

# **IMMSI Società per Azioni**

**Share capital 178,464,000 euro fully paid up**

**Registered office: P.zza Vilfredo Pareto, 3 – 46100 Mantova**

**Mantova register of companies – Tax-payer's code and VAT number 07918540019**

## ***Half-Year Financial Report of Immsi Group at 30 June 2008***



***Index:***

COMPANY BOARDS.....	page 5
INTERIM MANAGEMENT REPORT.....	page 7
IMMSI GROUP	
- Financial statements.....	page 33
- Explanatory notes to the financial statements.....	page 39
- List of equity investments .....	page 99
IMMSI S.p.A.	
- Financial statement .....	page 103
- Explanatory notes to the financial statements.....	page 109
CERTIFICATION OF THE EXECUTIVE ASSIGNED (CFO) TO DRAFTING THE COMPANY ACCOUNTS DOCUMENTS	page 133



## COMPANY BOARDS

The Board of Directors and the Board of Statutory Auditors were appointed by a shareholder resolution on 12 May 2006 and their term in office lasts expires on the date of the shareholders' meeting called to approve the financial statements for the year ending 31 December 2008.

### BOARD OF DIRECTORS

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Roberto Colaninno <sup>(1)</sup> - <sup>(2)</sup>	<b>Chairman</b>
Carlo d'Urso	<b>Deputy Chairman</b>
Luciano La Noce <sup>(1)</sup>	<b>Managing Director</b>
Matteo Colaninno	<b>Director</b>
Michele Colaninno	<b>Director</b>
Mauro Gambaro	<b>Director</b>
Marco Reboa <sup>(3)</sup>	<b>Director</b>
Giovanni Tamburi	<b>Director</b>
Giorgio Cirila	<b>Director</b>

### BOARD OF STATUTORY AUDITORS

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Alessandro Lai	<b>Chairman</b>
Giovannimaria Seccamani Mazzoli	<b>Standing Auditor</b>
Marco Spadacini	<b>Standing Auditor</b>
Leonardo Losi	<b>Alternate Auditor</b>
Giovanni Sala	<b>Alternate Auditor</b>

### INDEPENDENT AUDITORS

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Deloitte & Touche S.p.A.	<b>2006 - 2011</b>
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### GENERAL MANAGER

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Michele Colaninno

- (1) Legal representative in legal and third party dealings, with power of signature and powers to supervise corporate operations; to that end, he is authorised to carry out all acts and transactions of ordinary management, as well as implement the resolutions of the Shareholders' Meetings and the Board of Directors.
- (2) Legal representative in legal and third party dealings, with power of signature and powers to carry out all acts and transactions of extraordinary management, advising the Board of Directors thereof at the following meeting.
- (3) Resignations made on 28 August 2008.

In accordance with the principles recommended by the Corporate Governance Code for Listed Companies, as well as in accordance with Ital.Legisl.Decree 231/01, the Board of Directors has established the following organs:

**LEAD INDEPENDENT DIRECTOR**

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Marco Reboa \*

**REMUNERATION COMMITTEE**

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Carlo d'Urso  
Mauro Gambaro  
Giovanni Tamburi

**Chairman**

**INTERNAL AUDIT COMMITTEE**

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Marco Reboa \*  
Carlo d'Urso  
Mauro Gambaro

**Chairman**

**DIRECTOR APPOINTED**

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Luciano La Noce

**PERSON IN CHARGE OF THE INTERNAL AUDIT**

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Pierantonio Piana

**SUPERVISORY BOARD**

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Marco Reboa  
Alessandro Lai  
Alessandro Bertolini

**Chairman**

**CHIEF FINANCIAL OFFICER (CFO)**

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Andrea Paroli

**INVESTOR RELATIONS MANAGER**

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Andrea Paroli

\* Resignations made on 28 August 2008.

## ***Interim Management Report***

This half-year financial report, which is prepared in accordance with the provisions of Italian Legislative Decree D.Lgs. no.58 of 24 February 1998 as well as Consob resolution no. 11971 dated 14 May 1999 as subsequently amended, contains the Group consolidated financial statements and explanatory notes drawn up using the IAS/IFRS and particularly IAS 34 applicable to interim financial reporting.

The assimilation in Italy of the European Directive on the harmonization of the obligations of transparency concerning information on the issuers whose chattels are admitted to negotiations in a controlled market (so-called "Transparency Directive"), assimilated in Italian Legislative Decree D.Lgs. no.58 of 24 February 1998 in force (TUF), is in the phase of completion at regulatory level. If the proposals to change the Issuers Regulation contained in the Document of Consultation emanated by Consob on 7 July 2008 were reflected in the definitive provision, this would definitively endorse the fact that the half-year accounting information statement need not necessarily be integrated with the references of the parent company. In the current context, the Company has decided to provide both the accounting statements and the explanatory notes related to the Parent Company Immsi S.p.A. at 30 June 2008 drawn up in compliance with the IAS / IFRS accounting standards and in particular with IAS 34 applicable to interim financial reporting.

## ***Information on operations***

In the first six months of 2008 the Immsi Group has net revenues and operational results down on the corresponding period of the preceding year, recording nevertheless a net profit up on 30 June 2007.

The above results present differing trends as regards the various sectors that make up the Group as a consequence of the different business dynamics that characterized the period in question and due to the different seasonal impact.

The **Parent company Immsi S.p.A.** shows a positive net result for the period equal to 18.5 million euros compared to a profit of 7.4 million euros at 30 June 2007 mainly due to the greater positive financial items of income, for dividends from Piaggio & C. S.p.A. amounting to 13.5 million euros (equal to 6.5 million in 2007) and for the capital gain of 5.9 million euros referred to the sale of 1.5 million of Unicredit shares. Net of the annulments related to the intragroup dividends the net consolidatable profit therefore amounts to 4.9 million euros compared to 0.8 million at 30 June 2007.

The Company has in the period purchased on the market no. 1,840,000 shares of treasury stock for a total expenditure equal to 1.5 million euros and no. 6,209,909 shares of Piaggio & C. S.p.A. for a total of 11.5 million euros. The net financial debt at 30 June 2008 is therefore 76.2 million euros with a slight growth (+2.6 million euros) compared to 31 December 2007, mainly because of the negative balance associated with the operations on securities (-5 million euro), paying out dividends (-10.3 million) partially compensated for by the net cash flow produced by management (+13.2 million euros).

With reference to the subsidiary **Is Molas S.p.A.**, in February 2008 the Regional Council decided not to apply a further procedure of Environmental Impact Evaluation (V.I.A., Valutazione Impatto Ambientale) to the works of the project for "completion of the agreed Is Molas lotting" related to the advancement and completion of the tourist-hotel complex, the construction of the remaining residential volumes and the completion of the urbanization of the lotting, provided that the prescriptions to submit to preventive authorization are respected. Otherwise, the resolution requires applying a further procedure of V.I.A. to the works related to the Rio Tintioni and the new golf course, so the company forwarded the related documentation to the relevant offices on 30

June.

With reference to the **Pietra Ligure project**, in the month of January the authorization arrived from the relevant Office in Rome of the purchase, made by deed on 18 December 2007, of the Property of 15,300 sq.m. situated in the Municipality of Pietra Ligure; regarding the area the referent, Services Conference was held in January, in which the technicians and the attorneys of RCN illustrated a new planimetric version that has assimilated the informal directions given by the relevant offices following the first Conference.

With reference to the **industrial sector**, the Piaggio group, in a particularly difficult international context has focused its efforts toward improving managerial efficiency safeguarding significant cash generation. With this management the company has succeeded in compensating for the increase in the cost of raw materials, diversifying the sources of purchase without modifying the sales strategies and therefore maintaining the characteristics of premium price for its own ranges of products. In addition, the increase in amortizations due to the investments for new models and engines has been compensated, at the level of net result, by positive deferred tax accounting.

The net income is 900.3 million euros (-7%) down on the same period of 2007. This performance was accomplished in the context of a particularly difficult market in the main areas of reference of the group as regards the Two Wheeler business. The demand has in fact decreased compared to the first half of the preceding year both in Italy (-8%) and in Europe (-5%) while it grew slightly in North America (+1%), in Latin America (+29%) and in South East Asia (+2%). As concerns the Light Commercial Vehicles, in India growth has continued with an increase of 10.4% in the units sold, equal to 81,300 vehicles.

The downturn in sales is due not only to the decrease in sales of the Two Wheeler sector, but also the heavy reduction in the BMW five-year order (-15.1 million euros compared to the same period of last year) and the revaluation of the euro against the dollar, Indian rupee and Pound sterling, with a negative impact on sales of around 19 million euros compared to 2007.

The operating result before amortization amounted to 128.2 million euros, equal to 14.2% of revenues, down on the 145.9 million euros, equal to 15.1% of revenues at 30 June 2007.

The operating result is also down, passing from 106.4 million euros to 81.8 million, with amortizations for 46.3 million, a growth of 6.7 million over the first half of 2007.

The before tax result is equal to 63.9 million euros (-28% on 2007) while the net profit amounts to 47.3 million euros (-8.2% compared to the same period in 2007) after having discounted taxes for 16.6 million euros determined on the basis of the average expected tax rate for the entire period (37.3 million euros at 30 June 2007) that also takes account of the new deferred tax assets that can be registered before 31 December 2008.

The net financial position passed from -269.8 million at 31 December 2007 to -326.9 million euros at 30 June 2008. The growth of 57.1 million euros reflects the decision to settle the value of the Piaggio 2004-2009 warrants by cash for a total of 64.2 million euros, the distribution of dividends for 23.3 million euros as well as the purchase of treasury stock (2.9 million euros in the first half of 2008).

As regards the **shipbuilding sector**, where Immsi operates through the group controlled by Rodriquez Cantieri Navali S.p.A., the first half of 2008 recorded an increase in net revenue from sales compared to the previous year of 17.6% reaching 73.2 million euros. The increase reflects the activity of advancement in production and completion of the constructions and deliveries consequent on the significant orders acquired in late 2006.

The production has moreover been characterized, particularly in the Fast Ferries and Mega Yacht sector, by altogether still insufficient marginality to absorb the direct costs of production and those



of the fixed structures, also in relation to negative variations in the estimates on the Oman order and for additional costs sustained in the period for the delivery of the first boat and with reference to the Conam company for a lower margin than expected for construction orders accounted at cost waiting for customers to sign contracts.

Profitability is therefore still negative at 30 June 2008, showing a net consolidatable loss equal to 3.8 million euros that is compared to a loss of 3.5 million in the corresponding period of the preceding year.

The net financial debt, equal to 79.1 million euros has increased compared to the balance at the end of 2007, equal to 68 million euros, because of the negative variation of the self-financing for 6.6 million euros, of the working capital for 16 million euro, for the investments of the period for 2.7 million, partially compensated for by a share capital increase by the sole shareholder RCN Finanziaria S.p.A. for 14.4 million euros.

## Group activities

The main income and balance sheet figures of the Immsi Group are presented below, divided by business sector and calculated, as already stated, in accordance with international accounting standards. A more detailed description of the figures below may be found later on in this document.

In thousands of euros	<i>Property holding sector</i>	<i>in %</i>	<i>Industrial sector</i>	<i>in %</i>	<i>Naval sector</i>	<i>in %</i>	<i>Immsi Group</i>	<i>in %</i>
Net revenues	2,390		900,333		73,216		975,939	
Operating earnings before depreciation and amortisation (EBITDA)	-3,311	-138.5%	128,153	14.2%	-4,555	-6.2%	120,287	12.3%
Operating earnings (EBIT)	-3,772	-157.8%	81,817	9.1%	-6,280	-8.6%	71,765	7.4%
Earnings before taxation	1,152	48.2%	63,878	7.1%	-8,160	-11.1%	56,870	5.8%
Earnings for the period including minority interest	1,922	80.4%	47,269	5.3%	-6,583	-9.0%	42,608	4.4%
Group earnings for the period (consolidated)	2,796	117.0%	27,345	3.0%	-3,825	-5.2%	26,316	2.7%
Net financial position	-109,771		-326,874		-79,121		-515,766	
Personnel (number)	88		7,560		429		8,077	

The “property and holding company sector” consolidates the financial items of Immsi S.p.A., Is Molas S.p.A., Apuliae S.p.A., Pietra S.r.l. and RCN Finanziaria S.p.A..

### The property and holding company sector

With reference to the Parent Company Immsi S.p.A., it should be noted that with net revenues accomplished in the first half of the year deriving from the real-estate management and services basically unchanged compared to the same period of 2007 (2.2 million euros in 2008 compared to 2.1 million in 2007) there is a strong increase in the component of revenue of a financial nature. In particular, there has been an increase in the dividends received both from the subsidiary Piaggio (passing from 6.5 million euros to 13.5 million) and from the stock investment in Unicredit equal to 2.6 million euros (+150 thousand euros over 2007). In addition, with the sale of a portion of the Unicredit shares in the early months of the year, there are capital gains of approximately 5.9 million euros. The shares sold, equal to 1.5 million units, produced a collection of over 8 million euros. There remain approximately 10 million shares of the same nature in portfolio among the assets classified for sale.

Through various consultancy contracts, Immsi S.p.A. makes available to the other Group companies its professional competencies, amongst which technical skills relating to the property sector so as to best enhance the opportunities associated with the property of the different companies in the area of consolidation. Overall consultancy provided by the Parent company during the first half of 2008, amounted to 0.9 million euros (unchanged compared to 2007).

As mentioned, the net financial position at 30 June 2008 is negative for 76.2 million euros compared to 73.6 at 31 December 2007 with a negative net change of 2.6 million, due to the payment of dividends for 10.3 million euros, the negative balance of operations on securities (-5 million euro) partially compensated for the cash flow of management (+13.2 million euros). In

particular, purchases were made in the half on the market for no. 1.840.000 shares of treasury stock for a total expenditure equal to 1.5 million euros and no. 6.209.909 shares of Piaggio & C. S.p.A. for a total of 11.5 million euros.

The subsidiary Is Molas S.p.A., operates in the Municipality of Pula (Cagliari) through a tourist hotel complex with significant sports structures (international level golf courses) and a major residential property development project.

In order to implement the development plan of the entire residential and tourist hotel complex as well as construction of the golf courses, the company has turned to world renowned professionals of the calibre of architect Massimiliano Fuksas, Gary Player, Golf Vacanze and Ai Engineering who have prepared a detailed project.

In February 2008, the Regional Council decided not to apply a further procedure of Environmental Impact Evaluation (V.I.A.) to the works of the project for "completion of the agreed Is Molas lotting" related to the advancement and completion of the tourist-hotel complex, the construction of the remaining residential volumes and the completion of the urbanization of the lotting, provided that the prescriptions to submit to preventive authorization are respected.

Otherwise, the resolution requires applying a further procedure of V.I.A. to the works related to the Rio Tintioni and the new golf course. This documentation was forwarded to the relevant offices on 30 June.

In addition, the close examination continued on the prescriptions established by the deliberation emanated by the Regional Council of Sardinia no. 11/26 of 19 February 2008, in order to obtain the authorizations for the completion of the hotel tourist complex and for the construction of the remaining residential volumes.

The hotel activity in the half recorded net revenues equal to 1.2 million euros substantially in line with the same period of 2007.

Apuliae S.p.A. acquired, by private bid, a building in S. Maria di Leuca (Lecce) to be used as a tourist hotel, but all related activities are still suspended since there has been no relevant development during the first part of 2008.

Overall the first half of 2008, the property and holding company sector, which also includes the financial activities of the Parent company Immsi S.p.A. and RCN Finanziaria S.p.A., produced consolidatable positive net earning equal to 2.8 million euros, 3.9 million euros increase compared to the net decrease of 1.1 million at 30 June 2007.

## **The industrial sector: Piaggio group**

### **THE MARKET SCENARIO**

#### **The 2-wheeler business**

In the first half of 2008 the world market of motorized two wheelers exceeded 19 million vehicles sold with a drop of 12% compared to the same period in 2007.

The Asian area remains also for the first half of 2008 that of reference: despite a strong decrease in sales the People's Republic of China confirmed itself as the world's leading market with over 7 million vehicles sold (-28% compared to the first six months of 2007).

It is necessary to specify with reference to the aforesaid values that the market trend is influenced by new more accurate estimates related to the Chinese market that show significantly lower volumes for 2007 than as published in the preceding report. Introducing the new values for 2007 the world market and Chinese trends would respectively be positive with +7% and +15%.

In second place again India that with 3.6 million vehicles sold records another slight downturn (-1% compared to the first six months of 2007).

The trend for South East Asia is still positive that globally remains above 5 million vehicles (+2%

compared to the first half of 2007): among the countries in this area, Indonesia covers around 44% of the sales and, with almost 2.3 million vehicles, shows 11% growth compared to the same period in 2007; Vietnam remains the second market of the area but shows a strong downturn (-19% compared to the first half of 2007); 787,000 units sold in the first half of 2008. In third place, Thailand that after the large drop in 2007 records another downturn (-6%) with over 780,000 units sold.

A sharp decrease also for the Japanese market compared to the same period of last year; around 265,000 units for the volumes of sale equal to a 20% decrease.

With volumes just a little above 600,000 units, in the first six months of 2008 North America has grown slightly compared to the first half of 2007 (+1%). The United States maintain relative weight in the area of over 90% of sales for over 550,000 units sold.

Latin America again shows strong growth, +29% against the first half of 2007; this expansion is almost exclusively produced by Brazil that represents over 90% of the area and with over a million units sold it recorded 32% growth in the half.

Europe came to a stop with sales down 5% compared to the first half of 2007, of which -4% deriving from the scooter business and -7% from motorcycles. Both over 50cc (-6%) and 50cc (-3%) segments were down; particularly, in the over 50 segment, the scooter had a 6% decrease and 7% for motorbikes. Also in the 50cc sector there were negative results for both scooters (-2%) and motorbikes (-14%). With reference to the scooter market, Italy closed the first half of 2008 with 220,000 registrations, a drop of 6% compared to the same period of 2007. The 50cc market showed progress of 1% with 64,000 units, while the over 50cc market recorded approximately 156,000 units for a drop of 9%.

The scooter market in Europe, for the first half of 2008, recorded a reduction in volume, at 707,000 units (-4%). After several years of growth the 50cc scooter segment recorded a negative trend of -2% at 356,000 units sold in 2008. Also the over 50cc scooter segment shrank to 351,000 units (-6%).

Among the major nations, Italy remains the most important market with 220,000 units, followed by France with 124,000 units (+1%), Spain with 81,000 units (-23%), Germany with 57,000 units (+17%) and Great Britain with 19,000 units (-5%).

The scooter market in North America in the first half of 2008 recorded significant expansion (+59%), at over 56,000 units. Particularly the United States (that represent almost 90% of the area of reference) show a decidedly positive trend (+66%), at over 49,000 units.

With reference to the motorbike market in Italy, sales recorded a 11% decrease at 95,000 units compared to 107,000 units in the first half of 2007. The drop is mainly due to the downturn recorded in the sub-segments of 126-750cc motorbikes, which passed from 58,000 units in the first half of 2007 to 49,000 units in the first half of 2008 (-17%). There was also a slight downturn in the registrations of 50cc (-5%) and > 750cc (-4%) motorbikes, while the 51-125cc motorbikes recorded a heavy drop (-14%; 4,700 vehicles in the first half of 2008).

The motorbike market in Europe (19 countries) was at 519,000 units in the first half of 2008 (-7%). The 50cc segment has dropped to 45,000 units (-11%), while the >50cc segment has fallen by -7% reaching 474,000 units.

The main markets, after Italy, are France (92,000 units), Germany (78,000 units), Spain (71,000 units) and Great Britain (52,000 units).

In Europe the main segment is that of medium motorbikes from 126 to 750cc, in which the Piaggio group is present with the Aprilia, Moto Guzzi and Derbi brands, followed by that of the maxi motorbikes with cylinder capacity above 750cc, where the group is present with the Aprilia and Moto Guzzi brands.

In the first half of 2008, the over 750cc sub-segment recorded a 4% decrease, evenly distributed in all the countries, the sub-segment of intermediate motorbikes 126-750cc recorded a decrease compared to the same period of the preceding year (-8%), because of the downturn recorded in Italy (-17%), Spain (-15%) and Germany (-13%), partially attenuated only by the positive performance of the French market (+8%) and the stability of the British market while the 51-125cc

sub-segment, that dropped by 12% compared to 2007 in the period of 2007, suffered the negative trend of the Italian (-14%), Spanish (-33%), German (-10%) and British (-6%) markets. On the contrary, there was a positive trend recorded by the French market (+2%), numerically the most important one after Italy, in terms of units sold.

The motorbike market in the United States shows a general down trend (-5%), due mainly to the reduction in the lower capacity segments (up to 125cc), that shows a decrease of over 20%. These two segments represent 8% of the total American motorbike market. There is a smaller downturn recorded in the higher cylinder capacities (stable in the 126-750cc segment and -6% in the > 750cc segment).

### **Light Commercial Vehicle business**

In the first months of 2008 the European market of light commercial vehicles (vehicles with Total Payload  $\leq$  3.5 tonnes) recorded a slight decrease compared to the same period of 2007 of -2.0% (source: ACEA).

In the Italian domestic market (source: ANFIA) growth, in the first half of 2008, was 129,539 units (+3.2%) against 125,568 in the first half of 2007.

The Indian 3-wheeler market, where Piaggio Vehicles Private Limited (PVPL), a subsidiary company of Piaggio & C. S.p.A., passed from 190,019 units sold during the first half of 2007 to 173,978, in the first six months of 2008 (-8.4%).

Within this market, the segment of Passenger vehicles (3 + 6 seats), was 122,271 units (+5.6%), whereas the Cargo segment shows a downturn greater than 30%, passing from 74,299 pieces to 51,707 vehicles sold.

The Indian market of 4 Wheeler Commercial Vehicles shows, on the contrary, positive dynamics passing from 87,496 units in the first 6 months of 2007 to 96,032 of 2008 (+9.8%). In particular, the growth of the market is sustained by the segment that Piaggio Vehicle Private Limited entered during 2007 with the new 4-wheel Ape Truk. In fact, the Sub 1.ton segment (N1) passed from 39,096 units to 51,670 units in 2008 (+32.3%).

## **THE REGULATORY FRAMEWORK**

### **Italy**

In the 2008 Financial Law measures have been inserted to assure incentives for the purchase of motorcycles equipped with type-approval Euro 3, of cylinder capacity between 51 and 400cc, for scrapping a Euro 0 motorcycle or a Euro 0 moped.

### **Europe**

As of 1 January 2008 in the Countries of the European Union the so-called End-of-Series derogations have been granted, specified by the General Directive (directive no. 2002/24/EC) that allows continuing to register for an additional period of 12 months - after the expiration of the type approval Euro 2 - those motorcycles that in the preceding period were sold in smaller quantities than 5,000 units/year in the 27 EU Countries. This derogation grants manufacturers one extra year's time to sell and register those vehicles whose production has been numerically limited. The Piaggio group has made use of this for some models of scooters and motorcycles.

In agreement with the European Commission and the Italian Ministry of Transport, the type-approval procedures have been defined for Mopeds and Motorcycles that have particular technological innovations (for instance hybrids), whose specifics are not considered by the current legislation. The document prepared by Piaggio - as a proposal to change the current EU legislation - has been examined and accepted at Brussels: the European Commission will soon emanate a specific directive for adjustment to the current legislation. The contacts continued between Piaggio, ACEM (European Association of Manufacturers of Vehicles with 2 or 3 wheels) and the European Commission to reach an agreement on the future limits of pollution and noise. It is presumed that these discussions will continue until mid 2009.

As concerns commercial vehicles, after the publication of the latest limits of pollution (Euro 5 and

Euro 6 phases, required by Regulation EU 715/2007), the whole sector is still waiting to know the prescriptions for implementation, required by the Regulation itself at EU level, but to date not yet emanated. Without these prescriptions it is not possible to obtain the type approval in conformity with the new norms.

## **THE PIAGGIO GROUP**

### **The 2-wheeler business unit**

In the first half of 2008 the Piaggio group, considering the trademarks managed, Piaggio, Gilera, Vespa, Derbi, Aprilia and Guzzi, commercialized in the two wheeler business a total of 279,200 units (-8.4% compared to the first six months of 2007), with net sales of 687.4 million euros (-8.1%) comprehensive of spare parts and accessories. In particular, the revenues in the scooter sector were equal to 468.8 million euros (-8.0%), while in the motorbike sector they were equal to 138.7 million euros (-11.5%).

Focusing attention on the single brands, in the first half of 2008 Gilera while reducing the units sold from 23,700 to 23,300 (-0.4%), recorded an increase in sales of 33.7% thanks to the marketing of Fuoco and GP800.

Vespa slightly increased its volumes (+ 3.0%) but suffered a 1.1% downturn in sales because of the revaluation of the Euro. The volumes of the Piaggio brand dropped by 16.2% compared to the first six months of 2007.

As concerns Derbi, compared to the first six months of 2007, there was growth in both the volumes, that were 21,500 units (+2.0%) and the sales, 36.3 million euros (+9.4%).

As concerns the Aprilia Brand, the results of the first half of 2008 equal to 61,500 units sold (- 7.9%) and 152.4 million euros of sales (-9.7%) are conditioned by a reduction in the volumes essentially concentrated in the scooter subsegment.

In the first six months of 2008 Moto Guzzi reached a volume of 4,200 motorbikes sold (-31.4%) and sales of 31.2 million euros (-32.5%).

### **Two-Wheeler Product Range**

The models most sold in the first half of 2008 were Vespa LX (more than 37,000 units sold) followed by Piaggio Liberty and Beverly both with approximately 21,000 units sold; the contribution of Vespa GTS remains high with approximately 16,000 vehicles sold in the first half of 2008. No less significant was the performance of Piaggio Fly and Zip that with respectively 15,000 units and 14,000 units still recorded considerable volumes.

Finally also the new vehicles launched in late 2007 have had good performance: Vespa S, in the versions from 50cc to 150cc, recorded sales for almost 11,000 units; GP800, the top of the Gilera range, exceeded 4,000 units sold and Piaggio X7 7,000 units sold.

The Aprilia Moto range saw the launch in the first half of 2008 of Aprilia Dorsoduro 750, Aprilia RX and SX 125cc.

For the scooters we should stress the introduction on the market of Sportcity ONE and the important restyling of the third edition of Sportcity with liquid cooling (CU3E). Also Scarabeo scooter is offered for 2008 with a completely renewed range: an important restyling and a new engine with "dual ignition" for the top of range, Scarabeo 500.

In the first six months of 2008 Moto Guzzi offered a series of aesthetical-qualitative novelties that concerned all the models. The Griso 8v range was extended with the new racing red colour. In the month of March California Vintage was offered with the moon white colour and anthracite graphics capable of exalting its class.

Again in the month of March Moto Guzzi increased the coverage of its supply on the markets by returning to the maxi-enduro segment with the Stelvio 1200 4V, while in the month of April the Moto Guzzi V7 Classic was launched whose preview was presented during the latest show in Milan.

Also Derbi enriched its motorbike range with the new version of Senda 50cc and the new models, Mulhacén Café 125 and Terra Adventure 125, with which it has extended its supply in the 125cc market.

The new special version MULHACÉN CAFÉ 659 ANGEL NIETO was also launched, dedicated to the World Champion Àngel Nieto, the racing driver who most contributed to make the name of Derbi great in the world of competitions.

As concerns the Derbi Scooter range, in the first half of 2008 the new Rambla 125/250i was launched, dedicated to city riders.

### **The Light Transport Vehicle business unit**

The Commercial Vehicle Division ended the first half of 2008 with almost 92,000 units sold with 8.9% growth over the first half of 2007, while in the same period sales increased from 188.5 million euros in the first half of 2007 to 199.6 million euros in the first half of 2008 (+5.9%). The sales produced in Europe are equal to 77.0 million euros while India reached 122.6 million euros.

On the European market Piaggio has 10,524 units sold with a slight decline compared to the same period of 2007 (-1.6%). Note the positive “mix effect” on sales. The good success of the Porter product line, thanks also to the launch of the new “eco.solution” range with low environmental impact, stabilizes in fact the dynamics of the sales (slight downturn of 0.4% with 69.8 million euros in 2008 against 70.8 million euros of the same period of 2007). On the Indian 3-wheeler market, in spite of the market downturn of 8.4%, Piaggio Vehicles continues to grow and become market leader. Sales passed from 72,429 in the first half of 2007 to 74,811 in the first half of 2008 recording an increase of +3.2%. Analyzing the market in detail, Piaggio Vehicles has consolidated its role of market leader in the Cargo segment (goods transport) and of reference follower, dynamic and innovative, in the Passenger segment (passenger transport). The positive dynamics continued for Ape Truk, the four-wheel vehicle intended for the Indian market. In the first 6 months of the year 4,686 units intended for the local market were in fact sold. As concerns the range produced in Europe, the first few months of 2008 were characterized by the launch of Porter Eco.power on the market with dual petrol and LPG supply. The focus on the ecological range and the commitment of the Pontedera company in the development of eco-friendly engines, ideal for professional and commercial use in urban areas, are ensuring positive results for the Porter range both in terms of pieces sold and of sales generated.

