(3,049)	-3.70
India	238,001	14.07	206,400	12.84	31,601	15.31
Asia	52,039	3.08	38,636	2.40	13,403	34.69
Rest of the world	15,014	0.89	13,551	0.84	1,463	10.80
Total	1,692,126	100.00	1,607,412	100.0	84,714	5.27

In 2007, net sales rose by €/000 84,714.

Net of the sales achieved in 2006 from the contract with the Italian Post Office for some €/000 36,500, the increase would have been €/000 121,214.

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

5. Costs for materials €/000 1,020,442

These totalled €/000 1,020,442, compared to €/000 946,528 at 31 December 2006. The 7.8% growth is connected on the one hand to the increase in production and sales volumes and, on the other, to the rise in price of the materials.

For this reason, the ratio to net sales increased from 58.9% in 2006 to 60.3% this year.

The following table number 3 details the content of this financial statement heading.

This heading includes €/000 51,202 of costs relating to the purchase of scooters and engines from our Chinese subsidiary Piaggio Foshan, which are distributed on the European markets and assembled on scooters built in Italy, respectively.

6. Costs for services and use of third party assets €/000 303,560

These totalled €/000 303,560, compared to €/000 323,073 at 31 December 2006.

This heading in divided as follows table 4.

Table 3

In thousand Euros	2007	2006	Change
Raw materials, consumables and goods for resale	1,015,440	990,935	24,505
Change in inventories of raw materials, consumables and goods for resale	2,642	(15,748)	18,390
Change in work in progress of semi-finished and finished products	2,360	(28,659)	31,019
Total cost of purchases	1,020,442	946,528	73,914

Table 4

In thousand Euros	2007	2006	Change
Employee costs	17,858	17,413	445
Maintenance and cleaning	7,137	7,376	(239)
Energy, telephone and telex	19,547	18,563	984
Commissions paid	4,999	4,707	292
Advertising and promotion	49,674	59,364	(9,690)
Technical, legal and tax consultancy and services	72,395	80,434	(8,039)
Company boards operating costs	2,630	4,076	(1,446)
Insurance	3,467	3,271	196
Third party work	37,314	34,649	2,665
Transport costs and spare parts	34,927	41,231	(6,304)
Other commercial expenses	11,398	8,956	2,442
Product warranty costs	14,359	8,721	5,638
Bank costs and factoring charges	6,411	5,716	695
Costs for use of third party assets	12,208	11,444	764
Other	9,236	17,152	(7,916)
Total costs for services	303,560	323,073	(19,513)

The €/000 19,513 decrease was on the one hand due to the policy of containing advertising costs and, on the other, to the fact that in 2006 costs for services included €/000 10,276 of non-recurring costs associated with the stock exchange listing, the details of which are stated below:

(in thousand Euros)	2006
Employee costs	43
Advertising and promotion	2,624
Technical, legal and tax consultancy and services	6,905
Audit costs	614
Other commercial costs	86
Other	4
Total cost of listing	10,276

Consultancy costs include €/000 1,249 of management services provided by the parent company Immsi SpA in 2007. The costs for use of third party assets include lease rentals for business properties of €/000 4,312, as well as lease payments for car hire, computers and photocopiers. Third party work of €/000 37,314 refers to production parts.

The ratio of transport costs and spare parts on net sales fell from 2.6% in 2006 to 2.1% in 2007.

Taking into account the applications of the related reserve, "Product warranty" costs decreased by €/000 1,118 due to the improvement of the quality standards of our products.

The heading "other" includes €/000 2,569 of costs for temporary work.

7. Employee costs €/000 237,754

The breakdown of costs incurred for employees is as follows:

In thousand Euros	2007	2006	Change
Salaries and wages	181,438	175,374	6,064
Social security charges	51,029	48,592	2,437
Employee leaving indemnity	(1,228)	10,970	(12,198)
Other costs	6,515	1,232	5,283
Total	237,754	236,168	1,586

Employee costs rose in absolute terms by €/000 1,586 compared to the previous year (0.7%).

The increase was largely due to the 329 increase in the average number of the workforce, in that the average unit cost remained almost equal to that of 2006. This increase was partially offset by the recognition of a €/000 7,493 item of income arising from the recalculation of the prior employee leaving indemnity reserve following the changes introduced in the 2007 Budget relating to the allocation of the amounts accruing that changed the nature of the programme from one of defined benefits to one of defined contributions.

This recalculation is based essentially on excluding from the actuarial calculations future remunerations and the related estimated increases.

Also included in other employee costs are €/000 6,659 of restructuring costs.

It is pointed out that €/000 1,749 relating to stock option costs has been recorded under employee costs, as required by international accounting standards.

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

	Average number		
Level	2007	2006	Change
Senior management	115	115	0
Middle management	412	369	43
Clerical staff	1,845	1,784	61
Manual workers	4,940	4,715	225
Total	7,312	6,983	329

	Actual number at		
Level	31/12/2007	31/12/2006	Change
Senior management	111	113	(2)
Middle management	425	382	43
Clerical staff	1,878	1,805	73
Manual workers	4,433	4,474	(41)
Total	6,847	6,774	73

The increase in sales and the positive outlook for the future enabled the Group to increase both the actual and the average size of the workforce during the year, especially in the Indian subsidiary. It is pointed out that the average number is influenced by seasonal workers during the summer months working under term contracts.

In fact, the Group hires temporary staff to help meet the peaks in demand during the summer months.

Movements in the workforce over the two years are as follows see table 5.

8. Amortisation, depreciation and impairment costs €/000 89,526

Below is a summary of the amortisation and depreciation for the year, broken down into the different categories:

In thousand Euros	2007	2006	Change
Property, plant and machinery:			
Buildings	3,632	3,687	(55)
Plant and machinery	12,744	12,947	(203)
Industrial and commercial equipment	20,634	20,591	43
Other assets	2,792	3,000	(208)
Total depreciation	**39,802**	**40,225**	**(423)**

In thousand Euros	2007	2006	Change
Intangible assets:			
Development costs	28,051	35,025	(6.974)
Industrial patent rights and intellectual property rights	13,245	6,162	7.083
Concessions, licences, trademarks and similar rights	8,344	8,343	1
Other	84	27	57
Total amortisation	**49,724**	**49,557**	**167**

As set out in more detail in the paragraph on intangible assets, as of 1 January 2004 goodwill is no longer amortised, but is tested annually for impairment. The impairment test carried out at 31 December 2007 confirmed the full recoverability of the amounts recorded in the financial statements. Amortisation under the item "Concessions, licences, trademarks and similar rights" includes €/000 5,986 of amortisation of the Aprilia brand and €/000 2,161 for the Guzzi brand.

Table 5

	at 31.12.06	Entering	Exiting	Changes	at 31.12.07
Senior management	113	14	(22)	6	111
Middle management	382	79	(71)	35	425
Clerical staff	1,805	361	(253)	(35)	1,878
Manual workers	4,474	2,025	(2,060)	(6)	4,433
Total (*)	**6,774**	**2,479**	**(2,406)**	**0**	**6,847**
(*) of which term contracts	1,171				1,141

9. Other operating income €/000 127,487

This heading consists of:

In thousand Euros	2007	2006	Change
Operating grants	1,728	2,132	(404)
Increases in fixed assets from internal work	34,205	27,822	6,383
Net sales and other income:			
- Rental income	9,599	1,859	7,740
- Capital gains	243	4,277	(4,034)
- Sale of sundry materials	216	1,205	(989)
- Recovery of transport costs	38,906	40,172	(1,266)
- Recovery of advertising costs	7,608	7,221	387
- Recovery of other costs	18,658	19,186	(528)
- Compensation	202	389	(187)
- Contingent assets	250	12,992	(12,742)
- Licence rights and know-how	1,336	630	706
- Sponsorship	5	3,611	(3,606)
- Other income	14,531	7,245	7,286
Total other operating income	**127,487**	**128,741**	**(1,254)**

Other operating income decreased slightly compared to 2006.

Rental income refers mainly to income for the rental of racing bikes to the teams which compete in the World Motorcycling Championship.

The increase is related to the decision to participate in the above Championship with several teams and is partly offset by the reduction in sponsorship income.

Capital gains refer mainly to the sale of some assets.

The contingent assets item at 31 December 2006 essentially refers to the release of excess reserves where the reasons for making the reserves no longer apply.

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

10. Other operating costs €/000 31,754

This heading consists of:

In thousand Euros	2007	2006	Change
Non-income tax and duties	4,651	4,340	311
Capital losses from disposal of assets	105	12	93
Miscellaneous subscriptions	987	793	194
Write-downs of intangible assets	1,510		1,510
Write-downs of tangible assets	91		91
Write-downs of receivables in working capital	2,625	1,652	973
Allocation of reserves	15,508	17,064	(1,556)
Other operating costs	6,277	2,517	3,760
Total	**31,754**	**26,378**	**5,376**

Overall, other operating costs increased by €/000 5,376. This change is partly due to the write-down of some research projects that had been abandoned.

11. Net financial income (charges) €/000 (33,127)

Below is the breakdown of financial charges and income:

In thousand Euros	2007	2006	Change
Income:			
- Interest due from customers	119	163	(44)
- Interest on bank and postal accounts	2,858	2,096	762
- Interest on financial receivables	222	377	(156)
- Income on interest rate hedging	-	-	0
- Income from discounting employee indemnity	114	3,786	(3,672)
- Other	1,214	2,225	(1,011)
Total other income due from third parties	**4,527**	**8,647**	**(4,121)**
Exchange gains	13,025	6,829	6,196
Total financial income	**17,552**	**15,476**	**2,076**

In thousand Euros	2007	2006	Change
Financial charges:			
- Interest on bonded loan	15,766	15,688	78
- Interest on bank loans	10,632	9,296	1,336
- Interest payable to other lenders	5,804	5,627	177
- Cash discounts for customers	1,450	1,818	(368)
- Bank charges on loans	378	363	15
- Interest rate hedge charges	0	9	(9)
- Employee leaving indemnity discounting costs	3,054	-	3,054
- Interest payable on leases	493	532	(39)
- Other	267	746	(479)
Total other financial charges	**37,844**	**34,079**	**3,765**
Exchange losses	12,835	7,366	5,469
Total financial charges	**50,679**	**41,445**	**9,234**
TOTAL FINANCIAL INCOME (CHARGES)	**(33,127)**	**(25,969)**	**(7,158)**

The negative balance of financial income (charges) in 2007 was of €/000 33,127, down compared to €/000 25,969 the year before. The €/000 7,158 increase is mainly due to the impact of the employee leaving indemnity discounting costs, also in view of the legislative changes introduced during the year and the higher interest generated by the increase in short-term Euro interest rates to which the variable rate financial payables are linked, partially offset by the reduction in average net debt for the period and the average cost of borrowing.

12. Taxation €/000 43,527

Taxation is detailed below:

In thousand Euros	2007	2006	Change
Current taxation	48,428	37,756	10,672
Deferred taxation	(4,901)	(19,863)	14,962
Total	**43,527**	**17,893**	**25,634**

Taxation in 2007 totalled €/000 43,527, or 42.0% of pre-tax income. In 2006, taxation was €/000 17,893, or 20.3% of pre-tax income. The 2007 tax rate differs from that for 2006 mainly as a result of the release of the deferred tax assets recognised by the parent company in 2006 in accordance with IAS 12. This release corresponds to the offset of taxable income with the prior tax losses of the parent company.

Moto Guzzi S.p.A. opted for Domestic Tax Consolidation of the IMMSI Group starting from 2007 and has recognised €/000 3,001 of deferred tax assets based on forecast results.

The reconciliation compared to the theoretical tax rate is shown in the table below:

(in thousand Euros)	2007
Income before taxation	103,529
Theoretical rate	33%
Theoretical income tax	34,165
Taxation relating to previous years	(18)
Tax effect deriving from foreign tax rates differing from Italian theoretical rates	(457)
Tax effect deriving from permanent differences	3,319
Taxation relating to tax inspections	694
Use of tax losses against which no deferred tax assets had been allocated	(779)
Other differences	(862)
Other local taxation	279
IRAP (includes a €/000 8,300 IRAP payable – gross of applying deferrals)	7,186
Income tax recorded in the financial statements	**43,527**

Theoretical taxation was calculated by applying the 33% IRES rate in force in Italy to the income before taxation. The impact of the IRAP rate was determined separately in that this tax is not calculated on pre-tax income.

13. Gain/(Loss) from assets intended for disposal or sale €/000 0

At the year end there were no gains or losses from assets intended for disposal or sale.

14. Income per share

Income per share is calculated using the following figures:

In thousand Euros		2007	2006
Net income	€/000	60,002	70,345
Income attributable to ordinary shares	€/000	60,002	70,345
Average number of ordinary shares in circulation		390,712,148	381,277,384
Income per ordinary share	€	0.15	0.18
Adjusted average number of ordinary shares		416,050,150	414,379,517
Diluted income per ordinary share	€	0.14	0.17

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

Table 6

in thousand Euros	Book value at 31 December 2006	Increases	Amortisation	Disposals	Write-downs	Reclassifications	Translation differences	Book value at 31 December 2007
R&D costs	58,170	40,364	(28,051)	(19)	(1,510)	(78)	(43)	68,833
Patent rights	24,340	14,217	(13,245)			78		25,390
Concessions, licences and trademarks	106,516		(8,344)					98,172
Goodwill	441,250	3,230						444,480
Other	40	751	(84)	(16)			(31)	660
Total	**630,316**	**58,562**	**(49,724)**	**(35)**	**(1,510)**	**0**	**(74)**	**637,535**

D) INFORMATION ON THE CONSOLIDATED BALANCE SHEET - ASSETS

15. Intangible assets €/000 637,535

The following table 6 sets out the breakdown of intangible assets at 31 December 2007 and at 31 December 2006, as well as the movements during the year.

The increases were mainly due to the capitalisation of development costs for new products and engines, as well as the acquisition of software.

The write-downs relate to abandoned research projects.

Development costs €/000 68,833

Development costs include costs for products and engines in projects for which there is an expectation for the period of the useful life of the asset to see net sales at such a level as to allow the recovery of the costs incurred. It also includes work in progress for €/000 25,621, which represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.

In relation to development costs, the new projects capitalised 2007 mainly refer to the new 4-cylinder 1000 and 1200cc motorcycle engines, the new Aprilia Shiver and Mana motorcycles, the new Piaggio Carnaby, GP 800, Scarabeo, Vespa and X7 scooters, the Moto Guzzi Bellagio and Stelvio, the Derbi Mulhacen 125 cc, as well as the new Ape Calessino, Porter GPL and Porter Maxi light commercial vehicles and the Indian diesel engine.

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

In 2007, approximately 22.7 million Euros of development costs were charged directly to the income statement.

Industrial patent rights and intellectual property rights €/000 25,390

This item consists of software for €/000 11,118, as well as patents and know-how. It includes work in progress for €/000 2,888.

The main increases regarding patents and know-how refer to the GP 800, the Mana, the MP3 and the Shiver. The increase in software refers to the purchase of licences, the “Supplier Portal” project, completion of the plan to reorganise Piaggio Group’s European presence, as well as implementing projects relating to marketing, production and personnel.

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

Concessions, licences and trademarks €/000 98,172

The €/000 98,172 of this item consists of:

In thousand Euros	Net value at 31 December 2007	Net value at 31 December 2006
Guzzi	25,933	28,094
Aprilia	71,843	77,829
Laverda	310	465
Minor brands	86	128
Total brands	98,172	106,516

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

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

In relation to the acquisition of Aprilia, in December 2004, the company issued warrants and financial instruments in favour of the creditor banks of Aprilia and the selling shareholders, which are exercisable in periods that are governed by their respective regulations starting from the approval of the consolidated financial statements at 31 December 2007, the commitments of which are summarised below:

- Piaggio 2004/2009 Warrants for an overall issue price of €/000 5,350.5 which envisages a redemption price commensurate to the differential between the financial value of the Group at the exercise date and a matrix of threshold values that vary according to the different exercise periods. The redemption price of the warrants can never exceed the overall issue price by more than twelve times, that is €/000 64,206, and may be paid, at the issuer’s discretion, either in cash or in shares of the Company if listed on the MTA of the Italian Exchange. Starting in the financial statements for 2005, the Company has established a specific balance sheet reserve for the fair value of this commitment, estimating to pay the redemption price in shares, having in the meantime started the process of listing the Company and there being a resolution of an extraordinary general meeting to increase the share capital by issuing up to a maximum of 25 million shares. If the warrant holders were to exercise their warrants and the Company were to deem it convenient to pay the determined amount in cash, then the financial debt of the Company would increase by an amount not exceeding €/000 64,206 against a reduction of the same amount in the shareholders’ equity reserve.
- EMH 2004/2009 financial instruments for a global nominal value of €/000 10,000, which will give the right to payment following the approval of the financial statements at 31 December 2009 of a minimum guaranteed sum of €/000 3,500, as well as a maximum sale value of €/000 6,500 commensurate to the differential between the financial value of the Group at the exercise date and a matrix of threshold values, which are higher than those set for the Piaggio 2004/2009 Warrants, that vary according to the different exercise periods;
- Aprilia shareholder 2004/2009 financial instruments which envisage a maximum sale value of €/000 10,000 commensurate to the differential between the financial value of the Group at the exercise date and a matrix of threshold values, and conditional upon full payment by the Company of the maximum amount envisaged for the Piaggio 2004/2009 Warrants and the EMH 2004/2009 financial instruments.

In conformity with the main content of the aforementioned contractual agreements, by virtue of which, among other things, the final purchase cost is dependent on the achievement of specific income and balance sheet parameters, in the light of the forecasts of the 2007-2009 Business Plan, the adjustment of the initial purchase cost, that has been considered likely for all the financial instruments, has been estimated at €/000 77,245 and has been charged to goodwill.

Since this payment is deferred, the cost is represented by its present value, determined in accordance with the following parameters see table 7.

Taking account of the peculiar nature of the underlying financial instruments, €/000 62,450 of the counter entry for the adjustment to the purchase cost has been recorded in the financial instruments fair value reserve and €/000 14,795 to medium- and long-term financial payables, of which 6,322 falling due within 12 months.

Table 7

		at 31 December 2007			at 31/12/2006	Change (A-B)
Amounts in €/000	Amount	Present value (A)	Time	Discount rate	Present value (B)	
Warrants	64,206	62,450	0.44	6.57%	58,985	3,465
EMH instrument	6,500	6,322	0.44	6.57%	5,940	382
Aprilia shareholder instrument	10,000	8,473	2.6	6.57%	9,090	(617)
Total	80,706	77,245			74,015	3,230

Goodwill €/000 444,480

The composition of goodwill is shown in the following table:

In thousand Euros	At 31/12/2007	At 31/12/2006
Piaggio & C.	330,590	330,590
Nacional Motor	31,237	31,237
Piaggio Vehicles	5,408	5,408
Aprilia	77,245	74,015
Total	444,480	441,250

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

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


X7
8973
W 92

The transactions which gave rise to this heading are:

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

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

The recoverable value of the cash-generating units to which the individual goodwill amounts have been attributed is verified through the determination of the value in use. The main assumptions used in determining the value in use of the cash-generating units are related to the discount rate and the growth rate. In particular, the Group has adopted a discount rate which reflects the current market assessments for the cost of borrowing and takes account of the specific risk attributable to the Group: this rate, gross of

tax, is 8.0%. The forecasts for the cash-generating units derive from those in the most recent budgets and plans prepared by the Group for the next three years, extrapolated for the following years on the basis of medium-/long-term growth rates of 1.5%.

The impairment test carried out at 31 December 2007 confirmed that there was no need to make any changes to the values recorded in the financial statements. The business plan prepared by the Group, which predicts a positive performance for the Group over the next three years, provides reassurance on the appropriateness of the figures used.

The €/000 3,230 increase recorded in the year was due to the measurement of the financial instruments linked to the purchase of the Aprilia Group, as described in the previous paragraph.

Other intangible assets €/000 660

A total of €/000 660, consisting mainly of costs incurred in order to obtain the Vietnamese government permit for the new facility.

16. Property, plant and machinery €/000 248,595

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

in thousand Euros	Value at 31/12/2006	Increases	Depreciation	Disposals	Reclassifications	Translation differences	Value at 31/12/2007
Land and buildings	123,425	3,462	(3,632)	(203)	(3,269)	14	119,797
Plant and machinery	69,515	12,021	(12,744)	(471)	97	(77)	68,341
Equipment	54,655	18,668	(20,634)	(407)	(330)	(3)	51,949
Other	9,371	2,031	(2,792)	(465)	440	(77)	8,508
Total	**256,966**	**36,182**	**(39,802)**	**(1,546)**	**(3,062)**	**(143)**	**248,595**

The increases mainly relate to moulds for the new vehicles launched during the year and the construction of the new facility in Vietnam.

The "Reclassifications" column includes mainly the reclassification of the land held under concession for 99 years in India where the production facilities of the Indian subsidiary are located under long-term other receivables.

Land and buildings €/000 119,797

This heading, net of accumulated depreciation, consists of:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Land	32,848	35,900	(3,052)
Industrial buildings	84,035	83,547	488
Civil engineering buildings	418	2,462	(2,044)
Light constructions	380	477	(97)
Construction in progress	2,116	1,039	1,077
Total	**119,797**	**123,425**	**(3,628)**

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

The Group also has production plants in countries where the right to ownership is not allowed.

Therefore, on the basis of a recent IFRIC clarification, the Group has reclassified under receivables the rental instalments paid in advance in India to secure the availability of the land where its production facilities are located.

This reclassification is the main reason for the decrease in this heading.

"Other" mainly refers to other operative buildings owned by the parent company Piaggio & C S.p.A..

€/000 1,128 of construction in progress refers to the facility being built in Vietnam.

At 31 December 2007, the net values of assets held under leases were as follows:

In thousand Euros	At 31/12/2007
Mandello del Lario facility (land and buildings)	14,045
EDP (other assets)	12
Total	**14,057**

Future lease rental commitments are detailed in note 29.

Buildings are depreciated on a straight-line basis in accordance with the rates considered suitable to represent the useful life of the buildings.

Operative buildings are depreciated on the basis of the following rates between 3% and 5%, while light constructions are depreciated using rates between 7% and 10%.

Land is not depreciated.

Plant and machinery €/000 68,341

Plant and machinery, net of the accumulated depreciation, was as follows:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Non-specific plants	38,111	32,262	5,849
Automatic machinery	9,490	7,465	2,025
Ovens and sundry equipment	900	746	154
Other	14,987	15,993	(1,006)
Construction in progress	4,853	13,049	(8,196)
Total	**68,341**	**69,515**	**(1,174)**

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

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

Plant and machinery are depreciated using the following rates:

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

€/000 2,230 of construction in progress refers to the facility being built in Vietnam.

Industrial and commercial equipment €/000 51,949

The €/000 51,949 of Industrial and commercial equipment is largely made up of production equipment for Piaggio & C. S.p.A., Moto Guzzi S.p.A., Nacional Motor S.A. and Piaggio Vehicles Pvt. Ltd. which is already being depreciated and construction in progress for €/000 4,853.

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

Industrial and commercial equipment is depreciated on the basis of the rates considered adequate by the Group companies to represent its useful life and in particular:

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

Other tangible assets €/000 8,508

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

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
EDP systems	3,199	3,029	170
Office furniture and equipment	2,631	2,358	273
Vehicles	1,426	2,175	(749)
Other	767	1,338	(571)
Construction in progress	485	471	14
Total	**8,508**	**9,371**	**(863)**

Guarantees

At 31 December 2007, the Group had land and buildings encumbered by mortgage liens or privileges to lending institutions to secure loans received in previous years.

17. Investment property €/000 0

At 31 December 2007, there was no investment property.

18. Equity investments €/000 725

Equity investments consist of:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Equity investments in subsidiaries		0	
Equity investments in joint ventures		0	
Equity investments in associated companies	725	754	(29)
Total	**725**	**754**	**(29)**

Changes for the period are shown in the following table:

In thousand Euros	Book value at 31/12/2006	Increases	Reclassifications	Disposals/ Write-downs	Book value at 31/12/2007
Subsidiaries					
Valued using the equity method:					
Piaggio China Co. Ltd	0				
Aprilia Brasil SA	0				
Aprilia World Service do Brasil Ltd	0				
Total subsidiaries	**0**				
Associated companies					
Valued using the cost method:					
SA.T.S.A. - Tunisia	45				45
Acciones Depuradora Soc. Coop.	3				3
Motoride.com – Milan (in liquidation)	505			(9)	496
Pontech Soc. Cons. S.c.r.l. – Pontedera	181				181
D.E.V. Diffusione Europea Veicoli Srl	20			(20)	0
Marker Srl	0				0
Total associated companies	**754**			**(29)**	**725**
Joint ventures					
Valued using the equity method:					
Piaggio Foshan Motorcycles Co. Ltd – China	0				0
Total joint ventures	**0**				**0**

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

Equity investments in subsidiaries €/000 0

It is also noted that:

- as of 31 December 2007, Aprilia Hellas has been merged by incorporation into Piaggio Hellas.

Equity investments in joint ventures €/000 0

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

Piaggio & C. S.p.A. holds a 45% equity investment in Piaggio Foshan Motorcycles, 12.5% of which is held through the direct subsidiary Piaggio China Company Ltd.

The book value of the equity investment remained constant compared to 31 December 2006 and is equal to zero.

Group companies have issued bank guarantees of €/000 12,159 in relation to the loans provided by banks to the subsidiary Piaggio Foshan Motorcycle Co. Ltd.

La seguente tabella riepiloga i principali dati patrimoniali della joint ventures:

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

Piaggio Foshan Motorcycle Co.	Financial statements at 31/12/2007	
		45% (*)
In thousand Euros		
NET TRADE RECEIVABLES	450	202
TRADE RECEIVABLES DUE FROM P&C	3,901	1,755
INVENTORIES	5,507	2,478
TRADE PAYABLES	(7,317)	(3,293)
PAYABLES DUE TO P&C	(1,064)	(479)
OTHER RECEIVABLES	748	337
OTHER RECEIVABLES DUE FROM P&C	164	74
OTHER PAYABLES	(3,893)	(1,752)
WORKING CAPITAL	(1,505)	(677)
TANGIBLE ASSETS	15,279	6,876
INTANGIBLE ASSETS	12	5
TOTAL ASSETS	15,291	6,881
NET CAPITAL EMPLOYED	13,786	6,204
Other reserves	193	87
RESERVES	193	87
FINANCIAL PAYABLES	18,004	8,102
FINANCIAL PAYABLES (Not guaranteed by Piaggio)		0
SHORT-TERM FINANCIAL RECEIVABLES AND LIQUID FUNDS	(6,564)	(2,954)
FINANCIAL POSITION	11,440	5,148
SHARE CAPITAL	23,803	10,712
OTHER RESERVES	31,814	14,316
RETAINED EARNINGS	(56,046)	(25,221)
EARNINGS FOR THE PERIOD	2,583	1,162
SHAREHOLDERS' EQUITY	2,154	969
TOTAL SOURCES OF FUNDS	13,786	6,204
(*) percentage Group ownership		

Equity investments in associated companies €/000 725

The changes recorded in 2007 were due to:

- a €/000 9 write-down of the equity investment in Motoride.com to adjust its value to the shareholders' equity of the company reported in the last available financial statements;
- On 26 January 2007, Piaggio & C. S.p.A. sold its 20% equity investment in D.E.V. S.r.l. in liquidation to Holdipar S.r.l. with registered office in Asolo (TV), Via S. Anna 9, for 40,000 Euros. Piaggio & C. S.p.A. is no longer a shareholder of D.E.V. S.r.l..

It is also noted that, on 10 January 2008, the 0.5% equity investment in Geofor Patrimonio S.p.A. was sold to the Municipality of Pisa.

19. Other non-current financial assets €/000 235

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Financial receivables due from associates	58	63	(5)
Equity investments in other companies	177	177	0
Total	**235**	**240**	**(5)**

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

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

In thousand Euros	Book value at 31/12/2006	Increases	Reclass.	Disposals	Book value at 31/12/2007
Other companies:					
Valued using the cost method:					
Sviluppo Italia Liguria S.c.p.a. (formerly Bic Liguria S.p.A.)	5				5
Consorzio Pisa Ricerche	76				76
Centro per l'innovazione – Pisa	0				0
A.N.C.M.A. – Rome	1				1
E.CO.FOR. S.p.A. – Pontedera	61				61
Consorzio Fiat Media Center – Turin	3				3
S.C.P.S.T.V.	21				21
Other	5				5
Acciones Banco Santander Central Hispano	0				0
IVM	5				5
Mitsuba F.N. Europe S.p.A.	0				0
Acciones Depuradora	0				0
Total other companies	**177**				**177**

There were no changes during the year.

