

PRESS RELEASE

Board of Directors meeting

PIAGGIO GROUP: 1ST HALF 2006

- NET SALES 903.3 MLN (+10.9% YoY)
 - EBITDA € 135 MLN (+9% YoY)
- OPERATING INCOME € 92.7 MLN (+18.3% YoY)
 - NET PROFIT € 64.4 MLN (+26.3% YoY)
 - NET DEBT DOWN TO € 326.2 MLN

PIAGGIO & C. S.p.A.: NET PROFIT € 49.4 MLN

Milan, 11 September 2006 – At a meeting today in Milan chaired by Roberto Colaninno, the Board of Directors of Piaggio & C. S.p.A. examined and approved figures for Group performance in the first six months of 2006, drawn up in compliance with the las/lfrs international financial reporting standards. The company's shares were admitted for trading on Borsa Italiana's automated trading system, Mercato Telematico, last 11 July.

The first six months saw positive business performance by the Group, confirming its growth strategies, with favourable progress on international markets (notably the USA and India) and significant recoveries in the motorcycle business.

The half-year saw growth in all Piaggio Group earnings indicators, with:

- **net sales** of € 903.3 million, for YoY growth of 10.9%;
- EBITDA growth of 9% to € 135.0 million;
- **net profit** of € 64.4 million, over € 51 million in the year-earlier period;
- net debt at € 326,2 million, a decrease of approximately € 85 million from € 411.4 million at 31 December 2005.

These results were achieved against a YoY decline of 4% in shipments on the world two-wheel motor vehicle market, but growth on markets of greatest interest to Piaggio, Europe (+6%) and North America (+7%).

On the light transport vehicles market, sales volumes increased in both the geographical regions addressed by the Group (Europe +4.9%, India +25%).

The half-year figures are detailed below:

Consolidated net sales totalled € 903.3 million, a YoY increase of 10.9% (€ 814.3 million). Growth reflected increased shipments in both businesses (two-wheelers and light transport vehicles, LTV). Specifically, the main contributions came from the motorcycle sector (+26%), driven by the launch of new Aprilia and Moto Guzzi models, and the growth of the LTV business in Europe (+6%) and in India (+40%). Significant progress was made in the two-wheeler business in North America (+60%). The net sales figure includes € 36.5 million on the supply order placed with Piaggio by Poste Italiane S.p.A. at the end of 2005.

The **industrial gross margin** was € 282.0 million, with a return on net sales of 31.2%, and an increase of 13.2% from € 249.1 million in the year-earlier first half.

EBITDA amounted to € 135.0 million, a rise of 9% on € 123.9 million in the year-earlier period. The 2006 first-half EBITDA margin was 14.9%, compared with 15.2% a year earlier: the 2005 half-year figure included reimbursement of prior-period public eco-incentives for € 18.6 million, while the 2006 half-year figure includes a portion of parent company non-recurring expense, € 4 million, for admission to trading procedures. Net of these extraordinary items, positive in 2005 and negative in 2006, EBITDA would have been € 139 million at 30 June 2006 and € 105.3 million at 30 June 2005 (+32.0%), with an EBITDA margin of 15.4% and 12.9% respectively.

Industrial depreciation and amortisation were € 42.3 million in the first half.

Operating income was € 92.7 million, with a return on net sales of 10.3%. In the first half of 2005, operating income was € 78.4 million (9.6% on net sales).

The Group posted a **net financial charge** of € 14.3 million.

After tax of € 13.7 million and minority interests of € 0.4 million, the first half of 2006 closed with **consolidated net profit** of € 64.4 million, an improvement of more than 26% from € 51.3 million in the half year to 30 June 2005.

Net debt stood at € 326.2 million at 30 June 2006, down from € 411.4 million at 31 December 2005 and € 397.7 million at 31 March 2006. The decrease reflected positive cash flow from operations of € 107 million. Investments absorbed resources totalling € 31.7 million.

Group **shareholders' equity** was € 413.3 million, from € 348.5 million at 31 December 2005.

Post balance-sheet events

On 11 July 2006 the company was admitted for trading on the Borsa Italiana automated trading system, at \in 2.3 per share and capitalisation of more than \in 887 million.

On 28 August, the new Board of Directors was appointed to align the company's corporate governance system with the requirements of the voluntary code of conduct. The directors have a three-year mandate, until approval of results at 31 December 2008.

Outlook

Consistently with Piaggio's goal of maintaining its lead in product's innovation, the second half saw the market launch of the Piaggio MP3.

In the motorcycle segment, Piaggio will continue efforts for the recovery of the Aprilia and Moto Guzzi brands.

The priority in the LTV segment continues to be supporting growth on the Indian market, where an important enhancement to the product portfolio is planned by the end of the year with the introduction of the first version of the 4-wheeler vehicle.

Piaggio chairman Roberto Colaninno said: "our success, thanks to strong cash flow, in reducing debt and funding growth plans strengthens the Group strategy, especially in view of the need to invest in new product ranges and new initiatives, particularly on the international markets. Our strategy for 2007 will see management focus on international business – notably India, China and North America – whose contribution to Piaggio Group aggregate revenues is expected to improve significantly over the medium term."

The Parent Company Piaggio & C. S.p.A. 1

The half-year figures for the parent company have been drawn up in compliance with the las/Ifrs standards. In the first half of 2006, Piaggio &. C. S.p.A. had **net sales** of € 711.1 million, positive **EBITDA** of € 102.7 million, a **pre-tax profit** of € 55.9 million and a **net profit** of € 49.4 million.

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¹ With the entry into force of European Regulation no. 1606/2002 and the adoption of the Regulation in Italian law, as from 1 January 2006 Piaggio & C. S.p.A. draws up separate financial statements in compliance with the International Financial Reporting Standards (IFRS).