### **The shipbuilding sector: Rodriquez group**

The Rodriquez group in the first half of 2008 realized a significant increase in net sales revenues compared to the preceding period (+17.6%) at 73.2 million euros. The increase reflects the activity of advancement in production and completion of the constructions and deliveries consequent on the significant orders acquired in late 2006.

The production has moreover been characterized, particularly in the Fast Ferries and Mega Yacht sector, by altogether still insufficient marginality to absorb the direct costs of production and those of the fixed structures. The marginality, especially for the Oman order of the Fast Ferries Division suffers the effect of the negative variations in the estimates of the order in relation to the technical problems of building the catamarans and additional costs sustained in the period for the delivery of the first boat, while for the Yacht Division the Conam company shows a lower marginality than expected for construction orders accounted at cost waiting for customers to sign contracts.

Profitability is therefore still negative at 30 June 2008, showing a net consolidatable loss equal to 3.8 million euro that is compared to a loss of 3.5 million in the corresponding period of the preceding year.

At 30 June 2008, the overall order book stood at some 369 million euros of which about 317 million euros being military (the construction of minesweepers and patrol boats), 46 million from Fast Ferries (mainly the order to build 5 nos. catamarans for the Sultanate of Oman whose original

contract subscribed in 2006 amounts to approximately 90 million USD.) and the rest being yachts of various sizes.

The net financial debt, equal to 79.1 million euros has increased compared to the balance at 31 December 2007, equal to 68 million euros, because of the negative variation of the self-financing for 6.6 million euros, of the working capital for 16 million euros, for the investments of the period for 2.7 million, partially compensated for by a share capital increase by the sole shareholder RCN Finanziaria S.p.A. for 14.4 million euros.

The financial position is still strongly penalized by the non-payments of the customer *Guardia di Finanza*, whose overdue amount at the date of reference exceeds 35 million euros, because of the delays and changes in the procedures of payment introduced by the relevant Ministry. All the necessary actions are in progress for the recovery of the credit in consistency with the contracts signed with the customer, registered with *Corte dei Conti*, that require the stipulation of loans in accordance with laws 413 and 431.

With reference to the Pietra Ligure project, in the month of January the authorization arrived from the relevant Office in Rome of the purchase, made by deed on 18 December 2007, of the Property of 15,300 sq.m. situated in the Municipality of Pietra Ligure; regarding the area the second Services Conference was held in January, in which the RCN attorneys and engineers illustrated a new planimetric version that assimilated the informal directions received from the assigned offices after the first Conference.

Regarding the dispute established at the court in Milan through mutual summons as described in the Report on Management of the year 2007, no significant variations have occurred since then. Both judgments were assigned by the Court of Milan to the same Judge and the first hearing was set for 30 April 2008. At the hearing of 30 April 2008 Efibanca S.p.A. appeared, adhering to the requests of RCN. The lawsuit of RCN S.p.A. and the lawsuit of the other party were grouped together and the Judge granted the terms for filing the briefs ex art. 183 of the c.p.c.. The lawsuit was postponed to the hearing of 4 December 2008.



## **Financial situation and financial performance**

### ***The Group***

In the first half of 2008 the Group has net revenues and operational results down on the corresponding period of the preceding year, recording nevertheless a net profit up on 30 June 2007. Variations in the perimeter of consolidation associated with the closure by liquidation of Piaggio Indocina Ltd are basically insignificant and therefore do not alter the comparability of the results between the two periods of reference.

On the contrary, the consolidated share of the net worth of the Piaggio group, that at 30 June 2008 amounted to 58.31%, was equal to 55.66% at 30 June 2007. The change is due to the purchases of Piaggio shares made on the MTA market both by the Parent Company Immsi S.p.A. and by Piaggio & C. S.p.A..

The total net revenues decreased by 57.3 million euros (-5.5%) reaching 975.9 million euros, mainly due to the contribution of the industrial sector for 900.3 million euros, down by 68.2 million euros (-7%), and the naval sector for 73.2 million euros, up by 11 million euros (+17.6%).

Operating earnings before amortisation and depreciation at 30 June 2008 was 120.3 million euros, 12.3% of revenues, while operating earnings were 71.8 million euros, 7.4% of revenues.

They therefore show a drop respectively of 20.9 million euros (-14.8%) and 27.7 million euros (-27.8%) compared to 30 June of the previous year.

Moreover, it is pointed out that operating earnings do not include goodwill in that, on the basis of the results expected in the multi-year development plans prepared by the Group companies and used by third-party independent experts for testing for impairment, no write-downs were deemed to be necessary in that such goodwill is considered to be recoverable with future cash flows.

The earnings before taxes, on 30 June 2008 amounted to 56.9 million euros, equal to 5.8% of the revenues compared to 80.4 million euros (7.8% of revenues) at 30 June 2007.

The taxes for the period, amount to 14.3 million euros compared to 36.9 million at 30 June 2007, with a tax rate of respectively 25.1% and 45.9%.

Group earnings for the period stand at 26.3 million euros (2.7% of revenues) compared to 23.6 million euros (2.3% of revenues) at 30 June 2007.

Group net financial debt at 30 June 2008 totals 515.8 million euros, increasing 87.6 million euros compared to the balance of 428.2 million euros at 31 December 2007 and 98.3 million euros compared to the balance of 417.5 million euros at 30 June 2007.

Group gross investments in the year totalled 57.3 million euros, divided as follows:

- 24.5 million euros in intangible assets, of which 23.8 million euros referring to the Piaggio group;
- 16.6 million euros in tangible assets, of which 13.8 million euros referring to the Piaggio group, 2.2 million euros to the Rodriguez group and the rest to the property/holding company sector;
- 16.1 million euros mainly for purchasing treasury stock on the market purchased by Immsi S.p.A. (1.5 million euros) and for purchasing Piaggio & C. S.p.A. shares by Immsi S.p.A. (11.5 million euros) and purchased by Piaggio (2.9 million euros);

The total shareholders' equity of the Immsi Group at 30 June 2008 is equal to 588.4 million euros; excluding the portion for the minority shareholders, the Group shareholders' equity is equal to 391.9 million euros.

## Financial performance of the Group

The Group prepares reclassified figures as well as the financial statement schedules required by law.

A short description of the main balance sheet and income statement items is provided below the reclassified schedules. Further information on these items may be found in the explanatory and additional notes to the financial statements. Specific notes referring to the mandatory schedule items are omitted since the sums coincide.

The reclassified consolidated income statement of Immsi Group shown below is classified by the nature of the income components and is in line with the IAS/IFRS guidelines which consider them entirely arising from ordinary activities, except for those of a financial nature.

In thousands of euros	1 <sup>st</sup> half of 2008		1 <sup>st</sup> half of 2007		Change	in %
<b>Net revenues</b>	<b>975,939</b>	<b>100%</b>	<b>1,033,280</b>	<b>100%</b>	<b>-57,341</b>	<b>-5.5%</b>
Costs for materials	568,248	58.2%	609,368	59.0%	-41,120	-6.7%
Costs for services and use of third party assets	196,370	20.1%	197,756	19.1%	-1,386	-0.7%
Employee costs	147,903	15.2%	136,224	13.2%	11,679	8.6%
Other operating income	74,356	7.6%	67,793	6.6%	6,563	9.7%
Other operating costs	17,487	1.8%	16,546	1.6%	941	5.7%
<b>OPERATING EARNINGS BEFORE AMORTISATION/DEPRECIATION</b>	<b>120,287</b>	<b>12.3%</b>	<b>141,179</b>	<b>13.7%</b>	<b>-20,892</b>	<b>-14.8%</b>
Depreciation of tangible assets	22,192	2.3%	22,271	2.2%	-79	-0.4%
Amortisation of goodwill	0	-	0	-	0	-
Amortisation of finite life intangible assets	26,330	2.7%	19,477	1.9%	6,853	35.2%
<b>OPERATING EARNINGS</b>	<b>71,765</b>	<b>7.4%</b>	<b>99,431</b>	<b>9.6%</b>	<b>-27,666</b>	<b>-27.8%</b>
Earnings on equity investments	47	0.0%	-1	0.0%	48	4800.0%
Financial income	20,598	2.1%	7,894	0.8%	12,704	160.9%
Financial charges	35,540	3.6%	26,962	2.6%	8,578	31.8%
<b>EARNINGS BEFORE TAXATION</b>	<b>56,870</b>	<b>5.8%</b>	<b>80,362</b>	<b>7.8%</b>	<b>-23,492</b>	<b>-29.2%</b>
Taxation	14,262	1.5%	36,868	3.6%	-22,606	-61.3%
<b>EARNINGS AFTER TAXATION FROM CONTINUING ASSETS</b>	<b>42,608</b>	<b>4.4%</b>	<b>43,494</b>	<b>4.2%</b>	<b>-886</b>	<b>-2.0%</b>
Profit (loss) from assets for disposal or sale	0	-	0	-	0	-
<b>EARNINGS FOR THE PERIOD INCLUDING MINORITY INTEREST</b>	<b>42,608</b>	<b>4.4%</b>	<b>43,494</b>	<b>4.2%</b>	<b>-886</b>	<b>-2.0%</b>
Minority interest earnings for the period	16,292	1.7%	19,875	1.9%	-3,583	-18.0%
<b>GROUP EARNINGS FOR THE PERIOD</b>	<b>26,316</b>	<b>2.7%</b>	<b>23,619</b>	<b>2.3%</b>	<b>2,697</b>	<b>11.4%</b>

Consolidated Group turnover at 30 June 2008 was 975.9 million euros, of which 900.3 million euros from the Piaggio group, 73.2 million euros from Rodriguez group and 2.4 million euros from the property sector.

The industrial sector's net income is approximately 7% down on the same period of the preceding year (namely -68.2 million euros compared to 968.6 million at 30 June 2007). This performance was accomplished in the context of a particularly difficult market in the main areas of reference of the group as regards the Two Wheeler business. The demand has in fact decreased compared to the first half of the preceding year both in Italy (-8%) and in Europe (-5%) while it grew slightly in North America (+1% globally but +66% in the scooter subsegment of the United States), in Latin America (+29%) and in South East Asia (+2%). In this context, the sales of the Vespa brand have exceeded 63,900 units (+3.0% compared to the first half of 2007) confirming the success of the trademark at international level on the markets with greatest expansion. The sales of Derbi have also grown (+2.0%).

As concerns the Light Commercial Vehicles, in India the growth of the business has continued with an increase of 10.4% in the units sold, equal to 81,300 vehicles.

With reference to the shipbuilding sector the consolidated proceeds amounted at 30 June 2008 to 73.2 million euros, up by 17.6% compared to 62.3 million euros made in 2007 thanks to the advances in production made on the different contracts in portfolio.

Lastly, with reference to the property/holding sector the revenues of the period are basically in line with the final figure of the first half of 2007.

Operating costs and other consolidated Group net costs in the first half of 2008 total 855.7 million euros (equal to 87.7% of revenues), of which 772.2 million euros (equal to 85.8% of revenues) relating to the Piaggio group.

Costs for materials total 568.2 million euros, 58.2% of revenues. The part relating to the industrial sector amounts to 532.4 million euros, 59.1% of revenues.

Personnel costs total 147.9 million euros, or 15.2% of turnover. The largest part, 133.7 million euros (14.9%), refers to the Piaggio group. The average remunerated workforce amounts to 7,987 units compared to 7,900 thousand euros in the first half of 2007.

Operating earnings before depreciation and amortisation (EBITDA) total 120.3 million euros, equal to 12.3% of turnover compared to 141.2 million euros in 2007 (13.7%), with a decrease compared to 2007 of 20.9 million euros.

Depreciation and amortisation for the period stand at 48.5 million euros (of which 46.3 million euros in the industrial sector), 5% of turnover and a 6.8 million euros increase compared to 2007. Depreciation of tangible assets accounts for 22.2 million euros, while amortised intangibles excluding goodwill total 26.3 million euros.

EBIT showed a profit of 71.8 million euros, 7.4% of turnover, of which 81.8 million euros referring to the industrial sector.

The negative net financial balance totals 14.9 million euros, 1.5% of turnover, the result of a net negative balance of 17.9 million euros relating to the industrial sector, 1.9 million euros from the shipbuilding sector, while the property and holding sector totals 4.9 million euros positive balance.

Profit before taxation stands at +56.9 million euros, or 5.8% of turnover, of which 63.9 million euros from the industrial sector, 4.9 million euros from the Parent company Immsi S.p.A. (net of the intercompany annulments) while the shipbuilding sector shows a loss of 8.2 million euros and the other companies of the group negative 3.7 million euros.

Net earnings for the period, after taxation and net of minority interest, totals 26.3 million euros (2.7% of revenues), 2.7 million euros increase compared to 30 June 2007.

## Group financial situation

In thousands of euros	30.06.2008	in %	31.12.2007	in %	30.06.2007	in %
<b>Current assets:</b>						
Cash and cash equivalents	102,511	4.7%	134,673	6.8%	114,464	5.4%
Financial assets	31,534	1.4%	19,222	1.0%	13,188	0.6%
Operating assets	833,745	38.3%	615,556	31.0%	819,054	38.3%
<b>Total current assets</b>	<b>967,790</b>	<b>44.4%</b>	<b>769,451</b>	<b>38.7%</b>	<b>946,706</b>	<b>44.3%</b>
<b>Non-current assets:</b>						
Financial assets	0	0.0%	566	0.0%	1,015	0.0%
Intangible assets	816,092	37.5%	813,091	40.9%	809,557	37.9%
Tangible assets	297,962	13.7%	308,426	15.5%	312,143	14.6%
Other assets	95,818	4.4%	96,017	4.8%	68,433	3.2%
<b>Total non-current assets</b>	<b>1,209,872</b>	<b>55.6%</b>	<b>1,218,100</b>	<b>61.3%</b>	<b>1,191,148</b>	<b>55.7%</b>
<b>TOTAL ASSETS</b>	<b>2,177,662</b>	<b>100.0%</b>	<b>1,987,551</b>	<b>100.0%</b>	<b>2,137,854</b>	<b>100.0%</b>
<b>Current liabilities:</b>						
Financial liabilities	280,340	12.9%	198,316	10.0%	147,595	6.9%
Operating liabilities	792,943	36.4%	569,846	28.7%	755,017	35.3%
<b>Total current liabilities</b>	<b>1,073,283</b>	<b>49.3%</b>	<b>768,162</b>	<b>38.6%</b>	<b>902,612</b>	<b>42.2%</b>
<b>Non-current liabilities:</b>						
Financial liabilities	369,471	17.0%	384,316	19.3%	398,584	18.6%
Other non-current liabilities	146,516	6.7%	168,306	8.5%	164,728	7.7%
<b>Total non-current liabilities</b>	<b>515,987</b>	<b>23.7%</b>	<b>552,622</b>	<b>27.8%</b>	<b>563,312</b>	<b>26.3%</b>
<b>TOTAL LIABILITIES</b>	<b>1,589,270</b>	<b>73.0%</b>	<b>1,320,784</b>	<b>66.5%</b>	<b>1,465,924</b>	<b>68.6%</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>588,392</b>	<b>27.0%</b>	<b>666,767</b>	<b>33.5%</b>	<b>671,930</b>	<b>31.4%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,177,662</b>	<b>100.0%</b>	<b>1,987,551</b>	<b>100.0%</b>	<b>2,137,854</b>	<b>100.0%</b>

Current assets at 30 June 2008 amounted to 967.8 million euros, an increase over 31 December 2007 of 198.3 million euros and of around 21.1 million euros compared to 30 June 2007.

The increase compared to year end 2007 is mainly due to the growth in the trade receivables (+178.1 million euros) and to the growth of the warehouse inventories (+58.4 million euros) mainly in Piaggio (respectively +168.7 and +56.9 million euros) because of the seasonality of the business.

Non-current assets at 30 June 2008 stand at 1,209.9 million euros against 1,218.1 million at 31 December 2007, with an 8.2 million euros decrease.

Specifically, among the non-current assets, intangible assets total 816.1 million euros, a 3.0 million euros increase compared to 31 December 2007, tangible assets stand at 298 million euros (308.4 at the end of 2007) and other assets of 95.8 million euros (against 96 million at the end of 2007).

Current liabilities at 30 June 2008 total 1,073.3 million euros, 305.1 million euros increase compared to 31 December 2007, mainly related to the increase in the trade payables (+182.1 million euros, of which +171.3 million in the Piaggio group), in relation to the seasonality of the purchases and the increase in the financial liabilities (+82 million euros) mainly following the decision to settle the value of the 2004-2009 Piaggio warrants by cash for a total of 64.2 million of euros.

Non-current liabilities at 30 June 2008 stand at 516 million euros compared to 552.6 million euros at 31 December 2007. The decrease is attributable both to financial liabilities, for 14.8 million euros and to other liabilities for 21.8 million euros.

Consolidated Group and minority interest shareholders' equity at 30 June 2008 is 588.4 million euros, of which 196.5 million euros attributable to minority interest.

An analysis of **invested capital** and its financial cover is presented below:

In thousands of euros	<b>30.06.2008</b>	<i>in %</i>	<b>31.12.2007</b>	<i>in %</i>	<b>30.06.2007</b>	<i>in %</i>
Current operating assets	833,745	66.7%	615,556	48.7%	819,054	65.3%
Current operating liabilities	-792,943	-63.4%	-569,846	-45.1%	-755,017	-60.2%
<b>Net operating working capital</b>	<b>40,802</b>	<b>3.3%</b>	<b>45,710</b>	<b>3.6%</b>	<b>64,037</b>	<b>5.1%</b>
Intangible assets	816,092	65.3%	813,091	64.4%	809,557	64.5%
Tangible assets	297,962	23.8%	308,426	24.4%	312,143	24.9%
Other assets	95,818	7.7%	96,017	7.6%	68,433	5.5%
<b>Invested capital</b>	<b>1,250,674</b>	<b>100.0%</b>	<b>1,263,244</b>	<b>100.0%</b>	<b>1,254,170</b>	<b>100.0%</b>
Non-current non-financial liabilities	146,516	11.7%	168,306	13.3%	164,728	13.1%
Minority interest capital and reserves	196,466	15.7%	262,175	20.8%	259,303	20.7%
Consolidated shareholders' equity of the Group	391,926	31.3%	404,592	32.0%	412,627	32.9%
<b>Total non-financial sources</b>	<b>734,908</b>	<b>58.8%</b>	<b>835,073</b>	<b>66.1%</b>	<b>836,658</b>	<b>66.7%</b>
<b>Net financial debt</b>	<b>515,766</b>	<b>41.2%</b>	<b>428,171</b>	<b>33.9%</b>	<b>417,512</b>	<b>33.3%</b>

The schedule below illustrates the **cash flow statement** for the period:

In thousands of euros	<b>30.06.2008</b>	<b>30.06.2007</b>
Cash generated internally	106,144	134,368
Change in net working capital	-63,273	-70,389
<b>Net cash flow generated from operations</b>	<b>42,871</b>	<b>63,979</b>
Payment of dividends by Parent company	-10,296	-10,296
Payment of dividends to minority interest by Group companies	-9,802	-5,344
Increase in Parent company share capital	0	0
Increase in share capital of subsidiaries underwritten by minority interest	253	9,246
Purchase of treasury shares by the companies of the Group	-4,339	-16,812
Purchase of intangible assets	-24,494	-27,945
Purchase of tangible assets	-16,644	-15,430
Net decrease from property disposals	92	715
Acquisition of non-controlling equity investments, net of disposal	8,037	20
Acquisition of controlling equity investments, net of disposals	-11,777	0
Other net movements	-61,496	-1,329
<b>Change in net financial position</b>	<b>-87,595</b>	<b>-3,196</b>
<b>Initial net financial position</b>	<b>-428,171</b>	<b>-414,316</b>
<b>Closing net financial debt</b>	<b>-515,766</b>	<b>-417,512</b>

The net financial debt passes from 428.2 million euros to 515.8 million euros mainly due to the gross investments of the period, equal to a total of 57.3 million euros, the dividends paid out by the Parent Company (10.3 million euros) and the minority shareholders of the Piaggio group (9.8 million euros) and the decision to settle the value of the 2004-2009 Piaggio warrants by cash for a total of 64.2 million of euros (included under Other net movements), only partially compensated for by the net cash flow generated by management equal to 42.9 million euros.

The net **financial debt** of 515.8 million euros is analysed below and compared with the figure at 30 June and 31 December 2007:

In thousands of euros	30.06.2008	31.12.2007	30.06.2007
<b>Short-term liquidity</b>			
Cash and cash equivalents	-102,511	-134,673	-114,464
Financial assets	-31,534	-19,222	-13,188
<b>Total short-term financial assets</b>	<b>-134,045</b>	<b>-153,895</b>	<b>-127,652</b>
<b>Short-term financial payables</b>			
Bonds	0	0	0
Amounts due to banks	173,973	165,975	125,681
Amounts due under finance leases	753	736	841
Amounts due to other lenders	105,614	31,605	21,073
<b>Total short-term financial payables</b>	<b>280,340</b>	<b>198,316</b>	<b>147,595</b>
<b>Total short-term financial debt</b>	<b>146,295</b>	<b>44,421</b>	<b>19,943</b>
<b>Medium/long-term financial assets</b>			
Receivables for loans	0	-566	-1,015
Other financial assets	0	0	0
<b>Total medium/long-term financial assets</b>	<b>0</b>	<b>-566</b>	<b>-1,015</b>
<b>Medium/long-term financial payables</b>			
Bonds	145,767	145,380	144,929
Amounts due to banks	188,443	203,170	217,017
Amounts due under finance leases	9,644	9,883	10,323
Amounts due to other lenders	25,617	25,883	26,315
<b>Total medium/long-term financial payables</b>	<b>369,471</b>	<b>384,316</b>	<b>398,584</b>
<b>Total medium/long-term financial debt</b>	<b>369,471</b>	<b>383,750</b>	<b>397,569</b>
<b>Net financial debt</b>	<b>515,766</b>	<b>428,171</b>	<b>417,512</b>

## Financial situation and financial performance of the Parent company

A summary sheet and a short description of the main balance sheet and income statement items is provided below. Further information on these items may be found in the explanatory and additional notes to the financial statements of Immsi S.p.A..

In thousands of euros	1 <sup>st</sup> half of 2008	Year 2007	1 <sup>st</sup> half of 2007
Earnings on financial operations	19,976	10,363	7,721
Earnings before taxation	18,460	9,447	7,103
Earnings of the period	18,501	11,551	7,379
Net operating working capital	34,094	62,025	84,071
Invested capital	429,656	446,109	447,927
Non financial sources	353,442	372,469	386,374
Net financial position	76,214	73,640	61,553
Shareholders' equity	349,574	366,736	375,325
Personnel (number)	16	16	17

During the 1<sup>st</sup> half of 2008 the company had net financial revenues for 19,976 thousand euros primarily following the transfer of a portion of the shareholding in Unicredit, making capital gains equal to 5,884 thousand euros, the collection of dividends for 16,114 thousand euros and of the negative net balance for interest equal to 2,149 thousand euros. The increase compared to the 1<sup>st</sup> half of 2007 is particularly due to the greater dividends disbursed in 2008 by Piaggio. The above items that represent the major components of the profit and loss account contribute to a reduced extent to the taxable income therefore the net result of the period benefits from a positive tax balance.

The net operating working capital was positive at the end of June for 34,094 thousand euros and decreased compared to 31 December 2007 largely due to the sale during the month of January 2008 of 1.5 million Unicredit shares for a value of 8,029 thousand euros and the reduction, for a total of 17,856 thousand euros compared to 31 December 2007, of the evaluation at fair value of the remaining 9,975,443 shares still in portfolio at the end of the half.

The invested capital amounts to 429,656 thousand euros, a decrease over 31 December 2007 of 16,453 thousand euros, mainly due to the lower value of the shareholding in Unicredit partially compensated for by the purchase of no. 6,209,909 Piaggio shares for a total of 11,537 thousand euros.

The non-financial sources, composed for 3,868 thousand euros by non-current liabilities and for 349,574 thousand euros by the shareholders' equity, decreased compared to the end of 2007 by 17,163 thousand euros, mainly with the reduction in the revaluation reserve to the fair value of the shareholding in Unicredit for 23,899 thousand euros, net of the fiscal effect, and of the payment of dividends for 10,296 thousand euros, partially compensated for by the result of the period.

The net financial debt amounts at 30 June 2008 to 76,214 thousand euros, an increase over 31 December 2007 of 2,574 thousand euros, mainly due to the purchases of shares in subsidiary companies for 11,537 thousand euros, the purchase of treasury stock for 1,469 thousand euros and the distribution of dividends for 10,296 thousand euros partially compensated for by the cash flow generated by administration for 13,759 thousand euros and by the sale of 1.5 million Unicredit shares for an amount of 8,029 thousand euros.

## Research & development

The Immsi Group carries out research and development activities through its subsidiaries Piaggio and Rodriquez. Below is a summary of the main current activities in the two respective sectors.

The **Piaggio group** continued over the first half of 2008 with its policy aimed at maintaining technological leadership in the sector, setting aside overall resources of 34.8 million euros (of which 30.0 million euros in Piaggio & C. S.p.A., 1.2 million euros in Nacional Motor S.A., 1.9 million euros in Moto Guzzi S.p.A. and 1.7 million euros in Piaggio Vehicles, including the development of the new diesel engine for the Indian market), with 3.9% incidence on the turnover, and of which 22.5 million euros was capitalised under intangible assets. In particular, research activities relating to product innovation and manufacturing technology projects absorbed 2.2 million euros of resources; the development activities for the remaining 32.6 million euros concerned new vehicles and new engines, environmentally friendly above all. Following the development activities for new 2-wheeler products, for an overall cost of 28.5 million euros, of which 13.4 million euros for the Piaggio, Gilera, and Vespa brands, 12 million euros for Aprilia brand, 1.2 million euros for Derbi brand and 1.9 million euros for Moto Guzzi, the range benefited from the production start-up of the new models Vespa GTS 300, Gilera Runner ST/SP, Piaggio Carnaby 250, Beverly Tourer and Moto Guzzi Stelvio.

As for the LCV business, the total cost in first half of 2008 was 4.1 million euros intended for the development of the diesel engine as well as updates to the vehicles in the range.

As regards the shipbuilding sector, the **Rodriquez group** continued the development started in previous years of two important research projects through the Parent company Rodriquez Cantieri Navali: “fully submerged hydrofoil” and “Enviroaliswath” that both utilize financing of the Ministry of Research (MUR) to be applied on Italian Law 279/99. Under the profile of capital invested by the company, it is research and development that will start generating future profits after completion of the projects and prototypes, through rental and sale to shipping companies.

For these projects, whose overall value amounts to 43.6 million euros, costs were sustained in the first half of the year for 4.3 million euros of which 0.5 million euros were capitalized under the intangible assets.

With reference to the technological innovation the Rodriquez group performs activities on two projects approved in the month of October 2007 with the issue of the related Decrees of authorization of the contributions by the Ministry of Transport: “Wavepax”, that requires the project development of a fast unit for the transport of passengers and cars through a grant for activities begun in 2005 and “Yachtplus” for the design of a new type of yacht with technological innovations under the profile of the heating and air-conditioning of the spaces and the levels of vibration and noise and that includes a grand for activities begun in 2006.

With reference to these research projects still in the course of development and finalization, General Management and the Research Coordination function are making all the necessary and appropriate evaluations to verify the conclusion of the projects, with reference to the Decrees of concession of the contributions and certifications that the relevant Ministries must issue.

## Risk factors

With reference to the risk factors that characterize the business of the Immsi Group, no significant variations have occurred during the first half of 2008 in relation to the contents of the Report of the Directors and the Financial Statements of the Immsi Group at 31 December 2007, to which reference is made for any further investigation. While, as concerns the main risks and uncertainties related to the second half, please read the paragraph related to the Events since 30 June 2008 and predictable development.



## Human resources

At 30 June 2008, Immsi Group employed 8,077 staff, of which 88 in the property/holding company sector, 7,560 in the industrial sector (Piaggio group) and 429 in shipbuilding (Rodriquez group). The following tables divide resources by category and geographical area:

### Human resources by category

numbers	30/06/2008			
	Property sector	Industrial sector	Shipbuilding sector	Group total
Senior managers	6	111	21	138
Middle managers and clerical staff	38	2,393	174	2,605
Manual workers	44	5,056	234	5,334
<b>TOTAL</b>	<b>88</b>	<b>7,560</b>	<b>429</b>	<b>8,077</b>

### Human resources by geographical area

numbers	30/06/2008			
	Property sector	Industrial sector	Shipbuilding sector	Group total
Italy	88	4,855	429	5,372
Rest of Europe	0	695	0	695
Rest of the World	0	2,010	0	2,010
<b>TOTAL</b>	<b>88</b>	<b>7,560</b>	<b>429</b>	<b>8,077</b>

Below is a comparison between 30 June 2008 and 31 December 2007, divided by category and geographical area.