20. Current and non-current tax receivables €/000 27,442

Tax receivables of €/000 43,099 consist of:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
VAT receivables	18,496	33,624	(15,128)
Receivables for tax for which a refund has been claimed	7,689	9,376	(1,687)
Other receivables due from public authorities	1,257	99	1,158
Total tax receivables	**27,442**	**43,099**	**(15,657)**

Tax receivables included under non-current assets totalled €/000 7,821, compared to €/000 7,716 at 31 December 2006, while tax receivables included under current assets totalled €/000 19,621, compared to €/000 35,383 at 31 December 2006, especially as a result of the reduced VAT credit of the parent company.

21. Deferred tax assets €/000 33,532

These totalled €/000 33,532, compared to €/000 46,742 at 31 December 2006. The €/000 13,210 change was mainly generated by the parent company which used deferred tax assets recorded in previous years, of which €/000 17,309 referring to the IRES taxable income offset with tax losses, and simultaneously recorded new deferred tax assets of €/000 8,037. This entry was made in light of the expected results of Piaggio & C. S.p.A., their related use in future financial periods and in consideration of the gap between use and timing of the related tax benefits.

Within the framework of the assessments carried out to determine the deferred tax assets, the Group mainly took account of the following aspects:

1. the tax regulations in the various countries in which it has a presence, their impact in terms of temporary differences and any tax benefits arising from the use of prior tax losses, taking account of their timing;

2. the expected medium-term financial results of each individual company and the financial and tax impacts resulting from organisational restructuring.

In light of these considerations, and with a view to prudence, it has been decided to not recognise entirely the tax benefits arising from losses that can be carried forward.

In thousand Euros	Amount of temporary differences	rate	Tax effect
Reserves for risks	11,801	0.314	3,548
Reserves for charges	16,570	0.314	5,203
Bad debt reserve	14,596	0.275	4,014
Reserve for stock obsolescence	22,919	0.314	7,197
Other	8,994	0.275	2,673
Total deferred tax assets from temporary differences	**74,880**		**22,635**

(in thousand Euros)	prior losses	rate	tax effect
Piaggio & C	77,808	0.275	21,397
Nacional Motor	64,829	0.300	19,449
Moto Guzzi	64,628	0.275	17,773
Piaggio France	711	0.333	237
Piaggio Group America	18,023	0.340	6,128
Derbi Italia	1,708	0.275	470
Derbi Racing	8,191	0.300	2,457
Total deferred tax assets from prior losses	**235,898**		**67,911**
Deferred tax assets recognised			33,532
Deferred tax assets not recognised			57,014

22. Current and non-current trade receivables €/000 121,412

At 31 December 2007, there were no long-term trade receivables, which totalled €/000 174 at 31 December 2006. Current trade receivables totalled €/000 121,412, compared to €/000 137,187 at 31 December 2006.

They consist of:

In thousand Euros	At 31 /12/2007	At 31/12/2006	Change
Due from customers	119,370	136,081	(16,711)
Due from Group companies valued at equity	1,064	1,074	(10)
Due from parent company	920		920
Due from associated companies	ì58	32	26
Total	**121,412**	**137,187**	**(15,775)**

The trade receivables item consists of receivables relating to normal sale transactions, recorded net of a bad debt reserve of €/000 23,187. The Group sells a large part of its trade receivables with and without recourse. The agreements the Group has signed with major Italian and foreign factoring companies essentially reflect the need to optimise the monitoring and management of receivables as well as provide customers with an instrument to finance their inventories. At 31 December 2007, the trade receivables sold without recourse totalled €/000 106,433, of which the Group received payment prior to the natural maturity of the receivables for €/000 100,899. At 31 December 2007, €/000 9,332 of trade receivables had been sold with recourse, with a counter entry in current liabilities. Changes in the reserve were as follows:

In thousand Euros	
31 December 2006	**22,006**
Increases for provisions	2,625
Decreases for applications	(1,444)
31 December 2007	**23,187**

Trade receivables due from Group companies valued at equity are amounts due from Piaggio Foshan Motorcycles. Trade receivables due from associated companies are amounts due from the Fondazione Piaggio.

23. Current and non-current other receivables €/000 29,222

Other receivables recorded under non-current assets totalled €/000 8,877, compared to €/000 6,402 at 31 December 2006, while other receivables recorded under current assets amounted to €/000 20,345, against €/000 33,417 at 31 December 2006. They consist of the following:

Amounts in €/000	At 31/12/2007	At 31/12/2006	Change
Other non-current receivables:			
- due from Group companies valued at equity	440	440	0
- due from associated companies	390	363	27
- due from others	8,047	5,599	2,448
Total non-current portion	**8,877**	**6,402**	**2,475**

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

Amounts in €/000	At 31/12/2007	At 31/12/2006	Change
Other current receivables:			
Due from parent company	226	76	150
Due from Group companies valued at equity	-	3,379	(3,379)
Due from associated companies	-	124	(124)
Due from others	20,119	29,838	(9,719)
Total current portion	**20,345**	**33,417**	**(13,072)**

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

24. Inventories €/000 225,529

At 31 December 2007, inventories totalled €/000 225,529, compared to €/000 233,306 at the end of 2006 and consist of:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Raw materials and consumables	99,214	97,521	1,693
Reserve for loss in value	(8,072)	(9,177)	1,105
	91,142	*88,344*	*2,798*
Work in progress	21,737	27,470	(5,733)
Reserve for loss in value	(852)	(852)	0
	20,885	*26,618*	*(5,733)*
Finished products and goods for resale	131,156	133,535	(2,379)
Reserve for loss in value	(17,899)	(15,287)	(2,612)
	113,257	*118,248*	*(4,991)*
Payments on account	245	96	149
Total	**225,529**	**233,306**	**(7,777)**

25. Other current financial assets €/000 18,418

This item consists of:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Financial receivables due from associates	ì58	ì30	28
Securities	ì17,925	ì11,836	6,089
Other	ì435		435
Total	18,418	11,866	6,552

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

26. Cash and cash equivalents €/000 101,334

This heading mainly consists of sight and short-term bank deposits.
Cash and cash equivalents totalled €/000 101,334, against €/000 68,857 at 31 December 2006, as detailed below:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Bank and post office deposits	101,161	68,433	32,728
Cheques		346	(346)
Cash and assets in hand	173	78	95
Total	101,334	68,857	32,477

27. Assets intended for sale €/000 0

At 31 December 2007, there were no assets intended for sale.

INFORMATION ON THE CONSOLIDATED BALANCE SHEET - LIABILITIES

28. Share capital and reserves €/000 471,447

Share capital €/000 202,124

The changes in share capital during the period were as follows:

In thousand Euros	
At 1 January 2007	203,170
Stock options exercised	2,771
Purchase of own shares	(3,817)
At 31 December 2007	202,124

At 31 December 2007, the share capital, fully subscribed and paid up, consisted of 396,040,908 ordinary shares with a par value of € 0.52 each, for a total of € 205,941,272.16.
During the period, 5,328,760 new ordinary shares were issued to and taken up by beneficiaries of the stock option plan. As a result, all the options granted under the 2004-2007 Plan have been fully exercised.
Furthermore, during the period, following resolutions passed at the shareholders' meeting on 7 May 2007, the parent company purchased 7,340,000 own shares in order to implement the new 2007-2009 stock option plan.
In accordance with the provisions of international accounting standards, these purchases were recorded as a reduction in shareholders' equity.

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At 31 December 2007, according to the shareholder ledger and available information, beyond Immsi S.p.A. (with 55.234% of the share capital), Deutsche Bank AG (with 2.010% of the share capital) and Diego Della Valle e C. S.a.p.a. (with 2.010% of the share capital) no shareholder holds an equity investment of more than 2% of the share capital.

Share premium reserve €/000 3,493

The share premium reserve at 31 December 2007 stood at €/000 3,493. During the period, the opening balance (€ 32,960,645.06) was reclassified under retained earnings, while the reserve increased by € 3,493,150 as a result of 5,328,760 options being exercised.

Legal reserve €/000 4,273

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

Other reserves and retained earnings €/000 200,946

This heading consists of:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Conversion reserve	(293)	(852)	559
Stock option reserve	6,576	4,827	1,749
Financial instruments' fair value reserve	62,703	59,819	2,884
IFRS transition reserve	(5,859)	(4,113)	(1,746)
Total other reserves	*63,127*	*59,681*	*3,446*
Consolidation reserve	993	993	0
Retained earnings	136,826	70,587	66,239
Total	200,946	131,261	69,685

The financial instruments' fair value reserve includes €/000 62,450 arising from the valuation of the Aprilia warrants and €/000 249 relating to the effect of recording the cash flow hedge. The consolidation reserve arose following the acquisition in January 2003 by Piaggio & C. S.p.A. of the 49% equity investment held by Daihatsu Motor Co. Ltd in P&D S.p.A..

Group earnings for the period €/000 59,561

Minority interest capital and reserves €/000 1,050

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

Reconciliation between shareholders' equity and earnings for the period of the parent company and the consolidated shareholders' equity and earnings for the period

In thousand Euros	Earnings at 31/12/2007	Shareholders' equity at 31/12/2007
Piaggio & C. S.p.A.	64,470	389,469
Shareholders' equity and earnings of consolidated companies	15,476	69,909
Elimination of intercompany dividends (write-downs)	(13,094)	
Elimination of carrying amount of equity investments		(38,886)
Other consolidation adjustments (intragroup gains and losses, cumulative amortisation of goodwill, etc.)	(6,850)	50,955
Piaggio & C. Group	60,002	471,447

29. Current and non-current financial liabilities €/000 389,535

Non-current financial liabilities totalled €/000 322,921, compared to €/000 355,935 at 31 December 2006, while current financial liabilities stood at €/000 66,614, against €/000 42,794 at 31 December 2006.
As is shown in the table on the net financial position included in the financial schedules, the Group's overall net debt improved from €/000 318,006 at 31 December 2006 to €/000 269,783 at 31 December 2007, a reduction of €/000 48,223.

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

In thousand Euros	At 31/12/2006	Repayments	New issues	Reclass. to current portion	Other changes	At 31/12/2007
Non-current portion:						
Medium-/long-term loans	169,740		2,720	(28,502)	3,954	147,912
Bonds falling due beyond 12 months	144,628				752	145,380
Other medium-/long-term loans						
of which leases	*10,430*		*9*	*(693)*		*9,746*
of which due to other lenders	*12,607*		*1,492*	*(2,690)*		*11,409*
of which Aprilia instruments	*18,530*			*(6,322)*	*(3,734)*	*8,474*
Total loans beyond 12 months	**41,567**	**0**	**1,501**	**(9,705)**	**(3,734)**	**29,629**
Total	**355,935**	**0**	**4,221**	**(38,207)**	**972**	**322,921**

In thousand Euros	At 31/12/2006	Repayments	New issues	Reclass. from current portion	Other changes	At 31/12/2007
Current portion:						
Current account overdrafts	2,218	(2,218)	6,472			6,472
Current account payables	952	(952)	12,601			12,601
Due to factoring companies	4,464	(4,464)	9,332			9,332
Current portion of medium-/long-term loans:						
of which leases	*940*	*(943)*	*5*	*693*		*695*
of which due to banks	*19,236*	*(19,236)*		*28,502*		*28,502*
of which due to other lenders	*14,984*	*(14,984)*		*2,690*		*2,690*
of which Aprilia instruments				*6,322*		*6,322*
Total loans within one year	**35,160**	**(35,163)**	**5**	**38,207**		**38,209**
Total	**42,794**	**(42,797)**	**28,410**	**38,207**	**0**	**66,614**

The cash generated in 2007 as a result of positive income performance and a further improvement in working capital management led to a significant reduction of the debt, especially the short-term portion, typically in the form of current account overdrafts, revolving credit facilities and advances on receivables. Consequently, new loans taken out were limited to the medium-term with subsidised interest rates in relation to Italian and EU regulations on scientific research.

The debt consists of:

Amounts in €/000	Book value at 31.12.2007	Book value at 31.12.2006	Nominal value at 31.12.2007	Nominal value at 31.12.2006
Bank loans	195,487	192,147	196,722	193,849
Bonded loans	145,380	144,628	150,000	150,000
Other medium-/long-term loans:				
of which leases	*10,441*	*11,370*	*12,903*	*14,325*
of which due to other lenders	*23,431*	*32,054*	*23,431*	*32,119*
of which Aprilia instruments	*14,796*	*18,530*	*16,500*	*20,000*
Total other loans	**48,668**	**61,954**	**52,834**	**66,444**
Total	**389,535**	**398,729**	**399,556**	**410,293**

The following table illustrates the debt repayment schedule at 31 December 2007:

(in thousand Euros)	Nominal value	Due within 12 months	Due beyond 12 months	Due in				
	al 31.12.2007			2009	2010	2011	2012	Beyond
Bank loans	196,722	47,605	149,117	57,734	31,204	30,395	29,204	580
Bonded loans	150,000		150,000				150,000	
Other medium-/long-term loans:								
of which leases	*12,903*	*1,153*	*11,750*	*1,153*	*1,150*	*1,148*	*1,149*	*7,150*
of which due to other lenders	*23,431*	*12,023*	*11,408*	*2,568*	*2,361*	*2,324*	*2,213*	*1,942*
of which Aprilia instruments	*16,500*	*6,500*	*10,000*		*10,000*			
Total other loans	**52,834**	**19,676**	**33,158**	**3,721**	**13,511**	**3,472**	**3,362**	**9,092**
Total	**399,556**	**67,281**	**332,275**	**61,455**	**44,715**	**33,867**	**182,566**	**9,672**

The following table breaks down the financial debt by currency and interest rate.

Amounts in €/000	Book value at 31.12.2006	Book value 31.12.2007	Notional value 31.12.2007	Interest rate applicable
Euro	397,699	382,887	396,960	6.57%
Pound sterling	32			
Singapore dollar	718	354	354	3.80%
Indian rupee	2	3,296		
US dollar	278	2,998	2,242	6.18%
Total non-Euro	1,030	6,648	2,596	5.86%
Total	**398,729**	**389,535**	**399,556**	**6.57%**

Medium-term bank debt amounts to €/000 176,414 (of which €/000 147,912 non-current and €/000 28,502 current) and consists mainly of the following loans:

- a €/000 135,264 (nominal value €/000 136,500) loan provided to the parent company by Mediobanca and Banca Intesa San Paolo. This loan is part of a more complex financial package that in April 2006 was syndicated to a restricted pool of banks. The package consists of a portion of €/000 150,000 nominal fully drawn down and a portion of €/000 100,000 to be used as a credit line, which at 31 December 2007 was completely undrawn. The structure envisages a 7-year term, with a grace period of 18 months and 11 semi-annual instalments with the last maturity on 23 December 2012 for the loan portion, a variable interest rate linked to 6-month Euribor to which a variable margin of between a maximum of 2.10% and a minimum of 0.65% is added depending on the Net Financial Debt / EBITDA ratio. In relation to the improvement in this index recorded in the 2006 annual financial statements, this margin has fallen from 1.15% to 0.90% as from the second half of 2007. There is a commitment fee of 0.25% for the portion relating to the credit line. The agreement does not envisage the issue of guarantees, while, in line with market practice, it does require meeting some financial parameters. It should be noted that, in reference to the 2007 figures, these parameters were comfortably met;

- a €/000 29,000 loan granted to the parent company by a syndicate of 14 banks at the time of the Aprilia acquisition for the purchase, against payment of an amount of 34 million Euros, of the non self-liquidating financial receivables claimed by the same lenders from Aprilia S.p.A.. The conditions envisaged a fixed interest rate of 3.69% annually compounded and repayment in a single instalment of capital and interest at the final maturity on 31 December 2009, aligned with the exercise date of the Piaggio 2004-2009 warrants underwritten by the same lenders during the Aprilia closing;
- a €/000 1,352 loan provided by Interbanca in accordance with Law 346/88 regarding subsidies for applied research, secured by a mortgage lien on property;
- an interest free loan of €/000 2,691 provided by Banca Antonveneta originally to a subsidiary of the Aprilia Group and, following the acquisition, taken on by the parent company with a single repayment date in 2011. The conditions envisage a market interest rate over the last two years based on the performance of the Piaggio 2004-2009 warrants;
- a €/000 2,059 subsidised loan provided by Efibanca maturing 28/12/2009;
- a €/000 2,290 subsidised loan provided by Banca Intesa San Paolo under Law 346/88 regarding applied research;
- €/000 3,500 of payables due to Interbanca in its capacity of provider of the EMH instruments.

The bonds falling due after 12 months item (€/000 145,380 net book value) refers to the high-yield bond issued on 27 April 2005 by the subsidiary Piaggio Finance S.A. (Luxembourg), for a nominal amount of €/000 150,000, maturing on 30 April 2012 and with a semi-annual coupon bearing a fixed annual nominal rate of 10%. The bond issue was guaranteed by the parent company and in June 2007 benefited from an upgrade when Standard & Poor's assigned the issue a rating of BB (previously BB-), in line with the issuer's rating, along with a "stable" outlook remark; in July 2007, Moody's also upgraded its rating to Ba2 (previously Ba3), with a "stable" outlook remark.

Medium-/long-term payables due to other lenders amount to €/000 48,668 (€/000 29,629 other loans beyond one year; €/000 19,039 the current portion of other loans). Their breakdown is as follows:

- €/000 10,441 of finance leases for Moto Guzzi S.p.A., €/000 10,430 of which provided by Locat S.p.A. and 11 €/000 by Italease Factoring S.p.A.;
- €/000 6,322 of payables due to Interbanca in its capacity of provider of the EMH financial instruments;
- a €/000 8,474 Aprilia ex-shareholders financial instrument;
- €/000 14,099 of subsidised loans provided by Simest and the Ministry of Production using regulations to encourage exports and investment in research and development (non-current portion of €/000 11,409);
- €/000 9,332 of renegotiated with recourse factoring transactions.

Financial instruments

Exchange rate risk

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

or payables in foreign currency and that recorded in the related receipt or payment.

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

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

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

Referring to contracts which are made to hedge exchange rate risk on receivables and payables in foreign currency (settlement risk), at 31 December 2007 Piaggio & C. S.p.A. had forward purchase contracts outstanding for JPY/000,000 110, corresponding to €/000 673 (valued at the forward exchange rate) and CHF/000 950, corresponding to €/000 573. Furthermore, at 31 December 2007, the following forward sale contracts were outstanding:

- USD/000 43,630, corresponding to €/000 30,221 (valued at the forward exchange rate);
- GBP/000 1,600, corresponding to €/000 2,195 (valued at the forward exchange rate);
- CHF/000 1,900, corresponding to €/000 1,146 (valued at the forward exchange rate).

As regards contracts in place to hedge exchange rate risk on forecast transactions (business risk), at 31 December 2007, the parent company had forward purchase transactions of JPY/000,000 2,080,000, corresponding to €/000 13,069 (valued at the forward exchange rate) and RMB/000 146,000, corresponding to €/000 13,751 (valued at the forward exchange rate) and forward sales transactions of CHF/000 10,700, corresponding to €/000 6,474 (valued at the forward exchange rate), GBP/000 33,000, corresponding to €/000 46,938 (valued at the forward exchange rate) and CAD/000 7,900, corresponding to €/000 5,710 (valued at the forward exchange rate).

As for Piaggio Group America, at 31 December 2007, there were forward sale transactions for USD/000 20,000 corresponding to €/000 14,000 (valued at the forward exchange rate).

30. Current and non-current trade payables €/000 347,460

At 31 December 2007 and at 31 December 2006, there were no non-current trade payables outstanding. Current trade payables totalled €/000 347,460, compared to €/000 394,704 at 31 December 2006.

In thousand Euros	At 31/12/2006	At 31/12/2006	Change
Current liabilities:			
Due to suppliers	342,679	384,484	(41,805)
Due to Group companies valued at equity	4,071	9,317	(5,246)
Due to associated companies	119	885	(766)
Due to parent companies	591	23	568
Total current portion	**347,460**	**394,709**	**(47,249)**

31. Current and non-current portions of reserves €/000 43,728

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

In thousand Euros	Balance at 31/12/2006	Allocations	Applications	Reclassifications	Balance at 31/12/2007
Product warranty reserve	18,681	11,848	(10,212)		20,317
Reserve for risks on equity investments	5,851	56			5,907
Reserves for restructuring	776	1,000	(171)		1,605
Reserve for contractual risks	5,200	1,951			7,151
Other reserves for risks and charges	8,280	1,709	(1,395)	154	8,748
Total	**38,788**	**16,564**	**(11,778)**	**154**	**43,728**

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

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Non-current portion:			
Product warranty reserve	3,612	5,145	(1,533)
Reserve for risks on equity investments	5,605	5,851	(246)
Reserve for contractual risks	7,151	5,200	1,951
Other reserves for risks and charges	3,601	5,710	(2,109)
Total non-current portion	**19,969**	**21,906**	**(1,937)**

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Current portion:			
Product warranty reserve	16,705	13,536	3,169
Reserve for risks on equity investments	302		302
Reserves for restructuring	1,605	776	829
Other reserves for risks and charges	5,147	2,570	2,577
Total current portion	**23,759**	**16,882**	**6,877**

The product warranty reserve relates to allocations for technical assistance on products with customer service which are estimated to be provided over the contractually envisaged warranty period.

This period varies according to the type of goods sold and the sales market, and is also determined by customer take-up to commit to planned maintenance.

The reserve increased during the period for €/000 11,848 and was used for €/000 10,212 in relation to charges incurred during the year.

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 and of the Piaggio Foshan joint venture, as well as the charges that may arise from it.

The reserve for charges for restructuring refers to future charges which are expected to be incurred regarding duly identified measures to reorganise the company. During the year, there were increases for €/000 1,000 and applications of €/000 171 against the costs incurred in company reorganisation.

The provision of contractual risks refers largely to charges which may arise from the ongoing negotiation of a supply contract. The €/000 1,951 provision relates to expected costs regarding the three-year management plan.

"Other reserves" include the provision for legal risks for an amount of €/000 5,140. €/000 740 of the €/000 3,660 provision made during the year relates to other ongoing legal disputes.

32. Deferred tax liabilities €/000 39,514

€/000 22,902 of the reserve for deferred tax liabilities refers to the tax effect on registering the Aprilia brand. The remainder relates to temporary differences calculated by other Group companies.

33. Reserves for pensions and employee benefits €/000 62,204

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Reserves for pensions	2,594	2,649	(55)
Employee leaving indemnity reserve	59,610	75,499	(15,889)
Total	**62,204**	**78,148**	**(15,944)**

The reserves for pensions consist of reserves for employees allocated by foreign companies and the additional customer indemnity reserve, which represents the compensation due to agents in the case of the agency contract being terminated for reasons beyond their control. The applications refer to payment of indemnities already accrued in previous years, while the provisions correspond to the accruals for the period.

The reduction in the employee leaving indemnity reserve is also a result of the change introduced by the "2007 Budget", Law 27 December 2006 n°. 296.

Changes in the employee leaving indemnity reserve are as follows:

	In thousand Euros
Balance at 31 December 2006	**75,499**
Cost for the period	3,018
Reduction from reform	(7,493)
Discounting charges	3,053
Applications/transfers to pension reserves	(15,087)
Other movements	620
Balance at 31 December 2007	**59,610**

As indicated in the Directors' Report regarding the incentive plan approved in 2007, the parent company has granted 6,510,000 options with an exercise price of 3.55 Euros per share.

As shown earlier in the paragraph on consolidation principles, the cost corresponds to the fair value of the options that the company has determined by applying the Black-Scholes measurement model using the average volatility

of a basket of shares similar to that of the company and an interest rate obtained as the average of the interest rate swap for a multi-currency loan for a period equal to the length of the contract.

The value determined is recognised under employee costs on a straight-line basis over the period between the grant date and the vesting date, with a counter entry recognised directly in shareholders' equity.

In accordance with CONSOB regulations, the following table shows the options granted to directors, general managers and senior managers with strategic responsibilities:

34. Current and non-current tax payables €/000 9,683

"Tax payables" included in current liabilities totalled €/000 9,683, against €/000 15,375 at 31 December 2006. There were no non-current tax payables, compared to the €/000 188 at 31 December 2006.

	Options held at the start of the year			Options granted during the year			Options exercised during the year				Options expired during year	Options held at the end of the year		
Office held	Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Market price upon exercising		Number of options	Number of options	Average exercise price	Average maturity
Bandiera Daniele *General Manager*	600,000	1.72	11/07/2007	1,365,000	3.55	13/06/2012	600,000	1.72	3.135		0	1,365,000	3.55	13/06/2012
Pallottini Michele *General Manager*	976,042	0.98	11/07/2007	1,365,000	3.55	13/06/2012	976,042	0,98	3.135		0	1,365,000	3.55	13/06/2012
Total	**1,576,042**			**2,730,000**			**1,576,042**				**0**	**2,730,000**		

Piaggio Group - Consolidated financial statements at 31 December 2007

The breakdown is as follows:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Due for income tax for the period	1,462	3,323	(1,861)
Due for non-income tax	161	107	54
Tax payables for:			
- VAT	5,876	6,124	(248)
- tax withholdings made	1,468	5,560	(4,092)
- other	716	449	267
Total	*8,060*	*12,133*	*(4,073)*
Total	**9,683**	**15,563**	**(5,880)**

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. Current and non-current other payables €/.000 80.408

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Non-current portion:			
Due to social security institutions	1,003	1,084	(81)
Other payables	19,743	16,415	3,328
Total	**20,746**	**17,499**	**3,247**

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Current portion:			
Due to employees	22,205	28,056	(5,851)
Due to social security institutions	10,784	9,503	1,281
Sundry amounts due to associated companies	180	156	24
Other	26,493	14,655	11,838
Total	**59,662**	**52,370**	**7,292**

Other payables included in non-current liabilities totalled €/000 20,746, compared to €/000 17,499 at 31 December 2006 while other current payables totalled €/000 59,662, compared to €/000 52,370 at 31 December 2006.

Amounts due to employees include €/000 11,913 for holidays accrued but not taken and other payments to be made for €/000 7,528.

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

* * *

Milan, 7 March 2008

for the Board of Directors
Chairman and Chief Executive
Roberto Colaninno

E) DEALINGS WITH RELATED PARTIES

The main business and financial dealings that Group companies had with related parties have already been described in the specific paragraph in the Directors' Report to which reference is made here. To supplement that information, the following table provides an indication by company of the outstanding items at 31 December 2007, as well as their contribution to the respective headings.

		Amounts in €/000	% of accounting item
Dealings with associated companies			
Fondazione Piaggio	costs for services and use of third party assets	23	0.01%
	other operating income	37	0.03%
	other operating costs	4	0.01%
	other current financial assets	58	0.32%
	other non-current receivables	390	4.39%
	current trade receivables	58	0.05%
	current trade payables	19	0.01%
	other current payables	180	0.30%
Piaggio China	current trade payables	6	0.00%
AWS do Brasil	other non-current receivables	440	2.16%
Piaggio Foshan	costs for materials	51,202	5.02%
	costs for services and use of third party assets	21	0.01%
	net sales	1	0.00%
	other operating income	4,237	3.32%
	current trade receivables	1,064	0.88%
	current trade payables	4,065	1.17%
Studio D'Urso	costs for services and use of third party assets	100	0.03%
	current trade payables	100	0.03%
Dealings with parent companies			
IMMSI	costs for services and use of third party assets	1,249	0.41%
	other operating income	143	0.11%
	other operating costs	10	0.03%
	current trade receivables	920	0.76%
	other current receivables	226	1.11%
	current trade payables	591	0.17%

F) REMUNERATION PAID TO MEMBERS OF COMPANY BOARDS, GENERAL MANAGERS AND SENIOR MANAGERS WITH STRATEGIC RESPONSIBILITIES

Full name remuneration	Office held	Period for which the office was held	Term of appointment	Emoluments for the office in the reporting company	Non-monetary benefits	Bonuses and other incentives	Other (net of VAT)
Colaninno Roberto	Chairman and CEO	01/01-31/12	Approval of accounts at 31/12/2008	1,040,000			
Colaninno Matteo	Deputy Chairman	01/01-31/12	Approval of accounts at 31/12/2008	100,000			
Attolico Trivulzio Gian Giacomo	Director	01/01-31/12	Approval of accounts at 31/12/2008	40,000			
Colaninno Michele	Director (1)	01/01-31/12	Approval of accounts at 31/12/2008	40,000			10,000
Debenedetti Franco	Director	01/01-31/12	Approval of accounts at 31/12/2008	40,000			
Discepolo Daniele	Director	01/01-31/12	Approval of accounts at 31/12/2008	60,000			
La Noce Luciano	Director	01/01-31/12	Approval of accounts at 31/12/2008	40,000			
Neri Gianclaudio	Director	01/01-31/12	Approval of accounts at 31/12/2008	40,000			
Magnoni Giorgio	Director	01/01-31/12	Approval of accounts at 31/12/2008	40,000			
Paravicini Crespi Luca	Director	01/01-31/12	Approval of accounts at 31/12/2008	50,000			
Varaldo Riccardo	Director	01/01-31/12	Approval of accounts at 31/12/2008	50,000			
Barbara Giovanni	Chairman of statutory auditors	01/01-31/12	Approval of accounts at 31/12/2008	110,473			42,177
Arietti Attilio Francesco	Statutory auditor	01/01-31/12	Approval of accounts at 31/12/2008	76,481			
Lai Alessandro	Statutory auditor	01/01-31/12	Approval of accounts at 31/12/2008	76,415			
Girelli Mauro	Substitute auditor	01/01-31/12	Approval of accounts at 31/12/2008	-			8,060
Maffeis Maurizio	Substitute auditor	01/01-11/05		-			
Bandiera Daniele	General Manager Operations	01/01-31/12			9,924		816,774 (2)
Pallottini Michele	General Manager Finance	01/01-31/12			10,040		914,625 (2)

1) The emoluments are paid to the company of employment.
2) Includes:(i) 10,000 Euros for Bandiera Daniele in his capacity of Director of Moto Guzzi S.p.A.,
(ii) 10,000 Euros for Pallottini Michele in his capacity of Director of Moto Guzzi S.p.A.. In each case, the emoluments are paid to the company of employment.