Piaggio – Consolidated schedules

Income Statement

In thousands of euro		1 st half	1 st half	CI.
	Note	2006	2005	Change
Net sales	4	903,310	814,292	89,018
Costs for materials	5	519,356	463,885	55,471
Costs for services and use of third-party assets	6	172,500	158,970	13,530
Staff costs	7	124,843	121,860	2,983
Depreciation of tangible assets	8	20,123	22,950	(2,827)
Amortisation of intangible assets	8	22,135	22,603	(468)
Other income from operations	9	64,760	81,500	(16,740)
Other costs from operations	10	16,364	27,138	(10,774)
Operating income		92,749	78,386	14,363
Profit on equity investments		(2)		(2)
Financial income	11	5,460	9,602	(4,142)
Financial charges	11	(19,745)	(24,176)	4,431
Income before tax		78,462	63,812	14,650
Tax for the period	12	13,712	12,533	1,179
Net result from assets in use		64,750	51,279	13,471
Assets to be discontinued:				
Gain or loss from assets to be discontinued	13			0
Consolidated net profit		64,750	51,279	13,471
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Attributable to:		64.420	E4 000	42.200
Equity holders of the parent		64,429	51,039	13,390
Minority interests		321	240	81
Earnings per share (in €)	14	0.17	0.14	0.03
		0.16		



Balance Sheet

		At 30 June	At 31 December	
In thousands of euro	Note	2006	2005	Change
ASSETS				
Non-current assets				
Intangible assets	15	623,949	624,746	(797)
Property, plant and equipment	16	249,223	259,591	(10,368)
Investment property	17	0	506	(506)
Equity investments	18	607	650	(43)
Other financial assets	19	6,086	10,354	(4,268)
Non-current tax receivables	20	7,193	7,156	37
Deferred tax assets	21	38,676	35,135	3,541
Trade and other receivables	22	2,652	7,140	(4,488)
Total non-current assets		928,386	945,278	(16,892)
Assets held for sale	27	701	55	646
Current assets				
Trade and other receivables	23	351,538	176,772	174,766
Current tax receivables	20	13,896	12,440	1,456
Inventories	24	245,952	192,029	53,923
Other financial assets	25	44,992	137	44,855
Cash and cash equivalents	26	39,647	42,770	(3,123)
Total current assets		696,025	424,148	271,877
TOTAL ASSETS		1,625,112	1,369,481	255,631



		At 30 June	At 31 December	
In thousands of euro	Note	2006	2005	Change
LIABILITIES AND SHAREHOLDERS' EQUI	TY			
Shareholders' equity				
Share capital and reserves attributable to equity holders of the parent	28	412,684	348,213	64,471
Share capital and reserves attributable to minority interests	28	605	254	351
Total shareholders' equity		413,289	348,467	64,822
Non-current liabilities				
Non-current financial liabilities	29	371,436	375,596	(4,160)
Trade and other non-current payables	30	13,035	13,403	(368)
Pension funds and employee benefits	33	78,921	77,068	1,853
Other non-current provisions	31	37,328	44,552	(7,224)
Deferred tax liabilities	32	34,525	35,002	(477)
Total non-current liabilities		535,245	545,621	(10,376)
Current liabilities				
Current financial liabilities	29	38,310	88,488	(50,178)
Trade payables	30	518,820	296,616	222,204
Current tax	34	33,244	14,348	18,896
Other current payables	35	67,443	56,237	11,206
Current portion of long-term provisions	31	18,761	19,704	(943)
Total current liabilities		676,578	475,393	201,185
TOTAL SHAREHOLDERS' EQUITY AND				
LIABILITIES		1,625,112	1,369,481	255,631



Piaggio & C. S.p.A. Income Statement

To the coord of some	1 st half	1 st half	Ch a r
In thousands of euro	2006	2005	Change
Net sales	711,075	488,113	222,963
Costs for materials	401,766	266,399	135,367
Costs for services and use of third-party assets	132,410	84,396	48,014
Staff costs	100,019	72,893	27,126
Depreciation of tangible assets	16,378	14,397	1,981
Amortisation of intangible assets	16,587	14,666	1,921
Other income from operations	37,910	29,051	8,859
Other costs from operations	12,083	10,361	1,722
Operating income	69,742	54,051	15,692
Profit on equity investments	-29	4,601	4,631
Financial income	5,086	7,921	-2,835
Financial charges	-18,913	-16,896	2,017
Income before tax	55,886	49,677	6,209
Tax for the period	6,496	6,105	391
Net result from assets in use	49,390	43,572	5,818
Assets to be discontinued: Gain or loss from assets to be discontinued			0
Net profit	49,390	43,572	5,818

Balance Sheet

	At 30 June	At 31 December	
In thousands of euro	2006	2005	Change
ASSETS			
Non-current assets	474.050	450 440	2 2 4 2
Intangible assets	471,062	468,113	2,949
Property, plant and equipment	182,639	190,590	-7,950
Investment property	0	506	-506
Equity investments	98,151	98,069	82
Other financial assets	31,509	41,271	-9,762
Non-current tax receivables	7,063	7,035	28
Deferred tax assets	17,810	17,810	0
Trade and other receivables	1,676	1,140	535
Total non-current assets	809,910	824,534	-14,625
Assets held for sale	646	0	646
Current assets			
Trade and other receivables	354,573	175,248	179,325
Current tax receivables	3,088	2,689	399
Inventories	171,884	132,674	39,210
Other financial assets	62,669	24,300	38,368
Cash and cash equivalents	13,661	14,163	-502
Total current assets	605,875	349,076	256,799
TOTAL ASSETS	1,416,430	1,173,610	242,820



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