### Human resources by category

numbers	30/06/2008	31/12/2007	Change
Senior managers	138	138	0
Middle managers and clerical staff	2,605	2,507	98
Manual workers	5,334	4,696	638
<b>TOTAL</b>	<b>8,077</b>	<b>7,341</b>	<b>736</b>

### Human resources by geographical area

numbers	30/06/2008	31/12/2007	Change
Italy	5,372	4,734	638
Rest of Europe	695	588	107
Rest of the World	2,010	2,019	-9
<b>TOTAL</b>	<b>8,077</b>	<b>7,341</b>	<b>736</b>

Group staff at 30 June 2008 include also workers employed with term contracts and contracts of administration for a fixed period of time, mainly belonging to Piaggio group to meet the seasonal cycle of the production activity.

## Related party transactions

As regards the information to be provided on related party transactions in accordance with IAS 24, we would like to point out that such transactions take place as part of normal operations at market conditions or as laid down under specific laws.

The following table shows the impact of related party transactions on the income statement (excluding revenue from re-charges in conformity with IAS 18) and on the balance sheet with correlated parts, parent and associated companies of the Immsi Group at 30 June 2008. All intercompany transactions and balances have been eliminated in the consolidated figures.

Main income and balance sheet headings	Amounts in €/000	% incidence on balance sheet items	Description of the nature of the dealings
<b>Transactions with Related Parties:</b>			
Current trade payables	807	0.1%	Legal assistance provided by St. d'Urso Gatti e Associati
Costs for services and use of third party assets	122	0.0%	Legal assistance provided by St. d'Urso Gatti e Associati
<b>Transactions with Parent companies:</b>			
Tangible assets	81	0.0%	Fittings and vehicles provided by Omniainvest S.p.A.
Costs for services and use of third party assets	124	0.0%	Rental of offices in Mantova provided by Omniaholding S.p.A
<b>Transactions with Associated Companies:</b>			
Other non-current receivables	830	5.7%	Receivables from Fondazione Piaggio and AWS do Brasil
Other current financial assets	58	0.1%	Financial assets to Fondazione Piaggio
Current trade receivables and other receivables	953 3,031	1.0%	Trade receivables from Fondazione Piaggio and Piaggio Foshan Receivables from Consorzio CTMI and Armas Ocean Jets
Current trade payables	9,815 1,409	1.8%	Trade payables to Fondazione Piaggio, Piaggio Cina and Piaggio Foshan Payables to Consorzio CTMI and Armas Ocean Jets
Other current payables	180	0.2%	Payables to Fondazione Piaggio
Costs for materials	23,801	4.2%	Costs of purchases by Piaggio Foshan
Other operating income	1,164	1.6%	Proceeds from Piaggio Foshan

Figures including non-deductible VAT

Finally, with reference to the shipbuilding sector, it should be noted that Intesa Sanpaolo S.p.A., minority shareholder of RCN Finanziaria S.p.A., has financing operations in being with the Rodriguez group specified below.

Rodriquez Cantieri Navali S.p.A. has a financial relationship with Intesa Sanpaolo for a value at 30 June 2008 of 15 million euros, beside interests for relating to the use of the financing granted in late 2005 and extended to 31 December 2008, guaranteed by Immsi and tied to the Pietra Ligure project.

In addition Rodriquez Cantieri Navali S.p.A. has stipulated with Intesa Sanpaolo, in a pool with Unicredit and Banca di Roma, a contract to issue guarantees to the customer of the Oman order (performance bonds and guarantees on the advance payments the customer will make) for a total value of 84.5 million US dollars, used at 30 June for 58.3 million US dollars and guaranteed by a guarantee issued by Immsi for a maximum of 60 million US dollars, by mortgages on the assets under construction and pledges on the checking accounts dedicated to the order.

Moreover, Rodriquez signed with these banks option contracts on exchange rates for an original face value of 72 million US dollars staggered in line with the contract dates. The remaining relative

face value at 30 June 2008 is equal to 3.2 million US dollars, of which 0.9 million US dollars to Intesa Sanpaolo. The financial proceeds and other current receivables registered on the basis of the above contract, limited to the Intesa Sanpaolo bank, both amount to 0.1 million euros.

Between Intesa Sanpaolo and Rodriquez Cantieri Navali there are moreover in being operations of forward exchange for a total of 19 million US dollars with expiration on 7 July 2008, the planned date for the stream deriving from the release of the cash collateral and the deposit account as a consequence of the delivery of the construction no. 350 to the Sultanate of Oman.

For the other companies in the Rodriquez group, there are receivables and cash holdings with the Intesa Sanpaolo group for 2.2 million euros and financial debts for 1.8 million euros.

## Stock options

At 30 June 2008, Immsi S.p.A. has no existing stock option plan.

The subsidiary company Piaggio & C. S.p.A., with reference to the incentive plan 2007-2009, deliberated by the General Meeting of the company on 7 May 2007 and reserved for senior executives or of Italian and/or foreign companies controlled by it in accordance with art. 2359 of the Italian Civil Code, as well as for the directors with proxies in the aforesaid subsidiary companies ("Plan 2007-2009"), at the date of 30 June 2008 there were assigned no. 6,510,000 rights of option for a corresponding number of shares.

In addition, on the date of publication of this Report the purchase programme for a total of no. 10,000,000 shares of ordinary treasury stock, equal to 2.52% of the shareholders' equity, intended for the service of the 2007-2009 Plan proves to have been concluded. The purchase of no. 10,000,000 shares of treasury stock took place on the regular market at a weighted average price of 3.0367 euros and involved a total payment equal to 30,367,026.00 euros, of which 26,829,743.66 euros already sustained and accounted in the year 2007.

<u>In euros</u>	No. of options	Average exercise price	Market price
Rights existing at 31.12.2007	6,510,000	3.55	2.309
° of which exercisable in 2007	0		
New rights granted in the 1 <sup>st</sup> half of 2008	70,000		
Rights exercised in the 1 <sup>st</sup> half of 2008			
Rights expired in the 1 <sup>st</sup> half of 2008	(70,000)		
Rights existing at 30.06.2008	6,510,000	3.55	
° of which exercisable at 30.06.2008	0		

## **Other information**

### **Treasury Stock**

The General Shareholders' Meeting of Immsi S.p.A. held on 13 May 2008 authorized, for a period of eighteen months as of the date of the deliberation, operations to purchase and order treasury stock for the purposes of investment and stabilization of the price of the stock and its liquidity on the share market, that is for the purposes of using treasury stock within operations connected with the current management and/or projects in line with the strategies that the Company intends to pursue, in the terms and with the methods established by the applicable provisions and indicated by the Meeting.

During the month of June the Company, in compliance with the deliberation, purchased on the share market no. 1,840,000 of its own shares for a total of 1,469,127.54 euros corresponding to 0.536% of the shareholders' equity. At the date of publication of this Report its number of shares of treasury stock is unchanged.

During the half Piaggio & C. S.p.A., on the basis of the deliberations made by the Shareholders' Meetings on 7 May 2007 and 24 June 2008, purchased no 2.090.000 shares of treasury stock, of which no. 2,066,000 to allow the implementation of the 2007-2009 Plan and no. 24,000 to sustain the price of the stock in execution of the buy-back plan.

Therefore at 30 June 2008 the company held no. 9,430,000 shares of treasury stock, equivalent to 2.381% of the shareholders' equity. In addition, in the last days of the month of June Piaggio gave instructions to purchase an additional no. 1,160,210 shares of treasury stock that having date of settlement in the month of July will be accounted in that period.

On the date of publication of this Report the purchase programme for a total of no. 10,000,000 shares of ordinary treasury stock intended for the service of the 2007-2009 Plan proves to have been concluded.

### **Plan to adjust the systems of internal control for the companies in the Group with headquarters in countries outside the EU**

With reference to the requirements of art. 36 of the Consob Market Regulation, as regards the indirect subsidiary companies outside the EU monitored directly by the issuer Piaggio & C. S.p.A., reference is made to what is communicated in the Quarterly Report at 30 June 2008 approved by the Board of Directors on 31 July 2008.

## Disputes

There are no ongoing disputes of any significance involving the Parent company Immsi S.p.A..

Regarding the **property sector** (Apuliae S.p.A.), following investigations carried out by the legal authorities, the restructuring of the building for the construction of a hotel and a wellness centre in S. Maria di Leuca (Lecce) is still suspended.

In the pre-trial hearing of 5 July 2007 the judge (GUP) accepted the application of Apuliae S.p.A. to commence an abbreviated hearing; the first hearing was held on 14 February 2008 with the participation of the Public Prosecutor and the defendants and on 18 April 2008 the second hearing was held with the participation of the lawyer for the defendants. Next hearing, which is set for 7 October 2008, is to see the participation of the other parties appearing in court and the pronouncement of the sentence.

With reference to the court case arisen between the State Administration and the Province of Lecce regarding the assessment of the title of the real estate called *ex Colonia Scarciglia* located at Santa Maria di Leuca (LE), in which Apuliae S.p.A. has decided to take part in order to protect its interests, in the hearing of 11 April 2008 the case has been reserved for the decision on the preliminary applications; to date the Investigating judge still has to resolve this reserve.

The Province of Lecce has expressed the wish to reach a solution of transaction with the State Advocacy and the lawyers of Apuliae S.p.A.. The actual practicability of the hypothesis of transaction is subordinate to the result of the above judgment.

Again with reference to the real estate sector (Is Molas S.p.A.), it is noted that on 24 July 2007 a preliminary contract was signed by Is Molas S.p.A. and IH Bologna S.r.l., Forbimmobili S.r.l. and Avalon Immobiliare S.r.l. for the sale of the "Le Ginestre" property located in the Municipality of Pula (Cagliari) for an amount of 9.1million euros. With the approach of the set term for signing the definitive contract the promissory buyer has not accepted the invitation to be present at its signing, giving notification on 18 January 2008 of a writ of summons, with the Court of Mantova, with which it asks to ascertain and declare the legitimacy and effectiveness of withdrawal from the contract for presumed defects in the property and for a different intended use, then requesting reimbursement of double the deposit paid to Is Molas S.p.A., at the date of the above-mentioned preliminary contract, for an amount of 1 million euros.

At the hearing held on 14 May 2008 the Court in Mantua set a new hearing for 24 February 2009.

Regarding the **industrial sector** (Piaggio group), as part of the case brought by Leasys S.p.A-Savarent at the Court of Pisa against Piaggio & C. S.p.A. 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. Leasys S.p.A. has moreover notified an appeal for a decree of injunction requesting payment of some invoices related to the costs sustained for the revision of the mopeds rented by Leasys to Poste Italiane S.p.A.. Piaggio & C. S.p.A. has opposed this order since, in accordance with the supply contract, the costs related to the work of revision at issue were not the responsibility of Piaggio & C. S.p.A..

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.

Following the concession of the terms ex art 183 c.p.c. for filing the briefs, at the hearing held on 17 October 2007 for the discussion concerning the admission of the preliminary requests, a postponement has been granted to assign the lawsuit to a new Judge who, in the hearing of 2 July 2008, reserved the right to decide on his jurisdiction.

As for the tax dispute, it is noted that till today there are no disputes involving Piaggio & C. S.p.A. for which the company has deemed it fitting to set aside funds in consideration of the positive indications expressed by the professionals appointed by the defence.

The main tax disputes of the other Piaggio group companies concern P&D S.p.A. (in liquidation), Nacional Motor S.A. and Piaggio Vehicles PVT Ltd.

With regard to P&D S.p.A., there are disputes before the Italian Supreme Court regarding respectively the tax periods 1993, 1994 and 1995-1997, as well as a dispute before the Pisa Province Tax Commission regarding 2000-2002.

Opposing the notices of ascertainment for the tax periods 1993 and 1994, P&D S.p.A. obtained favourable sentences at the first and second level. The General Advocacy of the State proposed an appeal before the Supreme Court of Cassation opposing the above-mentioned second degree sentences and P&D S.p.A. then promptly filed counter-appeals and incidental appeals. In May 2008, these matters were discussed before the Court of Cassation that, with correlated orders, postponed the lawsuits to a new role, to decide on them jointly with those concerning the years 1995-1997.

As concerns the years 1995-1997, after having obtained a favourable sentence in the first degree before the Provincial Tax Committee of Pisa but an unfavourable sentence before the Regional Tax Committee of Florence, P&D S.p.A. appealed to the Supreme Court of Cassation. To date we are awaiting the date of the hearing.

Finally, as concerns the notices of ascertainment for the years 2000, 2001 and 2002, P&D has appealed to the Provincial Tax Committee of Pisa, but the decision has been postponed awaiting the result of the judgment of the Court of Cassation on the disputes related to the preceding years.

As for the above disputes, P&D S.p.A. has not considered it necessary to make provisions in the balance sheet in light of the positive outcome of all the judgments issued by Tax Commissions, and in consideration of the positive indications expressed by the professional experts engaged by the defence.

As for Piaggio Espana S.A. and Nacional Motor S.A. there are tax disputes before the *Tribunal Supremo* (Spanish Supreme Court, the highest court of judgment), for which the companies have arranged to allocate the contested sums.

As for Piaggio Vehicles PVT Ltd, various disputes exist regarding different years between 1998 and 2003 on both direct taxation and customs duties; it was 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.

As regards the **shipbuilding sector** (Rodriquez group), between Rodriquez Cantieri Navali S.p.A. and the company Como S.r.l. there is a dispute before the Court of Milan due to the termination of the preliminary contract stipulated on 21 July 2005 that required the transfer, to the promissory buyer Como S.r.l., of the entire capital of the company that would have held title of the area and related manufactured items located in the Municipality of Pietra Ligure, after its transfer from the State and definition, with the Municipal Administration and designated Institutes, of the aspects related to building on the area.

In accordance with the aforesaid preliminary contract Rodriquez Cantieri Navali S.p.A. has asked Como S.r.l. to issue a bank guarantee at the first request to guarantee reimbursement of the costs of the transfer from the State before undertaking formal commitments with the State to go ahead with the purchase of the area by winning an auction published with notice by the State Agency (Liguria) on 19 October 2007. The non-fulfilment of this contractual obligation, that Rodriquez Cantieri Navali S.p.A. considers an essential requirement for the continuation of the contractual relationship, caused termination of the preliminary contract, making it impossible to stipulate the final contract of sale and the subsequent reciprocal summons. Both judgments were assigned by the Court of Milan to the same Judge and at the first hearing on April 30th 2008 Efibanca S.p.A. appeared, adhering to the requests of RCN S.p.A.. The lawsuits of RCN S.p.A. and Como S.r.l. have been grouped together and the Judge has granted the terms for filing the briefs ex art. 183 C.P.C., setting the next hearing for 4 December 2008.

There is currently a dispute with the Municipality of Messina regarding the return of the public area

in “*Zona Falcata*”, occupied by a warehouse of Rodriquez Cantieri Navali S.p.A., and the related request for payment of rental instalments. The dispute started in the 1960’s, includes three combined proceedings and involves some twenty local companies. It has been interrupted several times since 2000. Lawyers have been retained to reinstate the action with the consequent consolidation of the injunctions. It is not possible to determine any liabilities the company may have.

Concerning the subsidiary Intermarine S.p.A., with reference to the revenue inspection made by the Regional Administration of Liguria on the year 2004, concluded with the formalization of Verbal Proceedings of Ascertainment in which the Italian Inland Revenue formulates notifications for the purposes of IRES, IRAP and VAT for a total sum of 2.7 million euros. The company, with the support of its tax advisors and considering its work to have been substantially correct, presented its “Observations and Counter-Deductions”, under discussion with the Inland Revenue, that should basically confirm values in line with what was already set aside in 2007.

Moreover, during 2007, Intermarine S.p.A. received from the company Balaju Overseas Ltd, that had in 2002 disputed the work performed on one of its yachts, a request for arbitration from the Chamber of Commerce of Milan, that requests sentencing the company to refund the damages for manufacturing flaws and defects for a sum of 10.1 million euros.

To protect its interests, Intermarine S.p.A., with the assistance of its lawyers, on 14 September 2007 presented a brief in reply, rejecting all the requests for a lack of jurisdiction, elapse of terms, groundlessness of the requests, inadmissibility of the request for a penalty, and then asking to be reimbursed all the costs associated with the arbitration. On 25 June 2008 the Arbitration Court pronounced itself on the partial mediation entirely accepting the defensive arguments of Intermarine S.p.A.. To date no variation has been made to the earmarking made in the financial statements of the last period awaiting definition of the dispute.

With reference to the subsidiary Rodriquez do Brasil it is noted that it has presented as many appeals against seven notices of ascertainment received from the relevant local tax authorities concerning value added tax, income taxes and contributions on profits required by Brazilian legislation for a total of 3.3 million euros comprehensive of sanctions and interest. Concerning the result of the appeals, the fund allocated in the preceding years by the parent company Rodriquez Cantieri Navali S.p.A. was kept in order to cover any potential liabilities deriving from such a dispute, evaluated for an amount of approximately 0.5 million euros, also in the light of the opinion on the state risk provided by the tax consultant who assists the company in Brazil.

## Events since 30 June 2008 and foreseeable developments

With reference to the Parent Company it is made known that the Board of Directors of 28 August 2008, at the suggestion of the President Roberto Colaninno, approved the Company's participation in the project of integration and re-launching of the activities of Alitalia by taking a shareholding in the company called Compagnia Aerea Italiana, for a total investment no greater than 150 million euros. The Board gave the President Roberto Colaninno the fullest powers to negotiate the terms, conditions and methods of the operation. In this framework, Roberto Colaninno is to take on the position of operational President in the company called Compagnia Aerea Italiana.

Moreover, it is noted that in July further operations were carried out on the *MTA* to purchase Piaggio stock for a total of 1 million euros (for 920,000 shares).

With reference to the Piaggio group the following significant events have occurred since 30 June:

- on 3 July payment was made by cash for the warrants of Piaggio & C S.p.A. 2004-2009 and for the financial instruments of EMH;
- in the month of July Piaggio & C S.p.A. concluded the buy-back programme of no. 10,000,000 shares of ordinary treasury stock, equal to 2.52% of the shareholders' equity, intended for the service of the Bonus and Loyalty Plan for the top management of the Piaggio group approved by the General Meeting of the company on 7 May 2007 in accordance with art. 114-bis of Italian Legislative Decree D. Lgs. 58/1998;
- in the month of July Piaggio & C S.p.A. finalized the activities for defining the process of merger by incorporation of Moto Guzzi;
- in the month of July and August Piaggio & C S.p.A. continued its buy-back activity for the plan to purchase and order the common stocks of the company deliberated by the General Meeting of 24 June 2008. On 28 August 2008 the total number of shares of treasury stock in the portfolio of the company amounted to 18,895,000 at an average purchase price of 2.2104 euro.

With reference to the naval sector, the parent company Rodriquez Cantieri Navali S.p.A. in July received new orders from the Sultanate of Oman for the supply of spare parts for a total of approximately 7.6 million US dollars, for which hedge contracts have been stipulated with the forward sale of US dollars for the equivalent value. Intermarine has received the go-ahead for the project to extend the yard of Sarzana; the Meeting of the services of the One-Stop Office of the Municipality of Sarzana (besides the Municipality, also the Province, the Park institute, the authority of the basin and Arpal were present) approved the first phase of the project for the retraining and functional reorganization of the Intermarine plant of Sarzana with an increase of 10% in the production surface area, which will be followed by a second phase of further expansion in relation to the future development of the Group.

Regarding the predictable evolution of the management of the Immsi Group in the second part of the period, it can be hypothesized that with reference to the Piaggio group this will be particularly directed at the increase in productivity and cost limiting, in line with what happened in the first half. With reference to sales, the expectations are confirmed for substantial growth in the areas outside Europe, and normalization of the seasonality in Europe.

Concerning the naval sector, in the light of the important contracts in being and the effects that the Intermarine Division will bring to the group with the order of the 3 minesweepers for the Finnish Navy, it is possible to forecast further growth for the year in the volume of production compared to 2007 that, jointly with the marginality in absolute value of this order, at the moment makes positive operational profitability in the 2<sup>nd</sup> half surmisable for the Rodriquez group.



***Immsi Group***  
***Financial statements***  
***at***  
***30 June 2008***

## CONSOLIDATED BALANCE SHEET AT 30 JUNE 2008

Amounts in thousands of euros

ASSETS		30 June 2008	31 December 2007
NON-CURRENT ASSETS			
Intangible assets	F1	816,092	813,091
Tangible assets	F2	297,962	308,426
- of which with related parties		81	92
Property investments		0	0
Equity investments	F4	749	751
Other financial assets	F5	165	743
- of which with related parties		0	58
Amounts due from the tax authorities	F6	17,642	12,509
Deferred tax assets	F7	41,348	47,525
Trade receivables and other receivables	F8	14,639	14,001
- of which with related parties		830	830
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,188,597</b>	<b>1,197,046</b>
ASSETS INTENDED FOR DISPOSAL	F9	21,275	21,054
CURRENT ASSETS			
Trade receivables and other receivables	F8	409,855	215,380
- of which with related parties		3,984	4,153
Amounts due from the tax authorities	F6	19,709	25,076
Inventories	F10	350,076	291,647
Contract work in progress	F11	15,301	18,272
Other financial assets	F5	70,338	84,403
- of which with related parties		58	0
Cash and cash equivalents	F12	102,511	134,673
<b>TOTAL CURRENT ASSETS</b>		<b>967,790</b>	<b>769,451</b>
<b>TOTAL ASSETS</b>		<b>2,177,662</b>	<b>1,987,551</b>
LIABILITIES		30 June 2008	31 December 2007
SHAREHOLDERS' EQUITY			
Consolidated Group Shareholders' equity		391,926	404,592
Minority interest capital and reserves		196,466	262,175
<b>TOTAL SHAREHOLDERS' EQUITY</b>	G1	<b>588,392</b>	<b>666,767</b>
NON-CURRENT LIABILITIES			
Financial liabilities	G2	369,471	384,316
Trade payables and other payables	G3	8,584	21,436
Reserves for severance indemnity and similar obligations	G4	66,164	67,288
Other long-term reserves	G5	28,223	28,440
Deferred tax liabilities	G6	43,545	51,142
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>515,987</b>	<b>552,622</b>
LIABILITIES LINKED WITH ASSETS INTENDED FOR DISPOSAL		0	0
CURRENT LIABILITIES			
Financial liabilities	G2	280,340	198,316
Trade payables	G3	635,667	447,702
- of which with related parties		12,031	6,089
Current taxation	G7	29,582	11,926
Other payables	G3	102,635	84,061
- of which with related parties		180	180
Current portion of other long-term reserves	G5	25,059	26,157
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,073,283</b>	<b>768,162</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,177,662</b>	<b>1,987,551</b>

## CONSOLIDATED INCOME STATEMENT AT 30 JUNE 2008

Amounts in thousands of euros

		1 <sup>st</sup> half of 2008	1 <sup>st</sup> half of 2007
Net revenues	H1	975,939	1,033,280
Costs for materials	H2	568,248	609,368
- of which with related parties		23,801	22,287
Costs for services and use of third party assets	H3	196,370	197,756
- of which with related parties		246	265
Personnel costs	H4	147,903	136,224
Depreciation of tangible assets	H5	22,192	22,271
Amortisation of goodwill		0	0
Amortisation of intangible assets with a finite life	H6	26,330	19,477
Other operating income	H7	74,356	67,793
- of which with related parties		1,164	2,394
Other operating costs	H8	17,487	16,546
<b>OPERATING EARNINGS</b>		<b>71,765</b>	<b>99,431</b>
Gain / loss on equity investments		47	(1)
Financial income	H9	20,598	7,894
Financial charges	H10	35,540	26,962
<b>EARNINGS BEFORE TAXATION</b>		<b>56,870</b>	<b>80,362</b>
Taxation	H11	14,262	36,868
<b>EARNINGS AFTER TAXATION FROM CONTINUING ASSETS</b>		<b>42,608</b>	<b>43,494</b>
Gain (loss) from assets intended for disposal or sale		0	0
<b>EARNINGS FOR THE PERIOD INCLUDING MINORITY INTEREST</b>		<b>42,608</b>	<b>43,494</b>
Minority interest earnings for the period		16,292	19,875
<b>GROUP EARNINGS FOR THE PERIOD</b>	<b>H13</b>	<b>26,316</b>	<b>23,619</b>

## EARNINGS PER SHARE

In euros

	1 <sup>st</sup> half of 2008	1 <sup>st</sup> half of 2007
From continuing assets and discontinued operations:		
<i>Basic</i>	0.077	0.069
<i>Diluted</i>	0.077	0.069
From continuing assets:		
<i>Basic</i>	0.077	0.069
<i>Diluted</i>	0.077	0.069

Average number of shares:	342,893,333	343,200,000
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## CONSOLIDATED CASH FLOW STATEMENT AT 30 JUNE 2008

Amounts in thousands of euros

		1 <sup>st</sup> half of 2008	1 <sup>st</sup> half of 2007
<b>Operations</b>			
Earnings of the period	H13	26,316	23,619
Minority interest	G1	16,292	19,875
Taxation	H11	14,262	36,868
Depreciation of tangible assets (including property investments)	H5	22,192	22,271
Amortisation of intangible assets	H6	26,330	19,477
Provisions for risks and for severance indemnity and similar obligations	H8 - H4	14,663	18,257
Write-downs / (Revaluations)	H7 - H8	1,836	1,218
Losses / (Gains) on disposal of tangible assets (including property investments)	H7 - H8	(33)	(655)
Losses / (Gains) on disposal of intangible assets	H7 - H8	(2,596)	(5)
Losses / (Gains) on disposal of consolidated equity investments		0	0
Losses / (Gains) from assets intended for disposal or sale		0	0
Losses / (Gains) on disposal of securities	H9	(5,884)	0
Interest receivable	H9	(2,564)	(1,478)
Dividend income	H9	(2,594)	(2,450)
Interest payable	H10	24,728	19,905
Depreciation of grants	H7	(7,127)	(1,155)
Earnings portion before taxation in associated companies (and other companies measured to Shareholders' Equity)		6	9
<b>Change in working capital:</b>			
(Increase) / Decrease in trade receivables	F8	(178,577)	(171,198)
(Increase) / Decrease in inventories	F10	(58,429)	(26,369)
Increase / (Decrease) in trade payables	G3	188,022	125,761
(Increase) / Decrease in contract work in progress	F11	2,971	7,673
Increase / (Decrease) in provisions for risks	G5	(10,725)	(11,743)
Increase / (Decrease) reserves for severance indemnity similar obligations	G4	(6,196)	(17,174)
Other changes		496	33,257
<b>Cash generated from operations</b>		<b>63,389</b>	<b>95,963</b>
Interest paid		(27,773)	(21,803)
Taxation paid		(6,080)	(18,209)
<b>Cash flow from operations</b>		<b>29,536</b>	<b>55,951</b>

		1 <sup>st</sup> half of 2008	1 <sup>st</sup> half of 2007
<b>Investments</b>			
Acquisition of subsidiaries, net of cash and cash equivalents	F1	(11,777)	0
Sale price of subsidiaries, net of cash and cash equivalents		0	0
Investments in tangible assets	F2	(16,423)	(15,430)
Sale price, or repayment value, of tangible assets (including property investments)		125	1,370
Investments in intangible assets	F1	(24,494)	(27,945)
Sale price, or repayment value, of intangible assets		2,596	18
Purchase of non-consolidated equity investments		0	0
Sale price of non-consolidated equity investments		(4)	20
Loans provided		(63)	(128)
Repayment of loans		651	551
Purchase of financial assets	F5	(12,334)	(1,017)
Sale price of financial assets	F5	8,041	0
Interest received	H9	10,483	4,722
Sale price of assets intended for disposal or sale		0	0
Other flows from assets intended for disposal or sale		(221)	(252)
Public grants received		985	0
Dividends from equity investments	H9	2,594	2,450
<b>Cash flow from investments</b>		<b>(39,841)</b>	<b>(35,641)</b>
<b>Financing</b>			
Increase in share capital by Group shareholders	G1	0	0
Increase in share capital by third parties	G1	253	9,246
Purchase of treasury stock		(4,339)	(16,812)
Receipt connected to the issuing of convertible bonds		0	0
Loans received	G2	28,528	68,410
Outflow for repayment of loans	G2	(46,728)	(53,565)
Finance leases received		174	21
Repayment of finance leases		(396)	(577)
Outflow for dividends paid to Parent company shareholders	G1	(10,296)	(10,296)
Outflow for dividends paid to minority interest		(9,802)	(5,344)
<b>Cash flow from financing</b>		<b>(42,606)</b>	<b>(8,917)</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>		<b>(52,911)</b>	<b>11,393</b>
<b>Opening balance</b>		<b>106,470</b>	<b>80,420</b>
Exchange differences		335	(1,095)
<b>Closing balance</b>		<b>53,894</b>	<b>90,718</b>

This schedule illustrates the changes in cash and cash equivalents, net of short-term bank overdrafts totalling 48.6 million euros at 30 June 2008.

## CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 30 JUNE 2008

Amounts in thousands of euros

	<i>Share capital</i>	<i>Reserves and retained earnings</i>	<i>Earnings for the period</i>	<i>Group shareholders' equity</i>	<i>Minority interest capital and reserves</i>	<i>Group and minority interest shareholders' equity</i>
<b>Balances at 31 December 2006</b>	<b>178,464</b>	<b>157,792</b>	<b>65,563</b>	<b>401,819</b>	<b>243,784</b>	<b>645,603</b>
Increases in share capital against payment					9,246	9,246
Allocation of Group earnings to legal reserve		1,399	(1,399)			0
Allocation of Group earnings to dividends			(10,296)	(10,296)	(5,344)	(15,640)
Allocation of Group earnings to retained earnings		53,868	(53,868)			0
Purchase of treasury stock		(9,250)		(9,250)	(7,562)	(16,812)
Measurement at fair value of financial assets		2,481		2,481	207	2,688
Measurement of "War. '04/'09", "EMH '04/'09" and "Aprilia shareholder instruments"					1,415	1,415
Taxation on items charged to shareholders' equity		(118)		(118)		(118)
Figurative cost of stock options		519		519	424	943
Translation differences		601		601	495	1,096
Other changes		3,252		3,252	(3,237)	15
Reserves and retained earnings			23,619	23,619	19,875	43,494
<b>Balances at 30 June 2007</b>	<b>178,464</b>	<b>210,544</b>	<b>23,619</b>	<b>412,627</b>	<b>259,303</b>	<b>671,930</b>

	<i>Share capital</i>	<i>Reserves and retained earnings</i>	<i>Earnings for the period</i>	<i>Group shareholders' equity</i>	<i>Minority interest capital and reserves</i>	<i>Group and minority interest shareholders' equity</i>
<b>Balances at 31 December 2007</b>	<b>178,464</b>	<b>193,412</b>	<b>32,716</b>	<b>404,592</b>	<b>262,175</b>	<b>666,767</b>
Increases in share capital against payment					253	253
Allocation of Group earnings to legal reserve		558	(558)			0
Allocation of Group earnings to dividends			(10,296)	(10,296)	(9,802)	(20,098)
Allocation of Group earnings to retained earnings		21,862	(21,862)			0
Purchase of treasury stock	(957)	(2,186)		(3,143)	(1,196)	(4,339)
Measurement at fair value of financial assets		(23,141)		(23,141)	796	(22,345)
Measurement of "War. '04/'09", "EMH '04/'09" and "Aprilia shareholder instruments"					(62,450)	(62,450)
Taxation on items charged to shareholders' equity		333		333		333
Figurative cost of stock options		510		510	365	875
Translation differences		(3,163)		(3,163)	(2,239)	(5,402)
Other changes		(82)		(82)	(7,728)	(7,810)
Reserves and retained earnings			26,316	26,316	16,292	42,608
<b>Balances at 30 June 2008</b>	<b>177,507</b>	<b>188,103</b>	<b>26,316</b>	<b>391,926</b>	<b>196,466</b>	<b>588,392</b>

## EXPLANATORY AND ADDITIONAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2008

Note no.	Description
<b>A</b>	<b>General aspects</b>
<b>B</b>	<b>Consolidation area</b>
<b>C</b>	<b>Consolidation principles</b>
<b>D</b>	<b>Accounting standards and measurement criteria</b>
<b>E</b>	<b>Segment reporting</b>
<b>F</b>	<b>Information on the main asset items</b>
F1	Intangible assets
F2	Tangible assets
F3	Property investments
F4	Equity investments
F5	Other financial assets
F6	Amounts due from tax authorities
F7	Deferred tax assets
F8	Trade receivables and other receivables
F9	Assets intended for sale
F10	Inventories
F11	Contract work in progress
F12	Cash and cash equivalents
<b>G</b>	<b>Information on the main liabilities items</b>
G1	Shareholders' equity
G2	Financial liabilities
G3	Trade payables and other payables
G4	Reserves for severance indemnity and similar obligations
G5	Other long-term reserves
G6	Deferred tax liabilities
G7	Current taxation
<b>H</b>	<b>Information on the main Income Statement items</b>
H1	Net revenues
H2	Costs for materials
H3	Costs for services and use of third party assets
H4	Personnel costs
H5	Depreciation of tangible assets
H6	Amortisation of intangible assets with a finite life
H7	Other operating income
H8	Other operating costs
H9	Financial income
H10	Financial charges
H11	Taxation
H12	Gain/loss on the disposal of assets
H13	Group earnings for the period
<b>I</b>	<b>Commitments, risks and guarantees</b>
<b>L</b>	<b>Related party dealings</b>
<b>M</b>	<b>Financial position</b>
<b>N</b>	<b>Dividends paid</b>
<b>O</b>	<b>Profit per share</b>
<b>P</b>	<b>Information on financial instruments</b>

## **- A - GENERAL ASPECTS**

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Immsi S.p.A. (the Company) is a limited company established under Italian law and has registered offices in Mantova - P.za Vilfredo Pareto, 3 Centro Direzionale Boma. The main activities of the company and its subsidiaries (the Group) are described in the interim Directors' Report. Immsi S.p.A. is directly controlled by Omniinvest S.p.A., a company owned by Omniaholding S.p.A.. In this respect, it is noted that on 23 July 2007 the Meetings of Omniinvest S.p.A. and Omnipartecipazioni S.p.A., former controlling shareholder of Immsi, resolved the merger by incorporation of the two companies, which happened on 25 September 2007.

The consolidated financial statements of the Immsi Group include the financial statements of Parent company Immsi S.p.A. and the Italian and international companies directly and indirectly controlled by it, approved by the relevant company functions of the respective companies, suitably reclassified and modified where necessary to adapt them to the Group's accounting principles.

The financial statements are expressed in euros since that is the currency in which most of the Group's transactions take place.

The amounts in the above schedules and in the Notes to the financial statements are stated in thousands of euros (if not otherwise indicated).

Note that the Group carries out activities that, with main reference to the industrial sector, is characterized by significant seasonal changes of sales during the year.

These financial statements are subject to audit limited by Deloitte & Touche S.p.A. pursuant to the mandate granted by the shareholders meeting in 12 May 2006 for the period 2006-2011.

### **CONFORMITY WITH INTERNATIONAL ACCOUNTING STANDARDS**

The consolidated financial statements are drawn up in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission, currently valid, as well as the documents of the International Financial Reporting Interpretations Committee (IFRIC) deemed applicable to the transactions carried out by the Group and the provisions issued in implementation of art. 9 of the Ital.Legisl.Decree 38/2005.

In preparing the financial statements at 30 June 2008, the same policies and criteria adopted in the preparation of the last annual report have been followed. This Report was drawn up within the scope of application of IAS 34 "*Interim Financial Reporting*".

In addition, some evaluative processes, particularly the more complex ones such as the determination of any losses in value of tied-up assets, are generally carried out completely only at the time of drawing up the annual financial statements, when all the necessary information is available, saving the cases in which there are indicators that require immediate evaluation of possible losses of value.

### **PRESENTATION OF THE 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.

With reference to Consob Resolution no. 15519 of 17 July 2006 it is pointed out that, as regards the financial schedules, specific income statement, balance sheet and the schedule of the Cash Flow Statement have been inserted to evidence significant related party dealings and non-



recurring transactions. No atypical or unusual operations have been found during the first half of 2008.

In relation to the options envisaged in IAS 1 “*Presentation of Financial Statements*”, the Immsi Group 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. Overall operating earnings include 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 earnings and earnings before tax. In addition, the income and cost items arising from assets that are intended for disposal or sale, including any capital gains or losses net of the tax element, are recorded in a specific balance sheet item which precedes Group net earnings and minority interest.
- **Consolidated cash flow statement:** The consolidated cash flow statement is presented divided into areas generating cash flows, as indicated by international accounting standards. The model adopted by the Group has been prepared using the indirect method.
- **Schedule of changes 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 recorded in the income statement, but charged directly in consolidated shareholders’ equity on the basis of specific IFRS accounting standards.

## **- B - CONSOLIDATION AREA**

At 30 June 2008, the Immsi Group structure is the one attached at the end of the Notes to the consolidated financial statements.

Changes in the 1<sup>st</sup> half of 2008 to the consolidation area compared to the consolidated income statement at 30 June and 31 December 2007 derive from the completion of the liquidation of Piaggio Indocina PTE Ltd and Progetto Smeb S.r.l..

These limited extent changes do not alter the comparability between the two periods.

## **- C - CONSOLIDATION PRINCIPLES**

The consolidated financial statements were prepared using the line-by-line consolidation method of the financial statements of the Parent company Immsi S.p.A. and of all the companies in Italy and abroad in which the Parent company, whether directly or indirectly through subsidiaries, as defined in IAS 27, or in which Immsi S.p.A., or one of its subsidiaries, owns more than half the voting rights exercisable in shareholder meetings, has the power to control or direct voting rights by means of contractual or bylaw clauses, or can appoint the majority of the members of the Boards of Directors. Excluded from the line-by-line consolidation are those companies held for sale in accordance with IFRS 5, non-operating controlled companies or those with low operating levels as their influence on the final result of the Group is insignificant. The list of companies included in the consolidation area is provided at the end of these notes.

All the balances and the significant transactions between group companies, as well as the unrealized gains/losses on intragroup transactions have been eliminated from these consolidated

financial statements. Unrealized gains/losses generated on transactions with associated or jointly controlled companies are eliminated according to the portion of the equity investment held.

### **Subsidiaries**

The acquisition of subsidiaries by the Group is recorded using the cost method. The acquisition cost is determined from the sum of the fair values, at the date when control is achieved of the assets given, the liabilities incurred or taken on, and the financial instruments issued by the Group in exchange for control of the company acquired, plus the costs directly attributed to the merger.

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

In accordance with the line-by-line consolidation method, the book value of the equity investments has been eliminated against the shareholders' equity of the subsidiaries, by attributing to the minority interest shareholders the portion of shareholders' equity and net earnings for the period due to them in specific headings. 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. The goodwill deriving from the acquisition is registered as an asset and valued at cost and, in agreement with the provisions of IFRS 3, not amortized but subjected to an impairment test.

If the acquisition cost is lower than the net identifiable assets acquired, the difference is charged to the income statement.

The portion of shareholders' equity and net earnings of the subsidiaries that is due to minority interest have been recorded respectively in a specific item under Shareholders' Equity called "Minority Interest Capital and Reserves" and in the Income statement under a heading called "Minority interest".

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.

### **Associated companies**

Equity investments in associated companies, that is, businesses in which a Group company exercises notable influence and therefore participates in their financial and operational policies without however having control, are consolidated using the equity method and consequently the financial results and any changes in the shareholders' equity of associated companies are stated in the consolidated income statement and balance sheet, respectively. 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 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.

The financial statements of the associated enterprises, as defined in IAS 28, are included in the consolidated financial statements as of the date on which began the considerable influence until the time when such considerable influence ceases to exist.

### **Joint control companies**

Joint control companies are businesses over whose activities the Group has joint control, established contractually, by *joint venture* agreements, which imply the establishment of a separate entity in which each participant has a share of the equity investment, as defined in IAS 31. 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, unrealized

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

### **Other companies**

The shareholdings in other enterprises constituting cash equivalents are valued at their fair value and the profits or losses deriving from variations in the fair value are directly ascribed to shareholders' equity. When these shareholdings are sold or suffer losses in value, the profits or losses are ascribed to the profit and loss account.

Equity investments in other minor companies, whose fair value is not available, are recorded at cost which is written down if necessary for impairment. Any dividends received from such companies are included under the financial income.

### **Operations in currency**

The operations in foreign currency are recorded at the rate of exchange in force on the date of the transaction. The monetary assets and liabilities denominated in foreign currency at the date of reference of the balance sheet, are converted at the rate of exchange in force on that date. The exchange rate differences produced by the extinction of monetary entries or their conversion at different rates from those at which they had been converted at the time of the initial recording in the year or in preceding financial statements are recorded in the profit and loss account.

### **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, which is the Group's operating currency and the currency for the presentation of the consolidated annual report.

All the assets and liabilities recorded in currencies other than the euro of foreign companies falling within the consolidation area are converted by using the exchange rates in force at the reference date of the financial statements (current exchange rate method). Income and costs are converted at the average rate for the period.

Exchange rate differences arising from the application of this method are classified as an item of shareholders' equity until the equity investment is disposed of. In preparing the consolidated cash flow statement, average exchange rates have been used to convert the cash flows of the foreign subsidiaries.

During first-time adoption of the IFRS, the cumulative exchange rate differences generated by the consolidation of foreign companies outside the euro zone have not been reversed, as allowed by IFRS 1 and have therefore 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 euro of the financial statements of the companies included in the consolidation area are shown in the table below:

	30/06/2008	AVERAGE 1 <sup>st</sup> half of 2008	31/12/2007	AVERAGE 1 <sup>st</sup> half of 2007
US dollar	1.57640	1.53088	1.47210	1.32935
Pound sterling	0.79225	0.77527	0.73335	0.67466
Indian rupee	67.7974	62.42401	58.02100	56.72952
Singapore dollar	2.14460	2.12315	2.11630	2.03157
Chinese renmimbi	10.80510	10.80115	10.75240	10.25892
Croatian kuna	7.23650	7.26977	7.333080	7.35837
Japanese yen	166.4400	160.56261	164.93000	159.64356

## **- D - ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA**

Listed below are the main accounting policies adopted.

### **INTANGIBLE ASSETS**

An intangible asset is recorded 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 cumulative impairment. Amortisation is equated to their expected useful life and starts when the asset is available for use.

The useful life is re-examined every year, or more frequently if there are events or circumstances that make a measurement update necessary, and any changes are made prospectively.

### ***Goodwill***

The positive difference between the acquisition cost of subsidiaries, associated companies and joint ventures, and the Group's portion in the fair value of the net identifiable values of the assets, liabilities and contingent liabilities is classified as goodwill. Any negative goodwill is recorded in the income statement at the moment of acquisition.

Goodwill is not amortised, but is subjected to checks to identify any 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. After the initial recording, goodwill is valued at cost net of any cumulative impairment.

On disposing of a subsidiary or joint control company, the account, if any, is taken of the corresponding residual value of goodwill in determining the capital gain or loss on the disposal.

During first-time adoption of the international Standards, the Group chose not to adopt the IFRS3, therefore the goodwill generated on acquisitions prior to the 1 January 2004 has been maintained (except for changes deriving from the application of new standards) at the previous value determined in accordance with Italian accounting standards, subject to the verification and recording of any impairment. After 1 January 2004, any further goodwill generated was recalculated and recorded in accordance with IFRS 3.

### ***Development costs***

Development costs relating to 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. Capitalised development costs are amortised on a straight-line basis over 3-5 years, based upon a systematic criterion from the commencement of production. All other development costs are recorded in the income statement when they are incurred.

### **Other intangible assets**

Other intangible assets (concessions, licences, trademarks, etc.) acquired or produced internally are recorded under assets, in accordance with the provisions of IAS 38 “*Intangible assets*”, when the asset is clearly identifiable, it is likely that its 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, equal to 3-5 years except for those trademarks subject to max. 15-year amortisation.

Intangible assets with an indefinite useful life are not amortised but are subjected to impairment checks on an annual basis, or more frequently, if there is an indication that the asset may be impaired.

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

## **TANGIBLE ASSETS**

### **Property, plant and equipment**

Property, plant and equipment are recorded at purchase or production cost, including directly attributable accessory charges, net of accumulated depreciation and impairment. For an asset whose capitalisation is justified, the cost also includes the financial charges which are directly attributable to the purchase, construction or production of the asset.

The costs incurred following the purchase 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 over the estimated useful life of the asset and applying the rates indicated below at the cost of the asset net of its residual value thereof. If the individual components of a complex tangible asset have different useful lives, they are recorded separately so that they can be depreciated in line with their useful lives (the component approach).

Assets are depreciated by applying the criterion and rates indicated below, unless otherwise stated by specific expert reports. Land is not depreciated.

Specific plant	from 3% to 5%
Light constructions	from 7% to 10%
Sports facilities – golf courses	5%
Generic/specific facilities	from 7.5% to 20%
Electrolytic cells	20%
Ovens and sundry equipment	15%
Robotic work centres	22%
Alarm and control/testing instruments	30%
Miscellaneous and small equipment and other tangible assets	from 12% to 40%

Assets to be given free of charge are assets held by the Rodriguez group further to an agreement to lease public land which at the end thereof must be given free of charge and in perfect working order to the lessor and are depreciated according to the term of the lease.

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. Assets held under finance leases are depreciated by applying the criterion and the rates used for assets owned by the company by applying the criterion and rates indicated above.

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 has production plants in states in which the right to ownership is not admitted. Until the last year the lease instalments paid in advance to obtain the availability of the land where the production factories are situated were classified as land and the portion of the lease itself in the amortizations. This is on the basis of the presupposition that, on the one hand the local law does not admit the purchase of property and on the other the duration of approximately 90 years of the contract could make the case in point come under finance lease.

From this year, on the basis what has recently been clarified by IFRIC, the lease instalments paid in advance to obtain the availability of the land where the factories are situated have been reclassified among the receivables.

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**

Annually, or more frequently if there is an indication that there may have been a loss in value, the Group measures the recoverability of the value of tangible and intangible assets with an indefinite useful life (mainly goodwill), comparing the book value of the asset (or group of assets) with its recoverable amount. The recoverable amount is the higher between the fair value net of selling costs 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.

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 value in use is defined on the basis of discounting the estimated future cash flows from using the asset or cash generating unit, as well as of the amount expected to be received upon disposal at the end of its useful life.

Cash generating units are identified according to the organisational structure and business of the Group as homogeneous combinations that generate independent cash inflows from the continued used to the asset associated with them. If the recoverable amount is less than the book value, an impairment is recorded in the income statement immediately, unless the asset is land or buildings other than property investment 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, with the exception of goodwill, 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.

## **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 stated under the “*Property investments*” item and are measured at cost net of accumulated depreciation and impairment. 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.

## **FINANCIAL ASSETS**

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

At subsequent financial statement dates, the financial assets which the Group intends and has the ability to hold 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.

## **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 provision. This provision is calculated on the basis of the recovery assessments carried out by analysis of the individual positions and of the overall risk of all the receivables, taking account of any guarantees.

When the payment of the sum due is deferred 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 to the various forecast cash flows a discount rate that corresponds to the average cost of borrowing for the Group, which for Piaggio is the 20-year Euribor swap rate plus a spread of AA rated Government securities.

## **Assignments of receivables**

The Group sells a significant portion of its trade receivables by factoring them.

The disposals can involve the transfer of risks and benefits, or not. Sale with transfer of risks and benefits, in compliance with the provisions of IAS 39, lead to a reversal of the corresponding amounts of the balance of the receivables due from customers upon payment from the factor. On the contrary, sales without such a transfer do not meet the requirements of international accounting standards for their elimination from the assets since the related risks and benefits are not transferred in substance.

Consequently, all receivables sold using factoring that do not meet the requirements for elimination established by IAS 39 remain recognised in the Group financial statements up to the time of receipt from the debtor; a financial liability for the same amount is recognised in the consolidated financial statements. Gains and losses relating to the sale of such assets are recognised only when those assets are removed from the Group's balance sheet.

## **INVENTORIES**

Inventories of raw materials, semi-finished and finished goods are recorded at the lower of the cost and market value. The valuation of inventories includes the directly incurred materials and labour 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.

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 their possible use or future sale through the creation of a provision for stock write-downs.

Long-term contract work in progress is valued on the basis of the contractual consideration accrued with reasonable certainty according to the criterion of the percentage completed, net of advances invoiced to the customers. The work progress status is measured by referring to the costs of contracts incurred up to the date of the financial statements as a percentage of the total estimated costs for each contract. Any losses on such contracts are fully charged to the income statement at the time they become known.

## **CASH AND CASH EQUIVALENTS**

This heading 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.

## **NON-CURRENT ASSETS HELD FOR SALE**

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.

Assets held for sale are measured at the lower of their net book value and their fair value net of selling costs.

## **FINANCIAL LIABILITIES**

Loans are initially recognised at the original amount received net of the accessory loan charges. After initial recognition, financial liabilities are recorded using the amortised cost method, calculated using the effective interest rate.

Financial liabilities hedged by derivative instruments are measured at present value, using the method 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 by the actual portion of the loss and the gain arising from subsequent measurements at fair value of the hedged risk.



## **DERIVATIVE FINANCIAL INSTRUMENTS**

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 derivatives is regulated by written procedures on the use of derivatives in line with the Group's risk management policies.

Derivative instruments are used only for hedging, so as to reduce the risk of changes in market price and in exchange and interest rates.

Derivatives are initially recorded at cost, and then adjusted to the fair value at subsequent period end dates, as established by IAS 39.

Financial derivative instruments may 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 designated, as established by IAS 39.

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

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 in the income statement. Gains or losses on the hedged item, attributable to the risk hedged, change the book value of that item and are 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 for the derivative is recorded under shareholders' equity. The cumulative gain or loss is reversed from shareholders' equity and recorded in the income statement in the same period in which the hedged transaction is recorded. The gain or loss associated with the hedge or that part of the hedge that is ineffective, is immediately recorded on the income statement. If a hedging instrument or a hedge are closed, but the hedged transaction has not yet taken place, the cumulative gains and losses, which until that moment had been recorded under shareholders' equity, are recognised 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 in the income statement.

## **PAYABLES**

Trade payables falling due within normal commercial terms are not discounted and are recognised at their nominal value, which is considered representative of their discharge value.

## **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*" and must consequently be recalculated using the "Projected Unit Credit Method", by undertaking actuarial measurements 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 after termination of 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 relating to unrecorded previous employment services, plus the present value of any repayments and reductions in future contributions to the plan.

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

Because of the reform of complementary social security introduced by Italian Law 296 of 27 December 2006 and the following implementing decrees and regulations, the portions of TFR (staff severance fund) accrued up to 31 December 2006 will continue to remain in the company drawing up a defined benefits plan (obligation for the benefits accrued to be subject to actuarial evaluation), while the accruing portions since 1 January 2007, because of the choices made by the employees of the companies in the Group (with more than 50 employees), are intended for forms of complementary social security or transferred by the company to the treasury fund managed by INPS, being configured as of the time when the choice is formalized by the employee as defined contribution plans (no longer subject to actuarial evaluation).

In the light of the new regulatory provisions, it has become necessary to recalculate the amount of liabilities accrued at 31 December 2006 in order to adjust the model of actuarial evaluation previously used for determining the portion of the future obligation of the company (Projected unit credit method), depending on the new actuarial hypotheses (rate of revaluation of the law required for this Institute in place of the estimates of wage increase) without considering, due to the by now substantially complete accrual of the obligation, the pro-rata of the service provided on the portions of future accrual. This recalculation, according to the provisions of paragraph 109 of IAS 19, involved recording the curtailment of non-recurring proceeds registered to reduce the costs of personnel.

It should be noted that the financial and asset and liability effects produced by the new methodological setup are included in the profit and loss account.

Since the company has fewer than 50 employees, limited to the personnel that has not opted for complementary social security and for which the Companies will continue to manage the Staff Severance Fund, made the actuarial evaluation of the fund accruing since 1 January 2007.

## **STOCK OPTIONS**

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.

If a holding period is envisaged in which certain conditions must apply before the assignees become rights holders, the cost of compensation, determined on the basis of the fair value of the options at the grant date, is recorded under employee costs on the basis of constant portions over the period between the grant date and that of maturity, with a counter-entry recognised directly in shareholders’ equity. Fair value is determined using the Black Scholes method.

Changes in the fair value of the options after the grant date have no impact on the initial measurement.

## **PROVISIONS FOR RISKS AND CHARGES**

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

Changes in the estimate are reflected in the income statement for the period in which the change occurred. Should the impact be significant, the provisions are calculated by discounting the estimated future financial cash flows at a discount rate that is estimated gross of taxes so as to reflect the current market assessments of the present value of money and the specific risks connected to the liabilities.

## **DEFERRED TAXATION**

Deferred taxation is determined on the basis of the temporary taxable differences between the book value of assets and liabilities and their tax value. Deferred tax assets are recognised only to the extent that the existence of adequate future taxable income against which to use this positive balance is considered likely. The book value of deferred tax assets is subject to annual review 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 offset when there is a legal right to offset current tax assets and liabilities, and when the taxes are due to the same tax authority and when the Group intends to liquidate the current tax assets and liabilities on a net basis.

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

## **RECOGNITION OF INCOME AND COSTS**

According to the types of transaction, revenues are recorded using the following criteria:

- revenues from the sale of goods are recognised when the risks and benefits relating to ownership of the asset are transferred to the buyer;
- revenues from the provision of services are recorded on the basis of the state of completion of the activity, using the same criteria as contract work in progress;
- revenues from contract work in progress are recorded, up to the time of delivery, by recognising the revenues on the basis of the work progress status at the year end, determined according to the costs actually incurred on the basis of updated estimates.

Revenues and income, costs and charges are stated net of returns, discounts, allowances and premiums.

In accordance with IAS 18, revenues from recharged expenses are offset with the related costs that generated them.

Revenues of a financial nature are recognised on an accrual basis.

## **GRANTS**

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

Grants related to income are recorded in the financial statements provided that the right to receive

them is certain and they are charged to the income statement in relation to the costs against which they are provided.

Shipbuilding grants are recorded on an accrual basis in relation to the work progress status of the underlying construction.

### **FINANCIAL INCOME**

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

### **FINANCIAL CHARGES**

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

### **DIVIDENDS**

Dividends recorded in the income statement, arising from minority equity investments, are recorded when, following the resolution to distribute a dividend is passed by the investee company, the related tax credit right arises.

### **INCOME TAX**

Taxation is the sum total of current and deferred taxes.

The consolidated financial statements include the taxation set aside in the financial statements of the individual companies that are part of the consolidation area, in line with the expected tax rate for the year 2008. Income tax is recorded in the income statement, except for that relating to items directly charged or credited in shareholders' equity, in which case the tax effect is recognised directly in shareholders' equity.

Tax due in the case of the distribution of reserves on which tax has been suspended recorded in the financial statements of the individual Group companies is not set aside since their distribution is not expected.

The taxes are given under the entry of "Tax Debts" net of advance payments and withholdings suffered.

With effectiveness as of the year 2007 and for the three-year period 2007-2009, Piaggio & C. S.p.A., Moto Guzzi S.p.A., Rodriquez Cantieri Navali S.p.A., Intermarine S.p.A., Conam S.p.A., Is Molas S.p.A. and Apuliae S.p.A. joined Consolidato Fiscale Nazionale in accordance with the articles from 117 to 129 of the Amalgamated Law of Income Taxes whose consolidating company is IMMSI S.p.A.. The consolidating company determines a single taxable base for the group of companies that join Consolidato Fiscale Nazionale (national fiscal consolidation), being able, therefore, to compensate taxable incomes with fiscal losses in a single declaration. Each company joining the consolidation transfers the fiscal income (taxable income or fiscal loss) to the consolidating company. The latter records a credit with the consolidated companies transferring a taxable amount while with the companies that bring fiscal losses, the consolidating company registers a debt equal to the IRES (income tax) on the portion of loss actually compensated for at group level on 31 December 2007.

## **EARNINGS PER SHARE**

Earnings per share are 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, excluding treasury shares. When calculating diluted earnings per share, the weighted average number of shares in circulation is adjusted assuming the conversion of all the potential shares having a dilution effect. Even Group net earnings are adjusted to take account of the conversion effect, net of taxation.

## **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 income, costs, assets and liabilities in the financial statements and on the information relating to contingent assets and liabilities at the financial statement date. If such estimates and assumptions, which are based on management's best valuation, should differ from actual future circumstances, they would be suitably adjusted in the period in which such circumstances were to change.

The estimates are used to measure the tangible and intangible assets subject to impairment tests, as well as for recording provisions for risks on receivables, for obsolescence of stocks, amortisation, write-downs of assets, employee benefits, tax, restructuring provisions, product warranty provisions, and other provisions and reserves. These estimates and assumptions are periodically reviewed and the impact of each change is immediately reflected in the income statement.

## **NEW ACCOUNTING STANDARDS**

On 30 November 2006 IASB issued the accounting principle IFRS 8 – *Operating Segments* that will be applicable as of 1 January 2009 in place of IAS 14 – *Segment Reporting*. The new accounting principle requires the company to base the sector information on the elements that the management uses for taking its own operational decisions, therefore it requires the identification of the operational segments on the basis of the internal reporting that is regularly reviewed by management for the purpose of the allocation of the resources to the different segments and for the purpose of the performance analyses. On the date of issue of this Half-year Financial Report, the process of type-approval of the principle by the relevant bodies of the European Union has not yet been concluded and the Group is evaluating the effects that could derive from the adoption of this principle.

On 29 March 2007 IASB issued a revised version of IAS 23 – *Borrowing Costs* that will be applicable as of 1 January 2009. The new version of the principle no longer has the option according to which companies can immediately record the financial burdens sustained for assets in the profit and loss account so a certain period of time normally elapses to make the asset ready for use or for sale. The principle will be applicable in a perspective way to the financial burdens related to the capitalized assets as of 1 January 2009. On the date of issuing these financial statements, the relevant bodies of the European Union have not yet concluded the necessary process of type-approval for applying this principle.