G) COMMITMENTS AND RISKS

36. Guarantees provided

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

TYPE	AMOUNT €/000
Cassa di Risparmio di Pisa bank guarantee issued on our behalf in favour of the Administration of the Province of Pisa	130
Banca Intesa San Paolo bank guarantee issued on our behalf in favour of the Chief Collector of the La Spezia Customs	200
Bank guarantee for the credit line of USD 8,100,000 agreed with Banca di Roma for the associated company Piaggio Foshan	5,502
Banca Intesa San Paolo bank guarantee issued in favour of AMIAT – Turin to guarantee contractual obligations for the supply of vehicles	230
Banca Intesa San Paolo bank guarantee issued in favour of the Algerian National Defence Ministry to guarantee contractual obligations for the supply of vehicles	505
Bank guarantee to guarantee the credit line granted by Banca Intesa San Paolo to the subsidiary Piaggio Vespa BV for USD 20,000,000	
- *of which drawn down*	2,596
- *of which granted to the associate company Piaggio Foshan*	6,657
- *of which undrawn*	4,333
BNL bank guarantee in favour of Poste Italiane to guarantee contractual obligations for the supply of vehicles	2,040
BNL bank guarantee issued in favour of the Venice Customs Authority	206
MPS bank guarantee in favour of JIANGSU GANGYANG /CHINA issued on 03-12-2007 for USD 166,590	113
Banca Intesa Madrid bank guarantee in favour of Soc. Estatal De Correos Tel. issued on 13-08-2007 to guarantee deliveries	187
Banco di Brescia bank guarantee issued in favour of the local authority of Scorzé to guarantee the payment of town planning charges	166
Banca Toscana bank guarantee issued on 25/01/2006 in favour of Ministry of Production in Rome for a prize competition	150
Unicredit bank guarantee issued on behalf of Piaggio in favour of Locat S.p.A. to guarantee obligations of the subsidiary under a finance lease	5,000
Unicredit bank guarantee issued on behalf of Piaggio in favour of Locat S.p.A. to guarantee obligations of the subsidiary under a finance lease	7,857

H) NON-RECURRING TRANSACTIONS

The Group had no non-recurring transactions in 2007.

In 2006, it had identified the stock exchange listing as a significant non-recurring transaction.

The table 8 below lists the effects of such transactions on shareholders' equity, on earnings for the period, on financial debt and on cash flows.

Table 8

31 December 2006	Shareholders' equity		Earnings for the period		Net financial debt		Cash flows	
	€/000	%	€/000	%	€/000	%	€/000	%
Book values	438,698	100%	70,345	100%	318,006	100%	35,021	100%
Listing costs	(10,276)		(10,276)					
Total effect of transaction	(10,276)	-2.3%	(10.276)	-14.6%	0	0.0%	0	0.0%

I) INFORMATION ON FINANCIAL INSTRUMENTS

This attachment summarises the information on financial instruments, the associated risks, as well as the sensitivity analysis required by IFRS 7, which came into force on 1 January 2007. At 31 December 2007 and at 31 December 2006, the financial instruments outstanding were allocated as follows in the consolidated financial statements of the Piaggio Group (table 9):

Table 9

In thousand Euros	Note	At 31/12/2007	At 31/1/2006	Change
ASSETS				
Current assets				
Other financial assets	25	18,418	11,866	6,552
of which securities		*17,925*	*11,836*	*6,089*
of which financial receivables		*493*	*30*	*463*
LIABILITIES				
Non-current liabilities				
Financial liabilities falling due beyond one year	29	(322,921)	(355,935)	33,014
of which bonds		*(145,380)*	*(144,628)*	*(752)*
of which bank loans		*(147,912)*	*(169,740)*	*21,828*
of which leases		*(9,746)*	*(10,430)*	*684*
of which other lenders		*(11,409)*	*(12,607)*	*1,198*
of which Aprilia instruments		*(8,474)*	*(18,530)*	*10,056*
Current liabilities				
Financial liabilities falling due within one year	29	(66,614)	(42,794)	(23,820)
of which bank loans		*(47,575)*	*(22,406)*	*(25,169)*
of which leases		*(695)*	*(940)*	*245*
of which other lenders		*(2,690)*	*(14,984)*	*12,294*
of which Aprilia instruments		*(6,322)*	*0*	*(6,322)*

Securities

Securities refer to the underwriting of certificates of deposit issued by an Indian public social security body carried out by the Indian subsidiary in order to make efficient use of temporary liquidity. These securities, which are intended to be held to maturity, are recorded at amortised cost using the effective interest rate method.

Current and non-current liabilities

Current and non-current liabilities are amply covered in the paragraph on financial liabilities of the explanatory notes. In that section, debt is broken down by type and detailed by due date.

Credit Lines

At 31 December 2007, the most important irrevocable credit lines include:

- one for €/000 250,000 falling due in 5 years, with capital and interest payable fully at maturity;
- a frame agreement with a syndicate of banks for the provision of a credit line for an overall amount of €/000 70,300 falling due in 4 years, to be used as a credit facility up to 80% and as an advance on receivables up to 60%;
- a €/000 29,000 line falling due in 2 years.

All the above mentioned credit lines have been granted to the Company.

Warrants and financial instruments

As part of the agreements signed in December 2004 upon the acquisition of Aprilia, the company issued warrants in favour of Aprilia's creditor banks and financial instruments in favour of the selling shareholders, amply covered in the paragraph on intangible assets in the explanatory notes.

Financial risk management

Financial risks and the treasury function are managed centrally. Treasury transactions are carried out within formal guidelines and policies, which are applicable to all Group companies.

Capital and liquidity risk management

Group cash flows and the credit line needs are monitored or managed centrally under the supervision of the Group treasury function with the aim of ensuring an effective and efficient management of financial resources as well as to optimise the debt schedule profile. The Company funds the temporary cash needs of the Group companies by maintaining current accounts with its subsidiaries and by daily cash-pooling governed at arm's length conditions.

To better hedge against liquidity risk, at 31 December 2007, the Group's treasury has available €/000 172,614 of undrawn irrevocable credit lines and €/000 123,200 of revocable credit lines, as detailed below table 10.

Exchange rate risk management

The Group operates internationally and transactions are carried out in currencies other than the Euro, thereby exposing it to risks arising from changes in exchange rates. In 2005, the Group adopted an exchange rate risk management policy which aims to neutralise the possible negative effects of the changes in exchange rates on com-

Table 10

In thousand Euros	2007	2006
Variable rate falling due within one year - irrevocable	2,500	2,500
Variable rate falling due beyond one year - irrevocable	170,114	170,270
Variable rate falling due within one year – uncommitted cash facilities	84,500	67,449
Variable rate falling due within one year – uncommitted self-liquidating facilities	42,700	52,700
Total undrawn credit lines	**299,814**	**292,919**

pany cash-flow. The policy envisages 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"), for at least 66% of the exposure by recourse to derivative contracts. The policy also requires total hedging of the settlement risk, which regards 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 by recourse to natural offsetting of the exposure (netting sales and purchases in the same foreign currency), to taking out derivative contracts to buy or sell forward foreign currencies, as well as to advances on receivables in foreign currency. Furthermore, upon consolidation, the Group is exposed to the translation risk arising from converting into Euros the financial statements of subsidiaries that report in currencies other than the Euro. The policy adopted by the Group does not require this type of exposure to be hedged, in view of its modest size. Illustrated below is the net balance of the cash flows of the main foreign currencies, while reference should be made to the list in the paragraph on financial liabilities in the explanatory notes for derivative contracts outstanding at 31 December 2007.

	Amounts in million €	
	Cash Flow 2007	Cash Flow 2006
Pound Sterling	48.8	48.7
Indian Rupee	19.1	19.4
Singapore Dollar	1.0	3.8
Croatian Kuna	17.1	14.5
US Dollar	26.3	21.8
Swiss Franc	12.3	11.8
Japanese Yen	(19.4)	(23.5)
Total cash flow in foreign currency	**105.2**	**96.5**

In consideration of the above, in the event of a 3% appreciation in the average exchange rate of the Euro on the unhedged portion of the financial exposure on the main foreign currencies seen in 2007, consolidated operating revenue would be reduced by some €/000 700.

Interest rate risk management

The exposure to interest rate risk arises from the need to fund industrial and financial operations, as well as to invest available liquidity. Changes in interest rates may affect the costs and the returns of investment and financing transactions.

The Group measures and monitors its exposure to the risks of changes in interest rates on a regular basis and manages such risks by also using derivative instruments, mainly Forward Rate Agreements and Interest Rate Swaps, in accordance with its own management policies. At 31 December 2007, variable rate debt, net of financial assets, stood at €/000 39,266. As a result, a 1% increase/decrease in the Euribor on that net actual amount would have led to €/000 393 per year more/less interest payable.

Credit risk

The Group considers its exposure to credit risk to be the following:

In thousand Euros	2007	2006
Bank liquidity	101,334	68,857
Securities	17,925	11,836
Financial receivables	493	30
Trade receivables	121,412	137,361
Total	**241,164**	**218,084**

The Group monitors or manages credit centrally using established policies and guidelines. The portfolio of trade receivables shows no signs of concentrated credit risk in view of the wide spread of our concessionaire or distributor network. Additionally, most trade receivables are short-term.

To optimise credit management, the Company has established revolving programmes with some primary factoring companies for selling without recourse its trade receivables in Europe and in the United States.

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L) SUBSEQUENT EVENTS

To date, no events have occurred after 31 December 2007 that make additional notes or adjustments to these financial statements necessary.

In this regard, refer to the Directors' report for significant events after 31 December 2007.

M) INVESTEE COMPANIES

37. Companies in the Piaggio Group

In accordance with CONSOB resolution no. 11971 dated 14 May 1999, as amended (article 126 of the Regulation), the list of the Group's companies and major equity investments is provided below. The list indicates the companies divided by type of control and method of consolidation. The following are also shown for each company: the company name, the registered office, the country of origin and the share capital in the original currency. Also indicated is the percentage held by Piaggio & C. S.p.A. or by other subsidiaries.

A separate column indicates the percentage of voting rights at the ordinary shareholders' meeting should it be different from the equity investment percentage in the share capital.

List of companies included in the consolidation area on a line-by-line basis at 31 December 2007:

Company name	Registered office		Country	Share capital at 31 December 2007	Currency	% Group ownership	Held by	%	% votes
Parent:									
Piaggio & C. S.p.A.	Pontedera (Pisa)		Italy	205,941,272.16	Euro	1.85%	Piaggio & C. S.p.A.	1.85%	
Subsidiaries:									
Aprilia Moto UK Limited *	Stockport - Cheshire		United Kingdom	2,555,325.00	GBP	100%	Aprilia World Service B.V.	100%	
Aprilia Motorrad GmbH	Kerpen		Germany	2,125,000.00	Euro	100%	Aprilia World Service B.V.	100%	
Aprilia World Service B.V.	Amsterdam		Holland	30,000,000 authorised capital (6,657,500 subscribed and paid-up)	Euro	100%	Piaggio & C. S.p.A.	100%	
Derbi Italia S.r.l.	Pontedera (Pisa)		Italy	21,000.00	Euro	100%	Nacional Motor S.A.	100%	
Derbi Racing S.L.	Barcelona		Spain	1,263,000.00	Euro	100%	Nacional Motor S.A.	100%	
Moto Guzzi S.p.A.	Mandello del Lario (Lecco)		Italy	2,500,000.00	Euro	100%	Piaggio & C. S.p.A.	100%	
Moto Laverda S.r.l. *	Noale (Venice)		Italy	80,000.00	Euro	100%	Piaggio & C. S.p.A.	100%	
Nacional Motor S.A.	Barcelona		Spain	9,182,190.00	Euro	100%	Piaggio & C. S.p.A.	100%	
P & D S.p.A. *	Pontedera (Pisa)		Italy	416,000.00	Euro	100%	Piaggio & C. S.p.A.	100%	
Piaggio Asia Pacific PTE Ltd.			Singapore	100,000.00	Sin$	100%	Piaggio Vespa B.V.	100%	
Piaggio Benelux B.V.	Oosterhout		Holland	45,378.00	Euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Deutschland Gmbh	Kerpen		Germany	5,113,500.00	Euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Finance S.A.	Luxembourg		Luxembourg	31,000.00	Euro	99.99%	Piaggio & C. S.p.A.	99.99%	
Piaggio France S.A.S.	Clichy Cedex		France	1,209,900.00	Euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Group Americas Inc	New York		USA	561,000.00	USD	100%	Piaggio Vespa B.V.	100%	
Piaggio Group Japan	Yokohama		Japan	3,000,000.00	Yen	100%	Piaggio Vespa B.V	100%	
Piaggio Hellas EPE	Athens		Greece	7,080,000.00	Euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Hrvatska D.o.o.	Split		Croatia	400,000.00	Kuna	75%	Piaggio Vespa B.V.	75%	
Piaggio Indochina PTE Ltd. *			Singapore	100,000.00	Sin$	100%	Piaggio Asia Pacific PTE Ltd	100%	
Piaggio Limited	Bromley Kent		United Kingdom	250,000.00	GBP	100%	Piaggio Vespa B.V. Piaggio & C. S.p.A.	99.9996% 0.0004%	
Piaggio Portugal Limitada *	Lisbon		Portugal	5,000.00	Euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Vehicles Private Limited	Maharashtra		India	340,000,000.00	Rupee	100%	Piaggio & C. S.p.A. Piaggio Vespa B.V.	99.999997% 0.000003%	
Piaggio Vespa B.V.	Amsterdam		Holland	91,000.00	Euro	100%	Piaggio & C. S.p.A.	100%	
Piaggio Vietnam Co Ltd	Hanoi		Vietnam	4,000,000.00 authorised but not paid up	USD	100%	Piaggio & C. S.p.A. Piaggio Vespa B.V.	51% 49%	

* Company in liquidation

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATION AREA USING THE EQUITY METHOD AT 31 DECEMBER 2007

Company name	Registered office	Country	Share capital at 31/12/2007	Currency	% Group ownership	Held by	%	% votes
Aprilia Brasil S.A.	Manaus	Brazil	2,020,000.00	Real	51%	Aprilia World Service Holding do Brasil Ltda	51%	
Aprilia World Service Holding do Brasil Ltda.	Sao Paulo	Brazil	2,028,780.00	Real	99.99995%	Aprilia World Service B.V.	99.99995%	
Piaggio China Co. LTD	Hong Kong	China	12,500,000 authorised capital (12,100,000 subscribed and paid-up)	USD	99.99999%	Piaggio & C. S.p.A.	99.99999%	
Zongshen Piaggio Foshan Motorcycle Co. LTD.	Foshan City	China	29,800,000.00	USD	45%	Piaggio & C. S.p.A. Piaggio China Co. LTD	32.5% 12.5%	

LIST OF OTHER SIGNIFICANT EQUITY PARTICIPATIONS AT 31 DECEMBER 2007

Company name	Registered office	Country	Share capital at 31/12/2007	Currency	% Group ownership	Held by	%	% votes
Acciones Depuradora Soc. Coop. Catalana Limitada	Barcelona	Spain	60,101.00	Euro	22%	Nacional Motor S.A.	22%	
Mitsuba F.N. Europe S.p.A.	Pisa	Italy	1,000,000.00	Euro	10%	Piaggio & C. S.p.A.	10%	
Motoride S.p.A. *	Milan	Italy	1,989,973.00	Euro	28.2885%	Piaggio & C. S.p.A.	28.2885%	
Pont - Tech , Pontedera & Tecnologia S.c.r.l.	Pontedera (Pisa)	Italy	884,160.00	Euro	20.44%	Piaggio & C. S.p.A.	20.44%	
S.A.T. Societé d'Automobiles et Triporteurs S.A.	Tunis	Tunisia	210,000.00	TND	20%	Piaggio Vespa B.V.	20%	

* Company in liquidation

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N) Information in accordance with article 149-duodiecies of CONSOB's Regulation of Issuers

The following schedule, prepared in accordance with article 149 duodecies of CONSOB's Regulation of Issuers, illustrates the remuneration for the financial period 2007 for the audit services and for the other services provided by the auditor and entities belonging to its network.

(in Euros)	Service provider	In favour of	Remuneration for the financial period 2007
Audit	Deloitte	parent company Piaggio & C	330,736
	Deloitte	subsidiaries	361,296
Total			**692,032**
Consultancy	Deloitte	parent company Piaggio & C	78,000
	Deloitte	subsidiaries	13,960
Total			**91,960**
Total			**783,992**

N.B. Payments made by subsidiaries reporting in currencies other than the Euro and agreed in local currency have been converted at the exchange rate applicable at 31 December 2007.

Milan, 7 March 2008

O) Statement regarding the consolidated financial statements in accordance with article 81-ter of CONSOB Regulation n°. 11971 dated 14May 1999, as amended

1. We, Roberto Colaninno (Chairman and Chief Executive) and Alessandra Simonotto (Manager in Charge) of Piaggio S.p.A., taking account of the provisions of article 154-bis, paragraphs 3 and 4, of Law 24 February 1998, n°. 58, state that:

- the company has suitable characteristics and
- the administrative and accounting procedures for preparing the consolidated financial statements at 31 December 2007 have been properly applied.

2. In this respect, no aspects of particular note arose.

3. Moreover, we confirm that the consolidated financial statements:

a) correspond to the books and the accounting entries;

b) are prepared in compliance with the IAS and are suitable to provide a true and fair reflection of the financial and business position of the issuer and of the companies included in the consolidation.

for the Board of Directors
Chairman and Chief Executive
Roberto Colaninno

Manager in Charge
Alessandra Simonotto

PIAGGIO & C. S.p.A.

Financial statements at 31 December 2007

FINANCIAL AND BUSINESS PERFORMANCE OF PIAGGIO & C. S.P.A.

Amounts in million €		2007	2006
Income statement (reclassified)			
Net sales		1,330,1	1,216,2
Operating income		105,5	71,6
Income before taxation		91,2	67,8
Net income		64,5	71,0
Operating income as % of net sales	%	7,9	5,9
Net income as % of net sales	%	4,8	5,8
Gross industrial margin=EBITDA (from operations)		**177,1**	**141,6**
Gross industrial margin as % of net sales	%	13,3%	11,6%
Balance sheet			
Net working capital		-5,3	-8,7
Tangible assets		179,3	188,9
Intangible assets		484,7	479,8
Financial assets		124,2	120,5
Reserves		-125,2	-131,6
Net capital employed		**657,7**	**649,0**
Net financial position		268,2	299,1
Shareholders' equity		389,5	349,9
Sources of funds		**657,7**	**649,0**
Change in net financial position			
Opening net financial position		**299,1**	**407,0**
Cash Flow from operations (Income + Amortisation/ Depreciation)		136,1	141,0
(Increase)/Decrease in working capital		-3,4	28,4
(Increase)/Decrease in investment		-70,6	-60,7
Change in pension reserves and other reserves		-6,4	-22,5
Change in shareholders' equity		-24,8	21,7
Total Change		***30,9***	***107,9***
Closing net financial position		**268,2**	**299,1**

FINANCIAL RESULTS OF THE PARENT COMPANY PIAGGIO & C. S.P.A.

Net sales

In 2007, parent company net sales stood at 1,330.1 million €, a 9.4% increase compared to the 2006 figure.

The increase is due to the improved performance of both the 2-wheeler and light transport vehicle businesses. In particular, compared to the previous year, growth was due to increases in net sales recorded by Gilera, Vespa and Aprilia, and the increase in net sales of light commercial vehicles.

EBITDA – defined as "Operating income" gross of the depreciation and amortisation recorded in the separate income statement – was 177.1 million €, an increase of 35.5 million € (+25.1%) compared to 141.6 million € the year before. As a percentage of net sales, 2007 EBITDA stood at 13.3% compared to 11.6% in 2006 (+1.7 percentage points).

Operating costs at 31 December 2007 included 1.5 million € for the write-down of product research projects, while included at 31 December 2006 were 10.2 million € of costs relating to the portion of costs Piaggio & C S.p.A. incurred for the listing process.

In the light of the above mentioned income and cost trends, **operating income** in 2007 was 105.5 million €, an increase of 33.9 million € compared to the 71.6 million € of 2006 (+47.3%). Profitability (the ratio between operating income and net sales) also improved to 7.9%, against 5.9 % in 2006.

Net financial charges totalled 27.4 million €, compared to 23.5 million € in 2006, of which 15.2 million € relating to the loan issued by Piaggio Finance Lussemburgo following the bond it issued last year.

In 2007, equity investments, against the dividends paid by Piaggio Vehicles Pvt Ltd and Piaggio Vespa B.V., produced net income, after the impact of the Moto Guzzi valuation, of 13.1 million €, compared to 19.6 million € in 2006.

2007 ended with a **net profit** of 64.5 million €, against a net profit of 71.0 million € recorded in 2006, after discounting 26.7 million € of taxation and allocating 8.0 million € of deferred tax assets.

Cash flow statement

The consolidated cash flow statement prepared in accordance with the models provided by the international accounting standards of the IFRS is shown in the following pages: comments are provided below making reference to the summary in the Highlights.

Cash generated in the period totalled 30.9 million €.

Cash flow from operations, i.e. net income plus amortisation and depreciation, was 136.1 million €. The positive impact of this flow on the cash generated in the period was partly absorbed by the increase in working capital from –8.7 million € at 31 December 2006 to –5.3 million € at 31 December 2007 (+3.4 million €), 70.6 million € of investment, 6.3 million € of changes in reserves, as well as the first payment of a dividend after the stock exchange listing and the purchase of own shares. This positive performance also benefited of the 6.4 million € increase in shareholders' equity as a result exercised stock options under the 2004-2007 plan in the first half 2007.

Fixed assets increased by 70.6 million €, compared to 60.7 million € the previous year, consisting essentially of 21.5 million € of investment in tangible assets, 45.4 million € of investment in intangible assets, of which 3.2 million € for the discounting of the financial instruments issued upon acquiring Aprilia, with a counter entry under goodwill, and 3.7 million € of investment in financial assets.

Balance Sheet of Piaggio & C S.P.A.

Working capital – defined as the net sum of: Current and non-current trade and other receivables, Inventories, Long-term trade and other payables and Current trade payables, Other receivables (Short- and long-term tax receivables, Deferred tax assets) and Other payables (Tax payables and Other short-term payables) – was negative for 5.3 million €, up from the -8.7 million € at 31 December 2006.

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Tangible assets consist of property, machinery and industrial equipment, net of accumulated depreciation. At 31 December 2007, these totalled 179.3 million €, 9.6 million € down compared to 31 December 2006.

Intangible assets consist of capitalised development costs, patent and know-how costs, and the goodwill arising from the merger and acquisitions transactions undertaken within the Group from 2000 onwards, as set out in more detail in the explanatory notes to the financial statements. At 31 December 2007, these totalled 484.7 million €, a 4.9 million € increase compared to 31 December 2006.

Financial assets, defined by the Directors as the sum of equity investments and other non-current financial assets totalled 124.2 million €, an increase of 3.7 million € compared to 31 December 2006.

Reserves consist of the pension and employee benefits reserves, other long-term reserves, the current portion of other long-term reserves, deferred tax liabilities, and totalled 125.2 million €, a 6.4 million € decrease compared to 31 December 2006.

Net debt at 31 December 2007 stood at 268.2 million €, compared to 299.1 million € at 31 December 2006. The 30.9 million € reduction compared to 31 December 2006 was mainly due to the positive trend in cash flow from operations, partially offset by the dividend payment, the purchase of own shares and investment of € 70.6 million.

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

Amounts in million €	31/12/2007	31/12/2006
(Medium- and long-term financial payables)	(168,0)	(201,2)
(Financial payables due to the subsidiary Piaggio Finance)	(145,4)	(144,6)
(Short-term financial payables)	(55,9)	(21,7)
Financial assets	13,8	32,8
Liquid assets	87,3	35,6
TOTAL FINANCIAL POSITION	(268,2)	(299,1)

Shareholders' equity at 31 December 2007 totalled 389.5 million €, against 349.9 million € at 31 December 2006. Following the exercise of 5,328,760 options by beneficiaries of the stock option plan on 26 January 2007, effective 31 January 2007, the share capital and the share premium reserve increased 2.8 million € and 3.5 million €, respectively. Implementing the shareholder resolutions of 7 May 2007, 11.9 million € of dividends were paid out in May and at 31 December 2007, 7,340,000 own shares had been purchased for a value of 26.8 million €.

Employees

There were 4,050 Company **employees** at 31 December 2007, a reduction of 52 compared to 31 December 2006.

	Average number		Actual number at	
Level	2007	2006	31/12/07	31/12/06
Senior management	90	89	87	88
Middle management and clerical staff	1,256	1,243	1,247	1,252
Supervisors and manual workers	3,174	3,131	2,716	2,762
Total	4,520	4,463	4,050	4,102

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INCOME STATEMENT

In thousand Euros	Note	2007	2006	Change
Net sales	**4**	**1,330,127**	**1,216,161**	**113,966**
of which with related parties		*152,185*	*422,758*	*-270,573*
Costs for materials	5	750,134	703,335	46,799
of which with related parties		*75,800*	*72,705*	*3,095*
Costs for services and use of third party assets	6	272,480	245,192	27,288
of which with related parties		*36,837*	*19,811*	*17,026*
of which for non-recurring transactions		*0*	*10,231*	*-10,231*
Employee costs	7	182,643	186,352	-3,709
of which with related parties			*39*	*-39*
Depreciation of tangible assets	8	31,132	31,990	-858
Amortisation of intangible assets	8	40,462	37,994	2,468
Other operating income	9	75,368	79,121	-3,753
of which with related parties		*15,206*	*11,790*	*3,416*
Other operating costs	10	23,113	18,779	4,334
of which with related parties		*113*	*36*	*77*
Operating earnings		**105,531**	**71,640**	**33,891**
Income/(loss) from equity investments	11	13,100	19,640	-6,540
Financial income	12	20,988	15,534	5,454
of which with related parties		*3,672*	*2,217*	*1,455*
Borrowing costs	12	48,417	39,028	9,389
of which with related parties		*16,453*	*17,257*	*-804*
Earnings before taxation		**91,202**	**67,786**	**23,416**
Taxation for the period	13	26,732	-3,220	29,952
Earnings from continuing activities		**64.470**	**71,006**	**-6,536**
Assets intended for disposal:				
Gain or loss from assets intended for disposal	14	0		
Net earnings		**64,470**	**71,006**	**-6,536**
Earnings per share (in €)	**15**	**0.16**	**0.19**	**(0.03)**
Diluted earnings per share (in €)	**15**	**0.15**	**0.17**	**(0.02)**

BALANCE SHEET

In thousand Euros	Note	At 31/12/2007	At 31/12/2006	Change
ASSETS				
Non-current assets				
Intangible assets	16	484,744	479,804	4,940
Property, plant and equipment	17	179,282	188,911	-9,629
Investment property	18	0	0	0
Equity investments	19	100,012	92,797	7,215
Other financial assets	20	24,225	27,730	-3,505
of which with related parties		*24,000*	*27,563*	*-3,563*
Long-term tax receivables	21	7,425	7,089	336
Deferred tax assets	22	16,206	29,996	-13,790
Trade receivables and other receivables	23	2,664	4,393	-1,729
of which with related parties		*390*	*363*	*27*
Total non-current assets		**814,558**	**830,720**	**-16,162**
Assets intended for sale	**28**	**0**	**0**	**0**
Current assets				
Trade receivables and other receivables	24	181,858	217,529	-35,671
of which with related parties		*98,799*	*120,708*	*-21,909*
Short-term tax receivables	21	2,596	25,013	-22,417
Inventories	25	154,004	171,585	-17,581
Other financial assets	26	13,832	32,763	-18,931
of which with related parties		*13,455*	*32,333*	*-18,878*
Cash and cash equivalents	27	87,307	35,654	51,653
Total current assets		**439,597**	**482,544**	**-42,947**
TOTAL ASSETS		**1,254,155**	**1,313,264**	**-59,109**

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In thousand Euros	Note	At 31/12/2007	At 31/12/2006	Change
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	29	202,124	203,170	-1,046
Share premium reserve	29	3,493	32,961	-29,468
Legal reserve	29	4,273	723	3,550
Other reserves	29	82,547	76,710	5,837
Retained earnings	29	32,562	-34,707	67,269
Earnings for the period	29	64,470	71,006	-6,536
Total shareholders' equity		**389,469**	**349,863**	**39,606**
Non-current liabilities				
Financial liabilities falling due beyond one year	30	313,421	345,775	-32,354
of which with related parties		*145,374*	*144,624*	*750*
Other long-term payables	36	13,712	14,876	-1,164
Reserves for pensions and employee benefits	34	57,575	72,750	-15,175
Other long-term reserves	32	25,510	20,936	4,574
Deferred tax liabilities	33	30,042	26,963	3,079
Total non-current liabilities		**440,260**	**481,300**	**-41,040**
Current liabilities				
Financial liabilities falling due within one year	30	55,937	21,740	34,197
of which with related parties		*302*	*508*	*-206*
Trade payables	31	286,349	332,530	-46,181
of which with related parties		*28,395*	*28,955*	*-560*
Tax payables	35	6,445	8,385	-1,940
Other short-term payables	36	63,574	108,519	-44,945
of which with related parties		*14,292*	*70,628*	*-56,336*
Current portion of other long-term reserves	32	12,121	10,927	1,194
Total current liabilities		**424,426**	**482,101**	**-57,675**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,254,155**	**1,313,264**	**-59,109**

CASH FLOW STATEMENT

In thousand Euros	2007	2006
Operating activities		
Earnings for the period	64,470	71,006
Taxation for the period	26,732	(3,220)
Depreciation of property, plant and equipment (including investment property)	31,133	31,990
Amortisation of intangible assets	40,462	37,994
Non-monetary costs for stock options	1,749	2,561
Provision to reserves for risks and reserves for pensions and employee benefits	24,270	21,194
Write-downs / (Revaluations)	12,745	11,860
Losses / (Gains) on the disposal of property, plant and equipment	(136)	(3,776)
Losses / (Gains) on the disposal of equity investments	(20)	0
Financial income	(20,988)	(15,534)
Dividend income	(23,805)	(25,583)
Financial charges	48,417	39,028
Change in working capital:		
(Increase)/Decrease in trade receivables	11,681	(18,768)
(Increase)/Decrease in other receivables	25,188	(24,386)
(Increase)/Decrease in inventories	17,581	(38,911)
Increase/(Decrease) in trade payables	(46,405)	82,169
Increase/(Decrease) in other payables	(45,885)	64,399
Increase/(Decrease) in current portion of reserves for risks	1,194	(19,838)
Increase/(Decrease) in non-current portion of reserves for risks	(9,934)	(11,976)
Increase/(Decrease) in reserves for pensions and employee benefits	(25,151)	(10,643)
Other changes	20,483	(6,553)
Cash generated by operating activities	*153,781*	*183,013*
Interest paid	(38,426)	(44,925)
Taxation paid	(9,230)	(12,902)
Cash flow from operating activities	**106,125**	**125,186**

next

In thousand Euros	2007	2006
Investing activities		
Investment in property, plant and equipment	(21,777)	(31,010)
Sale price, or repayment value, of property, plant and equipment	410	4,987
Investment in intangible assets	(43,713)	(41,878)
Sale price, or repayment value, of intangible assets	30	0
Investment in financial assets	(17,940)	(1,187)
Loans provided	0	(8,729)
Repayment of loans granted	22,439	10,060
Sale price of financial assets	40	11
Interest received	12,591	8,744
Dividends from equity investments	23,805	25,583
Cash flow from investing activities	**(24,115)**	**(33,419)**
Financing activities		
Increase in share capital and share premium relating to exercised stock options	6,264	16,804
Purchase of own shares	(26,830)	0
Loans received	9,607	5,143
Outflow for repayment of loans	(17,402)	(83,145)
Repayment of finance leases	(266)	(269)
Outflow for dividends paid to shareholders	(11,881)	0
Cash flow from financing activities	**(40,508)**	**(61,467)**
Increase / (Decrease) in cash	41,502	30,300
Opening balance	**35,623**	**5,323**
Closing balance	**77,125**	**35,623**

This schedule illustrates the changes in liquid assets net of short-term bank overdrafts, as required by IAS n. 7.

The following table shows the details of the cash and cash equivalents at 31 December 2007 and at 31 December 2006.

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Cash and cash equivalents	87,307	35,654	51,653
Current account overdrafts	-10,182	-31	-10,151
Closing balance	**77,125**	**35,623**	**41,502**

NET FINANCIAL POSITION

In thousand Euros	Note	At 31/12/2007	At 31/12/2006	Change
Medium-/long-term financial payables:				
Medium-/long-term bank loans	30	-148,291	-179,641	31,350
Due to other lenders	30	-11,283	-12,420	1,137
Aprilia instruments	30	-8,473	-9,090	617
Total		**-168,047**	**-201,151**	**33,104**
Amounts due to the subsidiary Piaggio Finance	30	-145,374	-144,624	-750
Short-term financial payables:				
Current account overdrafts	30	-10,182	-31	-10,151
Current account payables	30	0	184	-184
Due to factors	30	-8,407	-4,220	-4,187
Bank loans	30	0		
Current portion of medium-/long-term bank loans	30	-34,413	-15,738	-18,675
Due under leases	30	-1	-280	279
Due to other lenders	30	-2,631	-779	-1,852
Due to subsidiaries	30	-303	-508	205
Total		**-55,937**	**-21,740**	**-34,197**
Other current financial assets				
Financial receivables due from third parties	20/26	435	431	4
Financial receivables due from subsidiaries	26	13,396	32,303	-18,907
Financial receivables due from associated companies	26	0	30	-30
Total		**13,832**	**32,764**	**-18,932**
Cash and cash equivalents	*27*	*87,307*	*35,654*	*51,653*
Total net financial position		**-268,219**	**-299,096**	**30,877**

CHANGES IN SHAREHOLDERS' EQUITY 1 JANUARY 2007/ 31 DECEMBER 2007

(in thousand Euros)	Share capital	Share premium reserve	Legal reserve	IAS transition reserve	Stock option reserve	Reserve for measurement of financial instruments at fair value	Retained earnings	IAS earnings for the period	TOTAL SHAREHOLDERS' EQUITY
At 1 January 2007	**203,170**	**32,961**	**723**	**13,181**	**4,827**	**58,702**	**(34,707)**	**71,006**	**349,863**
Stock options exercised	2,771	3,493							6,264
Shareholder resolution of 07/05/2007:									
a) Prior losses covered		(32,961)		(1,746)			34,707		0
b) Allocation of 2006 profit:									
- to shareholders								(11,881)	(11,881)
- to reserves			3,550				55,575	(59,125)	0
Purchase of own shares	(3,817)						(23,013)		(26,830)
Change in IAS reserves					1,749	5,834			7,583
Earnings for the period								64,470	64,470
At 31 December 2007	**202,124**	**3,493**	**4,273**	**11,435**	**6,576**	**64,536**	**32,562**	**64,470**	**389,469**

CHANGES IN SHAREHOLDERS' EQUITY 1 JANUARY 2006/ 31 DECEMBER 2006

(in thousand Euros)	Share capital	Share premium reserve	Legal reserve	IAS transition reserve	Stock option reserve	Reserve for measurement of financial instruments at fair value	Retained earnings	Italian Gap earnings for the period	Greater earnings for the period as a result of IAS	IAS earnings for the period	TOTAL SHAREHOLDERS' EQUITY
At 1 January 2006	**194,827**	**24,500**	**723**	**(7,197)**	**2,266**	**56,446**	**(30,211)**	**(4,496)**	**20,378**		**257,236**
Stock option exercised	8,343	8,461									16,804
Change in IAS reserves					2,561	2,256					4,817
Allocation of 2005 earnings				20,378			(4,496)	4,496	(20,378)		
Earnings for the period										71,006	71,006
Al 31 dicembre 2006	**203.170**	**32.961**	**723**	**13.181**	**4.827**	**58.702**	**(34.707)**	**0**	**0**	**71.006**	**349.863**

EXPLANATORY AND ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2007

A) GENERAL ASPECTS

Piaggio & C. S.p.A. (the Company) is a limited liability company established in Italy at the Company Registry Office of Pisa. The addresses of its registered office and the locations where its main activities are conducted are shown in the introduction to the annual report documents.

The financial statements are expressed in Euros (€) since that is the currency in which most of the Company's transactions take place.

Conformity to international accounting standards

The financial statements at 31 December 2007 are prepared in conformity with the International Accounting Standards (IAS/IFRS), in force at the balance sheet date, issued by the International Accounting Standards Board and approved by the European Commission, as well as being in conformity with the provisions established in Article 9 of Law n°. 38/2005 (CONSOB Resolution n°. 15519 dated 27/7/06 regarding "Provisions for the presentation of financial statements", CONSOB Resolution n°. 15520 dated 27/7/06 regarding "Changes and additions to the Issuer Regulation adopted by ruling n°. 11971/99", CONSOB communication n°. 6064293 dated 28/7/06 regarding "Corporate reporting required in accordance with article 114, paragraph 5 of Law 58/98"). Account was also taken of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC").

It is pointed out that following the changes made to the regulations governing employee leaving indemnity ("TFR") by Law 27 December 2006 n°. 196 ("2007 Budget") and by subsequent Laws and Regulations, the accounting criteria applied to the amounts of employee leaving indemnity accrued at 31 December 2006 and to those maturing from 1 January 2007, have been modified as of this financial period, in accordance with IAS 19 and the interpretations defined in July by the competent Italian technical bodies.

As a result of the reform of supplementary pension plans pursuant to this Law, the employee leaving indemnity accrued to 31 December 2006 will remain within the company as a defined benefits plan (benefit obligation accrued subject to actuarial assessment), while the amounts accruing from 1 January 2007, due to the choices made by the employees in the first half of the year, will become types of supplementary pension plans or transferred from the company to the treasury reserve managed by INPS, which are, since the choice is made by the employee, defined contribution plans (no longer subject to actuarial assessment).

In the light of the new regulatory provisions, it has become necessary to redetermine the amount of the liabilities accrued at 31 December 2006 in order to adjust the actuarial assessment model previously used to determine the amount of the company's future obligation (Projected unit credit method), on the basis of the new actuarial estimates (the legal revaluation rate established for this programme instead of the estimated salary increases) without considering, given the by now essentially complete accrual of the obligation, the *pro-rata* portion of the service provided on the amount to accrue in the future. As established in paragraph 109 of IAS 19, this recalculation involved the recognition of a curtailment of an item of income, recorded as a reduction in employee costs.

It is pointed out that the economic and financial effects generated by the new method are included in the income statement.

1. Content and form of the financial statements

Form of the financial statements

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

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

Balance sheet

The balance sheet is presented in sections with assets, liabilities and shareholders' equity indicated separately. Assets and liabilities are shown in the financial statements on the basis of their classification as current and non-current.

Income statement

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

Cash flow statement

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

Change in shareholders' equity

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

This financial report has been audited by Deloitte & Touche S.p.A..

2. Valuation criteria

The most significant valuation criteria adopted for the preparation of the separate financial statements at 31 December 2007 are illustrated below.

Intangible assets

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

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

Goodwill

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

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

On disposing of a part or the whole company that was previously acquired and from the acquisition of which there emerged goodwill, in determining the capital gain or loss on the disposal, account is taken of the corresponding residual value of goodwill. During first-time adoption of the IFRS, the Company chose not to apply IFRS 3 - *Business combinations* retroactively to company acquisitions that took place before 1 January 2004; consequently, the goodwill generated on acquisitions prior to the IFRS transition date has been maintained at the previous value determined in accordance with Italian accounting standards, subject to the verification and recording of any impairment.

After 1 January 2006, following the acquisitions that occurred in 2004, further goodwill was generated as a result of revaluing the financial instruments issued at the time of the acquisition.

Development costs

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

The capitalised development costs include only the expenses incurred which can be directly attributed to the development process.

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

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

Other intangible assets

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

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

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

Below is a summary of the amortisation periods for the various headings under Intangible assets:

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

Property, plant and machinery

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

The costs incurred following acquisition are capitalised only if they increase the future economic benefits inherent in the asset to which they refer. All the other costs are recorded in the income statement when they are incurred.

Construction in progress is valued at cost and is depreciated from the period in which it comes into operation.

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

Land is not depreciated.

Assets owned through finance leases, by means of which all the risks and benefits linked to ownership are largely transferred to the Company, are recognised as Company assets at their fair value, or, if lower, at the present value of the minimum payments due under the lease. The corre-

sponding liability due to the lessor is recorded in the financial statements under financial payables. The assets are depreciated by applying the criteria and the rates used for assets owned by the company.
Leases in which the lessor essentially keeps all the risks and benefits linked to ownership of the assets are classified as operating leases. The costs of operating leases are recorded on a straight-line basis in the income statement over the duration of the lease.
Gains and losses arising from the disposal or sale of assets are determined as the difference between the sale income and the net book value of the asset and are charged to the income statement for the period.

Equity investments

Equity investments in subsidiaries and associated companies are recorded at cost and adjusted for any impairment.
Equity investments in subsidiaries and associated companies are tested for impairment annually, or more frequently, whenever there is an indication that the asset may have suffered impairment. If there is evidence that the equity investments have been impaired, a write-down is recognized in the income statement. If any portion belonging to the Company of the investee's losses exceeds the book value of the equity investment and the Company is answerable for them, the value of the equity investment is reversed and the portion of any further losses is recorded as a provision in the liabilities. If there is a subsequent positive change in the loss of value, this is recognized in the income statement as a restoration of value up to the limit of the cost.

Impairment

At every financial statement date, the Company reviews the book value of its tangible and intangible assets and equity investments to determine if there are indications that these assets have suffered a loss in value (an impairment test). Should such indications exist, the recoverable amount of the assets is estimated in order to determine the size of the write-down. Where it is not possible to estimate the recoverable value of an asset individually, the Group estimates the recoverable value of the cash flow generating unit to which the asset belongs.
The recoverable amount is the higher between the net sale price and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value by using a rate gross of tax which reflects current market valuations of the present value of money and the specific risks of the asset concerned.
If the recoverable amount of an asset (or of a cash flow generating unit) is estimated to be lower than the current book value, then the book value of the asset is reduced to the lower recoverable value. An impairment is recorded in the income statement immediately, unless the asset is land or buildings other than property investments recorded at reassessed values, in which case the loss is charged to the respective revaluation reserve.
When the continuation of a write-down is no longer justified, the book value of the asset (or of the cash flow generating unit) is increased to the new value arising from the estimate of its recoverable value, but to no more than the net book value which the asset would have had if the write-down for impairment had not been applied. The recovery in value is immediately recorded in the income statement.
An intangible asset with an indefinite useful life is tested for impairment annually, or more frequently, if there is an indication that the asset may be impaired.

Property investments

International accounting standards have regulated property assets used for production or administration purposes (IAS 16) separately from property investments (IAS 40). As allowed by IAS 40, property and buildings that are not for operations and are held in order to earn rent and/or to increase the value of assets are measured at cost net of accumulated depreciation and impairment losses. Property investments are eliminated from the financial statements when they are sold or when the property investment is unusable in the long term and no future economic benefits are expected from its possible disposal.

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Non-current assets held for sale

Non-current assets (and groups of assets being disposed of) classified as held for sale are measured at the lower of their previous book value and the market value net of selling costs.
Non-current assets (and groups of assets being disposed of) are classified as held for sale when it is expected that their book value will be recovered through a disposal rather than through using them as an operating asset for the company. This condition is met only when the sale is highly likely, the asset (or group of assets) is available for immediate sale in its current condition and management has made a commitment to sell, which should take place within twelve months of the classification under this heading.

Financial assets

Financial assets are recorded and reversed from the balance sheet on the basis of their trade date and are initially measured at cost, including the charges directly associated with the acquisition.
At subsequent financial statement dates, the financial assets which the Company intends and has the ability to maintain to maturity (securities held to maturity) are recorded at amortised cost using the effective interest rate method, net of write-downs made to reflect impairment.
Financial assets other than those held to maturity are classified as held for trading or available for sale, and are measured at the end of each period at their fair value. When financial assets are held for trading, the gains and losses arising from changes in the fair value are charged to the income statement for the period; for financial assets available for sale, the gains and losses arising from changes in the fair value are charged directly to equity until they are sold or have been impaired; at that moment, overall gains or losses previously charged to equity are charged to the income statement of the period.

Inventories

Inventories are recorded at the lower of the purchase or production cost, determined by allocating to products the directly incurred costs as well as the portion of indirect costs that may reasonably be ascribed to the use of productive assets under normal production capacity conditions, and the market value at the closing date of the financial statements.
The purchase or production cost is determined in accordance with the weighted average cost method.
For raw materials and work in progress, the market value is represented by the presumed net sale value of the corresponding finished products after deducting finishing costs; as for finished goods it is determined by the presumed sale price (sale price lists).
The lesser value that may be determined on the basis of market trends is eliminated in subsequent periods if the reasons for that valuation cease to exist.
Inventories that are obsolete, slow moving and/or excess to normal requirements are written down in relation to the possibility of their being used or their possible future sale through the creation of a provision for stock write-downs.

Receivables

Receivables are recorded at their nominal adjusted value, in order to align them to their presumed realisable value, through the recording of a bad debt reserve. This reserve is calculated on the basis of the recovery assessments carried out by analysis of the individual positions and of the overall risk of all the receivables, taking account of any guarantees.
When the payment of the sum due is postponed beyond normal credit terms offered to customers, the receivable needs to be discounted. In order to determine the effect, estimates have been made of the time before payment by applying a discount rate that corresponds to the 20-year

Euribor swap rate plus a spread of AA rated Government securities to the various forecast cash flows.

Factoring transactions

The Company sells a significant portion of its trade receivables by factoring them.

The sales can be without recourse, and in this case there are no recourse or liquidity risks, leading to the reversal of the corresponding amounts from the balances of receivables due from customers at the moment of payment by the factor.

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

Cash and cash equivalents

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

Financial liabilities

Financial liabilities are recognised at the value of the sums received net of accessory charges. After initial recognition, loans are recorded using the amortised cost method, calculated using the effective interest rate.

Financial liabilities hedged by derivative instruments are valued at fair value, in accordance with the approach established for hedge accounting, applicable to the fair value hedge: gains and losses arising from the subsequent measurement at fair value, due to variations in interest rates, are recorded in the income statement and are offset with the actual portion of the loss and the gain arising from subsequent measurements at fair value of the instrument hedged.

Derivative instruments and hedge accounting

The Company's activities are mainly exposed to financial risks through changes in exchange and interest rates.

The Company uses derivative instruments (mainly forward currency contracts) to hedge the risks arising from changes of foreign currencies in certain irrevocable commitments and in envisaged future transactions.

The use of these instruments is regulated by written procedures on the use of derivatives in line with the Company's risk management policies. Derivative instruments are initially recorded at cost, and adjusted to fair value at subsequent period end dates. Financial derivative instruments are used solely with the intent of hedging, in order to reduce the risk from exchange and interest rate variations and changes in market prices. In line with the provisions of IAS 39, financial derivative instruments can be recorded in accordance with the methods established for hedge accounting only when, at the start of the hedge, there is the formal designation and documentation of the hedge itself, when it is presumed that the hedge is highly effective, when the effectiveness can be reliably measured and when the hedge itself is highly effective during the various accounting periods for which it is designed.

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

- *Fair value hedge*: If a financial derivative is designated as a hedge for the exposure to variations in the fair value of an asset or a liability, attributable to a particular risk which can have an impact on the income statement, gains or losses arising from subsequent assessments of the fair value of the hedge are recorded on the income statement. The gain or loss on the hedged item, attributable to the risk hedged, changes the book value of that item and is recorded in the income statement.
- *Cash flow hedge* If a derivative is designated as a hedge of the exposure to changes in the cash flows of an asset or liability recorded in the financial statements or of a transaction that is considered highly likely and which could have an impact on the income statement, the effective portion of gains or losses on the financial instrument is recorded under shareholders' equity. The accumulated gain or loss is reversed from shareholders' equity and recorded on the income statement in the same period in which the hedged transaction is recorded. The gain or loss associated with the hedge or that part of the hedge that is ineffective, is immediately recorded in the income statement. If a hedging instrument or a hedge are closed, but the hedged transaction has not yet taken place, the accumulated gains and losses, which until that moment had been recorded under shareholders' equity, are recorded in the income statement when the related transaction occurs. If the hedged transaction is no longer considered likely to occur, then the unrealised gains or losses held under shareholders' equity are immediately recorded on the income statement.

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

Long-term reserves

The Company records reserves for risks and charges when it has a legal or implicit obligation towards third parties and it is likely that the use of Company resources will be necessary to fulfil the obligation and when a reliable estimate of the amount of the obligation itself can be made. Changes in the estimate are reflected in the income statement for the period in which the change occurred. Should the impact be significant, the provisions are calculated by discounting the estimated future financial cash flows at a discount rate that is estimated gross of taxes so as to reflect the current market assessments of the present value of money and the specific risks connected to the liabilities.

Reserves for pensions and employee benefits

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

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

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

Stock option plan

In accordance with the provisions of IFRS 2 – *Share-based payments*, the overall amount of the fair value of the stock options at the grant date is recorded entirely in the income statement under employee costs with a counter entry recognised directly in shareholders' equity should the assignees of the equity instruments become rights holders at the grant date. In the case in which a "vesting period" is envisaged in which certain conditions must apply before the assignees can become rights holders, the cost, determined on the basis of the fair value of the portions at the grant date, is recorded under employee costs on a straight-line basis over the period between the grant date and the vesting date, with a counter entry recognised directly under shareholders' equity. Fair value is determined using the Black Scholes method. Changes in the fair value of the options subsequent to the grant date have no impact on the initial valuation.

Deferred taxation

Deferred taxation is determined on the basis of the temporary taxable differences between the value of the assets and liabilities and their tax value. Deferred tax assets are accounted for only to the extent that the existence of adequate future taxable incomes against which to use this positive balance is considered likely. The book value of deferred tax assets is subject to review at every period end and is reduced to the extent to which the existence of sufficient taxable income to allow the whole or partial recovery of such assets is no longer probable. Deferred taxation is determined on the basis of the tax rates which are expected to be applied in the period in which such deferments will occur, considering the rates in force or those known to be issued. Deferred taxation is charged directly to the income statement, except when it relates to items that are directly recorded under shareholders' equity, in which case the related deferred taxation is also charged to shareholders' equity. Deferred taxation is offset when there is a legal right to offset current tax assets and liabilities and when it refers to taxes due to the same tax authority and the Company intends to liquidate the current tax assets and liabilities on a net basis.

Payables

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

Recognition of net sales

In accordance with the IFRS, sales of assets are recognised when the assets are despatched and the company has transferred to the buyer the significant risks and benefits connected to ownership of the assets.
Net sales are recorded net of returns, discounts, rebates and allowances, as well as of tax directly connected to the sale of goods and the provision of services. Net sales of a financial nature are recorded on an accrual basis.

Grants

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

Financial income

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

Financial charges

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

Dividends

Dividends have been recorded on an accrual basis in the income statement, i.e. when the related tax credit right arises, following the resolution to distribute a dividend is

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passed by the investee company.

Income taxes

Taxation is the sum total of current and deferred taxes.
The financial statements include the tax set aside on the basis of the estimated taxable income determined in conformity with the national laws in force at the closing date of the financial statements, taking account of the exemptions applicable and the tax credits due. Income taxes are recorded in the income statement, except for those relating to items directly charged or credited to shareholders' equity, in which case the tax effect is recognised directly under shareholders' equity.
Income taxes are stated under the heading "Tax payables", net of payments on account and withholding taxes paid.
Effective from 2007 and for a three year period, the company has opted for Domestic Tax Consolidation (*Consolidato Fiscale Nazionale*) as established in articles 117 to 129 of the Consolidated Income Tax Law (*T.U.I.R.*), where IMMSI S.p.A. is the consolidating company and in which other companies of the IMMSI Group take part. The consolidating company determines a single tax base for the group of companies opting for Domestic Tax Consolidation and is thereby able to offset taxable income with tax losses in a single tax return. Each company opting for Domestic Tax Consolidation transfers to the consolidating company its taxable income or tax loss. The latter records a receivable due from the participant equal to the IRES to be paid. However, if a company presents tax losses, then the consolidating company records a payable equal to the IRES on the part of the loss actually offset at the Group level.

Income per share

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

Use of estimates

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

Dealings with related parties

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

New accounting standards

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

- The significance of the financial instruments on the financial position and on the earnings of the company;


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- The nature and extent of the risks to which the company is exposed as a result of the financial instruments, as well as the policies for managing those risks.

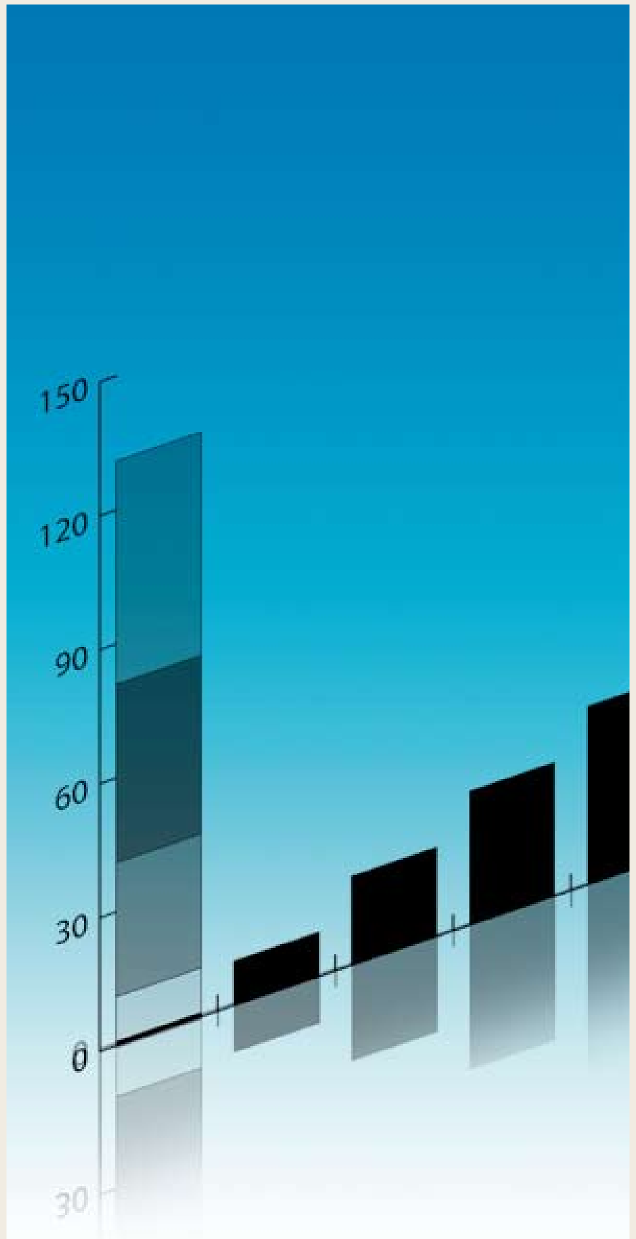
On 30 November 2006, the IASB issued accounting standard IFRS 8 – *Operating segments* which will apply from 1 January 2009, in substitution of IAS 14 – *Segment reporting*. The new accounting standard requires companies to base segment reporting on the elements that management uses to make decisions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

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

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

Finally, during 2006 and 2007, the following interpretations were issued that govern scenarios that are not present in the Group:

- IFRIC 8 – *Scope of IFRS 2* (applicable from 1 January 2007);
- IFRIC 12 – *Service Concession Arrangements* (applicable from 1 January 2008);
- IFRIC – *Customer Loyalty Programmes* (applicable from 1 January 2009).