On 6 September 2007 the IASB issued a reviewed version of IAS 1 – *Presentation of the Financial Statements* that will be applicable as of 1 January 2009. The new version of the standard requires the company to present a statement of changes to the shareholders' equity of all the changes from transactions with shareholders. All the transactions generated with third parties ("comprehensive income") must instead be stated in a single statement of "comprehensive income" or in two

statements (profit and loss account and statement of “comprehensive income”). In any case the variations produced by transactions with third parties cannot be found in the statement of the changes to shareholders’ equity.

At the date of issue of this Report the relevant bodies of the European Union have not yet concluded the necessary process of type-approval for the application of this interpretation.

On 10 January 2008 IASB issued an updated version of IFRS 3 – *Business Combinations*. The main changes made to IFRS 3 pertain particularly to the elimination of the obligation to evaluate the single assets and liabilities of the subsidiary at fair value in every following acquisition, in the case of acquisition by degrees of subsidiary companies. The goodwill in such cases will be determined as the differential between the value of the share immediately prior to acquisition, the consideration of the transaction and the value of the acquired net assets. In addition, if the company does not purchase 100% of the shares, the portion of net equity of third parties can be valued both at fair value and using the method already required by IFRS 3. The revised version of the standard requires moreover ascribing all the costs associated with the business aggregation to the profit and loss account and collecting the data at the date of the acquisition for payments subject to the condition.

At the date of issue of this Report the relevant bodies of the European Union have not yet concluded the necessary process of type-approval for the application of this interpretation.

At the same date it also amended IAS 27 – *Consolidated and Separate Financial Statements* establishing that changes to the portion of profit-sharing that are not a loss of control must be treated as equity transactions and therefore must be set off to shareholders' equity. In addition, it is established that when a company surrenders control in one of its subsidiaries but continues however to hold a stake of capital in the company it must evaluate the shareholding kept in the financial statements at fair value and ascribe any profits or losses deriving from the loss of control to the profit and loss account. Finally the amendment to IAS 27 requires that all the attributable losses to minority shareholders be allocated to the portion of shareholders' equity of third parties, even when these exceed their portion of capital in the subsidiary. The new rules will be applicable in a perspective manner as of 1 January 2010.

At the date of issue of this half-year financial report the relevant bodies of the European Union have not yet concluded the necessary process of type-approval for the application of this amendment.

On 17 January 2008 the IASB issued an amendment to IFRS 2 – *Vesting Conditions and Cancellations* according to which, for the purposes of evaluation of the instruments of remuneration based on actions, only the conditions of service and the conditions of performance can be considered conditions of maturity of the plans. The amendment clarifies besides that, in case of annulment of the plan, it is necessary to apply the same accounting treatment, no matter what the cause.

At the date of issue of this half-year financial report the relevant bodies of the European Union have not yet concluded the necessary process of type-approval for the application of this amendment.

On 14 February 2008 the IASB issued an amendment to IAS 32 – *Financial Instruments: Presentation* and to IAS 1 – *Presentation of the financial statements* - puttable Financial instruments and derivative bonds at the time of liquidation. Particularly, the standard requires company to classify puttable financial instruments and financial instruments that require the company to deliver a stake in the assets of the company to a third party as instruments of equity. This amendment must be applied as of the first of January 2009.

At the date of issue of this half-year financial report the relevant bodies of the European Union have not yet concluded the necessary process of type-approval for the application of this amendment.

On 22 May 2008 the IASB issued a set of changes to the IFRS; there follow solely those indicated by the IASB as variations that will involve a change in the presentation, recognition and evaluation of the items in the financial statements, skipping those that will only determine terminological variations.

- IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. The change, that must be applied as of the first of January 2010, establishes that if an enterprise is engaged in a transfer plan that involves losing the control of a subsidiary, all the assets and liabilities of the subsidiary must be reclassified among the assets intended for sale, even if after the transfer the enterprise will still hold a minority stake in the subsidiary.
- IAS 16 – *Property, Plant and Equipment*. The change, that must be applied as of the first of January 2009 establishes that the enterprises whose characteristic business is renting must reclassify the goods in the warehouse that stop being rented and are intended for sale. As a result, the consideration deriving from their transfer must be recognized as revenues. The consideration paid to build or purchase goods to allocate to others, as well as the consideration collected from the following sale of such goods, is, for the purposes of the financial account, cash flows deriving from operational activities (and not from activities of investment).
- IAS 19 – *Employee Benefits*. The amendment must be applied in a perspective way as of the first of January 2009 to variations in the benefits occurring after said date. It clarifies the definition of cost/revenue related to past work performance and it establishes that in case of reduction to a plan, the effect to be immediately written to the profit and loss account must comprise only the reduction in benefits related to future periods, while the effect deriving from any reductions tied to past periods of service must be considered a negative cost related to the past work performance.
- IAS 20 – *Accounting for Government Grants and Disclosure of Government Assistance*. The change, that must be applied in a perspective way as of the first of January 2009 establishes that the benefits deriving from loans granted by the state at a much lower interest rate than that of the market must be treated as public grants and therefore follow the rules of recognition established by IAS 20.
- IAS 23 – *Borrowing Costs*. The definition of financial burdens has been reviewed. The change must be applied as of the first of January 2009.
- IAS 28 – *Investments in Associates*. The change, that must be applied also only in a perspective way as of the first of January 2009 establishes that in the case of investments valued according to the method of shareholders' equity any loss in value must not be allocated to the single assets (and particularly to any goodwill) that form the reported value of the investment, but at the value of the subsidiary in its entirety. Therefore, when there are the conditions for subsequent restoration of value, this restoration must be recognized entirely.
- IAS 28 – *Investments in Associates* and IAS 31 – *Interests in joint ventures*. These amendments that must be applied as of the first of January 2009 require that additional information also be supplied for investments in associated enterprises and joint ventures valued at fair value according to IAS 39. Accordingly changes have been made to IFRS 7 – *Financial Instruments: disclosures* and IAS 32 – *Financial Instruments: presentation in financial statements*.

- IAS 29 – *Financial Reporting in Hyperinflationary Economies*. The preceding version of the standard did not reflect the fact that some assets and liabilities could be valued in the financial statements on the basis of the current value rather than the historical cost. The change to take this eventuality into consideration must be applied as of the first of January 2009.
- IAS 36 – *Impairment of Assets*. The change, that must be applied as of the first of January 2009 requires that additional information be supplied in the case in which the company determines the recoverable value of the cash generating unit using the method of the application of the implementation of the cash flows.
- IAS 38 – *Intangible Assets*. The change, which must be applied as of the first of January 2009, requires reporting promotional and advertising costs in the profit and loss account. In addition, it establishes that in the case in which the enterprise sustains burdens with future financial benefits without recording intangible assets, they must be reported in the profit and loss account when the enterprise has the right to access the goods, in the case of purchasing goods, or the service is provided, in the case of purchasing services. Lastly, the standard has been modified to allow enterprises to use the method of units produced for determining the amortization of intangible assets with a defined useful life.
- IAS 39 – *Financial Instruments – Recognition and Measurement*. The amendment, that must be applied as of the first of January 2009 clarifies how the new actual interest rate of a financial instrument must be calculated at the end of a relationship for covering the fair value. In addition, it clarifies that the prohibition on reclassification in the category of financial instruments with adjustment of the fair value to the profit and loss account must not be applied to the derived financial instruments that can no longer be qualified as coverage or that instead become coverage. Finally, to avoid conflict with the new IFRS 8 – *Operating Segments*, it eliminates references to the designation of a sector hedging instrument.
- IAS 40 – *Investment Property*. The change, that must be applied in a perspective way as of the first of January 2009 establishes that investments in real estate under construction come within the sphere of application of IAS 40 rather than in that of IAS 16.

At the date of issue of this half-year financial report the relevant bodies of the European Union have not yet concluded the process of type-approval of the above-described improvements.

On 3 July the IFRIC issued its interpretation IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation* with which the possibility has been eliminated of applying hedge accounting for the operations of hedging the differences in exchange rate originating between the functional currency of the foreign subsidiary and the currency of presentation of the consolidation. The interpretation moreover clarifies that in the case of operations of hedging an investment in a foreign enterprise the hedging instrument can be held by any company in the Group, and that, in case of transfer of the investment, for the determination of the value to be reclassified from the shareholders' equity to the profit and loss account it is necessary to apply IAS 21 – *The Effects of Changes in Foreign Exchange Rates*. The interpretation must be applied as of the first of January 2009.

At the date of issue of this half-year financial report the relevant bodies of the European Union have not yet concluded the necessary process of type-approval for its application.

Lastly it should be remembered that during 2007 the following interpretations were issued that discipline the case in point and cases not present in the Group:



- IFRIC 12 – *Service Concession arrangements* (applicable since 1 January 2008);
- IFRIC 13 – *Customer Loyalty Programmes* (applicable as of 1 January 2009);
- IFRIC 14 – *Defined Benefits Assets and Minimum Funding Requirements*;
- IFRIC 15 – *Agreements for the Construction of Real Estate*.

## **- E - INFORMATION BY SECTOR**

In accordance with IAS 14, information is provided below by business areas (primary sector) and by geographical areas (secondary sector).

In this respect, as regards business areas, where possible information is provided relating to the property/holding company, industrial and shipbuilding sectors.

### **Primary sector: business areas**

#### **Income statement**

	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Naval sector</i>	<i>Immsi Group</i>
In thousands of euros				
Net revenues to third parties	2,390	900,333	73,216	975,939
Net intercompany revenues				0
<b>NET REVENUES</b>	<b>2,390</b>	<b>900,333</b>	<b>73,216</b>	<b>975,939</b>
<b>OPERATING EARNINGS</b>	<b>-3,772</b>	<b>81,817</b>	<b>-6,280</b>	<b>71,765</b>
Gain / loss on equity investments	0	47	0	47
Financial income				20,598
Financial charges				35,540
<b>EARNINGS BEFORE TAXATION</b>				<b>56,870</b>
Taxation				14,262
<b>EARNINGS AFTER TAXATION FROM CONTINUING ASSETS</b>				<b>42,608</b>
Gain (loss) from assets intended for disposal or sale				0
<b>EARNINGS FOR THE PERIOD INCLUDING MINORITY INTEREST</b>				<b>42,608</b>
Minority interest earnings for the period				16,292
<b>GROUP EARNINGS FOR THE PERIOD</b>				<b>26,316</b>

#### **Balance sheet**

	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Naval sector</i>	<i>Immsi Group</i>
In thousands of euros				
Sector business	270,852	1,640,419	265,650	2,176,921
Equity investments in associated companies	0	719	22	741
<b>TOTAL ASSETS</b>	<b>270,852</b>	<b>1,641,138</b>	<b>265,672</b>	<b>2,177,662</b>
<b>TOTAL LIABILITIES</b>	<b>125,145</b>	<b>1,213,437</b>	<b>250,688</b>	<b>1,589,270</b>

## Other information

In thousands of euros	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Naval sector</i>	<i>Immsi Group</i>
<b>Investments in tangible and intangible assets</b>	695	37,561	2,661	40,917
<b>Depreciation, amortisation and write-downs</b>	736	47,878	1,744	50,358
<b>Cash flow from operations</b>	-5,525	59,099	-24,038	29,536
<b>Cash flow from investments</b>	-995	-37,198	-1,648	-39,841
<b>Cash flow from financing</b>	-19,364	-40,419	17,177	-42,606

## Secondary sector: geographical areas

The following table presents the Group income statement and balance sheet figures for the 1<sup>st</sup> half of 2008 in relation to the geographical areas “of origin”, that is, with reference to the country of the company which received the revenues or which owns the assets.

Distribution of revenues by the geographical area of “destination”, that is, with reference to the customer’s country, is analysed in the comments to this note under the income statement items.

## Income statement

In thousands of euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Net revenues to third parties	665,430	127,995	122,614	34,876	25,024	975,939
Net intercompany revenues						0
<b>NET REVENUES</b>	<b>665,430</b>	<b>127,995</b>	<b>122,614</b>	<b>34,876</b>	<b>25,024</b>	<b>975,939</b>

## Balance sheet

In thousands of euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Sector business	1,916,860	124,813	87,866	31,797	15,585	2,176,921
Equity investments in associated companies	693	3			45	741
<b>TOTAL ASSETS</b>	<b>1,917,553</b>	<b>124,816</b>	<b>87,866</b>	<b>31,797</b>	<b>15,630</b>	<b>2,177,662</b>

In thousands of euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
<b>Total receivables</b>	312,362	83,526	12,232	10,217	6,157	424,494
<b>Total payables</b>	641,341	55,138	44,630	2,863	2,914	746,886

## Other information

In thousands of euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
<b>Investments in tangible and intangible assets</b>	34,856	1,500	2,800	200	1,561	40,917
<b>Depreciation, amortisation and write-downs</b>	45,032	2,974	1,697	593	62	50,358

## - F - INFORMATION ON THE MAIN ASSET ITEMS

Amounts are stated in thousands of euros unless otherwise indicated.

### - F1 - INTANGIBLE ASSETS 816,092

Net intangible assets at 30 June 2008 total 816,092 thousand euros, a 3,001 thousand euros increase compared to 31 December 2007, as detailed below:

In thousands of euros	Gross amounts				Balance at 30.06.2008
	Balance at 31.12.2007	Increases	Change in consolidation area	Other movements	
Development costs	289,817	22,951	0	(1,849)	310,919
Concessions, patents, industrial and similar rights	127,742	1,302	0	(2)	129,042
Trademarks and licences	163,132	0	0	0	163,132
Software	856	204	0	0	1,060
Goodwill	612,699	6,114	0	0	618,813
Other intangible assets	3,282	37	0	(129)	3,190
<b>TOTAL</b>	<b>1,197,528</b>	<b>30,608</b>	<b>0</b>	<b>(1,980)</b>	<b>1,226,156</b>

The table below illustrates the changes in amortisation relating to the above items:

In thousands of euros	Accumulated amortisation				Net amounts	
	Balance at 31.12.2007	Depreciation	Change in consolidation area	Other movements	Balance at 30.06.2008	Balance at 30.06.2008
Development costs	210,307	15,632	0	(703)	225,236	85,683
Concessions, patents, industrial and similar rights	102,352	6,353	0	0	108,705	20,337
Trademarks and licences	64,960	4,152	0	0	69,112	94,020
Software	763	40	0	0	803	257
Goodwill	3,433	0	0	0	3,433	615,380
Other intangible assets	2,622	153	0	0	2,775	415
<b>TOTAL</b>	<b>384,437</b>	<b>26,330</b>	<b>0</b>	<b>(703)</b>	<b>410,064</b>	<b>816,092</b>

N.B.: The "Other movements" item includes the reductions for fully amortised intangible assets, translation differences relating to financial statements in foreign currencies, reclassifications and write-downs.

### Development costs

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. The item includes assets in the process of formation for 27,987 thousand euros which represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.

The costs of development are not amortized until completion of the project, when they begin to generate revenues and are amortized at constant rates, in 3 – 5 years, in consideration of their remaining utility.

The projects capitalized by the Piaggio group during the 1<sup>st</sup> half of 2008 mainly refer to the new models of hybrid Piaggio MP3, Vespa GTS 300, Aprilia RSV 1000 4c, Naked 1200cc, Moto Guzzi Stelvio and 1400cc engine, Derbi DRV Evo 50cc, Derbi Mulhacen Café, Derbi Terra 125cc, diesel engine India VTL and Porter update. During the half the Piaggio group has capitalized in the intangible fixed assets 22.5 million euro and registered costs of development for around 12.3 million euros directly in the profit and loss account.

As regards the shipbuilding sector, in the last few years the Rodriquez group has started three important research projects through the parent company Rodriquez Cantieri Navali: fully submerged hydrofoils, “Enviroaliswath” and “Pia-Lightprop”.

The former has an overall value of some 25 million euros and envisages the planning and construction of two prototypes of a new submerged-foil hydrofoil. The second project, named “Enviroaliswath”, has an overall value of 18.6 million euros and envisages the planning and construction of a naval vessel that is innovative as regards environmental impact in terms of wake wash reduction. Finally, the project named “Pia-Lightprop”, with an overall cost of 2.4 million euros, envisages the planning and construction of newly-conceived stern drive naval engines. At 30 June 2008 design costs were capitalized for 16.3 million euros while the part concerning the construction of the prototypes deriving from the projects has been accounted in leftover stock and the remainder accounted in the profit and loss account compensating for the contributions.

### **Concessions, industrial patents, intellectual rights and similar rights**

The Piaggio group has registered 9,650 thousand euros related to the implementation of applications in the commercial, administrative and production areas and patents and know-how for a total of 10,687 thousand euros basically for Vespa, MP3 and GP800 products. This item, whose value is amortized for a period of three years, includes fixed assets in progress for 2,366 thousand euros.

### **Trademarks and licences**

The trademarks and licences with a finite life item, totalling 94,020 thousand euros, is as follows:

	<b>Net Value at 30 June 2008</b>	<b>Net Value at 31 December 2007</b>
Guzzi	24,854	25,933
Aprilia	68,850	71,843
Laverda	233	310
Minor brands	83	86
<b>Total Brands</b>	<b>94,020</b>	<b>98,172</b>

The gross value of the Aprilia brand is 89,803 thousand euros, while that of Moto Guzzi is 32,391 thousand euros.

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.

Within the sphere of the agreements for the acquisition of Aprilia, in December 2004 the company issued warrants and financial instruments for the creditor banks of Aprilia and of the selling shareholders, exercisable in periods determined by the respective regulations starting from the approval of the consolidated financial statements at 31 December 2007 the comment on this is given under the heading of Goodwill.

### **Other intangible assets**

The “Other intangible assets with a finite life” item, totalling 415 thousand euros, includes only charges held by Piaggio group to obtain the permission from the Vietnamese Government for the new plant.

## Goodwill

The composition of goodwill is detailed in the following table:

In thousands of euros	<i>Net balance at 31.12.2007</i>	<i>Increases / Decreases</i>	<i>Net balance at 30.06.2008</i>
Acquisition of 100% of Piaggio & C. S.p.A. by Piaggio Holding N. BV (in 2003)	405,985		405,985
Acquisition of 2.81% of Piaggio & C. S.p.A. by Piaggio Holding N. BV (in 2006)	14,620		14,620
Acquisition of 31.25% of Piaggio Holding N. BV by Immsi (in 2003)	3,480		3,480
Acquisition of 5.23% of Piaggio & C. S.p.A. by Immsi (in 2004)	6,866		6,866
Acquisition of 17.7% of Piaggio Holding N. BV by Immsi (in 2004 and 2006)	64,756		64,756
Acquisition of 1.9% di Piaggio & C. S.p.A. by Immsi S.p.A. (in 2007 and 2008)	1,913	3,741	5,654
Acquisition of 100% of Aprilia S.p.A. by Piaggio & C. S.p.A. (in 2004)	77,245	2,144	79,389
Acquisition of 66.49% of Rodriguez S.p.A. by RCN Finanziaria S.p.A. (in 2004)	30,337		30,337
Acquisition of 33.51% of Rodriguez S.p.A. by RCN Finanziaria S.p.A. (in 2005)	2,001		2,001
Acquisition of 2.37% of RCN Finanziaria S.p.A. by Immsi S.p.A. (in 2007)	1,286		1,286
Other acquisitions / changes	777	229	1,006
<b>TOTAL</b>	<b>609,266</b>	<b>6,114</b>	<b>615,380</b>

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

As already stated, as of 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, subjected to tests to identify any impairment, in accordance with the provisions of IAS 36 "*Impairment of Assets*".

The recorded increase in the period, equal to 6,114 thousand euros, is mainly due to the evaluation of the financial instruments tied to the acquisition of the Aprilia unit and the purchase of nos. 6,209,909 shares of Piaggio & C. S.p.A. by the Parent Company for a total amount equal to 11,537 thousand euros.

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 relate to the discount rate and the growth rate. In particular, the Piaggio 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, net of tax, is 8.00%. 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 by the Piaggio group 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, that foresees a positive trend for the next 3 years, provides reassurance on the appropriateness of the figures used. During the 1<sup>st</sup> half of 2008, there were no events such as to indicate that an asset might have been impaired.

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

- **Piaggio 2004/2009 Warrant** for an overall issue price of 5,350.5 thousand euros, which envisages a redemption price, commensurate to the differential between the economic value of the Piaggio group on the date of exercising and a chart of threshold values that vary in relation to the different periods of exercise, that can never exceed the overall issue price equal to 64,206 thousand euros by more than twelve times. This sale value can be regulated, with the option reserved for the issuer, both in cash and by delivering shares of Piaggio & C. S.p.A. that, since 2005, has accounted the fair value of this commitment in a specific net shareholders' equity reserve in the hypothesis of regulating the value of sale with the delivery of shares, having in the meantime started the process for listing the company and considering a resolution of the Extraordinary Shareholders' Meeting for the increase in reserved capital by issuing up to a maximum of 25 million shares.

In the course of the first half of 2008 the almost entirety of the banks holding the warrants exercised them. The value of realization of the property rights of the holders of the 9,959 exercised warrants is equal to 63,942,755.40 euros as per evaluation made by an independent valuer on 5 June 2008. On 11 June 2008 the Piaggio Board of Directors deliberated to proceed with liquidation by cash settlement within 3 July 2008. After this decision what had previously been classified among the reserves of shareholders' equity was reclassified under financial indebtedness. At 30 June 2008 there are still 41 warrants not yet exercised for a value of 263,244.60 euros;

- **EMH 2004/2009 financial instruments** for a global nominal value of 10,000 thousand euros, which grant the right to the payment, after approval of the financial statements at 31 December 2009, of a minimum guaranteed sum of 3,500 thousand euros, as well as a maximum sale value that can never exceed 6,500 thousand euros commensurate to the differential between the economic value of the Piaggio group on the date of exercising and a chart of threshold values, greater than those established for the Piaggio 2004/2009 Warrants that vary in relation to the different periods of exercise. The value of realization of the property rights of the holders of the EMH Instruments is equal to 6,500,000 euros as per evaluation made by an independent valuer on 5 June 2008. On 11 June 2008 the Piaggio Board of Directors deliberated to proceed with liquidation by cash settlement within 3 July 2008;

- **Aprilia shareholder 2004/2009 financial instruments** which envisage a sale value that can never exceed 10,000 thousand euros commensurate to the differential between the economic value of the Piaggio group on the date of exercise and a chart of threshold values and subordinate to the total payment by Piaggio & C. S.p.A. of the maximum amount of the value required for the Piaggio 2004/2009 Warrants and the financial instruments EMH 2004/2009.

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 final results and the forecasts of the 2008-2010 Plan, the adjustment of the initial purchase cost has been considered certain for the warrant and the EMH Financial Instruments, and likely for Aprilia Shareholder Instruments, that has been estimated at 79,389 thousand euros, charged to goodwill.

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



	Amount	at 30 June 2008			at 31 December 2007	Change (A-B)
		Present Value (A)	Time	Discount rate	Present Value (B)	
Warrant	64,206	64,206	0	6.94%	62,450	1,756
EMH instruments	6,500	6,500	0	6.94%	6,322	178
Aprilia shareholder instrument	10,000	8,683	2.1	6.94%	8,473	210
<b>Total</b>	<b>80.706</b>	<b>79.389</b>			<b>77.245</b>	<b>2.144</b>

The counter-entry for the adjustment to the purchase cost, following the deliberation of the Board of Directors of Piaggio & C. S.p.A. of 11 June 2008, has been recorded to financial payables.

As regards the Rodriguez group, the goodwill recognised was tested for impairment at 31 December 2007 and the test confirmed that the amounts recorded in the financial statements do not need to be changed. In this respect, it is pointed out that a discount rate was adopted that reflects the current market cost of capital and takes account of the specific risk attributable to the group. This 7.84% rate is net of taxation. The net operating cash flow forecasts derive from those built into the most recent budgets and plans prepared by the Rodriguez group for the next three years. During the 1<sup>st</sup> half of 2008, moreover, no events have occurred such as to indicate losses of non-recoverable values.

## **- F2 - TANGIBLE ASSETS**

**297,962**

Net tangible assets at 30 June 2008 total 297,962 thousand euros, compared to 308,426 thousand euros at 31 December 2007, and comprise property assets of Immsi S.p.A. for 11,918 thousand euros, of the Piaggio group for 237,537 thousand euros, of the Rodriguez group for 29,449 thousand euros and of Is Molas S.p.A. for 19,058 thousand euros. The following table details this item:

In thousands of euros	Gross amounts					
	Balance at 31.12.2007	Increases	Decreases	Change in consolidation area	Other movements	Balance at 30.06.2008
Land	57,268	0	0	0	0	57,268
Property	144,190	3,681	0	0	(1,420)	146,451
Plant and machinery	332,546	2,562	(499)	0	(2,840)	331,769
Industrial and commercial equipment	459,029	7,520	(19)	0	141	466,671
Assets to be given free of charge	16,412	94	0	0	0	16,506
Other assets	52,196	2,566	(129)	0	(484)	54,149
<b>TOTAL</b>	<b>1,061,641</b>	<b>16,423</b>	<b>(647)</b>	<b>0</b>	<b>(4,603)</b>	<b>1,072,814</b>

The table below shows the changes in depreciation for the above items:

In thousands of euros	Accumulated amortisation					Net amounts	
	Balance at 31.12.2007	Depreciation	Applications	Change in consolidation area	Other movements	Balance at 30.06.2008	Balance at 30.06.2008
Land	116	0	0	0	0	116	57,152
Property	39,653	2,197	0	0	0	41,850	104,601
Plant and machinery	255,763	7,002	(499)	0	0	262,266	69,503
Industrial and commercial equipment	405,308	10,943	(15)	0	0	416,236	50,435
Assets to be given free of charge	10,808	536	0	0	0	11,344	5,162
Other assets	41,567	1,514	0	0	(41)	43,040	11,109
<b>TOTAL</b>	<b>753,215</b>	<b>22,192</b>	<b>(514)</b>	<b>0</b>	<b>(41)</b>	<b>774,852</b>	<b>297,962</b>

N.B.: The "Other movements" item includes the translation differences relating to financial statements in foreign currencies, reclassifications and write-downs.

Among the tangible assets at 30 June 2008 there are 5,162 thousand euros related to entirely freely transferable assets owned by the Rodriguez group represented by light and fabricated constructions, and related costs of restructuring, built on State land in the Municipality of Messina. The amortization of the buildings built on State land is performed according to the residual duration of the concession with expiration in December 2013.

These assets, held because of a concession agreement, at its expiry, must be freely and in a perfect state of operation transferred to the granting body.

Among the tangible fixed assets there are 81 thousand euros of assets purchased by the direct controlling company of the Parent Company.

The tangible fixed assets are amortized at rates considered fit to represent their useful life and in any case according to a plan of fixed rate amortization for which reference is made to paragraph D. The land is not amortized.

### **Land and property**

Land and industrial property refer to production facilities of the Piaggio group located in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcellona (Spain), Baramati (India) and Hanoi (Vietnam), to the building owned by Immsi S.p.A. located in Roma, to the industrial complex of the Rodriguez group and to the tourism/hotel structure managed by Is Molas S.p.A. in the Municipality of Pula (Cagliari). This item includes fixed assets in progress and accounts for 8,324 thousand euros.

At 30 June 2008, the net value of the land and property owned under finance leases is 8,006 and 5,937 thousand euros respectively, exclusively referring to the property lease agreement between Moto Guzzi and Locat for the facility in Mandello del Lario.

### **Plant and machinery**

The "Plant and machinery" item refers to the production facilities of the Piaggio group located in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcellona (Spain), Baramati (India) and Hanoi (Vietnam), as well as the structures owned by the Rodriguez group and facilities located in the tourism/hotel complex managed by Is Molas S.p.A., for a net overall amount (excluding assets held under finance leases) of 69,153 thousand euros. The Group has registered 5,938 thousand euros for fixed assets in progress and as a whole it uses plant and machinery completely amortized for a gross value of around 22,240 thousand euros.

Furthermore, the Rodriguez group has plant and machinery held under finance leases for a net book value of 350 thousand euros.

### **Industrial and commercial equipment**

The "Industrial and commercial equipment" item, totalling 50,435 thousand euros, comprises essentially the production equipment of Piaggio & C. S.p.A., Moto Guzzi S.p.A., Nacional Motor S.A., Piaggio Vehicles Pvt. Ltd and the Rodriguez group. The balance includes construction in progress for 7,227 thousand euros recorded by the Piaggio group and fully depreciated equipment still in use totalling 11,319 thousand euros recorded by the Rodriguez group.

The main investments in equipment regarded moulds for the new vehicles either launched in the first half of 2008 or expected to be launched within the end of the year, moulds for new engines and specific equipment for the assembly lines.

### **Other assets**

The "Other assets" heading comprises vehicles, cars, furniture, fittings and EDP systems. The other assets are registered for a total value of 11,109 thousand euros, net of cumulative depreciation, and includes assets held under finance leases for 141 thousand euros. The Rodriguez group uses fully depreciated assets still in use with a gross value of 1,461 thousand euros.

## Guarantees

At 30 June 2008, the Group owns land and property encumbered by mortgages or pledges in favour of financial institutions to guarantee bank loans.