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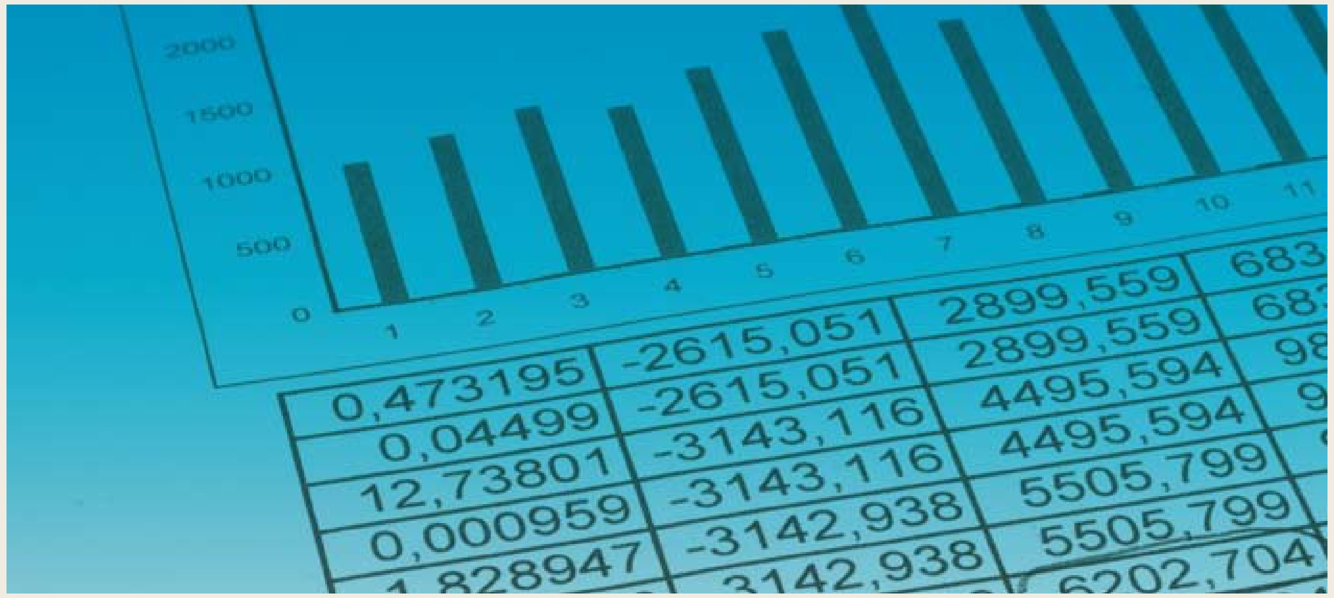
B) INFORMATION BY SECTOR

3. Information by business sector

Primary sector: light wheeled transport market

Piaggio & C. S.p.A. 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 is related to two-, three- and four-wheeled vehicles for private or professional 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 worldwide under the Piaggio, Aprilia, Moto Guzzi, Gilera, Derbi, Vespa and Scarabeo brands.
The products are distributed through dealers, whether they be two-, three- or four-wheeled vehicles.
Within the light transport sector, Piaggio operates on the basis of policies which are common to all the 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 areas 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 procuring supplies are implemented worldwide on the same basis. In this light Piaggio operates by seeking to take advantage of benefits from synergy arising mainly from shared parts common to several vehicles and shared suppliers.
Cash management is handled centrally so as to concentrate the financial resources needed to be able to implement investments aimed at generating benefits, by monitoring breakeven times.
The development of new products is managed singly, 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 the various brands, enables the realisation of global strategies aimed at looking for synergy to increase the value of the company and emphasise its distinct features.
This synergy arises from the concentration of technical, industrial and other central activities which are coordinated by Corporate Divisions, thus guaranteeing the dissemination and integration of specific functional skills.
In the light of the above considerations, the activities of Piaggio 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 following table presents the economic and financial data for the Company at 31 December 2007:

In million Euros	
TOTAL NET SALES	**1,330.1**
Operating income	105.5
Net borrowing costs	(27.4)
Income from equity investments	13.1
Income before taxation	91.2
Taxation	26.7
NET INCOME	**64.5**
OTHER INFORMATION	
Increases in tangible and intangible assets	68.7



Secondary sector: market segments

In million Euros	2W	LCV	Other	Total
TOTAL NET SALES	**1,150.5**	**149.3**	**30.3**	**1,330.1**
Operating income				105.5
Net borrowing costs				(27.4)
Income from equity investments				13.1
Income before taxation				91.2
Taxation				26.7
NET INCOME				**64.5**
OTHER INFORMATION				
Increases in tangible and intangible assets				68.7

Third sector: geographic area

The following table gives the economic and financial figures for the Company at 31 December 2007 in relation to the geographic "destination" areas, that is, based on the nationality of the customer or of the supplier/lender.

In million Euros	Italy	Rest of Europe	India	Asia	America	Rest of the world	Total
TOTAL NET SALES	545.0	669.9	2.1	38.6	58.6	15.9	**1,330.1**
BALANCE SHEET							
TOTAL ASSETS	1,025.6	162.9	15.8	15.9	28.3	5.6	**1,254.1**
TOTAL LIABILITIES	1,037.9	195.4	5.1	11.0	4.6	0.1	**1,254.1**

OTHER INFORMATION

Derogations in accordance with article 2423, paragraph 4 of the Italian Civil Code

No exceptional events occurred requiring derogations to the legal regulations relating to financial statements in accordance with paragraph 4 of article 2423 of the Italian Civil Code.

Information on company management and coordination activities

In accordance with paragraph 4 of article 2497-bis of the Italian Civil Code, presented below is a summary of the essential data of the last financial statements of the parent company IMMSI S.p.A, with registered office in Mantova (MN), Piazza Vilfredo Pareto 3 – tax number 07918540019, at 31 December 2006:

INCOME STATEMENT

Amounts in Euros	2006	2005
Net sales (*)	**6,304,532**	**6,295,580**
of which with related parties and intragroup	*4,289,147*	*3,975,900*
Costs for materials	98,346	73,340
Costs for services and use of third party assets	5,011,455	5,857,765
of which with related parties and intragroup	*1,589,432*	*1,651,343*
Employee costs	1,762,009	1,707,317
Depreciation of tangible assets	421,057	577,847
Amortisation of goodwill	0	0
Amortisation of intangibles assets with a finite life	28,708	28,100
Other operating income	740,591	782,703
of which with related parties and intragroup	*60,333*	*67,000*
Other operating costs	697,275	2,372,813
OPERATING INCOME	**-973,726**	**-3,538,899**
Income/(loss) from equity investments	0	0
Financial income	41,503,832	2,094,859
of which with related parties and intragroup	*38,606,312*	*733,025*
Borrowing costs	5,911,118	2,608,671
of which with related parties and intragroup	*30,801*	*358,985*
INCOME BEFORE TAX	**34,618,988**	**-4,052,712**
Taxation	6,647,306	-1,633,900
INCOME FROM FUNCTIONING ASSETS	**27,971,682**	**-2,418,812**
Gain/loss from assets intended for disposal	0	5,242,400
NET INCOME FOR THE PERIOD	**27,971,682**	**2,823,588**

Balance sheet

Amounts in Euros	At 31/12/2006	At 31/12/2005
NON-CURRENT ASSETS		
Intangible assets	187	28,895
Tangible assets	11,598,877	11,832,056
of which with related parties and intragroup	*112,875*	*263,272*
Property investments	0	0
Equity investments	340,801,249	214,222,081
Other financial assets	91 ,865,117	75,468,678
of which with related parties and intragroup	*12,000,000*	*21,000,000*
Tax receivables	0	4,379
Deferred tax assets	0	0
Trade receivables and other receivables	684,157	131,117
of which with related parties and intragroup	*678,677*	*120,714*
TOTAL NON-CURRENT ASSETS	**444,949,587**	**301,687,206**
ASSETS INTENDED FOR DISPOSAL	**0**	**0**
CURRENT ASSETS		
Trade receivables and other receivables	1,107,841	3,901,362
of which with related parties and intragroup	*675,608*	*2,800,405*
Tax receivables	97,256	50,618
Other financial assets	1,100,278	900,278
of which with related parties and intragroup	*1,100,278*	*900,278*
Cash and cash equivalents	4,443,689	13,380,677
TOTAL CURRENT ASSETS	**6,749,064**	**18,232,935**
TOTAL ASSETS	**451,698,651**	**319,920,141**

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Amounts in Euros	At 31/12/2006	At 31/12/2005
SHAREHOLDERS' EQUITY		
Share capital	178,464,000	148,720,000
Reserves and retained earnings	169,695,772	103,307,894
Earnings for the period	27,971,682	2,823,588
TOTAL SHAREHOLDERS' EQUITY	**376,131,454**	**254,851,482**
NON-CURRENT LIABILITIES		
Financial liabilities	45,814,288	45,765,750
Trade payables and other payables	0	0
Reserves for pension and similar obligations	188,209	208,965
Other long-term payables	0	0
Deferred tax liabilities	12,470,429	14,800,830
TOTAL NON-CURRENT LIABILITIES	**58,472,926**	**60,775,545**
LIABILITIES LINKED TO ASSETS INTENDED FOR DISPOSAL	**0**	**0**
CURRENT LIABILITIES		
Financial liabilities	4,607,719	900,000
of which with related parties and intragroup	*720,000*	*900,000*
Trade payables	1,725,982	1,458,784
of which with related parties and intragroup	*527,424*	*903,774*
Current taxation	388,400	1,197,026
Other payables	10,251,713	545,431
of which with related parties and intragroup	*9,279,028*	*166,100*
Current portion of other long-term reserves	120,458	191 ,873
TOTAL CURRENT LIABILITIES	**17,094,271**	**4,293,114**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**451,698,651**	**319,920,141**

D) INFORMATION ON THE INCOME STATEMENT

Before analysing the individual items, it should be noted that the comments on income and costs are presented in the Directors' Report in accordance with paragraph 1 of Article 2428 of the Italian Civil Code. Furthermore, the detailed presentation of the positive and negative components of the income statement and the earlier comments to the balance sheet items enable the following comments to be limited to the main headings.

4. Net sales €/000 1,330,127

The net sales involving the core business of the Company essentially refers to the marketing of vehicles and spare parts on European and non-European markets and are recorded net of premiums recognised to customers and gross of transport costs recharged to customers.

The breakdown of net sales by business sector is shown in the following table.

Net sales by business sector

In thousand Euros	2007	2006	Change
2-wheeler	1,150,538	1,041,980	108,558
LCV	149,273	147,508	1,765
Other	30,316	26,673	3,643
Total	1,330,127	1,216,161	113,966

Net sales by geographic area

In thousand Euros	2007	2006	Change
Italy	545,055	575,244	(30,189)
Rest of Europe	669,942	548,489	121, 453
Rest of the world	115,130	92,428	22,702
Total	1,330,127	1,216,161	113,966

5. Costs for materials €/000 750,134

These totalled €/000 750,134, compared to €/000 703,335 at 31 December 2006. The 6.7% increase in materials compared to the year before is essentially related to the increase in production and sales volumes. Raw materials, consumables and goods for resale were 55.1% of net sales, compared to 61.0% in 2006.

The following table details the content of this financial statement heading:

In thousand Euros	2007	2006	Change
Raw materials, consumables and goods for resale	732,508	742,201	-9,693
Purchase of second-hand and test vehicles	49	57	-8
Change in inventories of raw materials, consumables and goods for resale	13,012	-36,926	49,938
Change in work in progress of semi-finished and finished products	4,565	-1,997	6,562
Total costs of purchases	750,134	703,335	46,799

The overall negative change in inventories of raw materials, consumables and goods for resale is as follows:

Goods

A €/000 10,980 negative change

The provision to the reserve for obsolescent goods, net of the €/000 50 application, was €/000 2,469

Raw materials

A €/000 2,271 negative change

The application of the reserve for obsolescent goods, net of the €/000 1,251 provision, was €/000 1,243

Consumables

+ €/000 239

Work in progress, semi-finished and finished products

The overall negative change in work in progress, semi-finished and finished goods was calculated as follows:

- By the €/000 1,098 negative change in finished goods
- By the €/000 3,597 negative change in semi-finished goods and the €/000 129 positive change in work in progress.

6. Costs for services and use of third party assets €/000 272,480

These totalled €/000 272,480, compared to €/000 245,192 at 31 December 2006.

This heading consists of:

In thousand Euros	2007	2006	Change
Employee costs	9,278	9,968	-690
Maintenance and cleaning	5,485	5,799	-314
Energy, telephone and telex	11,789	11,395	394
Commissions paid	28,007	10,692	17,315
Advertising and promotion	27,486	28,056	-570
Technical, legal and tax consultancy and services	8,838	17,097	-8,259
Company boards operating costs	1,897	3,040	-1,143
Insurance	2,614	2,465	149
Third party work	35,136	34,648	488
Transport costs and parts	42,878	40,347	2,531
Other commercial expenses	15,840	17,063	-1,223
Product warranty costs	12,173	3,456	8,717
Factoring costs and commissions	4,361	2,823	1,538
Banking costs	812	650	162
Miscellaneous services provided	55,158	46,156	9,002
Other services	4,271	5,146	-875
Costs for use of third party assets	6,457	6,391	66
Total costs for services	272,480	245,192	27,288

€/000 17,315 of the €/000 27,288 increase is due to higher sales costs after concentrating all commercial relations with the dealers in the main European markets with the parent company and transforming some companies in Spain, France, Germany, England and Benelux in Piaggio & C. S.p.A. agents, in addition to increases in warranty costs, product transport costs, factoring commissions and miscellaneous services, which were partially offset by the reduction in legal and tax consultancy related to the listing costs recognised in the previous period.

The costs for use of third party assets include lease rentals for business properties of €/000 1,512, as well as lease payments for car hire, computers and photocopiers.

Third party work of €/000 35, refers to work on production parts by suppliers.

Transport costs of €/000 26,221 relating to the sales of vehicles and spare parts remained essentially stable as a percentage of net sales compared to 2006.

Transport costs on purchases totalled €/000 12,958.

The heading "other" includes €/000 1,488 of costs for temporary work.

Company boards operating costs relate to the Board of Directors and its members who are assigned certain duties, as well as the Board of Statutory Auditors and the Supervisory Board and include emoluments of €/000 1,518, €/000 314 and €/000 65, respectively.

Services provided include €/000 31,497 of outsourced services, € /000 2,906 of warehouse management services, €/000 331 for audits, €/000 2,620 for administrative and back office services provided by the AWS subsidiary and € /000 912 of management services provided by the parent company IMMSI SPA.

7. Employee costs €/000 182,643

The breakdown of costs incurred for employees is as follows:

In thousand Euros	2007	2006	Change
Salaries and wages	136,057	132,365	3,692
Social security charges	44,809	43,197	1,612
Employee leaving indemnity	-4,342	10,424	-14,766
Other costs	6,119	366	5,753
Total	182,643	186,352	-3,709

Employee costs fell in absolute terms by €/000 3,709 compared to the previous year (-2%). This decrease was essentially a result of a €/000 6,990 item of income arising from the recalculation of the prior employee leaving indemnity reserve following the changes introduced in the 2007 Budget relating to the allocation of the amounts accruing that changed the nature of the programme from one of defined benefits to one of defined contributions and €/000 3,809 of restructuring costs recorded in 2007.

It is pointed out that €/000 1,749 relating to stock option costs has been recorded under employee costs, as required by international accounting standards.

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

	Average number		
Level	2007	2006	Change
Senior management	90	89	1
Middle management	213	206	7
Clerical staff	1,043	1,037	6
Supervisors / manual workers	3,174	3,131	43
Total	4,520	4,463	57

	Actual number at		
Level	31/12/2007	31/12/2006	Change
Senior management	87	88	(1)
Middle management	210	216	(6)
Clerical staff	1,037	1,036	1
Supervisors / manual workers	2,716	2,762	(46)
Total	4,050	4,102	(52)

The workforce totalled 4,050 at 31 December.

Workforce at 31 December 2006	4,102
Hirings:	
- open-ended contracts	79
- term contracts	1,406
Exits	(1,537)
Workforce at 31 December 2007	4,050

8. Amortisation, depreciation and impairment costs €/000 71,594

Below is a summary of the amortisation and depreciation for the year, broken down into the different categories:

In thousand Euros	2007	2006	Change
Property, plant and machinery:			
Buildings	3,239	3,245	-6
Plant and machinery	9,344	9,754	-410
Industrial and commercial equipment	16,953	17,320	-367
Other assets	1,596	1,671	-75
Total depreciation	31,132	31,990	-858

In thousand Euros	2007	2006	Change
Intangible assets:			
Development costs	21,733	26,397	-4,664
Industrial patent rights and intellectual property rights	13,052	5,921	7,131
Concessions, licences, trademarks and similar rights	5,677	5,676	1
Total amortisation	40,462	37,994	2,468

As set out in more detail in the paragraph on intangible assets, as of 1 January 2005, goodwill is no longer amortised, but is tested annually for impairment.

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

Amortisation under the item “Concessions, licences, trademarks and similar rights” includes €/000 5,467 of amortisation of the Aprilia brand and €/000 174 of other brands from the incorporated company Aprilia S.p.A..

Also included is €/000 5,700 of software amortisation.

9. Other operating income €/000 75,368

This heading consists of:

In thousand Euros	2007	2006	Change
Operating grants	1,420	2,133	-713
Increases in fixed assets from internal work	28,590	25,673	2,917
Net sales and other income:			
- Rental income	9,562	1,923	7,639
- Gains on asset valuations	23	8,103	-8,080
- Ordinary gains on sales of assets	151	3,781	-3,630
- Gains on disposals of equity investments	20	0	20
- Recovery of transport and packaging costs	2	1,294	-1,292
- Recovery of commercial costs from third parties	141	99	42
- Recovery of sundry costs	12,549	12,890	-341
- Recovery of registration costs	125	235	-110
- Recovery of promotional costs	801	430	371
- Recovery of stamp duty	2,663	2,629	34
- Recovery of labour costs	601	930	-329
- Refund of duty on exported products	120	115	5
- Recovery of costs from suppliers	2,826	3,857	-1,031
- Recovery of warranty costs	209	1,047	-838
- Recovery of taxes from customers	391	12	379
- Know-how and licence rights	6,215	5179	1,036
- Income from commissions	915	910	5
- Sales of materials and sundry equipment	682	2,328	-1,646
- Damages paid by third parties	150	248	-98
- Sponsorship income	4,008	3,611	397
- Debt cancellation	122	151	-29
- Other income	3,082	1,543	1,349
Total other operating income	75,368	79,121	-3,943

The reduction totalled €/000 3,943.

The main change compared to the previous year relates to capitalised costs.

In 2007, €/000 28,488 of internal product development costs were capitalised. Piaggio also capitalised €/000 102 of internal costs relating to the construction of tangible assets.

Rental income refers almost entirely to income for the rental of racing bikes to the teams which compete in the World Motorcycling Championship.

Recovery of sundry costs consists mainly of:

- €/000 5,720 of recovered costs relating to components, equipment and miscellaneous materials sold to Piaggio Vehicles pvt and Zongshen Piaggio Foshan for the assembly and production of vehicles;
- €/000 2,356 of other costs recovered from Moto Guzzi S.p.A.

The €/000 5,651 of licence rights were mainly received from the Indian subsidiary Piaggio Vehicles (€/000 5,097) and from some third-party companies: ENI (€/000 206), RCS (€/000 73), NEW RAY (€/000 40) and FORME SRL (€/000 53)

Income from recovered labour costs mainly comprises charges made to group companies for the use of personnel. Amounts recovered from suppliers relate to charges for restoring final checks and materials, and charges for the non-arrival of materials to the assembly lines. Recovered stamp duty essentially refers to dealers being recharged stamp duty on vehicle conformity certificates, required since 01/01/2005.

10. Other operating costs €/000 23,113

This heading consists of:

In thousand Euros	2007	2006	Change
Provision for disputes	150	300	-150
Total provisions for risks	**150**	**300**	**-150**
Provision for product warranty	10,519	10,310	209
Total other provisions	**10,519**	**10,310**	**209**
- Stamp duty	2,801	3,056	-255
- Non-income taxes and imposts	611	193	418
- Local property tax (I.C.I.)	687	673	14
- Membership dues	890	724	166
- Socially useful charges	111	354	-243
- Capital losses on the disposal of assets	15	5	10
- Other expenses	4,616	1,801	2,815
Total other operating costs	**9,731**	**6,806**	**2,925**
Write-down of development costs	1,510	0	1,510
Write-down of current receivables	1,203	1,363	-160
Total other operating costs	**23,113**	**18,779**	**4,334**

Overall, other operating costs increased by €/000 4,334. This change was mainly due to the increase in other expenses which include extraordinary costs and adjustments to costs/income recorded in previous years and payment of damages, as well as the write-down of development costs that are no longer recoverable.

The €/000 2,801 of stamp duty refers to vehicle conformity certificates. This is charged to the dealers and the recovery is recorded under "Other operating income".

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11. Net income from equity investments €/000 13,100

This heading consists of:

In thousand Euros	2007	2006	Change
Dividends from subsidiaries	23,790	25,583	-1,793
Gains on the disposal of equity investments			0
Dividends from minority equity investments	15	0	15
Write-downs of equity investments in subsidiaries	-10,696	-5,926	-4,770
Write-downs of equity investments in associated companies	-9	-14	5
Write-downs of minority equity investments	0	-3	3
Total	**13,100**	**19,640**	**-6,540**

€/000 19,040 of dividends were paid out by the subsidiary Piaggio Vehicles Ltd – India and €/000 4,750 by Piaggio Vespa B.v..

The write-down of equity investments in subsidiaries reflects the losses of some companies in liquidation, partly covered by provisions made in previous years. €/000 10,588 refers to the write-down of the equity investment in Moto Guzzi S.p.A..

12. Net financial income (charges) €/000 27,429

Below is the breakdown of financial income and charges:

In thousand Euros	2007	2006	Change
Income:			
Total financial income from subsidiaries	3,672	2,157	1,515
Other income from third parties:			
- Interest from customers	5	27	-22
- Interest on bank and postal accounts	1,413	653	760
- Interest on financial receivables	216	295	-79
- Income on securities recorded under assets	0	789	-789
- Income from discounting employee leaving indemnity	0	3,527	-3,527
- Other income	1,187	1,118	69
Total other income from third parties	*2,821*	*6,409*	*-3,588*
TOTAL	**6,493**	**8,566**	**-2,073**
Exchange gains:			
- translation gains	11,081	5,265	5,816
- hedging exchange gains	324	44	280
- exchange gains from subsidiaries	3,089	1,659	1,430
Exchange gains	*14,494*	*6,968*	*7,526*
Total financial income	**20,988**	**15,534**	**5,454**

€/000 1,716 of the "financial income from subsidiaries" item refers to interest received on the €/000 24,000 equity loan provided to Nacional Motor S.A. recorded under non-current assets due from subsidiaries, while the remaining €/000 1,956 consists of:

- €/000 1,030 of interest received by Piaggio from the financial asset with Moto Guzzi S.p.A. and €/000 75 of interest received by Piaggio from the financial asset with Piaggio Vespa BV.
- €/000 851 from Piaggio cash pooling with some European subsidiaries.

€/000 1,070 of other income refers to the annual portion of the payment made by Piaggio & C. warrant holders.

The charges are detailed in table 1.

The "to subsidiaries" sub-item of €/000 16,453 refers to:

- €/000 16, of interest paid on loans, of which €/000 15,225 to the subsidiary Piaggio Finance Luxemburg.
- €/000 451 of financial charges arising from cash pooling.

Interest paid to other lenders includes mainly interest paid to factoring companies. The "Others" item mainly consists of €/000 168 of implicit interest, stripped from the minimum due guaranteed under the EMH 04-09 financial instrument and refers to the accrual for the period.

13. Taxation €/000 26,732

Taxation is detailed below:

In thousand Euros	2007	2006	Change
Current taxation	29,996	18,762	11,234
Deferred tax liabilities	4,773	501	4,272
Deferred tax assets	(8,037)	(22,482)	14,445
Total	**26,732**	**(3,220)**	**29,951**

Table 1

In thousand Euros	2007	2006	Change
Charges:			
Financial charges to subsidiaries	16,453	17,111	-658
Financial charges due to others:			
- Interest on bank accounts	566	426	140
- Interest on bank loans	9,651	8,181	1,470
- Interest on import-export advances	332	266	66
- Interest to other lenders	4,072	3,808	264
- Interest rate hedge charges		9	-9
- Cash discounts to customers	1,215	1,092	123
- Loss on disposal of securities recorded under current assets		484	-484
- Fees on bank loans	378	361	17
- Interest on leases	5	15	-10
- Charges on discounting employee leaving indemnity	2,929	0	2,929
- Other	184	163	21
Total financial charges paid to others	19,331	14,805	4,526
Total	**35,784**	**31,916**	**3,868**
Exchange losses:			
- Swap contract charges	398	52	346
- Exchange rate losses	5,157	2,726	2,431
- Exchange rate losses with subsidiaries	5,889	3,837	2,052
- Exchange rate losses with associated companies	267	354	-87
- Exchange rate losses with third parties	923	143	780
Exchange losses	**12,634**	**7,112**	**5,522**
Total financial charges	**48,417**	**39,028**	**9,389**
TOTAL FINANCIAL INCOME (CHARGES)	***-27,429***	***-23,494***	***-3,935***

Current taxation consists of:

- €/000 1,562 of foreign income tax, mainly deriving from royalties from the Indian subsidiary Piaggio Vehicles Ltd.
- €/000 21,827 from the release of deferred tax assets (IRES) allocated in previous years of which €/000 3,503 relating to temporary differences which were cancelled during the period, €/000 17,309 relating to expected taxable income offset with prior tax losses, €/000 918 from adjusting deferred tax assets allocated in previous periods to the new future IRES rate, €/000 69 to payment in the period of temporary differences on IAS effects, €/000 28 as a result of the reduction in prior tax losses following recognition of deductible VAT on costs relating to the use of vehicles.
- €/000 8,300 of regional tax on production (IRAP) for the period.
- €/000 1,693, a reduction in the application of deferred taxation reserves allocated in previous periods.

Allocated deferred tax liabilities:

- €/000 79 following the reversal of the amortisation on tax-deductible goodwill costs.
- €/000 1,591 referring to the expected withholding tax for the realignment to accounting values of capitalised development costs and tax deductible accelerated depreciation deducted fiscally during the period.
- €/000 3,101 on the impact generated by applying IAS/IFRS.

Deferred tax assets were allocated as follows:

- €/000 8,037 of temporary differences that increase taxable income in consideration of their expected recovery against future income.

2007 taxation was €/000 26,732, or 29.3% of pre-tax income. In 2006, taxation was €/000 (3,220), representing a 4.8% positive adjustment of income before taxation.

The table below reconciles taxation with the theoretical rate (see table 2).

Theoretical taxation was calculated by applying the 33% IRES rate in force in Italy to the income before taxation. The impact of the IRAP rate was determined separately in that this tax is not calculated on pre-tax income. In 2007, within the framework of the Domestic Tax Consolidation where Immsi is the consolidating company, Piaggio & C S.p.A. transferred no earnings to the consolidating company because the IRES taxable income of Piaggio & C S.p.A. was completely offset by its prior tax losses.

Table 2

(in thousand Euros)	2007
Income before taxation	91,202
Theoretical tax rate	33%
Theoretical income tax	**30,096**
Tax effect deriving from permanent differences	(1,164)
Foreign income tax for the period	1,563
Tax effect of reduction in deferred tax liabilities from withholding tax	(4,852)
Tax effect of positive and negative temporary differences	4,788
Adjustment of IRES rate (2008 Budget)	(2,294)
Release of part of deferred tax reserves allocated in previous years	(1,500)
Tax effect deriving from deferred tax assets allocated	(7,091)
IRAP (includes a €/000 8,300 IRAP payable and the use of deferrals)	7,186
Income tax recorded in the financial statements	**(26,732)**

14. Gain/(Loss) from assets intended for disposal or sale €/000 0

At the year end there were no gains or losses from assets intended for disposal or sale.

15. Income per share

Income per share is calculated using the following figures:

In thousand Euros		2007	2006
Net income	€/000	64,470	71,006
Income attributable to ordinary shares	€/000	64,470	71,006
Average number of ordinary shares in circulation		395,602,928	381,277,384
Income per ordinary share	**€**	**0.16**	**0.19**
Adjusted average number of ordinary shares		416,050,150	414,379,517
Diluted income per ordinary share	**€**	**0.15**	**0.17**

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

D) INFORMATION ON THE CONSOLIDATED BALANCE SHEET - ASSETS

Fixed assets

16. Intangible assets €/000 484,744

The following table sets out the breakdown of intangible assets at 31 December 2007 and at 31 December 2006, as well as the movements during the year.

The overall increase of €/000 4,940 is a result of investment during the period, net of amortisation for the year.

The increases mainly relate to the capitalisation of development costs for new products and engines, as well as the purchase of software.

Write-downs have been recognised directly in the income statement under other operating costs and relate to abandoned industrial projects.

Development costs €/000 51,178

Development costs include costs for products and engines in projects for which there is an expectation for the period of the useful life of the asset to see net sales at such a level as to allow the recovery of the costs incurred. It also includes work in progress for €/000 19,486, which represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.

In relation to development costs, the new projects capitalised in 2007 mainly refer to the new 4-cylinder 1000 and 1200cc motorcycle engines, the new Shiver, Mana, RSV 1000 motorcycles and related engines, the new Carnaby, GP800, Scarabeo, Vespa and X7 scooters, as well as the 3- and 4-wheeled vehicles such as the Ape Calessino, the Porter GPL and the Porter Maxi.

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

in thousand Euros	Value at 31/12/2006	Increases	Amortisation	Disposals	Write-downs	Reclassifications	Value at 31/12/2007
Development costs	44,802	29,642	-21,733	-23	-1,510		51,178
Patent rights	23,744	14,071	-13,052	-8			24,755
Concessions, licences, trademarks	71,651		-5,677				65,974
Goodwill	339,607	3,230					342,837
Total	**479,804**	**46,943**	**-40,462**	**-31**	**-1,510**	**0**	**484,744**

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In 2007, approximately 21 million Euros of development costs were charged directly to the income statement. The €/000 1,510 write-down refers to vehicles and engines that will no longer be produced and for which capitalisation is no applicable.

In accordance with point 5 of article 2426 of the Italian Civil Code, it is pointed out that the shareholders' equity is unavailable for the amount of €/000 51,178 of research and development costs yet to be amortised.

Industrial patent rights and intellectual property rights €/000 24,755

This item consists of €/000 2,986 of patents, €/000 11,427 of know-how and €/000 10,342 of software.

The main increases regarding patents and know-how refer to the GP 800, the Mana MP3 and the Shiver. The increase in software refers to the purchase of licences, the "Supplier Portal" project, completion of the plan to reorganise Piaggio Group's European presence, as well as implementing projects relating to marketing, production and personnel.

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

Concessions, licences and trademarks €/000 65,974

The €/000 65,974, of this item consists of:

In thousand Euros	Net value at 31/12/2007	Net value at 31/12/2006
Aprilia	65,603	71,070
Laverda	284	453
Suzuki licence	0	35
Minor brands	87	93
Total brands	**65,974**	**71,651**

In 2007, the value of the Aprilia brand decreased €/000 5,467 as a result of amortisation, which was charged to the income statement and was determined on an estimated useful life to 2019. The Laverda brand was amortised for €/000 169 in 2007, based on the same residual useful life as the one used in the consolidated financial statements.

The other brands received upon acquiring Aprilia S.p.A. decreased over the year by €/000 6 following amortisation calculated on their respective useful life.

The Suzuki was fully amortised over five years and in 2007 decreased €/000 35, the amortisation for the period.

Goodwill €/000 342,837

€/000 265,135 of this item refers to the portion of the merger deficit paid upon the incorporation of Piaggio & C. S.p.A. (€/000 250,569) and Vipifin S.p.A. (€/000 14,566) into Piaggio & C. S.p.A. (formerly MOD S.p.A.) in 2000.

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

- Piaggio 2004/2009 Warrants for an overall issue price of €/000 5,350.5 which envisages a redemption price commensurate to the differential between the financial value of the Group at the exercise date and a matrix of threshold values that vary according to the different exercise periods. The redemption price of the warrants can never exceed the overall issue price by more than twelve times, that is €/000 64,206, and may be paid, at the issuer's discretion, either in cash or in shares of the Company if listed on the MTA of the Italian Exchange. Starting in the financial statements for 2005, the Company has established a specific balance sheet reserve for the fair value of this commitment, estimating to pay the redemption price in shares, having in the meantime started the process of listing the Company and there being a resolution of an extraordinary general meeting to increase the share capital by issuing up to a maximum of 25 million shares. If the warrant holders were to exercise their warrants and the Company were to deem it convenient to pay the determined amount in cash, then the financial debt of the Company would increase by an amount not exceeding €/000 64,206 against a reduction of the same amount in the shareholders' equity reserve.

- EMH 2004/2009 financial instruments for a global nominal value of €/000 10,000, which will give the right to payment following the approval of the financial statements at 31 December 2009 of a minimum guaranteed sum of €/000 3,500, as well as a maximum sale value of €/000 6,500 commensurate to the differential between the financial value of the Group at the exercise date and a matrix of threshold values, which are higher than those set for the Piaggio 2004/2009 Warrants, that vary according to the different exercise periods;
- Aprilia shareholder 2004/2009 financial instruments which envisage a maximum sale value of €/000 10,000 commensurate to the differential between the financial value of the Group at the exercise date and a matrix of threshold values, and conditional upon full payment by the Company of the maximum amount envisaged for the Piaggio 2004/2009 Warrants and the EMH 2004/2009 financial instruments.

In conformity with the main content of the aforementioned contractual agreements, by virtue of which, among other things, the final purchase cost is dependent on the achievement of specific income and balance sheet parameters, in the light of the forecasts of the 2007-2009 Plan, the adjustment of the initial purchase cost, that has been considered likely for all the financial instruments, has been estimated at €/000 77,245 and has been charged to goodwill. Since this payment is deferred, the cost is represented by its present value, determined in accordance with the following parameters (see table 3).

The counter entry for the adjustment to the purchase cost, taking account of the peculiar nature of the underlying financial instruments, has been recorded for €/000 62,450 in the financial instruments fair value reserve and for €/000 14,795 to medium- and long-term financial payables, of which 6,322 falling due within 12 months.

As highlighted in setting out the accounting principles, from 1 January 2005 goodwill is no longer amortised, but is annually, or more frequently if specific events or changed circumstances indicate the possibility of it having been impaired, tested for impairment, in accordance with the provisions of IAS 36 – *Impairment of assets*.

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

The main assumptions used in determining the value in use of the cash-generating units are related to the discount rate and the growth rate. In particular, Piaggio has adopted a discount rate which reflects the current market assessments for the cost of borrowing and takes account of the specific risk attributable to the Group: this rate, gross of tax, is 8%. The forecasts for the cash-generating units derive from those in the most recent budgets and plans prepared by the Group for the next three years, extrapolated for the following years on the basis of medium-/long-term growth rates of 1.5%.

The impairment test carried out at 31 December 2007 confirmed that there was no need to make any changes to the values recorded in the financial statements. The business plan prepared by the Group, which predicts a positive performance for the Group over the next three years, provides reassurance on the appropriateness of the figures used.

Table 3

		at 31/12/2007			at 31/12/2006	Change (A-B)
Amounts in €/000	Amount	Present value (A)	Time	Discount rate	Present value (B)	
Warrants	64,206	62,450	0.44	6.57%	58,985	3,465
EMH instrument	6,500	6,322	0.44	6.57%	5,940	382
Aprilia shareholder instrument	10,000	8,473	2.60	6.57%	9,090	-617
Total	**80,706**	**77,245**			**74,015**	**3,230**

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17. Property, plant and machinery €/000 179,282

The following table 4 shows the breakdown of tangible assets at 31 December 2007 and at 31 December 2006, as well as changes during the year.

The increases mainly related to moulds for the new vehicles and engines launched during the year, the crankshaft production lines, the engine testing benches and the experimental workshop.

Plant and machinery €/000 93,219

Compared to the year before, the net decrease was €/000 2,248.

Increases for the period regarded:

- Restructuring the workshops of the facility in Scorzé, €/000 280
- Work on various offices of the headquarters in Pontedera, €/000 300
- Roof work on the facilities in Pisa and Pontedera, €/000 413
- Decrease of €/000 3,240 for depreciation for the period.

Plant and machinery €/000 40,805

Changes in this heading during the year are due to increases of €/000 6,381 and decreases represented by €/000 9,344 of depreciation for the period and €/000 3 of disposals during the year.

The €/000 6,381 capitalised during the period regarded the following:

- Modernisation of the 2- and 3-wheeler facilities: €/000 700
- Modernisation of the Scorze' facilities: €/000 381
- Investments in engine assembly lines: €/000 230
- Investments in vehicle assembly lines: €/000 190
- Investments in paintshops: €/000 316
- Drive shaft and components production line: €/000 2.800
- Investments in twin-cylinder engine testing facilities: €/000 840
- Investments for experimental workshop and laboratories : €/000 790
- Other: €/000 134

Equipment €/000 41,060

Changes during the year are due to increases of €/000 13,736 and decreases represented by €/000 16,953 of depreciation for the period and €/000 187 of the residual cost of worn equipment, no longer used in production and sold. The €/000 13,736 of capitalisation for the period mainly consist of:

- Renewal of old moulds, €/000 1,263
- Equipment for laboratories, €/000 623
- Equipment for assembly lines in Pontedera facility, €/000 650
- Equipment for assembly lines in Scorze' facility, €/000 402

Table 4

in thousand Euros	Value at 31/12/2006	Increases	Depreciation	Disposals	Reclassifications	Value at 31/12/2007
Land and buildings	95,467	993	-3,240	-1		93,219
Plant and machinery	43,771	6,381	-9,344	-3		40,805
Equipment	44,464	13,736	-16,953	-187		41,060
Other	5,209	667	-1,596	-82		4,198
Total	**188,911**	**21,777**	**-31,133**	**-273**	**0**	**179,282**

- Purchase of moulds for the Vespa (PX, GT, GS, ET, S), €/000 383
- Purchase of moulds for various vehicles (Liberty, Beverly, Nexus, X8, etc.), €/000 975
- Purchase of moulds for various Aprilia vehicles (Sportcity, Scarabeo, RS, etc.), €/000 352
- Purchase of engine moulds (500 Master, 4T Leader, 250 cc, 300 cc, etc.), €/000 950
- Purchase of moulds for the MP3 400 and Fuoco, €/000 1,094
- Purchase of moulds for the CARNABY, €/000 1,250
- Purchase of moulds for the X 7, €/000 1,164
- Purchase of moulds for the QUARGO, PORTER and APE, €/000 584
- Purchase of moulds for the Gilera GP800, €/000 923
- Purchase of moulds for the Aprilia "SHIVER" motorcycle, €/000 594
- Purchase of moulds for the Aprilia "MANA" motorcycle, €/000 625
- Purchase of moulds for the Aprilia Enduro motorcycle, €/000 220
- Purchase of moulds for the DERBI 6 M engine, €/000 260
- Purchase of moulds for the 850 cc twin engine, €/000 854
- Purchase of moulds for the 750 twin motorcycle engine, €/000 570

Other tangible assets €/000 4,198

At 31 December 2007, this heading consists of:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
EDP systems	2,113	2,401	-288
Office furniture and equipment	712	932	-220
Vehicles	259	408	-149
Cars	1,114	1,468	-354
Total	**4,198**	**5,209**	**-1,011**

Revaluations of fixed assets

The company still owns fixed assets that have been revalued in conformity with specific regulations or at the time of mergers.

The following table 5 details the amounts by financial statement headings and refers to the legal requirement or merger transaction.

Table 5

	Reval. Law 623/73	Reval. Law 575/65 and 72/83	Reval. 1986 merger	1998 economic reval.	Reval. Law 413/91	Reval. in derogation of Art. 2425	Reval. 1990 merger	Reval. 1996 merger	Reval. Law 242/2000	Total reval.
Tangible assets										
Industrial buildings	16	2,704	0	584	3,035	898	1,668	1,549	0	10.454
Plant and machinery	0	871	263	0	0	0	42	0	1,930	3.106
Industrial and commercial equipment	0	0	331	0	0	0	2,484	0	3,438	6.253
Furniture and office fittings	0	0	58	0	0	0	101	0	0	159
Electric office machines	0	0	0	0	0	0	27	0	0	27
Internal means of transport	0	0	0	0	0	0	13	0	0	13
Total tangible assets	*16*	*3,575*	*652*	*584*	*3,035*	*898*	*4,335*	*1,549*	*5,368*	*20.012*
Intangible assets										
Trademark	0	0	0	0	0	0	21,691	0	25,823	47.514
Total intangible assets	*0*	*0*	*0*	*0*	*0*	*0*	*21,691*	*0*	*25,823*	*47.514*
Total general	**16**	**3,575**	**652**	**584**	**3,035**	**898**	**26,026**	**1,549**	**31,191**	**67.526**

18. Investment property €/000 0

At 31 December 2007, there was no investment property.

19. Equity investments €/000 100,012

Equity investments consist of:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Equity investments in subsidiaries	99,336	92,091	7,245
Equity investments in associated companies	676	706	-30
Total	**100,012**	**92,797**	**7,215**

Changes for the period are shown in the following table 6.

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

Equity investments in subsidiaries €/000 99,335

The €/000 10,589 write-down regarding Moto Guzzi S.p.A. was recorded to adjust the value of the equity investment after the 12 million € injection of capital in December 2007 to cover expected losses, taking account of the investee company's performance, which in the last quarter of the year was especially affected by the key Italian market and the delays perceived by customers in introducing new models.

Equity investments in associated companies €/000 677

The changes recorded in 2007 were due to:

- Disposal of the equity investment in DEV s.r.l., recording a gain of €/000 20;

Table 6

In thousand Euros	Book value at 31/12/2006	Increases	Write-downs	Disposals	Book value at 31/12/2007
Subsidiaries					
Piaggio Vespa B.V.	11,927				11,927
Piaggio Vehicles Pvt Ltd	15,793				15,793
Nacional Motor	35,040				35,040
Moto Guzzi	28,845	16,500	-10,589		34,756
Piaggio Vietnam Co Ltd	0	1,440			1,440
Piaggio Finance	31				31
Piaggio China ltd	0				0
AWS B.V.	0				0
P&D S.p.A. in liquidation	416		-94		322
Moto Laverda in liquidation	39		-13		26
Total subsidiaries	**92,091**	**17,940**	**-10,696**	**0**	**99,335**
Associated companies					
Zongshen Piaggio Foshan	0				0
Pont. Tech Soc. cons. A r.l.	181				181
DEV s.r.l.	20			-20	0
Motoride in liquidation	505		-9		496
Fondazione Piaggio onlus	0				0
Total associated companies	**706**	**0**	**-9**	**-20**	**677**
Total equity investments	***92,797***	***17,940***	***-10,705***	***-20***	***100,012***

- €/000 9 write-down of the equity investment in Moto-ride.com in liquidation.

20. Other non-current financial assets €/000 24,225

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Financial receivables due from associated companies	58	63	-5
Receivables due from subsidiaries	24,000	27,500	-3,500
Equity investments in other companies	167	167	0
Total non-current financial assets	**24,225**	**27,730**	**-3,505**

The item includes the equity loan of €/000 24,000 provided to the subsidiary Nacional Motor S.A., repayment of which is expected in 2009.

This loan was provided to the subsidiary in order to meet the financial covenants envisaged in the syndicated loan signed with Nacional Motor.

This loan may be prepaid if the minimum capitalisation index required by Spanish law is respected. The annual interest rate is Euribor plus a 3% spread conditional upon earnings after taxation being positive. As regards equity investments in other companies, the table below details the breakdown. No changes occurred during the year:

In thousand Euros	Book value at 31/12/2007
Other companies:	
Valued using the cost method:	
Sviluppo Italia Liguria S.c.p.a. (formerly Bic Liguria S.p.A.)	5
Consorzio Pisa Ricerche	76
Centro per l'innovazione – Pisa	0
A.N.C.M.A. – Rome	1
GEOFOR. S.p.A.	47
GEOFOR Patrimonio S.p.A.	12
E.CO.FOR. Service S.p.A.	2
Consorzio Fiat Media Center – Turin	3
Mitsuba FN Europe S.p.A.	0
S.C.P.S.T.V.	21
Total other companies	**167**

21. Current and non-current tax receivables €/000 10,021

Tax receivables totalled €/000 10,245 and consist of:

In thousand Euros	Al 31/12/2007	Al 31/12/2006	Change
VAT receivables	1,848	24,712	-22,864
Receivables for tax for which a refund has been claimed	7,689	7,233	456
Other tax receivables	484	157	327
Total tax receivables	**10,021**	**32,102**	**-22,081**

Non-current tax receivables total €/000 7,425, compared to €/000 7,089 at 31 December 2006, while current tax receivables stand at €/000 2,596, against €/000 25,013 at 31 December 2006, as a result of the substantial decrease in VAT receivables, from €/000 24,712 to €/000 1,848.

22. Deferred tax assets €/000 16,206

A total of €/000 16,206, compared to €/000 29,996 at 31 December 2006.

The €/000 13,790 change was generated by a €/000 21,827 release of deferred tax assets recorded in previous periods, already covered in note 13 "Taxation", as well as the recording of €/000 8,037 of new deferred tax assets.

This €/000 8,037 entry was made in the light of the expected results of Piaggio & C. S.p.A., its expected application over the next years and taking account of the different timing between use and falling due of the related tax benefits.

In thousand Euros	Amount of the temporary differences	Tax effect 27.5%	Tax effect 3.9%
Reserves for risks	10,752	2,957	262
Reserves for product warranty	13,901	3,823	542
Reserves for restructuring charges	1,000	275	
Bad debt reserve	12,134	3,337	
Reserve for stock obsolescence	20,331	5,591	793
Other changes	8,075	2,221	252
Total from reserves and other changes	**66,194**	**18,203**	**1,850**
2003 loss	22,043	6,062	
2004 loss	55,765	15,335	
Total from tax losses	**77,808**	**21,397**	
IAS effects	202	56	7
Deferred tax assets recognised		16,199	7
Deferred tax assets not recognised		23,457	1,850

23. Non-current trade and other receivables €/000 2,664

Non-current trade and other receivables total €/000 2,664, compared to €/000 4,393 at 31 December 2006, and consist of:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Due from associated companies	390	363	27
Other	2,274	4,030	-1,756
Total	**2,664**	**4,393**	**-1,729**

The "Other" item consists of €/1000 139 of guarantee deposits and €/000 1,592 of prepaid expenses, the latter decreasing compared to the €/000 1,412 the year before.

24. Current trade and other receivables €/000 181,858

Trade and other receivables included in the current assets totalled €/000 181,858, compared to €/000 217,529 at 31 December 2006. The €/000 35,671 reduction was due not only to the growth in volumes and net sales highlighted in the Directors' Report from the transfer to Piaggio & C. S.p.A. of all trade receivables relating to commercial transactions with the sales network carried out by Aprilia in Europe starting in May 2006 and, as regards Piaggio, to the transfer of UK trade receivables starting 1 September 2006, and Spanish and French trade receivables starting 31 December 2006.

Trade receivables and other receivables included under current assets are represented by:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Receivables due from customers	67,452	79,663	-12,211
Trade receivables due from subsidiaries	71,652	102,846	-31,194
Trade receivables due from associated companies	1,122	1,058	64
Trade receivables due from parent companies	124	8	116
Other receivables due from third parties	15,608	17,130	-1,522
Other receivables due from subsidiaries	25,533	13,178	12,355
Other receivables due from associated companies	141	3,578	-3,437
Other receivables due from parent companies	226	68	158
Total	**181,858**	**217,529**	**-35,671**

Receivables from customers are stated net of a bad debt reserve of €/000 8,636.

Trade receivables consist of receivables related to normal sales transactions.

They include receivables in foreign currency of CHF/000 1,663, DKK/000 944, JPY/000 323,082, NOK/000 239, SGD/000 851, SEK/000 22, GBP/000 7,142 and USD/000 46,305, for an overall countervalue of €/000 47,350 at the exchange rate on 31 December 2007.

The item also includes invoices to be issued for €/000 2,526 relating to normal commercial transactions and credit notes to be issued for €/000 18,649 relating mainly to bonuses for targets achieved by the sales networks in Italy and abroad, as well as bills and collection advices presented to banks and not yet due for €/000 1,054.

Receivables due from domestic customers are normally sold to factoring companies and, as of December 2006, are usually discounted without recourse.

Piaggio sells a large part of its trade receivables with and without recourse. The agreements Piaggio has signed with major Italian and foreign factoring companies essentially reflect the need to optimise the monitoring and management of receivables as well as provide customers with an instrument to finance their inventories. At 31 December 2007, the trade receivables yet to mature sold without recourse totalled €/000 100,078, of which Piaggio received payment prior to the natural maturity of the receivables for €/000 95,681. At 31 December 2007, €/000 8,407 of trade receivables had been sold with recourse, with a counter entry in current liabilities.

Changes in the reserve were as follows:

In thousand Euros	
At 31 December 2006	**8,113**
Increases for provisions	530
Decreases for applications	-7
At 31 December 2007	**8,636**

Applications of €/000 7 were made in 2007 to the bad debt reserve to cover losses.

Adjustments to the reserve were carried out against risks emerging upon valuation of the receivables at 31 December 2007.

Trade receivables due from subsidiaries refer to supplies of products carried out at arm's length; the other receivables due from subsidiaries consist of €/000 4,794 deriving from sundry costs and charges recovered, and €/000 20,739 from cash pooling.

Receivables from associated companies decrease compared to the year before as a result of collecting the amount due from Piaggio Foshan Motorcycles, related to agreements contained in the joint venture contract signed with the Chinese partner Zongshen Industrial Group Company Limited in 2007.

Other receivables due from third parties consist of (see table 7). Receivables due from employees refer to advances paid for travel expenses, for illness and injury, contractual advances, cash reserves, etc.

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Table 7

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Receivables due from employees	516	325	191
Other receivables due from third parties:			
Advance payments on services to be provided	123	123	0
Balances with suppliers and other debtors	4,435	3,481	954
Invoices and credit notes to be issued	277	859	-582
Sundry receivables due from Italian and foreign third parties	3,788	8,169	-4,381
Receivables for the sales of property	573	522	51
Other receivables	5,896	3,651	2,245
Total	**15,608**	**17,130**	**-1,522**

Sundry receivables of €/000 3,788 refer mainly to receivables from Italian and foreign parties for non-core business transactions.

25. Inventories €/000 154,004

At 31 December 2007, a total of €/000 154,004, compared to €/000 171,585 at the end of 2006, consisting of:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Raw materials	69,526	73,041	-3,515
Reserve for loss in value	-5,974	-7,218	1,244
Net value	63,552	65,823	-2,271
Consumables	2,716	2,477	239
Work in progress and semi-finished products	20,823	24,291	-3,468
Reserve for loss in value	-852	-852	0
Net value	19,971	23,439	-3,468
Finished products and goods for resale	81,253	91,028	-9,775
Reserve for loss in value	-13,505	-11,199	-2,306
Net value	67,748	79,829	-12,081
Payments on account	17	17	0
Total	**154,004**	**171,585**	**-17,581**

Changes in the reserve for obsolescence are detailed in the table below (see table 8).

Table 8

In thousand Euros	At 31/12/2006	Applications	Provisions	At 31/12/2007
Raw materials	7,218	-2,494	1,250	5,974
Work in progress and semi-finished products	852	0	0	852
Goods for resale	4,048	-51	2,519	6,516
Finished products	7,151	-1,360	1,198	6,989
Total	**19,269**	**-3,905**	**4,967**	**20,331**

26. Other current financial assets €/000 13,832

This item consists of:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Financial receivables due from third parties	436	430	6
Financial receivables due from subsidiaries	13,396	32,303	-18,907
Financial receivables due from associated companies	0	30	-30
Total current financial receivables	**13,832**	**32,763**	**-18,931**

Financial receivables due from subsidiaries consist of €/000 10,481 for a loan in favour of Moto Guzzi S.p.A., €/000 54 for a loan in favour of Moto Laverda Srl in liquidation, €/000 1,145 for a loan in favour of Piaggio Vespa BV and €/000 1,716 for interest in favour of Nacional Motor.

Geographic breakdown of the receivables

The table 9 below details the geographic breakdown of the receivables at 31 December 2007:

27. Cash and cash equivalents €/000 87,307

This heading mainly consists of sight and short-term bank deposits.

Cash and cash equivalents total €/000 87,307, against €/000 35,654 at 31 December 2006, as detailed below:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Bank and post office deposits	87,275	35,630	51,645
Cash and assets in hand	32	24	8
Total	**87,307**	**35,654**	**51,653**

28. Assets intended for sale €/000 0

At 31 December 2007, there were no assets intended for sale.

INFORMATION ON THE BALANCE SHEET - LIABILITIES

29. Share capital and reserves €/000 389,469

Share capital €/000 202,124

The changes in share capital during the period were as follows:

In thousand Euros	
At 1 January 2007	**203,170**
Stock options exercised	2,771
Purchase of own shares	(3,817)
At 31 December 2007	**202,124**

At 31 December 2007, the share capital, fully subscribed and paid up, consisted of 396,040,908 ordinary shares with a par value of € 0.52 each, for a total of € 205,941,272.16.

During the period, 5,328,760 new ordinary shares were issued to and taken up by beneficiaries of the stock option plan. As a result, all the options granted under the 2004-2007 Plan have been fully exercised.

Table 9

In thousand Euros	Italy	Europe	North America	Asia	Other countries	Total
Other non-current financial receivables	225	24,000	0	0	0	24,225
Medium-/long-term tax receivables	7,161	264	0	0	0	7,425
Non-current trade and other receivables	2,664		0	0	0	2,664
Current trade and other receivables	43,875	89,525	28,274	14,417	5,766	181,858
Short-term tax receivables	2,221	375	0	0		2,596
Current financial receivables	12,116	1,716	0	0		13,832
Total	**68,262**	**115,880**	**28,274**	**14,417**	**5,766**	**232,600**

Furthermore, following resolutions passed at the shareholders' meeting on 7 May 2007, the parent company purchased 7,340,000 own shares during the period in order to implement the new 2007-2009 stock option plan.

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

At 31 December 2007, according to the shareholder ledger and available information, beyond Immsi S.p.A. (with 55.234% of the share capital), Deutsche Bank AG (with 2.010% of the share capital) and Diego Della Valle e C. S.a.p.a. (with 2.010% of the share capital) no shareholder holds an equity investment of more than 2% of the share capital.

Share premium reserve €/000 3,493

The share premium reserve at 31 December 2007 stands at €/000 3,493.

The final balance reflects the increase for the period as a result of the 5,328,760 options exercised.

The opening balance of €/000 32,961 was used to cover losses brought forward, in accordance with the shareholder resolution on 07/05/2007.

Legal reserve €/000 4,273

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

Other reserves and retained earnings €/000 115,109

This heading consists of:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Stock option reserve	6,576	4,827	1,749
Financial instruments' fair value reserve	64,536	58,702	5,834
IFRS transition reserve	11,435	13,181	(1,746)
Total other reserves	*82,547*	*76,710*	*5,837*
Retained earnings	32,562	(34,707)	67,269
Total	**115,109**	**42,003**	**73,106**

The financial instruments' fair value reserve consists of €/000 62,450 arising from the measurement of the Aprilia warrants and €/000 2,086 relating to the positive effect of recording the cash flow hedge.

Earnings for the period €/000 64,470

The table below breaks down the individual shareholders' equity items by origin, availability and use in the previous three periods.

Nature/description	Amount	Possibility of use	Portion available	Used in 2007 to cover losses
Share capital par value	205,941			
Acquired own shares par value	(3,817)			
Capital reserves:				
Share premium reserve	3,493	A , B, C (*)	3,493	32,961
Financial instruments' fair value reserve	64,536	---	---	
Earnings reserves:				
Legal reserve	4,273	B	---	
IAS transition reserve	11,435	A, B, C	11,435	1,746
Stock option reserve	6,576	A, B, C	6,576	
Total Reserves	90,313		21,504	34,707
Retained earnings	55,575			
Greater cost of own shares acquired	(23,013)			
	32,562	A,B,C		
Earnings for the period	64,470			
Total shareholders' equity	**389,469**			

Legend:
A: for increase in share capital
B: to cover losses
C: for dividend payments
(*) Entirely available for capital increases and covering losses. Any other uses require prior adjustment (even by transfer from the share premium reserve itself) of the legal reserve to 20% of share capital. At 31.12.2007, this adjustment would have been €/000 41,188.