### - F3 - PROPERTY INVESTMENTS 0

At 30 June 2008 the Immsi Group has no property investments registered.

### - F4 - EQUITY INVESTMENTS 749

The "Equity investments" item at 30 June 2008 comprises:

In thousands of euros	Balance at 31.12.2007	Increases	Decreases	Revaluations Write-downs	Reclassifications	Balance at 30.06.2008
Equity investments in subsidiaries	4	0	4	0	0	8
Equity investments in associated companies and joint ventures	747	0	0	(6)	0	741
<b>TOTAL</b>	<b>751</b>					<b>749</b>

The table below details the equity investments:

Equity investments	% Group	Book value at 30 June 2008
<b>Valued using the equity method:</b>		
Piaggio China Co. Ltd	99.99%	0
Aprilia World Service do Brasil Ltda***	99.99%	0
Aprilia Brasil S.A.***	51%	0
<b>Valued using the cost method:</b>		
Rodriquez Charter & Broker S.r.l. ***	100%	8
Rodriquez Mexico ***	50%	0
<b>Total subsidiaries</b>		<b>8</b>
<b>Valued using the equity method:</b>		
Piaggio Foshan Motorcycle Co. Ltd	45%	0
<b>Total joint-ventures</b>		<b>0</b>
<b>Valued using the cost method:</b>		
S.A.T. S.A.	20%	45
Acciones Depuradora Soc. Coop.	22%	3
Motoride S.p.A. ***	28.29%	490
Pontech Soc. Cons. a.r.l.	20.44%	181
Armas Ocean Jet S.A.	10%	0
Consorzio CTMI	41.54%	22
<b>Total associated companies</b>		<b>741</b>
<b>TOTAL</b>		<b>749</b>

\*\*\* Inactive companies or companies in liquidation

The 751 thousand euros difference compared to the balance at the end of 2007 is due especially to the lower equity investment value in Motoride S.p.A. written down by 6 thousand euros, partially compensated for by the revaluation for 4 thousand euros of the company Rodriquez Charter & Broker S.r.l..

The equity investment in Zongshen 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.,

Foshan Motorcycle Plant and Zongshen Industrial Group Company Limited.  
 Piaggio & C. S.p.A.'s equity investment in Zongshen Piaggio Foshan Motorcycles is equal to 45%, of which 12.5% is held through the direct subsidiary Piaggio China Company Ltd.  
 Compared to 31 December 2007, the book value of the equity investment remained unchanged, equal to zero.

In relation to the loans provided by banks to the subsidiary Piaggio Foshan Motorcycle Co. Ltd, Group companies have issued bank guarantees totalling 11,355 thousand euros.

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

In thousands of euros	Situation at 30 June 2008	
	Zongshen Piaggio	45% of Immsi Group
NET TRADE RECEIVABLES	11,642	5,239
TRADE RECEIVABLES DUE FROM Piaggio group	745	335
INVENTORIES	6,781	3,052
TRADE PAYABLES	(4,103)	(1,846)
AMOUNTS DUE TO Piaggio group	(9,790)	(4,406)
OTHER RECEIVABLES	1,502	676
OTHER RECEIVABLES DUE FROM Piaggio group	9	4
OTHER PAYABLES	(4,693)	(2,112)
<b>CONTINUING CAPITAL</b>	<b>2,093</b>	<b>942</b>
TANGIBLE ASSETS	15,154	6,819
INTANGIBLE ASSETS	10	5
<i>TOTAL NON-CURRENT ASSETS</i>	<i>15,164</i>	<i>6,824</i>
<b>NET INVESTED CAPITAL</b>	<b>17,257</b>	<b>7,766</b>
Other reserves	391	176
<b>RESERVES</b>	<b>391</b>	<b>176</b>
FINANCIAL PAYABLES	15,661	7,048
SHORT-TERM FINANCIAL RECEIVABLES AND CASH	(3,441)	0
<b>FINANCIAL POSITION</b>	<b>12,220</b>	<b>(1,549)</b>
SHARE CAPITAL	23,687	5,499
OTHER RESERVES	31,659	10,659
RETAINED EARNINGS	(53,203)	14,246
EARNINGS FOR THE PERIOD	2,503	(23,941)
<b>SHAREHOLDERS' EQUITY</b>	<b>4,646</b>	<b>1,126</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>17,257</b>	<b>2,091</b>

<b>- F5 - OTHER FINANCIAL ASSETS</b>	<b>70,503</b>
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**- Non-current portion**

The other non-current financial assets, equal to 165 thousand euros, are represented by financial assets available on sale (Consorzio Pisa Ricerche, GEO.FOR. S.p.A., S.C.P.S.T.V. and other minor equity investment):

In thousands of euros	Balance at 30.06.2008	Balance at 31.12.2007
Financial assets	165	177
Financial receivables	0	566
<b>TOTAL</b>	<b>165</b>	<b>743</b>

The decrease recorded during the first half of year is substantially attributable to there no longer being the credit Rodriguez has with Ustica Lines for 508 thousand euros and the credit Piaggio has with the Piaggio Foundation for 58 thousand euros.

## - Current portion

Other current financial assets total 70,338 thousand euros at the year end; 14,065 thousand euros decrease compared to 31 December 2007 and are detailed in the table below:

In thousands of euros	<i>Balance at 30.06.2008</i>	<i>Balance at 31.12.2007</i>
Financial assets	69,565	83,608
Financial receivables	773	795
<b>TOTAL</b>	<b>70,338</b>	<b>84,403</b>

Among the current financial assets are mainly certificates of deposit for 29,869 thousand euros, 17,925 thousand euros at 31 December 2007, issued by an Indian social security institution underwritten by the Indian subsidiary so as make efficient use of its temporary liquidity as well as the equity investment of Immsi S.p.A. in Unicredit whose fair value at 30 June 2008 is equal to 38,804 thousand euros, a decrease compared to 65,181 thousand euros measured at the end of 2007 because of the sale of 1.5 million shares in the month of January and the smaller value of the remaining investment because of the negative trend of the prices on the MTA.

Among the current financial receivables are the 659 thousand euros receivables due from Ustica Lines, and the 58 thousand euros of Fondazione Piaggio.

<b>- F6 - AMOUNTS DUE FROM TAX AUTHORITIES</b>	<b>37,351</b>
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Current and non-current amounts due from tax authorities total 37,351 thousand euros and are as follows:

## - Non-current portion

In thousands of euros	<i>Balance at 30.06.2008</i>	<i>Balance at 31.12.2007</i>
Amounts due from the tax authorities for VAT	544	768
Amounts due from the tax authorities for income tax	10,561	11,210
Other amounts due from the tax authorities	6,537	531
<b>TOTAL</b>	<b>17,642</b>	<b>12,509</b>

Immsi S.p.A., jointly with the subsidiary companies Piaggio & C. S.p.A., Moto Guzzi S.p.A., Is Molas S.p.A., Apuliae S.p.A., Rodriquez Cantieri Navali S.p.A., Intermarine S.p.A. and Conam S.p.A., has exercised the option to join Group taxation as provided for in art. 117 follow. of the Amalgamated Law of Income Taxes, for the financial years 2007, 2008 and 2009, and also RCN Finanziaria S.p.A. was added for the three year period 2008-2010.

In the light of the contracts signed with each subsidiary, the Parent Company, as the consolidating company, has registered in its own financial statements receivables from the Treasury for non-current taxes, related to withholdings suffered and IRES advance payments made, transferred from the companies included in the national fiscal consolidation, for 3,421 thousand euros, whose use is supposed to be following the year 2008 in the light of the communicated industrial plans.

## - Current portion

In thousands of euros	<b>Balance at 30.06.2008</b>	<b>Balance at 31.12.2007</b>
Amounts due from the tax authorities for VAT	16,568	22,385
Amounts due from the tax authorities for income tax	2,917	2,532
Other amounts due from the tax authorities	224	159
<b>TOTAL</b>	<b>19,709</b>	<b>25,076</b>

Amounts due from tax authorities within 12 months mainly refer to VAT receivables of the Piaggio group.

<b>- F7 - DEFERRED TAX ASSETS</b>	<b>41,348</b>
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At 30 June 2008 the Group registered net taxes paid in advance with the reasonable certainty of making taxable income in the future to absorb them, for 41,348 thousand euros of which 6,292 thousand euro with expiration within 12 months and 35,056 thousand euros with expiration beyond 12 months.

The Piaggio group has registered taxes paid in advance for 26,373 thousand euros, less than the 33,532 thousand euros registered at 31 December 2007, referring mainly to the cancellation of capital gains between companies not made with third parties, to fiscal losses of Piaggio & C. S.p.A. and Nacional Motor S.A., to temporary differences of Piaggio & C. S.p.A. and to the adjustment of the fiscal load of the Piaggio group to the expected *tax rate* per the whole year.

The pre-operating taxes registered by the Rodriguez group amount to 11,320 thousand euros and are mainly calculated on the positive temporary differences on a portion of the fiscal losses suffered in the preceding years by the company in the group and on the loss matured since 2007 transferred to the consolidating party for the portion that has not been compensated for in the Group's taxable income.

The pre-operating taxes registered by Is Molas S.p.A. amount to 4,005 thousand euros and refer to temporary differences, fiscal losses accrued in the preceding years on adhering to the group's taxation and to the loss accrued since 2007 and transferred to the consolidating party limited to the portion that has not been compensated for in the Group's taxable income.

<b>- F8 - TRADE RECEIVABLES AND OTHER RECEIVABLES</b>	<b>424,494</b>
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## - Non-current portion

Trade receivables and other receivables included under non-current assets total 14,639 thousand euros against 14,001 thousand euros at 31 December 2007 and are detailed below:

In thousands of euros	<b>Balance at 30.06.2008</b>	<b>Balance at 31.12.2007</b>
Trade receivables	650	0
Amounts due from subsidiaries	440	440
Amounts due from associated companies	390	390
Other receivables	13,159	13,171
<b>TOTAL</b>	<b>14,639</b>	<b>14,001</b>

This item includes trade receivables falling due beyond 12 months fully offset for 1,203 thousand euros.

Among the receivables from subsidiaries are 440 thousand euros due from AWS do Brasil while

the payables due from associated companies includes only payables claimed by the Fondazione Piaggio.

Among the non-current receivables, the Piaggio group has mainly recorded 1,410 thousand euros of guarantee deposits, 511 thousand euros of amounts advanced to employees, deferred charges for 2,579 thousand euros, grants for 2,175 thousand euros and 3,790 thousand euros related to the interest accrued on the contract that Rodriquez Cantieri Navali S.p.A. has signed with the Sultanate of Oman for the construction of 5 catamarans, which requires a deposit in a tied collateral account of the portion of interest accruing on the advance payments made by the customer until the date of discharge following the delivery of each construction.

#### - Current portion

Trade receivables and other receivables included under current assets are as follows:

In thousands of euros	<b>Balance at 30.06.2008</b>	<b>Balance at 31.12.2007</b>
Trade receivables	339,535	161,439
Amounts due from associated companies	3,199	3,058
Amounts due from joint ventures	754	1,064
Other receivables	66,367	49,819
<b>TOTAL</b>	<b>409,855</b>	<b>215,380</b>

The "Trade receivables" item comprises amounts due from normal sales transactions, stated net of a bad debt reserve of 28,736 thousand euros, which at the end of the period shows an increase of 693 thousand euros compared to 31 December 2007.

The balance of receivables from associated companies refers mainly to receivables for 199 thousand euros from the Fondazione Piaggio and for 2,997 thousand euros from the Consorzio CTMI while the receivables with joint ventures refer to credits with Piaggio Foshan Motorcycles.

At 30 June 2008, sales of receivables made by Piaggio & C. S.p.A. that did not envisage the transfer of the related risks and benefits total 19,549 thousand euros with a counter-entry in the current liabilities, while the trade receivables sold with the transfer of the related risks and benefits amounting in total to 191,938 thousand euros, of which 91,848 thousand euros advance.

"Other receivables" include accrued income and prepaid expenses of 13,595 thousand euros, advances to suppliers for 34,239 thousand euros, 468 thousand euros for receivables connected to hedging instruments, 11,270 thousand euros relating to government grants received by the Rodriquez group and the remaining portion is mainly Piaggio receivables due from Italian and foreign parties that were originated from non-core business.

<b>- F9 -</b>	<b>ASSETS INTENDED FOR SALE</b>	<b>21,275</b>
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The net book value of the assets intended for sale recorded by the Rodriquez group amounts to 21,275 thousand euros and it almost exclusively refers to the property of Pietra Ligure acquired at the public auction of the State in the month of December 2007 for a total of 19.1 million euros and accounted in the buildings destined to be dismissed in relation to the contracts and obligations undersigned by Rodriquez Cantieri Navali S.p.A.. For more details please refer to the comments in the Report on operations.

<b>- F10 -</b>	<b>INVENTORIES</b>	<b>350,076</b>
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Inventories are measured at the lower of cost and market value and total 350,076 thousand euros at the year end and comprise:

In thousands of euros	<i>Balance at 30.06.2008</i>			<i>Balance at 31.12.2007</i>		
	<i>Cost</i>	<i>Write-down</i>	<i>Net</i>	<i>Cost</i>	<i>Write-down</i>	<i>Net</i>
Goods	0	0	0	0	0	0
Consumables	31	0	31	30	0	30
Raw materials	129,987	(12,476)	117,511	115,773	(12,259)	103,514
Work in progress and semi-finished products	91,215	(1,208)	90,007	71,569	(1,208)	70,361
Finished products	160,733	(18,206)	142,527	135,991	(18,249)	117,742
<b>TOTAL</b>	<b>381,966</b>	<b>(31,890)</b>	<b>350,076</b>	<b>323,363</b>	<b>(31,716)</b>	<b>291,647</b>

The above write-downs were necessary for the presence of raw materials no longer usable in the production process and obsolete or slow-moving finished products and goods.

At 30 June 2008, the Piaggio group recognises, net of write-downs, inventories for 282,438 thousand euros referred to components, accessories, 2-wheeler and 4-wheeler vehicles. The growth compared to 31 December 2007 is correlated to the seasonality of the production cycle.

The Rodriguez group contributes 45,596 thousand euros, mainly raw materials and contract work in progress as well as internal construction and repairs. Finally, Is Molas S.p.A. records 22,042 thousand euros of inventories at the year end relating to the hotel business, as well as work in progress and semi-finished products represented by land, volumes, costs for services and consultancy for the property development project relating to the allotment located in Is Molas - Cagliari.

<b>- F11 - CONTRACT WORK IN PROGRESS</b>	<b>15,301</b>
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The works in progress to order are reported net of the advances received from customers for 15,301 thousand euros and they refer entirely to the naval sector. The decrease compared to 31 December 2007, equal to 20,001 thousand euros, is registered mainly for the delivery of the construction no. 350 to the Sultanate of Oman, the comment on which is given under the heading of Financial Liabilities.

Details of the "Contract work in progress" item follows:

In thousands of euros	<i>Balance at 31.12.2007</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance at 30.06.2008</i>
<b>Contract work in progress gross of advances</b>	<b>194,658</b>	50,214	(20,001)	<b>224,871</b>
Contractual advances received from customers	176,386			209,570
<b>Contract work in progress net of advances</b>	<b>18,272</b>			<b>15,301</b>
Costs incurred	165,459			197,886
Margins recorded (net of losses)	29,199			26,985

There are mortgages in favour of banks on constructions of Rodriguez Cantieri Navali S.p.A. for the Oman contract totalling 58,329 thousand euros.

<b>- F12 - CASH AND CASH EQUIVALENTS</b>	<b>102,511</b>
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Cash and cash equivalents at the year end total 102,511 thousand euros against 134,673 thousand euros at 31 December 2007, as detailed in the table below:

In thousands of euros	<i>Balance at 30.06.2008</i>	<i>Balance at 31.12.2007</i>
Cheques	32	0
Cash and cash equivalents	160	313
Amounts due from banks within 90 days	102,319	134,360
<b>TOTAL</b>	<b>102,511</b>	<b>134,673</b>



With the financing of 46 million euros granted by Efibanca, Immsi S.p.A. must for the entire duration of the contract channel the revenues from leasing into a deposit account and keep a minimum amount there equal to the interest instalment nearest expiration. This sum, equal to 456 thousand euros at 30 June 2008, is to all intents and purposes unavailable until attainment of the minimum amount deposited for the payment of the interest instalment in expiration.

## - G - INFORMATION ON THE MAIN LIABILITIES ITEMS

Amounts are expressed in thousands of euros unless otherwise indicated.

### - G1 - SHAREHOLDERS' EQUITY 588,392

Shareholders' equity at 30 June 2008 stands at 588,392 thousand euros, of which 391,926 thousand euros being consolidated Group shareholders' equity and 196,466 thousand euros referring to minority interest capital and reserves.

Below is a reconciliation between shareholders' equity and earnings for the period of the parent company and the consolidated figures.

In thousands of euros	Shareholders' equity	Earnings for the period
Shareholders' equity and earnings for the period as recorded in the financial statements of the subsidiary Immsi S.p.A.	349,573	18,501
Dividends derecognition from subsidiaries of the Parent company	(13,520)	(13,520)
Pro rata earnings of investee companies	21,335	21,335
Differences between book value and pro rata value of shareholders' equity	37,701	0
Translation differences	(3,163)	0
<b>TOTAL</b>	<b>391,926</b>	<b>26,316</b>

### Share capital

At 30 June 2008, the share capital of Immsi S.p.A., fully subscribed and paid up, comprises 343.2 million ordinary shares of nominal value 0.52 euros each, for a total of 178,464,000.00 euros.

Each ordinary share entitles the holder to a proportionate part of distributable profits and of the shareholders' equity resulting from any liquidation, as well as to unlimited voting rights.

During the month of June the Company, in compliance with the deliberation of the Meeting on 13 May 2008, purchased on the share market no. 1,840,000 of its own shares for a total of 1,469 thousand euros at an average price of 0.7984 euros. In conformity with the provisions of the applicable international standards, the purchases of treasury stock are carried to direct deduction from the shareholders' equity.

### Legal reserve

The legal reserve comprises reserves allocated following the distribution of profits from the year 2000 to the year 2007, in accordance with the provisions of law and totals 3,245 thousand euros at the end of June 2008.

### Other reserves

This item totals 148,728 thousand euros. The share premium reserve includes the consideration of the shares underwritten following the increase in share capital of Immsi S.p.A. in 2005 and 2006 for an overall amount of 95,216 thousand euros.

Other reserves also include the reserve generated from the Group's transition to international accounting standards as of 1 January 2004, equal to 5,300 thousand euros at the end of June 2008 and unchanged compared to 31 December 2007, details of which are in the report to the financial statements at 31 December 2005, also available on the [www.immsi.it](http://www.immsi.it) website.

The stock option reserve amounts to 3,315 thousand euros while the reserve allocated to the evaluation of the financial instruments is equal to 25,734 thousand euros, down on 31 December 2007 because of the reduction in the fair value of no. 9,975,443 Unicredit shares held by the Parent Company.

The details of this item are shown below:

In thousands of euros										
	Extraordinary reserve	Share premium reserve / share capital increase	IAS transition reserve	Reserves as per Law 413/91	Other legal reserves	Translation reserve	Stock Option reserve	Financial instrument measurement reserve	Other reserves	Total other reserves
<b>Balances at 31 December 2007</b>	7,103	95,216	5,300	4,602	1,153	(310)	2,805	48,542	9,860	174,271
Increases in share capital against payment										0
Allocation of Group earnings to Retained earnings(losses)										0
Measurement at fair value of financial assets								(23,141)		(23,141)
Taxation on items charged to shareholders' equity								333		333
Figurative cost of stock options										0
Translation differences						(3,163)				(3,163)
Purchase of treasury stock										0
Other changes							510		(82)	428
<b>Balances at 30 June 2008</b>	7,103	95,216	5,300	4,602	1,153	(3,473)	3,315	25,734	9,778	148,728

## Retained earnings

The earnings carried forward total 36,130 thousand euros and refer to cumulative Group gain.

## Minority interest capital and reserves

At 30 June 2008, the balance of share capital and reserves attributable to third party shareholders totals 196,466 thousand euros, a 65,709 thousand euros increase compared to 31 December 2007, mainly due to distribution of dividends, the reclassification among the financial liabilities of the 2004-2009 Piaggio warrants only partly offset by the portion of the profit of the period owing to the third-party shareholders.

<b>- G2 -</b>	<b>FINANCIAL LIABILITIES</b>	<b>649,811</b>
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Financial liabilities total 649,811 thousand euros at 30 June 2008. The part recorded under non-current liabilities amounts to 369,471 thousand euros, against 384,316 at 31 December 2007, while the part included among current liabilities totals 280,340 thousand euros, a 82,024 thousand euros increase compared to the year end 2007.

The attached tables summarise the financial liabilities by type of financial debt:

### - Non-current portion

In thousands of euros		
	<b>Balance at 30.06.2008</b>	<b>Balance at 31.12.2007</b>
Bonds	145,767	145,380
Amounts due to banks	188,443	203,170
Amounts due under finance leases	9,644	9,883
Amounts due to other lenders	25,617	25,883
<b>TOTAL</b>	<b>369,471</b>	<b>384,316</b>

The decrease recorded during the half is due to the amortization of the financing granted by Mediobanca and Intesa Sanpaolo to Piaggio & C. S.p.A..

## - Current portion

In thousands of euros	<i>Balance at 30.06.2008</i>	<i>Balance at 31.12.2007</i>
Amounts due to banks	173,973	165,975
Amounts due under finance leases	753	736
Amounts due to other lenders	105,614	31,605
<b>TOTAL</b>	<b>280,340</b>	<b>198,316</b>

During 2008 there was a reduction in medium-long term debt while the current financial liabilities have increased compared to 31 December 2007. The increase in the Group's net financial indebtedness of 87,595 thousand euro is mainly due to the decision to settle the 2004-2009 Piaggio warrants in cash and the consequent reclassification among the financial debts of 64,206 thousand euros previously registered in a specific reserve of shareholders' equity, since it was originally planned to settle them by issuing new shares. The indebtedness has moreover increased following the distribution of the dividends, the purchase of treasury stock and the above described investment activities, only partially compensated for by the positive trend of the operational cash flow.

The composition of the debt is the following:

In thousands of euros	<i>Balance at 30.06.2008</i>	<i>Balance at 31.12.2007</i>	<i>Nominal Value at 30.06.2008</i>	<i>Nominal Value at 31.12.2007</i>
Bonds	145,767	145,380	150,000	150,000
Amounts due to banks	362,416	369,145	363,552	370,518
Amounts due under finance leases	10,397	10,619	12,627	13,080
Amounts due to other lenders	131,231	57,488	132,548	59,192
<b>TOTAL</b>	<b>649,811</b>	<b>582,632</b>	<b>658,727</b>	<b>592,790</b>

The following prospectus shows the reimbursement plan for the debt at 30 June 2008 of the Group:

In thousands of euros	<i>Nominal Value at 30.06.2008</i>	<i>Portions falling due within 12 months</i>	<i>Portions falling due in 2009</i>	<i>Portions falling due in 2010</i>	<i>Portions falling due in 2011</i>	<i>Portions falling due in 2012</i>	<i>Portions falling due beyond</i>
Bonds	150,000	0	0	0	0	150,000	0
Amounts due to banks	363,552	173,974	62,455	75,538	32,359	17,323	1,903
Amounts due under finance leases	12,627	1,291	1,246	1,217	1,148	1,148	6,577
Amounts due to other lenders	132,548	105,614	8,518	12,369	2,195	2,181	1,671
<b>TOTAL</b>	<b>658,727</b>	<b>280,879</b>	<b>72,219</b>	<b>89,124</b>	<b>35,702</b>	<b>170,652</b>	<b>10,151</b>

The following table analyzes the financial debt by currency and interest rate:

In thousands of euros	<i>Balance at 31.12.2007</i>	<i>Balance at 30.06.2008</i>	<i>Nominal Value at 30.06.2008</i>	<i>Interest rate at 30.06.2008</i>
Euro	575,984	642,694	655,390	6.10%
Pound sterling	0	0	0	n/a
Singapore dollar	354	0	0	n/a
Indian rupee	3,296	3,215	n/a	n/a
US dollar	2,998	3,902	3,337	6.18%
<b>TOTAL</b>	<b>582,632</b>	<b>649,811</b>	<b>658,727</b>	<b>6.10%</b>

Amounts due to banks include the following loans mainly:

- A 45,889 thousand euros loan, nominal value 46,000 thousand euros, provided by Efibanca to Immsi S.p.A. at a calculated rate at the beginning of May of 6.129% maturing May 2010. The loan, which is secured by a 92 million euros mortgage on the building in via Abruzzi, 25 – Rome, envisages meeting two covenants to be calculated in relation to the ratio between financial liabilities and shareholders' equity (to be equal or lower than before), and to the ratio between rental instalments and interest on the loan itself (to be equal or lower than before). With reference to the accounting situation at the end of 2007 it is specified that these financial parameters are verified by the banking institute;
- short-term loan obtained by Immsi S.p.A. in two parts with Banca di Roma for a total of 25,000 thousand euros and reimbursed by partially channelling the dividends liquidated by Piaggio for 7,000 thousand euros, with expiration in November 2008. The rate applied at the end of the period was 5.1%. To guarantee this financing 15 million ordinary shares of Piaggio & S.p.A. were constituted as a guarantee whose overall value must remain equal to or greater than 110% of the financed amount;
- contract of stock loan from Immsi S.p.A. to Banca Akros that, with the loan of 5.6 million Unicredit shares, requires delivery by the intermediary of cash collateral for an amount of 20,000 thousand euros represented by the market value of the stock at the date of subscription net of a spread that absorbs any downward swing of the stock. The contract, with expiration at revocation, requires a fee equal to 0.05% and negative interest equal to EONIA increased by 0.7%, calculated on the cash collateral received from Banca Akros;
- contract of stock loan from Immsi S.p.A. to Mediobanca that, with the loan of 3.5 million Unicredit shares, requires delivery by the intermediary of cash collateral for an amount of 15,561 thousand euros represented by the market value of the stock at the date of subscription. The contract requires that, with market swings exceeding 1 euro per share in relation to the value of the stock at the date of the subscription, reimbursement by Immsi or integration by the intermediary of the corresponding portion of the collected collateral. The contract, with expiration in November 2008, envisages a fee equal to 0.1% and negative interest for Mediobanca equal to Euribor at 3 months increased by 0.8%, calculated on the cash collateral received from Mediobanca;
- Immsi S.p.A. has over the course of the half used a revolving credit line granted by Banca Popolare di Lodi for 20 million euros, at a rate equal to Euribor 2 months plus 0.75% and guaranteed by 33 million Piaggio shares whose value must remain at least equal to 110% of the financed amount;
- 121,976 thousand euros (nominal value equal to 123,000 thousand euros) loan provided to Piaggio & C. S.p.A. by Mediobanca and Intesa San Paolo. This loan is part of a more articulated financial package and was syndicated in April 2006 to a restricted pool of banks. This package is composed of portion of 150,000 thousand euros nominal fully drawn down and a portion of 100,000 thousand euros to be used as a credit line, which at 30 June 2008 was completely undrawn. The structure envisages a 7-year duration, with a grace period of 18 months and 11 semi-annual instalments with last loan instalment due on 23 December 2012, a variable interest rate linked to the 6-month Euribor rate to which a variable margin of between a maximum of 2.10% and a minimum of 0.65% is added depending on the Financial Debt/ EBITDA ratio. In relation to the improvement in this index recorded in the 2006 annual financial statements, this margin is confirmed at 0.90% as from the first half of 2008. For the portion relating to the credit line there is a commitment fee of 0.25%. The contract does not envisage the issue of guarantees but, in line with the market procedures, envisages the compliance with some financial parameters. It should be noted that, in reference to this half-year accounting situation, these parameters were comfortably met;
- overall 29,000 thousand euros for a loan granted to Piaggio & C. S.p.A. by a pool of 14 banks upon the acquisition of Aprilia for the purchase of an amount of 34 million euros in non self-liquidating financial receivables claimed by the same lenders from Aprilia S.p.A. The conditions

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

- A 1,229 thousand euros loan provided by Interbanca to Piaggio & C. S.p.A. in accordance with Italian Law 346/88 regarding subsidies for applied research, guaranteed by a mortgage on property;
- Non-interest bearing loan of 2,691 thousand euros provided by Banca Antonveneta originally to a subsidiary of the Aprilia group and, following the acquisition, taken on by Piaggio & C. S.p.A., with a single repayment date in 2011. The conditions envisage a market interest rate in the last two years based on the performance of the Piaggio 2004-2009 warrants;
- 1,545 thousand euros soft-loan provided by Efibanca and maturing on 27 December 2009;
- 2,290 thousand euros soft-loan provided by Intesa Sanpaolo in accordance with Italian Law 346/88 for applied research;
- 3,500 thousand euros referred to payables due to Interbanca as provider of the EMH instruments;
- loan issued by Intesa Sanpaolo to Rodriquez Cantieri Navali S.p.A. for originally 25 million euros, guaranteed with a bank guarantee by Immsi S.p.A., reimbursed for 10 million euros, with expiration extended to 31 December 2008;
- loan - 7 year-term - with Banca Popolare Italiana for an amount of 8 million euros issued to the subsidiary Intermarine S.p.A. and assisted by a mortgage for 16 million euros on property it owns at Sarzana, to renew and consolidate the lines of financing. This loan was stipulated in the month of March 2007, at the same time as the early repayment of residual financing for 0.6 million euros with Interbanca, in order to be able to transfer the mortgage of 6 million euros on the property to the new financier.