In accordance with point 5 of article 2426 of the Italian Civil Code, it is noted that shareholders' equity is unavailable for the amount of €/000 51,178 of development costs yet to be amortised at 31 December 2007.

30. Current and non-current financial liabilities €/000 369,358

Financial liabilities included under non-current liabilities total €/000 313,421, compared to €/000 345,775 at 31 December 2006, while current financial liabilities total €/000 55,937, compared to €/000 21,740 at 31 December 2006. As is shown in the table on the net financial position included in the financial schedules, overall net debt fell from €/000 299,096 at 31 December 2006 to €/000 268,218 at 31 December 2007, a reduction of €/000 30,878.

The attached tables summarise the breakdown of financial debt at 31 December 2007 and at 31 December 2006, as well as the changes in the year.

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In thousand Euros	At 31/12/2006	Repayments	New issues	Reclass. to current portion	Other changes	At 31/12/2007
Non-current portion:						
Medium-/long-term loans	179.641		2.681	(34.413)	382	148.291
of which EMH instrument	*9.440*			*(6.322)*	*382*	*3.500*
Other medium-/long-term loans						
of which Simest	*714*			*(357)*		*357*
of which due to other lenders (M.I.C.A.)	*11.706*		*1.494*	*(2.274)*		*10.926*
of which Aprilia shareholder instruments	*9.090*				*(617)*	*8.473*
of which due to subsidiaries	*144.624*		*750*			*145.374*
Total other loans beyond one year	**166.134**		**2.244**	**(2.631)**	**(617)**	**165.130**
Total	**345.775**	**0**	**4.925**	**(37.044)**	**(235)**	**313.421**

In thousand Euros	At 31/12/2006	Repayments	New issues	Reclass. from current portion	Other changes	At 31/12/2007
Current portion:						
Current account overdrafts	31		10.151			10.182
Current account payables	184	(184)				0
Due to factors	4.220		4.187			8.407
Due to subsidiaries	508	(205)				303
Current portion of medium-/long-term loans:						
of which leases	*280*	*(266)*			*(13)*	*1*
of which due to banks	*15.738*	*(16.234)*	*496*	*28.091*		*28.091*
of which EMH instrument				*5.940*	*382*	*6.322*
of which due to other lenders (M.I.C.A.)	*422*	*(422)*		*2.274*		*2.274*
of which due to other lenders (Simest)	*357*	*(357)*		*357*		*357*
Total loans within one year	**16.797**	**(17.279)**	**496**	**36.662**	**369**	**37.045**
Total	**21.740**	**(17.668)**	**14.834**	**36.662**	**369**	**55.937**

The slight increase in the debt is a result of drawing down new medium-term subsidised loans. The debt consists of:

	Book value	Book value	Nominal value	Nominal value
Amounts in €/000	**at 31.12.2007**	**at 31.12.2006**	**at 31.12.2007**	**at 31.12.2006**
Bank loans	183,064	186,154	184,300	187,848
Other medium-/long-term loans:				
of which leases	*1*	*280*	*1*	*280*
of which due to other lenders	*22,321*	*17,419*	*22,321*	*17,419*
of which Aprilia instruments	*18,295*	*18,530*	*20,000*	*20,000*
of which due to subsidiaries	*145,677*	*145,132*	*150,303*	*150,508*
Total other loans	**186,294**	**181,361**	**192,625**	**188,207**
Total	**369,358**	**367,515**	**376,925**	**376,055**

The following table illustrates the debt repayment schedule at 31 December 2007:

	Nominal value	Due within 12 months	Due beyond 12 months	Due in				
(in thousand Euros)	at 31/12/2007			2009	2010	2011	2012	Beyond
Bank loans	184,300	38,682	145,618	57,734	27,704	30,395	29,204	581
Bonded loans								
Other medium-/long-term loans:								
of which leases	*1*	*1*						
of which due to other lenders	*22,321*	*11,038*	*11,283*	*2,507*	*2,296*	*2,324*	*2,213*	*1,943*
of which Aprilia instruments	*20,000*	*6,500*	*13,500*		*13,500*			
of which due to subsidiaries	*150,303*	*303*	*150,000*				*150,000*	
Total other loans	**192,625**	**17,842**	**174,783**	**2,507**	**15,796**	**2,324**	**152,213**	**1,943**
Total	**376,925**	**56,524**	**320,401**	**60,241**	**43,500**	**32,719**	**184,108**	**2,524**

The following table breaks down the financial debt by currency and interest rate.

	Book value	Book value	Notional value	Interest rate applicable
(in thousand Euros)	at 31/12/2006	at 31/12/2007		
Euro	367,515	369,358	376,925	4.802%
Total	**367,515**	**369,358**	**376,925**	

Medium-term bank debt amounts to €/000 182,704, (of which €/000 148,291 non-current and €/000 34,413 current) and consists of the following loans:

- a €/000 135,264 (nominal value €/000 150,000) loan provided by Mediobanca and Banca Intesa San Paolo. This loan is part of a more complex financial package that in April 2006 was syndicated to a restricted pool of banks. The package consists of a portion of €/000 150,000 nominal fully drawn down and a portion of €/000 100,000 to be used as a credit line, which at 31 December 2007 was completely undrawn. The structure envisages a 7-year term, with a grace period of 18 months and 11 semi-annual instalments with the last maturity on 23 December 2012 for the loan portion, a variable interest rate linked to 6-month Euribor to which a variable margin of between a maximum of 2.10% and a minimum of 0.65% is added depending on the Net Financial Debt / EBITDA ratio. In relation to the improvement in this ratio recorded in the 2006 annual financial statements, this margin has fallen from 1.15% in the second half of 2006 to 0.90% as from the second half of 2007. There is a commitment fee of 0.25% for the portion relating to the credit line. The agreement does not envisage the issue of guarantees, while, in line with market practice, it does require meeting some financial parameters. It should be noted that, in reference to the 2006 figures, these parameters were comfortably met;
- a €/000 29,000 loan granted by a syndicate of 14 banks at the time of the Aprilia acquisition for the purchase, against payment of an amount of 34 million Euros, of the non self-liquidating financial receivables claimed by the same lenders from Aprilia S.p.A.. The conditions envisage a fixed interest rate of 3.69% annually compounded and repayment in a single instalment of capital and interest at the final maturity on 31 December 2009, aligned with the exercise date of the Piaggio 2004-2009 warrants underwritten by the same lenders during the Aprilia closing;

- a €/000 1,352 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 2,690 provided by Banca Antonveneta originally to a subsidiary of the Aprilia Group and, following the acquisition, taken on by the company with a single repayment date in 2011. The conditions envisage a market interest rate over the last two years based on the performance of the Piaggio 2004-2009 warrants;
- a €/000 2,290 subsidised loan provided by Intesa San Paolo on 29/01/2007 under Law 346/88 for a research project regarding "innovative vehicles with high levels of performance, safety and manoeuvrability", maturing 1 July 2013;
- a €/000 226 subsidised loan provided by Mediocredito Centrale under article 7 of Law 49 on international cooperation, maturing 16 June 2008;
- a €/000 2,060 variable rate loan provided by Efibanca, maturing 28 December 2009;
- €/000 9,822 due to Interbanca in its capacity of holder of the EMH instruments.

Medium-/long-term payables due to subsidiaries beyond one year (€/000 145,374 net book value) refers to the loan granted by Piaggio Finance S.A. against the high-yield bond issued on 27 April 2005, for a nominal amount of €/000 150,000.

Medium-/long-term payables due to other lenders amount to €/000 22,388, of which €/000 19,756 due beyond one year and €/000 2,632 being the current portion, consist of:

- a €/000 8,473 Aprilia ex-shareholders financial instrument;
- €/000 13,914 of subsidised loans provided by Simest and the Ministry of Production using regulations to encourage exports and investment in research and development (non-current portion of €/000 11,283);
- €/000 1 of finance leases.

Financial instruments

Exchange rate risk

In 2007, exchange rate risk was managed in line with the policy introduced in 2005 which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flow, by hedging the business risk, which concerns the changes in company profitability compared to the annual business budget on the basis of a key change (the so-called "budget change") and of the settlement risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.

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

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

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

Referring to contracts which are made to hedge exchange rate risk on receivables and payables in foreign currency (settlement risk), at 31 December 2007 Piaggio & C. S.p.A. had forward purchase contracts outstanding for JPY/000,000 110, corresponding to €/000 673 (valued at the forward exchange rate). At 31 December 2007, the following forward sale contracts were outstanding:

- USD/000 43,630, corresponding to €/000 30,221 (valued at the forward exchange rate);
- GBP/000 1,170, corresponding to €/000 1,605 (valued at the forward exchange rate);
- CHF/000 1,450, corresponding to €/000 876 (valued at the forward exchange rate).

As regards contracts in place to hedge exchange rate risk on forecast transactions (business risk), at 31 December

2007, the parent company had forward purchase transactions of JPY/000,000 400 and CNY/000,000 146 and forward sales transactions of CAD/000 7,900, CHF/000 10,700 and GBP/000 33,000. These hedges have been measured at fair value and the overall positive effect of €/000 2,086 has been recorded directly to equity. At 31/12/2007, there were also forward sale transactions with the subsidiary Piaggio USA totalling USD/000 20,000, corresponding to €/000 14,000.

31. Current trade payables €/000 286,349

Trade payables are all included under current liabilities and amount to €/000 286,349, compared to €/000 332,530 at 31 December 2006.

This heading consists of payables of a trade nature, €/000 279,647 from the purchase of goods and services for business purposes and €/000 6,702 for the purchase of fixed assets.

The decrease compared to the year before is mainly due to the different seasonal nature of purchases.

The heading includes foreign currency payables of CHF/000 4, GBP/000 4,086, INR/000 3,854, JPY/000 400, NOK/000 22, SEK/000 1,770, USD/000 7,079, DKK/000 107, HKD/000 158, SGD/000 567, TWD/000 5 and ZAR/000 5 for a total countervalue of €/000 13,359.

€/000 4,010 of the payables under this heading are secured by bank guarantees.

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Current liabilities:			
Due to suppliers	258,054	304,459	(46,405)
Due to subsidiaries	24,850	19,481	5,369
Due to associated companies	3,122	8,566	(5,444)
Due to parent companies	323	24	299
Total current portion	**286,349**	**332,530**	**(46,181)**

32. Current and non-current portions of reserves €/000 37,631

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

(in thousand Euros)	Balance at 31/12/2006	Provisions	Applications	Reclassifications	Balance at 31/12/2007
Reserves for risks					
Reserve for equity investment risk	11,977				11,977
Reserve for contractual risk	5,052	1,951			7,003
Reserve for legal dispute risks	2,656	150	(150)		2,656
Reserve for risks on guarantees provided	138				138
Reserves for bad debt		673		215	888
Other reserves for risks	68				68
Total reserves for risks	**19,891**	**2,774**	**(150)**	**215**	**22,730**
Reserves for charges					
Product warranty reserve	11,972	10,519	(8,590)		13,901
Restructuring reserve	0	1,000			1,000
Total reserves for charges	**11,972**	**11,519**	**(8,590)**		**14,901**
Total reserves for risks and charges	**31,863**	**14,293**	**(8,740)**	**215**	**37,631**

The distribution between the current and non-current portions of reserves is as follows:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Non-current portion			
Reserve for risks on equity investments	11,977	11,977	0
Reserve for contractual risks	7,003	4,852	2,151
Reserve for legal disputes risks	2,656	2,656	0
Reserve for risks on guarantees provided	138	58	80
Reserve for bad debt	888		888
Other reserves for risks	68		68
Product warranty reserve	2,780	1,393	1,387
Total non-current portion	**25,510**	**20,936**	**4,574**

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Current portion			
Reserve for contractual risks		200	(200)
Reserve for risks on guarantees provided		80	(80)
Other reserves for risks		68	(68)
Product warranty reserve	11,121	10,579	542
Restructuring reserve	1,000		1,000
Total current portion	**12,121**	**10,927**	**1,194**

The reserve for risks on equity investments at 31 December 2007 refers to:

- €/000 5,286 of charges that could derive from the equity investment in the associated company Piaggio Foshan Motorcycles Co. Ltd. "Commitments and risks" include the guarantees provided against loans issued by banks in favour of the associated company Piaggio Foshan Motorcycle Co. Ltd. both directly (USD/000 8,100 equivalent to €/000 5,502 at the exchange rate on 31/12/2007) and through subsidiaries (USD/000 9,800 equivalent to €/000 6,657 at the exchange rate on 31/12/2007).
- €/000 194 to the subsidiary Piaggio China Co. Ltd and €/000 6,497 to the subsidiary Aprilia World Service B.V in consideration of likely future charges deemed to be incurred from the equity investment in the two companies.

The reserve for contractual risk refers to:

- €/000 200 regards the agreement dated 16 October 2003 between Piaggio & C. S.p.A. and the former Piaggio Holding S.p.A., part of a more complex agreement to sell the Piaggio Group to IMMSI S.p.a. Article 2 "Assumption of payables and waiver of receivables" envisages that any adjustment between the receivable waived by Piaggio & C. S.p.A. in favour of Piaggio Holding S.p.A. and the payables due by Piaggio Holding regarding the latter's activities as parent company of the Piaggio Group may not exceed either positively or negatively €/000 750. At 31/12/2007, the provision made in previous years to cover the risk deriving from this contract is €/000 200.
- €/000 4,852 of charges that may arise from the renegotiation of a supply contract.
- €/000 1,951 allocated during the period for expected charges in relation to the three year management plan.

The reserve for legal disputes regards labour disputes totalling €/000 1,050 and the difference of €/000 1,606 refers to other legal disputes. The €/000 150 provision made during the year relates to other ongoing legal disputes.

The reserve for risks on guarantees provided refers to charges that may be incurred for guarantees provided upon disposing of company equity investments.

The €/000 888 bad debt provision made during the year refers to probable charges associated with the non-payment of receivables offset with suppliers.

Other reserves for risks refer to Aprilia.

The warranty reserve of €/000 13,901 refers to contingent liabilities relating to the sale of products.

The product warranty reserve relates to provisions for technical assistance on products with customer service which are estimated to be provided over the contractually

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envisaged warranty period. This period ranges depending on the type of goods sold and the sales market, and is also determined by customer take-up to commit to planned maintenance.

The reserve increased by €/000 10,519 during the period due to new provisions and applications of €/000 8,590 were made in relation to warranty charges incurred during the year.

The reserve for corporate restructuring charges refers to the provision for the period in relation to future employee charges to be incurred.

33. Deferred tax liabilities €/000 30,042

Reserves for deferred taxation recorded in the financial statements refer to:

- €/000 27 for the elimination of the tax interference in 2004 on accelerated depreciation.
- €/000 4,557 for the gain recorded by Aprilia in 2005 on buildings it leased that were re-purchased by Aprilia Leasing S.p.A.
- €/000 3,984 of tax-deductible development costs capitalised in the period, as well as tax-deductible accelerated depreciation in the period.
- €/000 951 for the reversal of the amortisation of fiscally recognized goodwill.
- €/000 3,426 of off-balance sheet tax-deductible costs relating to the application of IAS/IFRS.
- €/000 17,097 allocated to the Aprilia brand for the merger deficit deriving from incorporating that company in 2005. The gain was recorded under that asset in that it referred to the higher price paid at the time of acquiring the incorporated company. The deferred tax liability, related to the non-recognition of the tax on such gain, was charged directly to equity.

In 2007, the reserves for deferred tax liabilities were reduced by €/000 1,693 following the release of the portion for the period and increased by €/000 4,346 for new provisions. As regards accelerated depreciation and the increase in tax-deductible development costs capitalised in the period, account was taken of the withholding tax envisaged in the 2008 Budget in relation to the realignment of off-balance sheet deductions.

The reduction in IRES and IRAP tax rates established by the 2008 Budget provided a net positive effect of €/000 2,334 to the income statement.

34. Reserves for pensions and employee benefits €/000 57,575

In thousand Euros	At 31/12/2007	At 31/12/006	Change
Pension reserves	434	381	53
Employee leaving indemnity reserve	57,141	72,369	(15,228)
Total	**57,575**	**72,750**	**(15,175)**

The reserves for pensions essentially consist of 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. During the period, applications of €/000 7 were made in relation to the payment of indemnities accrued in previous periods and reduced by €/000 14 as a result of accrued indemnities that were not due, while the €/000 74 of provisions refer to indemnities accrued for the period.

The changes in the reserve for employee leaving indemnity are as follows:

	In thousand Euros
Balance at 31 December 2006	72,369
Cost for the period	2,682
Reduction as a result of reforms	(6,990)
Discounting costs	2,929
Applications/ transfers to pension reserves	(14,488)
Other changes	639
Balance at 31 December 2007	**57,141**

As described in the Directors' Report, in relation to the incentive plan approved in 2007, the parent company granted 6,510,000 options out of a total of 10,000,000 at an exercise price of 3.5 Euros per share.

As shown earlier in the paragraph on consolidation principles, the cost corresponds to the fair value of the options that the company has determined by applying the Black-Scholes measurement model using the average volatility of a basket of shares similar to that of the company and an interest rate obtained as the average of the interest rate swap for a multi-currency loan for a period equal to the length of the contract. The value determined is recognised under employee costs on a straight-line basis over the period between the grant date and the vesting date, with a counter entry recognised directly in shareholders' equity.

In accordance with CONSOB Resolution n°. 11971/99, as amended, the following table 10 shows the options granted to directors, general managers and senior managers with strategic responsibilities.

35. Current and non-current tax payables €/000 6,445

Tax payables totalled €/000 6,445, against €/000 8,385 at 31 December 2006.

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Due for income tax for the period	910	320	590
Other tax payables for:			
- VAT due in EU countries	4,901	2,536	2,365
- Withholdings made	598	4,485	(3,887)
- Stamp duty payable		1,037	(1,037)
- Dutch vehicle registration tax	18		18
- Tax demands and taxes to be paid	18	7	11
Total other tax payables	5,535	8,065	(2,530)
Total	**6,445**	**8,385**	**(1,940)**

Current tax payables consist of €/000 156 of regional tax on production (IRAP) expected to be paid for the 2007 tax period, net of €/000 8,144 of advances already paid and €/000 of taxes to be paid abroad on income produced there (royalties and know-how).

VAT to be paid in EU countries refers to the payable arising at the year-end for VAT due in those EU countries where direct tax representation was obtained in relation to such tax.

Table 10

		Options held at the start of the year			Options granted during the year			Options exercised during the year			Options expired during year	Options held at the end of the year		
	Office held	Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Market price upon exercising	Number of options	Number of options	Average exercise price	Average maturity
Bandiera Daniele	General Manager	600,000	1.72	11/07/2007	1,365,000	3.55	13/06/2012	600,000	1.72	3.135	0	1,365,000	3.55	13/06/2012
Pallottini Michele	General Manager	976,042	0.98	11/07/2007	1,365,000	3.55	13/06/2012	976,042	0.98	3.135	0	1,365,000	3.55	13/06/2012
Total		**1,576,042**			**2,730,000**			**1,576,042**			**0**	**2,730,000**		

Withholdings made refer employees' earnings and prize competitions.

36. Other current and non-current payables €/000 77,286

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Non-current portion:			
Accrued expenses	3,213	2,143	1,070
Deferred income	2,956	4,864	(1,908)
Due to social security institutions	1,003	1,084	(81)
Other payables	6,540	6,785	(245)
Total non-current portion	**13,712**	**14,876**	**(1,164)**

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Current portion:			
Due to subsidiaries	11,478	67,853	(56,375)
Due to associated companies	179	156	23
Due to employees	28,544	19,006	9,538
Due to social security institutions	9,509	8,141	1,368
Due to company boards	247	176	71
Due for non-finalised grants	1,421	2,198	(777)
Due for audit	82	455	(373)
Other debtors balances	34	190	(156)
Customer balances	3,387	3,400	(13)
Deferred income	2,413	1,319	1,094
Accrued expenses	3,012	3,155	(143)
Other payables	3,268	2,470	798
Total current portion	**63,574**	**108,519**	**(44,945)**

Other non-current payables totalled €/000 13,712, compared to €/000 14,876 at 31 December 2006, while other current payables totalled €/000 63,574, compared to €/000 108,519 at 31 December 2006.

As regards the non-current portion:

- Accrued expenses refer to interest on loans.
- Deferred income consists of €/000 1,070 from the Piaggio & C. Warrant premium (amount paid by underwriters) charged to the income statement according to the duration of that financial instrument, €/000 795 from grants related to plant to be recorded in the income statement as regards the depreciation, €/000 1,091 from income received but pertaining to other periods deriving from licensing contracts.
- Other payables consist of a €/000 793 guarantee deposit paid in 1997 by T.N.T. Automotive Logistics S.p.A. to guarantee the payment of the employee leaving indemnities accrued by employees working for the company branch sold dealing with the receipt, packaging, warehousing and physical distribution of parts and accessories and €/000 5,747 of amounts due to employees for holidays accrued but not taken, which historically is expected to be used beyond 12 months.

Amounts due to social security institutions essentially include amounts due regarding company and employee contributions due for wages and salaries in December and the amounts allocated for the early retirement (*mobilità lunga*) which Piaggio & C. employees who left under the restructuring plan are benefiting from.

Payables falling due beyond one year refer to the amount due to the Italian social security (*INPS*) for such early retirement.

Other amounts due to subsidiaries refer to €/000 1,386 of the commitment to Piaggio Vietnam relating to the portion of share capital injected, €/000 6,858 and €/000 2,570 for the purchase from Piaggio Ltd and Piaggio Benelux BV, respectively, of trade receivables due from their dealers following the organisational restructuring of the commercial area and €/000 613 of zero-balance cash pooling that aims to harmonise the bank balances of some subsidiaries so as to optimise group cash management.

Amounts due to employees include €/000 5,748 for holidays accrued and not taken and €/000 22,796 of other compensation to be paid.

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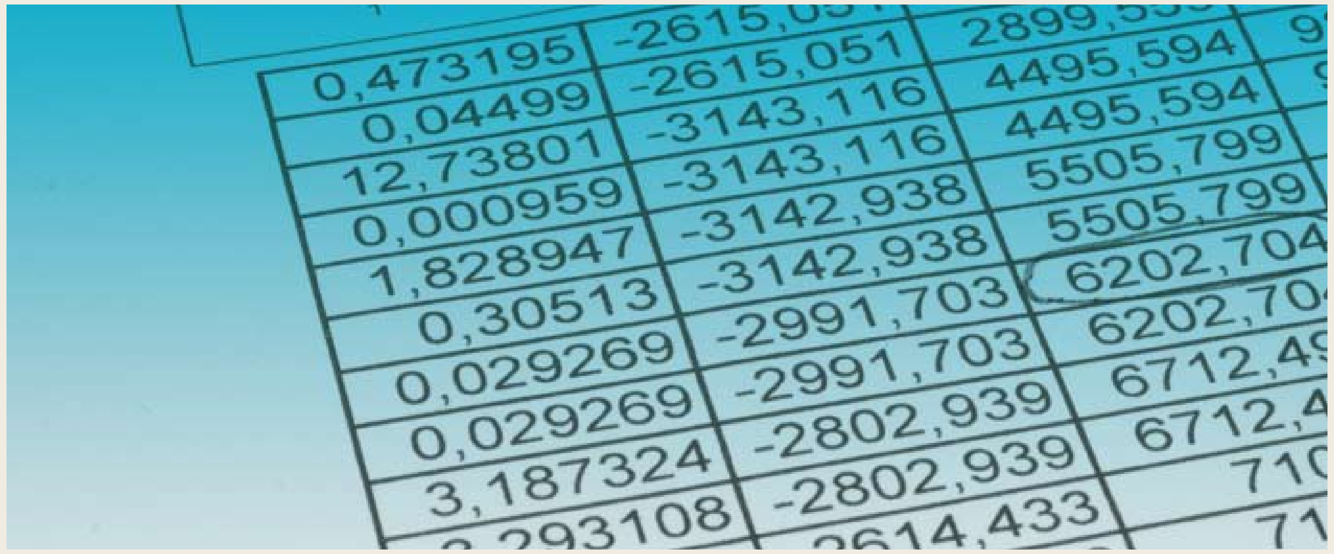

Grants of €/000 1,421 refer to grants for subsidies on research activities not yet finally acquired paid by Medio Credito Centrale under Law 488/92 and the EU.

Balances essentially refer to bonuses for achieving targets paid to customers after the year end and credit notes for returns.

Deferred income includes the current portion of the warrant premium (€/000 1,070), of the above mentioned licencing contracts (€/000 201), of grants relating to plant (€/000 641) as well as other sundry deferrals whose income will be recorded in the income statement next year. Accrued expenses refer to €/000 6,058 of loan interest due, of which €/000 2,633 to the parent company Piaggio Finance Luxemburgo and €/000 167 for sundry costs and expenses.

Geographic distribution of the payables

The table 11 below details the geographic distribution of the payables recorded as liabilities in the balance sheet at 31 December 2007.

E) DEALINGS WITH RELATED PARTIES

The main economic and financial dealings that Group companies had with related parties have already been described in the specific paragraph in the Directors' Report to which reference is made here. To supplement that information, the following table provides an indication by company of the outstanding items at 31 December 2007, as well as their contribution to the respective headings.