On the new loan a contract has been stipulated to cover the rate for the whole amount of 8 million euros. This coverage includes the transformation of the floating rate into a fixed rate for the whole contractual duration;

- credit lines in being issued by Banca Carige for a total of 18.3 million euros granted in 2006 (16.5 million as a credit line for advances on the contract and credits inherent in the contract for the construction of no. 5 new Bigliani of 27 m and no. 2 Bigliani of 35 m and 1.8 million euros as renewal of existing lines). At 30 June 2008 the use was equal to 16.8 million euros, of which 4.3 million euros for advances and the difference registered among the liabilities with other financiers for factoring operations;
- Rodriquez Cantieri Navali S.p.A. and Conam S.p.A. in the year obtained loans for factoring operations granted by Banca IFIS to suppliers, in relation to the financing of the working capital for the construction of the orders, used at 30 June 2008 for a total of 13,166 thousand euros;
- loan granted by Banca Agricola Mantovana and Banca Popolare di Lodi to Is Molas S.p.A., with validity till revocation and usable for cash, for a total of 23.7 million euros equal to the actual debt for capital, interest and accessory burdens accrued and payable.

Rodriquez Cantieri Navali S.p.A. has in addition a signed line of credit for the contract with the Sultanate of Oman, guaranteed by a pool of banks (Intesa Sanpaolo, Banca di Roma and Unicredit), with which the company has undersigned a contract to issue the guarantees to the customer, both on performance (equal to 5% of the contract total) and on the advance payments made up to 90% of the order. The total value of the line of guarantees is 84.5 million US dollars to which the guarantee must be added for the portion of interest that has accrued on the advance payments made by the customer up to the date of discharge for the deliveries in Oman; this guarantee was formed on a quarterly basis with the accreditation of the interest in a deposit account. The signed credit line is assisted by a bank guarantee of Immsi for 60 million US dollars, the release of the mortgages on the assets under construction, the transfer of the rights of insurance, the guarantee on the checking account on which the collections are channelled, the guarantee on the cash collateral account that must be constituted if the exposure of the guarantee exceeds the value of 60 million US dollars.

At 30 June 2008 the actual use of the line is equal to 58.3 million US dollars following the acceptance by the customer of the construction of no. 350 and of the consequent discharge of the guarantees for 17.5 million US dollars, mortgages on the construction for 25.0 million US dollars and the constitution of new guarantees for 1.8 million US dollars.

The item “bonds falling due beyond 12 months” (145,767 thousand euros net book value) refers to the high-yield bonded loan issued on 27 April 2005 by the subsidiary Piaggio Finance S.A. (Luxembourg), for a nominal amount of 150,000 thousand euros, maturing on 30 April 2012 and with a semi-annual coupon with a fixed annual nominal rate of 10%. The bond issue was guaranteed by Piaggio & C. S.p.A. and in June 2007 benefited from an upgrade with Standard & Poor’s assigning a BB rating (formerly BB-), aligning it to the issuer’s rating with a “stable” outlook remark; and in July 2007 benefited from an upgrade with Moody’s rating agency assigning a rating of Ba2 (formerly Ba3) with a “stable” outlook remark.

Payables for financial leasing refer mainly to leases granted by Locat S.p.A. to Moto Guzzi S.p.A. for 10,089 thousand euros.

Payables to other financiers are in all equal to 131,231 thousand euros (25,617 thousand euros beyond one year and 105,614 thousand euros for the current portion), as detailed below:

- 6,500 thousand euros of current payables due to Interbanca as owner of the EMH financial instruments;
- 2004-2009 Piaggio Warrant for 64,206 thousand euros;
- former Aprilia shareholders non-current financial instrument for 8,683 thousand euros;
- subsidized loans totalling 13,636 thousand euros granted by Simest and by the Ministry of Productive Activities to Piaggio group pursuant to legislation to encourage exports and investment in research and development (non-current portion equal to 10,934 thousand euros);
- current recourse factoring financial transactions, renegotiated by the Piaggio group for 19,549 thousand euros;
- payables to factoring companies for advances received, mainly recognized by Intermarine S.p.A., for 12,657 thousand euros;
- non-current shareholders’ loan convertible in shares by Intesa Sanpaolo to RCN Finanziaria for 6 million euros;

## **Financial instruments**

### Interest rate risk

The exposure to the interest rate risk derives from the necessity to finance the operational activities, both industrial and financial, as well as whether to use the available liquidity. The variation in the interest rates can affect the costs and the yields of the operations of financing and investment. With reference to the interest rate risk hedging, the operations of interest swaps enable transforming the floating rate of the contracts into a fixed rate.

The Piaggio Group regularly measures and checks its exposure to the risk of variation in the interest rates and it also manages such risks by resorting to derivatives, mainly Forward Rate Agreement and Interest Rate Swap, according to what is established by its administration policies. At 30 June 2008 the floating rate indebtedness, net of the financial assets, was equal to 24,301 thousand euros. The company has adjusted the value of the mark to market at 30 June 2008 in relation to the value registered in the preceding financial statements.

Rodriquez Cantieri Navali S.p.A. has one interest swap operation with expiration in May 2014, for a

notional value equal to 10 million euros. The company has adjusted the value of the mark to market at 30 June 2008 in relation to the value registered in the preceding financial statements. Intermarine has one interest swap operation in being on the loan of 8 million euros. Also in this case on 30 June 2008 the value of the adequate mark to market was reflected in the balance of the preceding financial statements.

### Exchange rate risk

Exchange rate hedges have been signed exclusively by the Piaggio group and by Rodriquez Cantieri Navali S.p.A..

In the 1<sup>st</sup> half of 2008, the Piaggio group managed exchange rate risk in line with the policy adopted 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.

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.

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

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

- USD/000 34,530 corresponding to 22,197 thousand euros;
- GBP/000 9,595 corresponding to 12,117 thousand euros;
- NOK/000 8,950 corresponding to 1,126 thousand euros;
- DKK/000 17,410 corresponding to 2,333 thousand euros;
- CHF/000 8,140 corresponding to 5,073 thousand euros;
- CAD/000 3,240 corresponding to 2,080 thousand euros;
- JPY/000,000 173 corresponding to 1,061 thousand euros;
- SGD/000 345 corresponding to 163 thousand euros.

At 31 December 2007, the following forward purchases (valued at the forward exchange rate) were outstanding:

- CHF/000 845 corresponding to 522 thousand euros;
- JPY/000,000 165, corresponding to 983 thousand euros;
- SEK/000 695 corresponding to 74 thousand euros.

As regards contracts in place to hedge exchange rate risk on forecast transactions (business risk), at 30 June 2008, Piaggio & C. S.p.A. had forward purchase transactions of JPY/000,000 1,230 corresponding to 7,777 thousand euros and forward sales transactions for a value of CHF/000 8,270 corresponding overall to 5,076 thousand euros (valued at the forward exchange rate), CAD/000 2,400 corresponding to 1,733 thousand euros (valued at the forward exchange rate) and GBP/000 15,300 corresponding to 21,695 thousand euros (valued at the forward exchange rate).

As concerns the other company in the Piaggio group at 30 June 2008: on the company Piaggio Group America there are forward contract operations of USD/000 7,100 corresponding altogether to 4,839 thousand euros (valued at the forward exchange rate) and on the company Piaggio



Vehicles Private Ltd there are forward contract operations of USD/000 1,500 corresponding to INR/000 60,295.

The group is moreover exposed to the transferring risk, deriving from the conversion in euro of financial statements of subsidiary companies drawn up in different currencies to the euro made in the process of consolidation. The policy adopted by the group does not require coverage of this type of exposure also in relation to its modest amount.

During the 1<sup>st</sup> half of 2008 Rodriquez Cantieri Navali S.p.A. exercised its options on the exchange rates under expiration in the period related to the order in US dollars with the Sultanate of Oman. These options guaranteed exchange rate hedging for an original nominal amount of 72 million US dollars, staggered out on the contractual expirations and with a maximum strike value of 1.3150 euro/US dollars. The remaining nominal value at 30 June 2008 is equal to 3.2 million US dollars. Considering the course of the US dollar in the 1<sup>st</sup> half of 2008, constantly above the strike value, the hedging has permitted, in the case of combination with the streams of collection both in the case of exercising the options for the difference with the current exchange rates at the date of expiration, accounting the revenues by considering the strike exchange rate of exercising the option, better than the current exchange rate value.

Where the options expiring in the 1<sup>st</sup> half of 2008 have not combined with streams of collection they have in any case been exercised at the expiration, because of the contractual obligations, with settlement and collection of the difference. These operations have produced revenues that are considered as the basis for measuring the works in progress to order, for the part exceeding the portion valued at the exchange rate of the collections, that in this way are anyhow accounted at the €/ \$ exchange rate of 1.3150.

At the same time US dollar currency trades have been negotiated with preset forward exchange rates, negotiated according to the updated forecasts of the incoming financial streams in US dollars.

At 30 June 2008 with Intesa Sanpaolo there are moreover in being operations of forward exchange for a total of 19.0 million US dollars at the exchange rate of €/ \$ 1.5707 with expiration on 7 July 2008, the planned date for the stream deriving from the release of the cash collateral and the deposit account as a consequence of the delivery to the Sultanate of Oman of the construction no. 350.

<b>- G3 -</b>	<b>TRADE PAYABLES AND OTHER PAYABLES</b>	<b>746,886</b>
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Trade payables and other payables total 746,886 thousand euros, of which 738,302 thousand euros falling due within one year. Trade payables and other current payables are detailed below:

In thousands of euros	<i>Balance at 30.06.2008</i>	<i>Balance at 31.12.2007</i>
Trade payables	625,125	443,008
Amounts due to subsidiaries	6	6
Amounts due to associated companies	10,536	4,684
Amounts due to Parent companies	0	4
Other payables	102,635	84,061
<b>TOTAL</b>	<b>738,302</b>	<b>531,763</b>

The “Other current payables” item is detailed below:

In thousands of euros	<b>Balance at 30.06.2008</b>	<b>Balance at 31.12.2007</b>
Amounts due to employees	42,208	25,128
Liabilities connected to hedging instruments	72	832
Advances from customers	2,915	2,703
Amounts due for agent commissions	397	397
Amounts due to partners and shareholders	3	3
Amounts due for guarantee deposits	1,033	1,033
Amounts due to company boards	453	310
Amounts due to social security institutions	9,395	13,114
Other amounts due to third parties	2,009	2,370
Other amounts due to subsidiaries	180	180
Other amounts due to Parent companies	4	0
Accrued expenses	895	6,008
Deferred income	7,099	5,958
Other payables	35,972	26,025
<b>TOTAL</b>	<b>102,635</b>	<b>84,061</b>

Amounts due to employees include holidays accrued and not used, and other amounts to be paid at the end of December.

Current trade payables with related parties at 30 June 2008, equal to 12,211 thousand euros, mainly refer to purchases from Piaggio Cina, Piaggio Foshan, Fondazione Piaggio and Consorzio CTMI.

<b>- G4 -</b>	<b>SEVERANCE INDEMNITY RESERVES AND SIMILAR OBLIGATIONS</b>	<b>66,164</b>
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The reserve for pension and similar obligations amounts to 66,164 thousand euros at 30 June 2008. The reserve is detailed below:

In thousands of euros	<b>Balance at 31.12.2007</b>	<b>Provisions</b>	<b>Applications</b>	<b>Other movements</b>	<b>Balance at 30.06.2008</b>
Employees' severance indemnity reserves	64,196	4,359	(7,923)	1,735	62,367
Other reserves	3,092	713	(8)	0	3,797
<b>TOTAL</b>	<b>67,288</b>	<b>5,072</b>	<b>(7,931)</b>	<b>1,735</b>	<b>66,164</b>

The other funds are composed of the funds for personnel set aside by the foreign companies and the supplementary indemnity fund for customers, that represents the indemnities owing to the agents in case of the agency contract winding up due to events not ascribable to them.

The uses refer to the liquidation of indemnities already set aside in preceding years while the allocations correspond to the indemnities accrued in the period. The other movements mainly include the transfers to additional social security funds.

In fact, because of the reform of complementary social security introduced by Italian Law 296 of 27 December 2006 and the following implementing decrees and regulations, the portions of TFR (staff severance fund) accrued up to 31 December 2006 will continue to remain in the company drawing up a defined benefits plan (obligation for the benefits accrued to be subject to actuarial evaluation), while the accruing portions since 1 January 2007, because of the choices made by the employees of the companies in the Group (with more than 50 employees), are intended for forms of complementary social security or transferred by the company to the treasury fund managed by INPS, being configured as of the time when the choice is formalized by the employee as defined contribution plans (no longer subject to actuarial evaluation).

The company has fewer than 50 employees, limited to the personnel that has not opted for complementary social security and for which the Companies will continue to manage the Staff Severance Fund, that made the actuarial evaluation of the fund accruing since 1 January 2007.

<b>- G5 -</b>	<b>OTHER LONG-TERM RESERVES</b>	<b>53,282</b>
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The balance of other long-term reserves, including the portion falling due within 12 months, totals 53,282 thousand euros at the end of June, approximately in line compared to 31 December 2007. The other reserves recognised in the financial statements are detailed below:

In thousands of euros	<i>Balance at 31.12.2007</i>	<i>Provisions</i>	<i>Applications</i>	<i>Other movements</i>	<i>Balance at 30.06.2008</i>	<i>Of which current portion</i>
Product warranty reserve	25,065	8,114	(6,644)	(56)	26,479	17,332
Reserve for risks on equity investments	5,949	0	0	0	5,949	302
Contractual risks reserve	8,020	0	(147)	0	7,873	758
Promotional reserves	0	0	0	0	0	0
Restructuring reserves	1,605	0	(1,592)	0	13	13
Severance indemnity reserves	120	0	0	0	120	120
Other provisions for risks and charges	13,838	1,477	(2,051)	(416)	12,848	6,534
<b>TOTAL</b>	<b>54,597</b>	<b>9,591</b>	<b>(10,434)</b>	<b>(472)</b>	<b>53,282</b>	<b>25,059</b>

The product warranty reserve relates to provisions made by the Piaggio group for 21,628 thousand euros and by Rodriguez for 4,851 thousand euros, for technical support for products that are estimated to be carried out in the contractual warranty period. As regards the forecasts made by the Piaggio group, this period varies according to the type of goods sold and the market, and is also determined by the customer take-up to commit to planned maintenance. The Rodriguez group allocates this reserve for maintenance under guarantee to be carried out in the future years on naval vessels under construction delivered during the 1<sup>st</sup> half of 2008 and/or in previous years, assessed on the basis of the estimate of costs incurred in the past for similar vessels.

The provision for risks on equity investments covers the negative portion of shareholders' equity of the subsidiaries Piaggio China Co. Ltd and AWS do Brasil and of the joint venture Piaggio Foshan Motorcycles, as well as charges that may arise therefrom.

The provision for corporate restructuring costs refers to future charges that the Piaggio group expects to incur with reference to suitably identified corporate reorganisation activities.

The provision for contractual risks is mainly allocated by the Piaggio group for charges that may arise from the negotiation of supply contracts in progress.

Other provisions for risks and charges mainly comprise the provision for legal risks set aside by the Piaggio group for 4,397 thousand euros and the provision for personnel risks allocated by Intermarine S.p.A. for 809 thousand euros.

<b>- G6 -</b>	<b>DEFERRED TAX LIABILITIES</b>	<b>43,545</b>
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The "Deferred tax liabilities" item refers to tax payables provisioned by the individual companies on the basis of applicable national laws. The balance is offset by 5,616 thousand euros of deferred tax assets, consistent by due date and by nature, and the net amount falling due within 12 months is 1,742 thousand euros. Deferred tax liabilities are mainly recorded by the Piaggio group for 34,4 million euros, in particular Piaggio & C. S.p.A. as a result of taxation calculated on registering the Aprilia brand, by the parent company Immsi S.p.A., for about 3.7 million euros mainly resulting from property disposals completed in 2004 and 2005 and for measuring at fair value the equity investment held in Unicredit, and by Rodriguez group for about 5.4 million euros, mainly recognised by Rodriguez Cantieri Navali S.p.A. and Conam S.p.A. in relation to contributions to

research, accounted according to the pro-tempore accounting system and subject to taxation according to the principle of cash as required by Italian Presidential Decree D.P.R. 917/86, and in the margin on intra-annual orders, still in being at 30 June 2008, registered according to the pro-tempore accounting system but subject to taxation only in the year following the one in which the work will be completed.

<b>- G7 -</b>	<b>CURRENT TAXATION</b>	<b>29,582</b>
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The "Current taxation" item, which includes tax payables allocated in relation to tax charges referring to individual companies on the basis of applicable national laws, decreases by 17,656 thousand euros compared to the year end of 2007, as is as follows:

In thousands of euros	<i>Balance at 30.06.2008</i>	<i>Balance at 31.12.2007</i>
Amounts due for income tax	10,982	2,524
VAT payables	13,187	5,876
Amounts due for withholding tax	5,355	2,632
Other payables	58	894
<b>TOTAL</b>	<b>29,582</b>	<b>11,926</b>

VAT payables refer exclusively to the Piaggio group.

Amounts due for withholding tax are basically registered against withholdings on salaries, on termination payments and self-employed income.

It is noted, as mentioned above, that the Parent Company has undersigned with Piaggio & C. S.p.A., Moto Guzzi S.p.A., Rodriguez Cantieri Navali S.p.A., Intermarine S.p.A., Conam S.p.A., Is Molas S.p.A., Apuliae S.p.A. and RCN Finanziaria S.p.A. a national fiscal consolidated contract, therefore the payables, advance payments and withholdings suffered were transferred at the end of the year to the fiscal consolidated company. Immsi S.p.A., as the consolidating company, reports in its own financial statements both the amount due to the companies transferring fiscal losses and tax credits and the amount due to companies transferring a taxable amount (at the time of consolidation) set off respectively against the credit or the cumulative payables with the Treasury.

## - H - INFORMATION ON THE MAIN INCOME STATEMENT ITEMS

Amounts are expressed in thousands of euros unless otherwise indicated.

Before analysing the individual headings, it is pointed out that the general information on costs and revenues is in the report on operations, in accordance with article 2428 of the Italian Civil Code.

### - H1 - NET REVENUES 975,939

The proceeds of the sales and services at 30 June 2008 of the Group amount to 975,939 thousand euros, of which 900,333 thousand euros attributable to the industrial sector, 73,216 thousand euros to the naval sector and the remaining part to the real estate sector (2,390 thousand euros). This item is stated net of premiums given to Piaggio group customers while it does not include transport costs recharged to customers and the recovery of advertising costs invoiced, which are shown under other operating income. Moreover, revenues do not include recharges for condominium fees, offset with the related costs incurred by the parent company. Below is a division of the revenues by business sectors and by geographical area of destination, that is, referring to the nationality of the customer.

#### By business sector

In thousands of euros	First half of 2008		First half of 2007	
	Amount	%	Amount	%
Property and holding company sector	2,390	0.2%	2,447	0.2%
Industrial sector (Piaggio Group)	900,333	92.3%	968,567	93.7%
of which 2-wheeler sector	687,405	70.4%	748,102	72.4%
of which Light Commercial Vehicle sector	199,613	20.5%	188,515	18.2%
engines and other	13,315	1.4%	31,950	3.1%
Shipbuilding sector (Rodríguez Group)	73,216	7.5%	62,266	6.0%
<b>TOTAL</b>	<b>975,939</b>	<b>100.0%</b>	<b>1,033,280</b>	<b>100.0%</b>

#### By geographical area

In thousands of euros	First half of 2008		First half of 2007	
	Amount	%	Amount	%
Italy	370,095	37.9%	406,670	39.4%
Other European countries	399,868	41.0%	429,527	41.6%
Rest of the World	205,976	21.1%	197,083	19.1%
<b>TOTAL</b>	<b>975,939</b>	<b>100.0%</b>	<b>1,033,280</b>	<b>100.0%</b>

The type of products sold and of the sectors in which the Group operates is such that revenues are seasonal, the first six months being more favourable than the second six-month period.

**- H2 - COSTS FOR MATERIALS****568,248**

Costs for materials total 568,248 thousand euros, compared to 609,368 thousand euros for the same period of the previous year.

The decrease is essentially related to the greater production and sales volumes, with the percentage of net revenues from 59% in the 1<sup>st</sup> half of 2007 to 58.2% in the 1<sup>st</sup> half of 2008.

This item does not include the recharged costs for an equal amount to customers and the costs relating to assets intended for sale, recorded separately in the specific income statement item. The table below details the contents of the item:

In thousands of euros	<i>First half of 2008</i>	<i>First half of 2007</i>
Change in inventories of finished products, work in progress and semi-finished products	(26,612)	(16,595)
Change in capitalised piecework	(1,712)	(838)
Purchase of raw materials and consumables	630,926	636,947
Change in raw materials and consumables	(34,354)	(10,146)
<b>TOTAL</b>	<b>568,248</b>	<b>609,368</b>

This item includes the costs relating to purchases from the Chinese subsidiary Piaggio Foshan Motorcycles of scooters sold in European markets and engines assembled on scooters produced in Italy for an overall amount of 23,801 thousand euros. These transactions are detailed in related party dealings.

**- H3 - COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS****196,370**

Costs for services and use of third party assets total 196,370 thousand euros and are detailed in the table below:

In thousands of euros	<i>First half of 2008</i>	<i>First half of 2007</i>
Transport costs	29,581	19,884
Product warranty costs	8,104	8,214
Advertising and promotion	32,594	25,377
Work performed by third parties	42,876	38,234
External maintenance and cleaning costs	4,717	4,398
Personnel costs	9,148	8,922
Technical, legal, tax, administrative consultancy, etc.	25,442	45,609
Sundry commercial expenses	4,548	9,436
Energy, telephone, postage costs, etc.	11,055	10,809
Services provided	367	684
Insurance	2,697	2,461
Cost of company boards	3,062	2,621
Sales commissions	2,537	3,685
Part-time staff and staff of other companies	1,590	1,868
Accessory purchase costs	29	0
Other costs	10,539	8,104
<b>TOTAL COSTS FOR SERVICES</b>	<b>188,886</b>	<b>190,306</b>
Rental instalments of business property	2,629	2,453
Rental instalments for cars, office machines, etc.	1,074	435
Operating lease instalments for plant and machinery	172	190
Other instalments	3,609	4,372
<b>TOTAL COSTS FOR USE OF THIRD PARTY ASSETS</b>	<b>7,484</b>	<b>7,450</b>
<b>TOTAL COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS</b>	<b>196,370</b>	<b>197,756</b>

The costs for services and use of goods of third parties are down by 1,386 thousand euros compared to the corresponding period of the preceding year with a significant increase in the item of Transport Services due to a greater use of non-European suppliers for the purchase of components by the Piaggio group, both to the modification of contracts on imports, that now distinguish the cost of the transport from the cost of the component.

This increase finds partial compensation in the lower cost of the purchases.

<b>- H4 - PERSONNEL COSTS</b>	<b>147,903</b>
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Personnel costs comprise the following:

In thousands of euros	<i>First half of 2008</i>	<i>First half of 2007</i>
Salaries and wages	109,027	95,674
Social security costs	31,118	29,803
Employee leaving indemnity	4,359	6,246
Pension and similar obligations	713	0
Stock options	0	3,000
Other costs	875	943
Salaries and wages	1,811	558
<b>TOTAL</b>	<b>147,903</b>	<b>136,224</b>

The table below shows the average number of employees by category. For more details on personnel, refer to the specific paragraph in the interim report on operations:

	<i>First half of 2008</i>	<i>First half of 2007</i>
Senior managers	137	143
Middle managers and clerical staff	2,562	2,422
Manual workers	5,288	5,335
<b>TOTAL</b>	<b>7,987</b>	<b>7,900</b>

The positive sales trend and the good expectations for the future permitted the Piaggio group in particular to increase its actual and average workforce during the first half of the year, especially in the Indian subsidiary. It is pointed out that the average number of employees is influenced by the presence of seasonal workers in the summer months.

Within the sphere of the cost of personnel 875 thousand euros have been recorded related to the burdens for stock options as required by the international accounting standards.

<b>- H5 - DEPRECIATION OF TANGIBLE ASSETS</b>	<b>22,192</b>
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A summary of the depreciation of tangible assets at 30 June 2008 is provided below. The depreciation rates are listed under the "Tangible assets" item:

In thousands of euros	<i>First half of 2008</i>	<i>First half of 2007</i>
Depreciation of property	2,197	2,164
Depreciation of plant and machinery	7,002	6,590
Depreciation of industrial and commercial equipment	10,943	11,068
Depreciation of assets to be given free of charge	536	635
Depreciation of other assets	1,514	1,814
<b>DEPRECIATION OF TANGIBLE ASSETS</b>	<b>22,192</b>	<b>22,271</b>

<b>- H6 -</b>	<b>AMORTISATION OF INTANGIBLE ASSETS WITH A FINITE LIFE</b>	<b>26,330</b>
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Amortisation of intangible assets with a finite life recognised in the first half of 2008 totals 26,330 thousand euros and includes, under trademarks and licences, 2,993 thousand euros relating to amortisation of the Aprilia brand and 1,079 thousand euros relating to amortisation of the Moto Guzzi brand. The item comprises the following:

In thousands of euros	<i>First half of 2008</i>	<i>First half of 2007</i>
Amortisation of development costs	15,632	10,462
Amortisation of concessions, patents, industrial and similar rights	6,353	4,740
Amortisation of trademarks and licences	4,152	4,172
Amortisation of software	40	69
Amortisation of other intangible assets with a finite life	153	34
<b>AMORTISATION OF INTANGIBLE ASSETS</b>	<b>26,330</b>	<b>19,477</b>

As specified in more detail in the paragraph on intangible assets, as of 1 January 2004, goodwill is no longer amortised but tested annually for impairment. The test carried out at 31 December 2007 confirmed the full recoverability of the amounts recorded in the financial statements.

<b>- H7 -</b>	<b>OTHER OPERATING INCOME</b>	<b>74,356</b>
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The "Other operating income" item comprises:

In thousands of euros	<i>First half of 2008</i>	<i>First half of 2007</i>
Gains on disposal of tangible assets	40	687
Sponsorships	2,596	5
Grants	7,127	1,155
Recovery of sundry costs	33,868	34,750
Licence rights	755	284
Sale of materials and sundry equipment	404	298
Insurance settlements	87	120
Increases for capitalised internal construction	16,729	16,713
Reversal of provisions for risks and other provisions	291	289
Active instalments	6,731	3,407
Other operating income	5,728	10,085
<b>TOTAL</b>	<b>74,356</b>	<b>67,793</b>



The other operational proceeds show a 6,563 thousand euros increase in relation to the same period of the preceding year, in particular the active instalments (essentially referred to the proceeds for the lease of racing bikes to the teams taking part in the world motorcycling Championship) and the contributions (of which 4,330 thousand euros in the Piaggio group for the benefit deriving from the tax credit for activities of Research and Development provided for by art. 1, c. 280-284 of Law no. 296/2006).

Recorded under "Recovery of sundry costs" (less the amount in reduction of costs incurred) are transport costs recharged to customers, the charges for which are classified under "Costs for services and use of third party assets".

The item includes moreover operational proceeds accrued following operations with related parties Piaggio Foshan Motorcycles for 1,164 thousand euros.

<b>- H8 - OTHER OPERATING COSTS</b>	<b>17,487</b>
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The "Other operating costs" item totals 17,487 thousand euros at 30 June 2008 and comprises the following:

In thousands of euros	<i>First half of 2008</i>	<i>First half of 2007</i>
Losses on disposal of tangible assets	7	32
Taxation (not on the income)	2,750	2,775
Provisions for product warranty	8,114	8,388
Provisions for future and other risks	1,477	3,623
Write-down of trade receivables (including provisions to bad debt reserve)	1,836	1,218
Other operating costs	3,303	510
<b>TOTAL</b>	<b>17,487</b>	<b>16,546</b>

Overall, other operating costs increased by 941 thousand euros compared to the same period of the previous year mainly derive from the 576 thousand euros increase recorded by the Piaggio group.

<b>- H9 - FINANCIAL INCOME</b>	<b>20,598</b>
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Financial income recognised by the Group at 30 June 2008 is detailed below:

In thousands of euros	<i>First half of 2008</i>	<i>First half of 2007</i>
Interest receivable on bank loans	2,055	1,268
Other Interest receivable	509	210
Gains on disposal of securities	5,884	0
Exchange gains	8,831	3,332
Dividends	2,594	2,450
Other income	725	634
<b>TOTAL</b>	<b>20,598</b>	<b>7,894</b>

The 12,704 thousand euros increase mainly derives from the recognition of the 5,884 thousand euros capital gain realised by the parent company Immsi S.p.A. upon selling 1.5 million Unicredit shares and the profits on exchange rates, of which 7,145 thousand euros recorded from the subsidiary Piaggio.