Table 11

GEOGRAPHIC AREA	Non-current liabilities		Current liabilities				Total liabilities
	Financial liabilities due beyond one year	Non-current trade and other payables	Financial liabilities due within one year	Current trade payables	Current tax payables	Other current payables	
ASIA				9,598		1,386	10,984
EUROPE	145,374		404	31,245	5,661	12,732	195,416
INDIA				5,062		92	5,154
ITALY	168,047	13,712	55,533	235,799	784	49,364	523,239
UNITED STATES				4,572			4,572
OTHER				73			73
Total	**313,421**	**13,712**	**55,937**	**286,349**	**6,445**	**63,574**	**739,438**

		Amounts in €/000	As a % of the item	Item
Dealings with subsidiaries				
P & D Spa	current trade and other receivables	5	0.00%	181,858
	current financial liabilities	302	0.54%	55,937
	current trade payables	0	0.00%	286,349
	other current payables	45	0.07%	63,574
	financial charges	4	0.01%	48,417
Nacional Motor	other non-current financial assets	24,000	99.07%	24,225
	other current financial assets	1,716	12.41%	13,832
	current trade and other receivables	4,892	2.69%	181,858
	current trade payables	3,162	1.10%	286,349
	other current payables	613	0.96%	63,574
	net sales	12,708	0.96%	1,330,127
	cost of materials	23,626	3.15%	750,134
	costs for services and use of third party assets	3,680	1.35%	272,480
	other operating income	705	0.94%	75,368
	financial income	1,742	8.30%	20,988
	financial charges	66	0.14%	48,417
Piaggio Hrvatska	current trade and other receivables	142	0.08%	181,858
	current trade payables	21	0.01%	286,349
	net sales	16,513	1.24%	1,330,127
	other operating income	18	0.02%	75,368
Piaggio France S.A.	current trade and other receivables	5,530	3.04%	181,858
	current trade payables	5,856	2.05%	286,349
	costs for services and use of third party assets	6,320	2.32%	272,480
	other operating income	1	0.00%	75,368
	financial income	52	0.25%	20,988
	financial charges	271	0.56%	48,417
Piaggio Deutschland GMBH	current trade and other receivables	182	0.10%	181,858
	current trade payables	1,286	0.45%	286,349
	net sales	1,739	0.13%	1,330,127
	cost of materials	109	0.01%	750,134
	costs for services and use of third party assets	4,047	1.49%	272,480
	other operating income	1	0.00%	75,368
	financial income	22	0.10%	20,988
	financial charges	115	0.24%	48,417
Piaggio LIMITED	current trade and other receivables	6,899	3.79%	181,858
	current trade payables	1,385	0.48%	286,349
	other current payables	6,858	10.79%	63,574
	costs for services and use of third party assets	5,350	1.96%	272,480

next

		Amounts in €/000	As a % of the item	Item
Piaggio Benelux BV	current trade and other receivables	6,735	3.70%	181,858
	current trade payables	1,870	0.65%	286,349
	other current payables	2,570	4.04%	63,574
	net sales	6,762	0.51%	1,330,127
	costs for materials	1,132	0.15%	750,134
	costs for services and use of third party assets	1,506	0.55%	272,480
	other operating income	0	0.00%	75,368
Piaggio Portugal Ltda	current trade and other receivables	195	0.11%	181,858
	current trade payables	1	0.00%	286,349
	net sales	37	0.00%	1,330,127
Derbi Italia S.r.l.	current trade and other receivables	150	0.08%	181,858
	costs for materials	1,018	0.14%	750,134
	other operating income	16	0.02%	75,368
Derbi Racing SL	current trade and other receivables	0	0.00%	181,858
	current trade payables	2,330	0.81%	286,349
	costs for materials	133	0.02%	750,134
	costs for services and use of third party assets	2,300	0.84%	272,480
Piaggio Hellas Epe	current trade and other receivables	9,640	5.30%	181,858
	current trade payables	101	0.04%	286,349
	net sales	44,343	3.33%	1,330,127
	costs for services and use of third party assets	26	0.01%	272,480
	other operating income	12	0.02%	75,368
Piaggio Vehicles Pvt Ltd	current trade and other receivables	5,570	3.06%	181,858
	current trade payables	2,792	0.98%	286,349
	net sales	2,103	0.16%	1,330,127
	costs for materials	4,331	0.58%	750,134
	other operating income	6,978	9.26%	75,368
Piaggio Group America's	current trade and other receivables	28,274	15.55%	181,858
	current trade payables	4,572	1.60%	286,349
	net sales	44,716	3.36%	1,330,127
	costs for services and use of third party assets	2,506	0.92%	272,480
	other operating income	112	0.15%	75,368
	other operating costs	70	0.32%	21,603
Piaggio Vietnam	current trade and other receivables	335	0.18%	181,858
	other current payables	1,386	2.18%	63,574
	other operating income	335	0.44%	75,368
Piaggio Asia Pacific	current trade and other receivables	3,306	1.82%	181,858
	current trade payables	268	0.09%	286,349
	net sales	17,448	1.31%	1,330,127
	costs for services and use of third party assets	1,047	0.38%	272,480

next

		Amounts in €/000	As a % of the item	Item
Piaggio Asia Pacific	other operating income	12	0.02%	75,368
Piaggio Vespa BV	other current financial assets	1,145	8.28%	13,832
	current trade and other receivables	7	0.00%	181,858
	other current payables	1	0.00%	63,574
	financial income	75	0.36%	20,988
	financial charges	8	0.02%	48,417
Piaggio China	current trade payables	6	0.00%	286,349
Moto Laverda	other current financial assets	54	0.39%	13,832
Aprilia Motorrad GMBH	current trade and other receivables	415	0.23%	181,858
	current trade payables	-360	-0.13%	286,349
	costs for services and use of third party assets	2,843	1.04%	272,480
Moto Guzzi Spa	other current financial assets	10,481	75.78%	13,832
	current trade and other receivables	17,867	9.82%	181,858
	current trade payables	603	0.21%	286,349
	other current payables	5	0.01%	63,574
	net sales	163	0.01%	1,330,127
	costs for materials	482	0.06%	750,134
	costs for services and use of third party assets	38	0.01%	272,480
	other operating income	2,518	3.34%	75,368
	other operating costs	39	0.18%	21,603
	financial income	1,473	7.02%	20,988
	financial charges	0	0.00%	48,417
Aprilia World Service	current trade and other receivables	5,304	2.92%	181,858
	current trade payables	907	0.32%	286,349
	costs for services and use of third party assets	5,785	2.12%	272,480
	financial income	308	1.47%	20,988
Aprilia Hellas	net sales	4,006	0.30%	1,330,127
Piaggio Group Japan	current trade and other receivables	1,739	0.96%	181,858
	current trade payables	43	0.02%	286,349
	net sales	1,648	0.12%	1,330,127
	other operating income	80	0.11%	75,368
Aprilia Moto UK	current trade payables	7	0.00%	286,349
Piaggio Finance	non-current financial liabilities	145,374	46.38%	313,421
	other current payables	2,634	4.14%	63,574
	financial charges	15,989	33.02%	48,417
Dealings with associated companies				
Fondazione Piaggio	other current financial assets	58	0.24%	24,225
	non-current trade and other receivables	390	14.63%	2,664
	current trade and other receivables	199	0.11%	181,858

next

		Amounts in €/000	As a % of the item	Item
Fondazione Piaggio	current trade payables	19	0.01%	286,349
	other current payables	180	0.28%	63,574
	costs for services and use of third party assets	23	0.01%	272,480
	other operating income	37	0.05%	75,368
	other operating costs	4	0.02%	21,603
Piaggio Foshan	current trade and other receivables	1,064	0.58%	181,858
	current trade payables	3,104	1.08%	286,349
	net sales	1	0.00%	1,330,127
	costs for materials	44,970	5.99%	750,134
	costs for services and use of third party assets	18	0.01%	272,480
	other operating income	4,237	5.62%	75,368
Dealings with parent companies				
IMMSI	current trade and other receivables	350	0.19%	181,858
	current trade payables	323	0.11%	286,349
	costs for services and use of third party assets	1,249	0.46%	272,480
	other operating income	143	0.19%	75,368
Studio D'urso	current trade payables	100	0.03%	286,349
	costs for services and use of third party assets	100	0.04%	272,480

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F) REMUNERATION PAID TO MEMBERS OF COMPANY BOARDS, GENERAL MANAGERS AND SENIOR MANAGERS WITH STRATEGIC RESPONSIBILITIES

Full name	Office held	Period for which the office was held	Term of mandate		Emoluments for the office in the reporting company	Non-monetary benefits	Bonuses and other incentives	Other remuneration (net of VAT)
Colaninno Roberto	Chairman and CEO	01/01-31/12	Approval of accounts at 31/12/2008		1,040,000			
Colaninno Matteo	Deputy Chairman	01/01-31/12	Approval of accounts at 31/12/2008		100,000			
Attolico Trivulzio Gian Giacomo	Director	01/01-31/12	Approval of accounts at 31/12/2008		40,000			
Colaninno Michele	Director (1)	01/01-31/12	Approval of accounts at 31/12/2008		40,000			10,000
Debenedetti Franco	Director	01/01-31/12	Approval of accounts at 31/12/2008		40,000			
Discepolo Daniele	Director	01/01-31/12	Approval of accounts at 31/12/2008		60,000			
La Noce Luciano	Director	01/01-31/12	Approval of accounts at 31/12/2008		40,000			
Neri Gianclaudio	Director	01/01-31/12	Approval of accounts at 31/12/2008		40,000			
Magnoni Giorgio	Director	01/01-31/12	Approval of accounts at 31/12/2008		40,000			
Paravicini Crespi Luca	Director	01/01-31/12	Approval of accounts at 31/12/2008		50,000			
Varaldo Riccardo	Director	01/01-31/12	Approval of accounts at 31/12/2008		50,000			
Barbara Giovanni	Chairman of statutory auditors	01/01-31/12	Approval of accounts at 31/12/2008		110,473			42,177
Arietti Attilio Francesco	Statutory auditor	01/01-31/12	Approval of accounts at 31/12/2008		76,481			
Lai Alessandro	Statutory auditor	01/01-31/12	Approval of accounts at 31/12/2008		76,415			
Girelli Mauro	Substitute auditor	01/01-31/12	Approval of accounts at 31/12/2008		-			8,060
Maffeis Maurizio	Substitute auditor	01/01-11/05			-			
Bandiera Daniele	General Manager Operations	01/01-31/12				9,924		816,774 (2)
Pallottini Michele	General Manager Finance	01/01-31/12				10,040		914,625 (2)

1) The emoluments are paid to the company of employment.
2) Includes:(i) 10,000 Euros for Bandiera Daniele in his capacity of Director of Moto Guzzi S.p.A.,
(ii) 10,000 Euros for Pallottini Michele in his capacity of Director of Moto Guzzi S.p.A.. In each case, the emoluments are paid to the company of employment.

G) COMMITMENTS AND RISKS

37 Guarantees provided

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

TYPE	AMOUNT €/000
Cassa di Risparmio di Pisa bank guarantee issued on our behalf in favour of the Administration of the Province of Pisa	130
Banca Intesa San Paolo bank guarantee issued on our behalf in favour of the Chief Collector of the La Spezia Customs	200
Bank guarantee for the credit line of USD 8,100,000 agreed with Banca di Roma for the associated company Piaggio Foshan	5,502
Banca Intesa San Paolo bank guarantee issued in favour of AMIAT – Turin to guarantee contractual obligations for the supply of vehicles	230
Banca Intesa San Paolo bank guarantee issued in favour of the Algerian National Defence Ministry to guarantee contractual obligations for the supply of vehicles	505
Bank guarantee to guarantee the credit line granted by Banca Intesa San Paolo to the subsidiary Piaggio Vespa BV for USD 20,000,000	
- *of which drawn down*	*2,596*
- *of which granted to the associated company* Piaggio Foshan	*6,657*
- *of which undrawn*	*4,333*
BNL bank guarantee in favour of Poste Italiane to guarantee contractual obligations for the supply of vehicles	2,040
BNL bank guarantee issued in favour of the Venice Customs Authority	206
MPS bank guarantee in favour of JIANGSU GANGYANG /CHINA issued on 03-12-2007 for USD 166,590	113
Banca Intesa Madrid bank guarantee in favour of Soc. Estatal De Correos Tel. issued on 13-08-2007 to guarantee deliveries	187
Banco di Brescia bank guarantee issued in favour of the local authority of Scorzé to guarantee the payment of town planning charges	166
Banca Toscana bank guarantee issued on 25/01/2006 in favour of Ministry of Production in Rome for a prize competition	150
Unicredit bank guarantee issued on behalf of Piaggio in favour of Locat S.p.A. to guarantee obligations of the subsidiary under a finance lease	5,000
Unicredit bank guarantee issued on behalf of Piaggio in favour of Locat S.p.A. to guarantee obligations of the subsidiary under a finance lease	7,857

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38. Operating leases

Piaggio & C. S.p.A. has signed operating leases for the use of tangible assets.

The average term of these leases is 6.7 years. At 31 December 2007, the amount of irrevocable operating lease instalments still due is as follows:

In thousand Euros	At 31/12/2007	At 31/12/2006	Change
Within one year	147	332	171
Between 1 and 5 years	216	323	108
Beyond 5 years			
TOTAL	363	655	279

Commitments relating to the Aprilia transaction

Upon acquiring the Aprilia group, financial instruments were issued with the following forward commitments:

- Piaggio 2004/2009 warrants for an overall issue price of €/000 5,350. This instrument envisages a redemption price that, starting from the Board's approval of the 2007 consolidated financial statements, may be paid at the issuer's discretion either in cash or by assigning ordinary shares equal to the redemption price divided by the market price. The redemption price is linked to Piaggio Group financial performance and can never be more than 12 times the issue price. Therefore the maximum commitment can never exceed €/000 64,206.
- EMH 2004/2009 financial instruments, for a global nominal value of €/000 10,000, which will give the right to a forward payment of a minimum guaranteed sum of €/000 3,500 (within 15 days from Board approval of the 2009 consolidated financial statements), already discussed under the "Due to banks" heading and, depending upon Piaggio Group's financial performance, a maximum redemption value that can never exceed €/000 6,500;
- Aprilia shareholders 2004/2009 financial instruments, which give the underwriters the right to exercise, only conditional upon full payment of the maximum amount envisaged by the Warrants and the EMH financial instruments. Such instruments are linked to the Group's financial and business performance, and envisage payment of a redemption amount that may never exceed €/000 10,000.

These financial instruments are periodically measured and if the conditions of recognition were to occur, the related amount would increase the merger deficit calculated at the time of incorporating the company.

H) NON-RECURRING TRANSACTIONS

The Company had no non-recurring transactions in 2007. In 2006, it had identified the stock exchange listing as a significant non-recurring transaction. The table below lists the effects of such transactions on shareholders' equity, on earnings for the period, on financial debt and on cash flows.

2006	Shareholders' equity		Earnings for the period		Net financial debt		Cash flows	
	€/000	%	€/000	%	€/000	%	€/000	%
Book values	349,864	100%	71,006	100%	299,097	100%	30,300	100%
Listing costs	(10,231)		(10.231)		(10,231)		(10,231)	
Related tax effect	435		435					
Total effect of transaction	(9,796)	-2.8%	(9,796)	-13.8%	(10,231)	-3.4%	(10,231)	-33.8%

I) INFORMATION ON FINANCIAL INSTRUMENTS

This attachment summarises the information on financial instruments, the associated risks, as well as the sensitivity analysis required by IFRS 7, which came into force on 1 January 2007.

At 31 December 2007 and at 31 December 2006, the financial instruments outstanding were allocated as follows in the consolidated financial statements of Piaggio & C. S.p.a.:

In thousand Euros	Note	At 31/12/2007	At 31/12/2006	Change
ASSETS				
Current assets				
Other financial assets	26	13,831	32,762	-18,933
SHAREHOLDERS' EQUITY AND LIABILITIES				
Non-current liabilities				
Financial liabilities falling due beyond one year	30			
of which Piaggio Finance		*145,374*	*144,624*	*750*
of which bank loans		*148,291*	*179,641*	*- 31,350*
of which leases				
of which other lenders		*11,283*	*12,420*	*-1,137*
of which Aprilia instruments		*8,473*	*9,090*	*-617*
Current liabilities				
Financial liabilities falling due within one year	30			
of which bank loans		*38,273*	*15,953*	*22,320*
of which leases		*1*	*280*	*-279*
of which factoring		*8,407*	*4,220*	*4,187*
of which other lenders		*2,631*	*779*	*1,852*
of which to subsidiaries		*303*	*508*	*-205*

Other financial assets

Other financial assets are thoroughly covered in the explanatory notes at paragraph 26.

Current and non-current liabilities

Current and non-current liabilities are thoroughly covered in the paragraph on financial liabilities of the explanatory notes.

There, the debt is broken down by type and maturity.

Credit Lines

At 31 December 2007, the most important irrevocable credit lines include:

- one for €/000 250,000 falling due in 5 years, with capital and interest payable fully at maturity;
- a frame agreement with a syndicate of banks for the provision of a credit line for an overall amount of €/000 70,300 falling due in 4 years, to be used as a credit facility up to 80% and as an advance on receivables up to 60%;
- a €/000 29,000 line falling due in 2 years.

All these credit lines have been granted to the Company.

Warrants and financial instruments

As part of the agreements signed in December 2004 upon the acquisition of Aprilia, the Company issued warrants in favour of Aprilia's creditor banks and financial instruments in favour of the selling shareholders, amply covered in the paragraph on intangible assets in the explanatory notes.

Financial risk management

Financial risks and the treasury function are managed centrally. Treasury transactions are carried out within formal guidelines and policies, which are applicable to all Group companies.

Capital and liquidity risk management

The Company's cash flows and the credit line needs are monitored or managed centrally under the supervision of the Group treasury function with the aim of ensuring effective and efficient management of financial resources as well as to optimise the debt schedule profile. The Company funds the temporary cash needs of the Group companies by maintaining current accounts with its subsidiaries and by daily cash-pooling governed at arm's length conditions.

To better hedge against liquidity risk, at 31 December 2007, the Group's treasury had available €/000 172,614 of undrawn irrevocable credit lines and €/000 103,749 of revocable credit lines, as detailed below:

In thousand Euros	2007	2006
Variable rate falling due within one year - irrevocable	2,500	2,500
Variable rate falling due beyond one year - irrevocable	170,114	158,903
Variable rate falling due within one year – uncommitted cash facilities	75,549	67,449
Variable rate falling due within one year – uncommitted self-liquidating facilities	28,200	33,200
Total undrawn credit lines	**276,363**	**262,051**

Exchange rate risk management

The Company operates internationally and transactions are carried out in currencies other than the Euro, thereby exposing it to risks arising from changes in exchange rates. In 2005, the Company adopted an exchange rate risk management policy which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flow. The policy envisages 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"), for at least 66% of the exposure by recourse to derivative contracts. The policy also requires total hedging of the settlement risk, which regards 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 by recourse to natural offsetting of the exposure (netting sales and purchases in the same foreign currency), to taking out derivative contracts to buy or sell forward foreign currencies, as well as to advances on receivables in foreign currency.

Illustrated below is the net balance of the cash flows of the main foreign currencies, while reference should be made to the list in the paragraph on financial liabilities in the explanatory notes for derivative contracts outstanding at 31 December 2007.

	Amounts in million €	
	Cash Flow 2007	Cash Flow 2006
Pound Sterling	48.8	48.7
Singapore Dollar	1.0	3.8
US Dollar	12.7	21.8
Swiss Franc	12.3	11.8
Japanese Yen	(19.4)	(23.5)
Total cash flow in foreign currency	**55.4**	**62.6**

In consideration of the above, in the event of a 3% appreciation in the average exchange rate of the Euro on the unhedged portion of the financial exposure on the main foreign currencies seen in 2007, consolidated operating revenue would be reduced by some €/000 450.

Interest rate risk management

The exposure to interest rate risk arises from the need to fund industrial and financial operations, as well as to invest available liquidity. Changes in interest rates may affect the costs and the returns of investment and financing transactions.

The Company measures and monitors its exposure to the risks of changes in interest rates on a regular basis and manages such risks by also using derivative instruments, mainly Forward Rate Agreements and Interest Rate Swaps, in accordance with its own management policies.

At 31 December 2007, variable rate debt, net of financial assets, stood at €/000 36,664. As a result, a 1% increase/decrease in the Euribor on that net actual amount would have led to €/000 367 per year more/less interest payable.

Credit risk

The Company monitors or manages credit centrally using established policies and guidelines.

The portfolio of trade receivables shows no signs of concentrated credit risk in view of the wide spread of our concessionaire or distributor network.

Additionally, most trade receivables are short-term.

To optimise credit management, the Company has established revolving programmes with some primary factoring companies for selling without recourse sale its trade receivables in Italy and in Europe.

L) SUBSEQUENT EVENTS

To date, no events have occurred after 31 December 2007 that make additional notes or adjustments to these financial statements necessary.

In this regard, refer to the Directors' Report for significant events after 31 December 2007.

M) INVESTEE COMPANIES

Reference should be made to the attachments to the consolidated financial statements.

N) Information in accordance with article 149-duodiecies of CONSOB's Regulation of Issuers

The following schedule, prepared in accordance with article 149 duodecies of CONSOB's Regulation of Issuers, illustrates the remuneration for the financial period 2007 for the audit services and for the other services provided by the auditor and entities belonging to its network.

N.B. Payments made by subsidiaries reporting in currencies other than the Euro and agreed in local currency have been converted at the exchange rate applicable at 31 December 2007.

(in Euros)	Service provider	In favour of	Remuneration for the financial period 2007
Audit	Deloitte	parent company Piaggio & C	330,736
	Deloitte	subsidiaries	361,296
Total			**692,032**
Consultancy	Deloitte	parent company Piaggio & C	78,000
	Deloitte	subsidiaries	13,960
Total			**91,960**
Total			**783,992**

O) Statement regarding the separate financial statements in accordance with article 81-ter of CONSOB Regulation n°. 11971 dated 14May 1999, as amended

1. We, Roberto Colaninno (Chairman and Chief Executive) and Alessandra Simonotto (Manager in Charge) of Piaggio S.p.A., taking account of the provisions of article 154-bis, paragraphs 3 and 4, of Law 24 February 1998, n°. 58, state that:

- the company has suitable characteristics and
- the administrative and accounting procedures for preparing the separate financial statements at 31 December 2007 have been properly applied.

2. In this respect, no aspects of particular note arose.

3. Moreover, we confirm that the separate financial statements:

- correspond to the books and the accounting entries;
- are suitable to provide a true and fair reflection of the financial and business position of the Company.

Milan, 7 March 2008

for the Board of Directors

Chairman and Chief Executive

Roberto Colaninno

Manager in Charge

Alessandra Simonotto

* * *

REPORT BY THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING AS PER ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/98 (THE "T.U.F.") AND ARTICLE 2429 OF THE CIVIL CODE

To the Shareholders,

In the course of the financial year ending 31 December 2007 the Board of Statutory Auditors of Piaggio & C. S.p.A. (the "Company") carried out its statutory duties, also taking into account the Consob circulars about company checks and the activities of boards of statutory auditors, and the "Principi di comportamento del Collegio Sindacale di società quotate nei mercati regolamentati" [Principles of Conduct for the Board of Statutory Auditors of Companies listed on Regulated Markets] recommended by the Consiglio Nazionale dei Dottori Commercialisti e dei Ragioneri [National Council of Professional Accountants].
In the course of the financial year ending 31 December 2007, the Board of Statutory Auditors therefore checked (i) that the law and memorandum of association were observed, (ii) that the principles of correct administration were respected, (iii) that those aspects of the Company's organisational structure that fall within its remit, as well as the internal audit system and the administrative and accounting system, were adequate, and that this last could be relied upon to give a true picture of operational items, (iv) how the rules on corporate governance specified in the Codice di Autodisciplina del Comitato per la Corporate Governance delle società quotate [Self-regulating Code of Practice of the Committee for the Corporate Governance of Listed Companies], adopted by the Company, were actually implemented, and (v) that the directives issued to controlled companies as per Article 114, paragraph 2, of the T.U.F. were adequate.

More particularly the Board can report as follows:

1. The Board has verified that the Company operations having the greatest impact on its profits, cash flow and assets – which it learnt about by attending board of directors' meetings and shareholders' meetings and by talking to top management – were in compliance with the law and memorandum of association.

2. The Board did not discover, in the course of the financial year 2007, any atypical and/or unusual third-party, inter-company or related-party transactions.
   The ordinary inter-company and related-party transactions, described in the Directors' Report and in the Notes to the Financial Statements, to which we refer you as appropriate, appear to be fair and in the interests of the Company.

3. With regard to the transactions indicated in point 2 above, the Board considers the information provided in the Directors' Report and Notes to the Financial Statements to be adequate.

4. The reports on the financial statements and consolidated financial statements by the audit firm Deloitte & Touche S.p.A., issued pursuant to Article 156 of the T.U.F. on 27 March 2008, are unqualified and do not include any emphasis of matter paragraphs; and they certify that the financial statements and consolidated financial statements have been drawn up clearly and give a true and fair view of the Company's profitability, assets and liabilities and financial position, of changes in shareholders' equity, and of cash flow in the financial year ending 31 December 2007.

5. In the course of the financial year 2007 and to date the Board has not received any complaints from shareholders as per Article 2408 of the Civil Code.

6. The Board is not aware of any other complaints which it should report here.

7. In the course of the financial year 2007 Deloitte & Touche S.p.A. (the "Audit Firm") was not entrusted with duties additional to auditing.

8. In the course of the same year, the Company and its affiliates appointed parties belonging to the network of the Audit Firm to provide audit services and tax advisory services amounting to a total of € 337,401 (€ 245,441 for audit services and € 91,960 for tax advisory services).
In consideration of the above and the declaration issued by the Audit Firm on 31 March 2008, stating that there were no grounds for incompatibility, the Board of Statutory Auditors believes that no critical issues emerged with regard to the independence of the Audit Firm.

9. During the financial year 2007 the Board of Statutory Auditors issued statutory legal opinions and made the required observations. The content of these opinions was not at variance with the resolutions subsequently adopted by the Board of Directors.
In particular, during the year the Board of Statutory Auditors expressed a favourable opinion on the appointment of a manager, Ms. Alessandra Simonotto, to be responsible for the Company's accounting records, pursuant to Article 154-bis of the T.U.F.
The Board of Statutory Auditors, in compliance with the Self-regulating Code, also verified:
a) that the criteria and procedures adopted by the Board of Directors when vetting the independence of its members had been correctly applied, in accordance with the criteria established by law and the Self-regulating Code;
b) the independence of its own members, using the criteria established by law and the Self-regulating Code.

10. In the course of 2007 the Company's Board of Directors met seven times; the Remuneration Committee met twice; and the Internal Audit Committee five times. During the same year the Board of Statutory Auditors met seven times; it also attended all the meetings of the Board of Directors and all the shareholders' meetings held during the year.
The Chairman of the Board also attended all Internal Audit Committee meetings.

11. The Board of Statutory Auditors has learnt and checked, to the extent of its remit, that the principles of correct administration have been observed and that the Company's administrative structure is adequate for the purposes of complying with these principles.
In particular, as regards the decision-making processes of the Board of Directors, the Board has checked that the management decisions taken by the directors complied with the law and articles of association, and that their resolutions were not contrary to the interests of the Company.
The Board of Statutory Auditors therefore believes that the principles of sound administration have been observed.

12. The Board of Statutory Auditors has checked the Company's organisational structure; and believes, in light of these checks and to the extent of its own responsibility, that the structure as a whole is adequate.

13. The Board of Statutory Auditors – also by liaising and coordinating with the Internal Audit Committee and the Managing Director in his capacity as the director appointed to oversee that the internal audit system is functioning – has checked the Company's internal audit system; and believes, in light of these checks and to the extent of its own responsibility, that the system as a whole is adequate

14. The Board of Statutory Auditors has checked – by collecting information from the relevant department managers, examining company documentation, and analysing the results of the Audit Firm's work – the Company's administrative and accounting system and its reliability to give a true picture of operational items; and believes, in light of these checks and to the extent of its own responsibility, that the system is essentially adequate and reliable for the purpose of correctly representing the operational items.

15. The Board has checked that the directives given by the Company to its controlled companies as per Article 114, paragraph 2, of the T.U.F. were adequate, and that there was a proper flow of information between them, and it believes that the Company is able to fulfil the communication obligations laid down by law.

16. During the financial year the Board of Statutory Auditors met managers from the Audit Firm in order to exchange relevant data and information with them in accordance with Article 150, paragraph 3 of the T.U.F.

At these meetings the Audit Firm did not report any facts or anomalies important enough to be indicated in this report.

The fact that the Chairman of the Board of Statutory Auditors is also a statutory auditor of the subsidiary Moto Guzzi S.p.A. has also facilitated the exchange of information with that subsidiary's Board of Statutory Auditors.

Moreover, in the course of the year, the Chairman of the Board of Statutory Auditors of the parent company IMMSI S.p.A. called a meeting of all the Boards of Statutory Auditors of its Italian subsidiaries (including Piaggio & C. S.p.A. and Moto Guzzi S.p.A.), which brought to light no significant facts and/or circumstances that need to be mentioned in this report.

17. The Company has adopted the Self-regulating Code of Practice for Listed Companies, approved in March 2006 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A.

The system of corporate governance adopted by the Company is detailed in the Corporate Governance Report for 2007, approved by the Board of Directors on 7 March 2008.

18. In the course of its activity and checks during the year, the Board of Statutory Auditors discovered no blameworthy facts, omissions or irregularities of such significance as to require flagging in this report.

19. The Board of Statutory Auditors remarks that, as far as it is aware, there has been no derogation from the law in the preparation of the consolidated financial statements and separate financial statements.

The Board, also in view of the results of the work carried out by the body responsible for accounting control, has found no reason – as far as its own remit goes – not to approve the financial statements as at 31 December 2007 as drafted and approved by the Board of Directors at its meeting of 7 March 2008, and agrees with the Board of Directors about the proposed allocation of the year's profits.

Milan, 9 April 2008

The Board of Statutory Auditors

Mr. Giovanni Barbara (Chairman)

Mr. Attilio Francesco Arietti (Statutory Auditor)

Mr. Alessandro Lai (Statutory Auditor)

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AUDITORS' REPORT PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998

To the Shareholders of
PIAGGIO & C. S.p.A.

1. We have audited the consolidated financial statements of Piaggio & C. S.p.A. and its subsidiaries (the "Piaggio Group"), which comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes as required by law, reference should be made to the auditors' report issued by us on April 11, 2007.

3. In our opinion, the consolidated financial statements present fairly the financial position of the Piaggio Group as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with IFRS as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/2005.

DELOITTE & TOUCHE S.p.A.
Signed by
Paolo Guglielmetti
Partner

Florence, Italy
March 27, 2008

This report has been translated into the English language solely for the convenience of international readers.

Deloitte.

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AUDITORS' REPORT PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998

To the Shareholders of
PIAGGIO & C. S.p.A.

1. We have audited the financial statements of Piaggio & C. S.p.A., which comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements present for comparative purposes the corresponding data for the year 2006, which we have audited and on which we issued a special purpose auditors' report dated April 11, 2007.

3. In our opinion, the financial statements present fairly the financial position of Piaggio & C. S.p.A. as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with IFRS as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/2005.

DELOITTE & TOUCHE S.p.A.
Signed by
Paolo Guglielmetti
Partner

Florence, Italy
March 27, 2008

This report has been translated into the English language solely for the convenience of international readers.