**- H10 - FINANCIAL CHARGES****35,540**

The financial charges at 30 June 2008 are detailed below:

In thousands of euros	<i>First half of 2008</i>	<i>First half of 2007</i>
Interest payable on bank loans	10,375	9,231
Interest payable on loans from third parties	4,673	2,503
Interest payable on bonds	7,894	7,807
Other interest payable	1,786	364
Fees payable	379	569
Exchange losses	9,751	3,990
Other charges	682	2,498
<b>TOTAL</b>	<b>35,540</b>	<b>26,962</b>

The financial charges at 30 June 2008 increased by 8,578 thousand euros, of which 5,761 thousand euros reported to losses on exchange rates that find compensation in the growth of the profits on exchange rates equal to 5,499 thousand euros. The difference is chiefly related to the greater interest produced by the increase in the short-term interest rates in euros on which the floating rate financial liabilities are indexed.

**- H11 - TAXATION****14,262**

The expected tax burden on the incomes of the companies consolidated with the comprehensive method recorded in the financial statements at 30 June 2008 amounts to 14,262 thousand euros, with an incidence on the pre-tax result of 25.1%, equal to the best estimate of the expected weighted average rate for the whole year. The 2008 tax rate differs significantly from that of the same period of 2007 (equal to 45.9%) primarily as a result of the forecast to register new taxes paid in advance by Piaggio & C. S.p.A. in 2008 and significant components of revenue of a financial nature that benefit from the state of *participation exemption* in the Parent Company (sale of Unicredit shares).

**- H12 - GAIN/LOSS ON THE DISPOSAL OF ASSETS****0**

At the balance sheet date there are no gains or losses from assets intended for sale or disposal, as well as for the previous year.

**- H13 - GROUP EARNINGS FOR THE PERIOD****26,316**

The Immsi Group earnings for the period total 42,608 thousand euros, of which 16,292 pertaining to minority interest.

## **- I - COMMITMENTS, RISKS AND GUARANTEES**

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

TYPE	In thousands of euros
Bank guarantee from Cassa di Risparmio di Pisa issued on our behalf in favour of the Administration of the Province of PISA	130
Bank guarantee from Banca Intesa San Paolo issued on our behalf in favour of the La Spezia Customs Authority	200
Bank guarantee for the credit line of USD 8,100,000 agreed with Banca di Roma to the associated company Piaggio Foshan	5,138
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 agreed with Banca Intesa San Paolo to the subsidiary Piaggio Vespa BV for USD 20,000,000	
- of which used	1,459
- of which provided to the subsidiary Piaggio Foshan	6,217
- of which unused	5,011
Bank guarantee from BNL in favour of Poste Italiane to guarantee contractual obligations for the supply of vehicles	2,040
Bank guarantee from BNL issued in favour of the Venice Customs Authority	206
Bank guarantee from MPS in favour of JIANGSU GANGYANG /CINA issued on 03-12-2007 for USD 340,000	101
Bank guarantee from Banca Intesa Madrid in favour of Soc. Estatal De Correos Tel. issued on 13/08/2007 to cover supplies	187
Bank guarantee from Banco di Brescia issued in favour of the Municipality of Scorzé to guarantee the payment of town planning charges	166
Bank guarantee from MPS in favour of AKRAPOVIC / SLOVENIA for 600,000 euro issued on 7-12-2006	
- of which unused	275
Bank guarantee from MPS in favour of FOSHAN NANHAI / CHINA for 900,000 euro issued on 17-1-2008	
- of which unused	600

At 30 June 2008 the Piaggio group has land and buildings burdened by mortgages or privileges for Interbanca to guarantee financing equal to 1,229 thousand euros granted in accordance with the Law 346/88 on the facilitations for applied research obtained in preceding years.

The main commitments and guarantees recorded by the Rodriguez group are detailed below:

TYPE	In thousands of euros
Indirect guarantees in favour of third parties	183,137
Direct guarantees of the group in favour of third parties	2,284
Pledge on shares of subsidiaries	20
Other risks	5,272
Assets on lease	269
Obligation to buy naval vessels	4,673

Included in the guarantees in favour of third parties are 203 thousand euros relating to the “Municipality of Messina dispute for concession of Area” item, arising from a dispute involving

Rodriquez Cantieri Navali S.p.A. and the Municipality of Messina started in the 1960s regarding the repayment claimed by the Municipality of the public area in "Zona Falcata", occupied by a warehouse of the company and the subsequent claim for payment of the related rental instalments. The obligation to buy naval vessels refers to Conam S.p.A. for contractual obligations of the company to take in exchange second-hand boats, as part of the consideration, if payment has not been received by the customer upon delivery of the new boats.

Rodriquez Cantieri Navali S.p.A. has also issued a letter of guarantee for performance of the contract by the subsidiary Intermarine S.p.A. in favour of the customer, the Finnish Navy, for an amount of 12,240 thousand euros for which it is considered that Intermarine S.p.A. is able to perform all contractual obligations.

The other risks include 4,069 thousand euros referred to the maximum penalty by virtue of the commitment undertaken by Intermarine under the Industrial Participation contract (obligation to promote the exportation of Finish products) underwritten together with the construction contract for the Finish Navy amounting to 245 million euros.

To partially guarantee amounts due to banks by the Rodriquez group, two mortgages were released, relating to buildings located in Sarzana (Intermarine S.p.A.) for 16 million euros and Pozzuoli (Conam S.p.A.) for 2 million euros, respectively.

As regards Is Molas S.p.A., the amount of the commitment with the Municipality of Pula for the completion of the primary and secondary urbanisation works relating to the Is Molas allotment and deriving from the contract signed on 28 January 2005 and the Additional Act signed on 23 May 2006 is 7,395 thousand euros; a guarantee was provided by Industria e Finanza S.p.A. and Etruria S.p.A. in favour of the Municipality of Pula to cover this commitment.

The Parent company has issued 92 million euros of collateral security (the building in via Abruzzi – Rome) to guarantee the 46 million euros loan received from Efibanca.

Against this loan, Immsi is bound during the period of duration of the contract to channel the lease revenues into a fixed deposit account keeping a minimum deposit equal to the amount of the interest instalment nearest the due date.

Immsi S.p.A. received guarantees for a total of 389 thousand euros and guarantee deposits for 34 thousand euros to cover the existing lease contracts at 30 June 2008.

Immsi, as part of the supply contract for five catamarans to the Sultanate of Oman for which the Rodriquez group obtained a guarantee from a pool of banks for an amount of 84.4 million US dollars to guarantee payment of the consideration envisaged in the contract signed with the Sultanate of Oman for 90 million US dollars, counterguaranteed the "*performance bond*" and the "*advanced payment bond*" issued by the above banks for an amount of 60 million US dollars and issued a letter of patronage for any part exceeding such amount in relation to Rodriquez Cantieri Navali S.p.A.'s obligations to channel payments. At 30 June this guarantee was less than the maximum value.

Mortgages are registered for banks on the constructions of Rodriquez Cantieri Navali S.p.A. for the Oman operation for a total value of 58,329 thousand US dollars.

Immsi S.p.A. also signed a guarantee in favour of Intesa San Paolo for Rodriquez Cantieri Navali S.p.A., to secure the latter's payment obligation under the loan agreement today equal to 15 million euros. The guarantee issued by the parent company is counterguaranteed by the irrevocable commitment to channel income arising from the sale by the subsidiary of the Pietra Ligure area in favour of Intesa San Paolo, up to the entire amount of the loan, including interest and expenses.

Immsi has moreover issued a letter of patronage to Banca Antonveneta guaranteeing the financing acknowledged during the month of May to Rodriquez Cantieri Navali S.p.A. for 5.2 million euros.

In the light of the contract stipulated between the Finnish Navy and the subsidiary Intermarine S.p.A. for the construction of three minesweepers, the Finnish Navy granted in the months of

December 2007 and January 2008 three advance payments equal respectively to 16.3 million euros, 0.6 million euros and 32 million euros. These accounts are guaranteed, for an amount equal to 115% of the sum received, through insurance guarantees issued by SACE, which has declared itself available to release the aforesaid guarantees provided there is the co-obligation of Immsi S.p.A..

Immsi has pledged 15 million ordinary shares of Piaggio to guarantee the short-term financing received from Banca di Roma for 25 million euros and partially reimbursed for 7 million euros in the month of June.

Lastly it is noted that the Company in view of the revolving credit line granted by Banca Popolare di Lodi has deposited 33 million Piaggio shares as a guarantee.

### **Commitments for the Aprilia operation**

Within the sphere of the agreements for the acquisition of Aprilia, in December 2004 Piaggio & C. S.p.A. issued warrants and financial instruments for the creditor banks of Aprilia and of the selling shareholders, exercisable in periods determined by the respective regulations starting from the approval of the consolidated financial statements at 31 December 2007 and whose commitments can be summarised as follows:

- **Piaggio 2004/2009 Warrant** for an overall issue price of 5,350.5 thousand euros, which envisages a redemption price, commensurate to the differential between the economic value of the group on the date of exercising and a chart of threshold values that vary in relation to the different periods of exercise. The redemption price can never exceed the overall issue price equal to 64,206 thousand euros by more than twelve times, and can be regulated, with the option reserved for the issuer, both in cash and by delivering shares of the company if listed at the *MTA* of Borsa Italiana. The Company, as from 2005 financial statements, has accounted the fair value of this commitment in a specific shareholders' equity reserve in the hypothesis of regulating the value of sale with the delivery of shares, having in the meantime started the process for listing the company and having a resolution of the Extraordinary Shareholders' Meeting for the increase in reserved capital by issuing up to a maximum of 25 million shares. In the course of the first half of 2008 the almost entirety of the banks holding the warrants exercised them. The value realized by exercising the rights of the holders of the 9,959 exercised warrants turned out to be equal to 63,942,755.40 euros as per the evaluation made by an independent valuer on 5 June. On 11 June the Piaggio Board of Directors deliberated to proceed with the liquidation by Cash Settlement within 3 July 2008. After this decision what had previously been classified among the reserves of shareholders' equity was reclassified as financial indebtedness. At 30 June 2008 there are still 41 warrants not yet exercised for a value of 263,244.60 euros.

- **EMH 2004/2009 financial instruments** for a global nominal value of 10,000 thousand euros, which grant the right to the payment, after approval of the financial statements at 31 December 2009, of a minimum guaranteed sum of 3,500 thousand euros, as well as a maximum sale value of 6,500 thousand euros commensurate to the differential between the economic value of the group on the date of exercising and a chart of threshold values, greater than those established for the Piaggio 2004/2009 Warrants that vary in relation to the different periods of exercise; the value of realization of the property rights of the holders of the EMH Instruments is equal to 6,500,000 euros as per evaluation made by an independent valuer on 5 June 2008. On 11 June 2008 the Piaggio Board of Directors deliberated to proceed with liquidation by cash settlement within 3 July 2008.

- **Aprilia shareholder 2004/2009 financial instruments** which envisage a maximum sale value of 10,000 thousand euros commensurate to the differential between the economic value of the Piaggio group on the date of exercise and a chart of threshold values and subordinate to the total payment by Piaggio & C. S.p.A. of the maximum amount of the value required for the Piaggio 2004/2009 Warrants and the financial instruments EMH 2004/2009.

In conformity with the substantial content of the above contractual agreements, by virtue of which, moreover, the cost of definitive purchase is subordinate to the attainment of specific economic-property parameters, in the light of the final results and the forecasts of the 2008-2010 Plan, the rectification of the cost of initial purchase, that has been considered certain for the Warrants and the Financial Instruments of EMH and probable for the Aprilia Shareholders Instruments, has been estimated at 79,389 thousand euros and has been registered as goodwill.

### **Operating leases**

Piaggio & C. S.p.A. has signed operating leases for the use of tangible assets. Such contracts have an average life of 7.8 years. At 30 June 2008, the amount of irrevocable operating lease instalments still due is 247 thousand euros, a decrease compared to 31 December 2007, of which 52 thousand euros falling due within the year.

The Rodriguez group has signed operating leases referring to software where the residual instalments total 23 thousand euros.

### **- L - RELATED PARTY DEALINGS**

Reference should be made to the Report on operations as regards the main business relations of Group companies with related parties.

### **- M - FINANCIAL POSITION**

The Immsi group net financial position at 30 June 2008 is shown below. Further details of the main components are provided in the tables in the report on operations and the related information below them:

(In thousands of euros)	<b><u>30.06.2008</u></b>	<b><u>31.12.2007</u></b>	<b><u>30.06.2007</u></b>
Cash and cash equivalents	-102,511	-134,673	-114,464
Other short-term financial assets	-31,534	-19,222	-13,188
Medium/long-term financial assets	0	-566	-1,015
Short-term financial payables	280,340	198,316	147,595
Medium/long-term financial payables	369,471	384,316	398,584
<b>Net financial debt</b>	<b><u>515,766</u></b>	<b><u>428,171</u></b>	<b><u>417,512</u></b>

### **- N - DIVIDENDS PAID**

Dividends paid by Immsi S.p.A. over the 1<sup>st</sup> half of 2008 (relating to the distribution of the profit for 2007, as per the shareholders' resolution on 13 May 2008) total 10,296 thousand euros, equal to 0.03 euros per ordinary share, unchanged compared to the dividends paid out in the 1<sup>st</sup> half of 2007 relating to 2006 and approved on 9 May 2007.

The Parent company did not issue shares other than ordinary shares.

## **- O - PROFIT PER SHARE**

### **Income per share**

Income per share is calculated by dividing the net consolidated income attributable to Parent company shareholders by the average weighted number of ordinary shares in circulation during the period, from which any own shares held are excluded. The average number of shares in circulation is calculated by using the principle of retrospectively applying the changes in the number of shares in circulation. In the month of June 2008 the company made purchases on the market of no. 1,840,000 shares of treasury stock.

In euros	<b>30.06.2008</b>	<b>30.06.2007</b>
Net profit attributable to ordinary shareholders (euros)	26,316,000	23,619,000
Average weighted number of shares in circulation during the year	342,893,333	343,200,000
<b>Basic profit per share</b>	<b>0.077</b>	<b>0.069</b>

### **Diluted income per share**

Diluted income per share is calculated by dividing the net consolidated income for the year attributable to Parent company ordinary shareholders by the average weighted number of shares in circulation during the year, taking account of the diluting effect of potential shares. Excluded from this calculation are any own shares held. In determining the average number of potential shares in circulation, the average fair value of the shares referred to the individual period of reference is used. The Company has no category of potential ordinary shares and treasury stock at 30 June 2008.

## **- P - INFORMATION RELATING TO THE FINANCIAL INSTRUMENTS**

Below we summarise the information related to the financial instruments, the risks connected with them, as well as the "sensitivity analysis" in agreement with the requirements of IFRS 7 that came into force on 1 January 2007.

The following table shows the financial instruments of the Immsi Group registered in the financial statements at 30 June 2008 and 31 December 2007:

In thousands of euros	<i>30 June 2008</i>	<i>31 December 2007</i>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
<i>Other financial assets</i>	<b>0</b>	<b>566</b>
Financial receivables	0	566
<b>CURRENT ASSETS</b>		
<i>Other financial assets</i>	<b>31,534</b>	<b>19,222</b>
Financial receivables	773	795
Financial assets	30,761	18,427
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
<i>Financial liabilities</i>	<b>369,471</b>	<b>384,316</b>
Bonds	145,767	145,380
Amounts due to banks	188,443	203,170
Amounts due under finance leases	9,644	9,883
Amounts due to other lenders	25,617	25,883
<b>CURRENT LIABILITIES</b>		
<i>Financial liabilities</i>	<b>280,340</b>	<b>198,316</b>
Amounts due to banks	173,973	165,975
Amounts due under finance leases	753	736
Amounts due to other lenders	105,614	31,605

## **Financial assets**

The item of financial Assets refers for 29,869 thousand euros to the subscription of certificates of deposit issued by an Indian Social Security institute made by the Indian subsidiary of Piaggio & C. S.p.A. in order to use the temporary liquidity efficiently. These securities that are intended to be held until expiration are reported at the amortized cost according to the method of the real interest rate.

## **Current and non-current liabilities**

The current and non-current liabilities are fully commented upon within the Explanatory notes in the paragraph on the financial liabilities. In this section the debt is divided by type and detailed by expiration.

## **Lines of credit**

At 30 June 2008 the most important irrevocable credit lines until expiry comprise:

- a line of 250,000 thousand euros that expires in 2012, articulated by financing with amortization and opening of credit fully reimbursable at expiration;
- an outline agreement with a pool of banks for granting credit lines for a total amount of 70,300 thousand euros that expires in December 2011, which can be used as credit up to 80% and as an advance on credits up to 60%;
- a line of 29,000 thousand euros that expires in December 2009.

## **Warrants and financial instruments**

Within the sphere of the agreements signed in December 2004 on the occasion of the acquisition of Aprilia, Piaggio & C. S.p.A. issued warrants for Aprilia's credit banks and financial instruments for the selling shareholders fully commented on in the Explanatory notes in the paragraph on intangible Assets.

## **Management of financial risks**

In the Piaggio group the governance of the Treasury functions and management of the financial risks is centralized. The treasury operations are performed in the sphere of policy and formalized guidelines, valid for all the companies in the group.

## **Management of capital and liquidity risk**

The Parent Company Immsi S.p.A. operates with financing for the Group's subsidiaries or by issuing guarantees finalized at facilitating their supply: the above operations are regulated under normal market conditions.

The cash flows and the necessities for credit lines of the Piaggio group are monitored or managed centrally under the control of the Group Treasury with the objective of guaranteeing an effective and efficient management of the financial resources as well as optimizing the profile of the expirations of the debt. Piaggio & C. S.p.A. finances the temporary cash needs of the companies in the group holding current account relations with its subsidiaries, also with automatic daily balancing procedures (cash-pooling), regulated under normal market conditions.

For greater coverage of the risk of liquidity, at 30 June 2008 the Immsi Group had unused credit lines available for 311,266 thousand euros (299,814 thousand euros at 31 December 2007) of which 143,073 with expiration within 12 months and 168,193 thousand euros with following expiration.



## Management of the exchange rate risk

The Group operates in an international context in which the transactions are conducted in different currencies to the euro and this exposes it to the exchange rate risk. In particular the Piaggio group even since 2005 has adopted a policy on exchange rate risk management with the objective of neutralizing the possible negative effects of the variations in the exchange rates on the business cash-flow. The policy requires coverage of the economic risk, that concerns the variations in business profitability in relation to what is annually planned in the economic budget on the basis of a reference exchange rate (the so-called "budget exchange rate) for at least 66% of the exposure by using derivative contracts. The policy moreover requires full coverage of the transaction risk, that concerns the differences between the exchange rate recorded in the financial statements of receivables or payables in currency and that of recording the related collection or payment by using the natural compensation of the exposure (netting between sales and purchases in the same foreign currency), signing the derivative contracts of forward sale or purchase in foreign currency as well as advance payments of credits in foreign currency. The group is moreover exposed to the transferring risk, deriving from the conversion in euro of financial statements of subsidiary companies drawn up in different currencies to the euro made in the process of consolidation. The policy adopted by the group does not require coverage of this type of exposure also in relation to its modest amount. Following the net balance of the cash flows of the main currencies, while for the derivative contracts on the exchange rates in being at 30 June 2008 reference is made to the list in the illustrative note, in the paragraph regarding the financial liabilities.

	Amounts in millions of euros	
	Cash-Flow 30 June 2008	Cash-Flow 30 June 2007
Pound sterling .....	7.4	14.7
Indian rupee .....	10.8	8.6
Singapore dollar .....	0.2	0.2
Croatian kuna .....	7.5	8.3
US dollar .....	10.5	11.4
Swiss franc .....	4.0	2.2
Canadian dollar .....	1.0	0.0
Japanese yen .....	(11.9)	(9.3)
Total cash flow in foreign currency .....	29.5	36.1

Also the Rodriguez group covers the risks deriving from swings in the rates of exchange through specific operations tied to the single orders that require billing in currencies other than the euro.

In consideration of the above, hypothesizing an appreciation of 3% of the mean exchange rate of the euro on the portion of the economic exposure not covered on the main currencies observed in 2008, the consolidated operational income would be reduced by around 0.5 million euros.

## Management of the interest rate risk

The exposure to the interest rate risk derives from the necessity to finance the operational activities, both industrial and financial, as well as whether to use the available liquidity. The variation in the interest rates can affect the costs and the yields of the operations of financing and investment. The Group regularly measures and checks its exposure to the risk of variation in the interest rates and it also manages such risks by resorting to derivatives, mainly Forward Rate Agreement and Interest Rate Swap, according to what is established by its administration policies. At 30 June 2008 the floating rate indebtedness, net of the financial assets, was equal to 235,899 thousand euros. As a result an increase or decrease of 1% of the Euribor above this net exposure would have produced greater or smaller interest of 2,359 thousand euros per year.

## Credit risk

The Group considers its exposure to the risk of credit to be the following:

In thousands of euros	30 June 2008	31 December 2007
Cash and cash equivalents	102.511	134.673
Financial assets	30.761	18.427
Financial receivables	773	1.361
Trade receivables	340.185	161.439
<b>Total</b>	<b>474.230</b>	<b>315.900</b>

The Piaggio group monitors or manages the credit at central level via formalized policies and guidelines. The portfolio of the commercial credits does not present concentrations of credit risk in relation to good dispersion toward the network of dealers or distributors. Additionally most of the commercial credits have a short-term time profile. To optimize administration, the group has revolving programmes of without recourses ("pro-soluto") transfer of the commercial credits with some leading factoring companies both in Europe and in the United States of America.

With reference to the Rodriguez group, that by business type can present concentrations of credits with a few customers, it is noted that for the military division the most significant customers under the quantitative profile are represented by public bodies while in general the production to order requires substantial advance payments by the customer with advancement of the works thereby reducing the credit risk.

**LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND EQUITY INVESTMENTS AT 30 JUNE 2008, IN ACCORDANCE WITH ARTICLES 38 AND 39 OF ITAL.LEGISL.DECREE 127/1991**

Company name	Currency	Share capital	% of share capital owned	% voting rights (if different)
<b>LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH THE OVERALL INTEGRATION METHOD</b>				
<b>Apuliae S.p.A.</b> P.zzetta Riccardi, 11 - 73100 Lecce Immsi S.p.A. equity investment of 85%	Euro	1,520,000.00	85.00%	
<b>Is Molas S.p.A.</b> Località Is Molas - 09010 Pula (CA) Immsi S.p.A. equity investment of 60%	Euro	7,510,000.00	60.00%	
<b>RCN Finanziaria S.p.A.</b> Piazza Vilfredo Pareto, 3 - 46100 Mantova Immsi S.p.A. equity investment of 63.18%	Euro	32,135,988.00	63.18%	
<b>Pietra S.r.L.</b> Via Vivaio, 6 - 20121 Milano Immsi S.p.A. equity investment of 77.78%	Euro	40,000.00	77.78%	
<b>Piaggio &amp; C. S.p.A.</b> V.le Rinaldo Piaggio,25 - 56025 Pontedera (Pisa) - Italy IMMSI S.p.A. equity investment of 56.92%	Euro	205,941,272.16	56.92%	58.31%
<b>Derbi Italia S.r.l.</b> V.le Rinaldo Piaggio,25 - 56025 Pontedera (Pisa) - Italy National Motor S.A. equity investment of 100%	Euro	21,000,00	100.00%	
<b>Derbi Racing S.L.</b> Calle La Barca. 5-7 - 08107 Martorelles Barcellona - Spain National Motor S.A. equity investment of 100%	Euro	1,263,000.00	100.00%	
<b>Nacional Motor S.A.</b> Calle Barcelona, 19 - 08107 Martorelles Barcellona - Spain Piaggio & C. S.p.A. equity investment of 100%	Euro	9,182,190.00	100.00%	
<b>P &amp; D S.p.A. ***</b> V.le Rinaldo Piaggio, 25 - 56025 Pontedera (Pisa) - Italy Piaggio & C. S.p.A. equity investment of 100%	Euro	416,000.00	100.00%	
<b>Piaggio Asia Pacific PTE Ltd</b> 59 Ubi Avenue 1#05-09 Bizlink Centre Singapore 408938 Piaggio Vespa B.V. equity investment of 100%	SGD	100,000.00	100.00%	
<b>Piaggio Benelux B.V.</b> Hoevestein, 48 - 4903 SC Oosterhout - Holland Piaggio Vespa B.V. equity investment of 100%	Euro	45,378.00	100.00%	
<b>Piaggio Deutschland GmbH</b> Marie-Curie Strasse 8 - 50170 Kerpen - Germany Piaggio Vespa B.V. equity investment of 100%	Euro	5,113,500.00	100.00%	
<b>Piaggio Finance S.A.</b> 10-21, Boulevard du Prince Henri L-1724 Luxembourg RCS Luxembourg B 107.430-c/o SEB Société Européenne de Banque Piaggio & C. S.p.A. equity investment of 99.99%	Euro	31,000.00	99.99%	
<b>Piaggio France S.A.S.</b> 32, Rue Georges Boisseau, 92586 Clichy Cedex - France Piaggio Vespa B.V. equity investment of 100%	Euro	1,209,900.00	100.00%	
<b>Piaggio Hellas S.A.</b> 259, Imitu Street - 11631 Athens - Greece Piaggio Vespa B.V. equity investment of 100%	Euro	4,404,040.00	100.00%	
<b>Piaggio Hrvatska D.o.o.</b> Kralja Stjepana Drzislava 7 - 21000 Spalato - Croatia Piaggio Vespa B.V. equity investment of 75%	HRK	400,000.00	75.00%	
<b>Piaggio Limited</b> 153-155 Masons Hill Linden House BR29HY Bromley Kent - UK Piaggio Vespa B.V. equity investment of 99.9996% Piaggio & C. S.p.A. equity investment of 0.0004%	GBP	250,000.00	100.00%	
<b>Piaggio Portugal Limitada ***</b> Campo Grande n. 35 - 5° B Lisboa 16003100 - Portugal Piaggio Vespa B.V. equity investment of 100%	Euro	5,000.00	100.00%	
<b>Piaggio Group Americas Inc.</b> 140 East 45th Street, 17th Floor New York, NY 10017 - U.S.A. Piaggio Vespa B.V. equity investment of 100%	USD	561,000.00	100.00%	

Company name	Currency	Share capital	% of share capital owned	% voting rights (if different)
<b>Piaggio Vehicles Private Limited</b> E-2, MIDC Area Baramati 413-133 Dist. Pune, Maharashtra, India Piaggio & C. S.p.A. equity investment of 99.999997% Piaggio Vespa B.V. equity investment of 0.000003%	INR	340,000,000.00	100.00%	
<b>Piaggio Vespa B.V.</b> c/o Fortis Intertrust Prins Bernhardplein 200 – 1097 JB Amsterdam-Holland Piaggio & C. S.p.A. equity investment of 100%	Euro	91,000.00	100.00%	
<b>Moto Guzzi S.p.A.</b> V. E.V. Parodi , 57 - 23826 Mandello del Lario (LC) - Italy Piaggio & C. S.p.A. equity investment of 100%	Euro	2,500,000.00	100.00%	
<b>Moto Laverda S.r.l. ***</b> V. Galileo Galilei, 15 - 30033 Noale (VE) - Italy Piaggio & C. S.p.A. equity investment of 100%	Euro	80,000.00	100.00%	
<b>Aprilia World Service B.V.</b> c/o Fortis Intertrust Prins Bernhardplein 200 – 1097 JB Amsterdam-Holland Piaggio & C. S.p.A. equity investment of 100%	Euro	6,657,500.00	100.00%	
<b>Piaggio Vietnam Co. Ltd</b> Lot M Binh Xuyen Industrial Zone Vinh Phuc Province, Vietnam Piaggio & C. S.p.A. equity investment of 51% Piaggio Vespa B.V. equity investment of 36.5%	VND	64,800,000,000.00	87.50%	
<b>Aprilia Moto UK Limited ***</b> 15, Gregory Way - SK5 7ST Stockport - Chesire - United Kingdom Aprilia World Service B.V. equity investment of 100%	GBP	2,555,325.00	100.00%	
<b>Piaggio Group Japan</b> 3-22-5-402 Shinyokohama Kouhoku-ku Yokohama shi - Kanagawa 222-0033 - Japan Piaggio Vespa B.V. equity investment of 100%	YEN	3,000,000.00	100.00%	
<b>Rodriquez Cantieri Navali S.p.A.</b> V. S. Raineri, 22 - 98122 Messina RCN Finanziaria S.p.A. equity investment of 100%	Euro	14,040,000.00	100.00%	
<b>Rodriquez Engineering Srl</b> Via S. Raineri, 22 - 98122 Messina Rodriquez Cantieri Navali S.p.A. equity investment of 98.74%	Euro	119,756.00	98.74%	
<b>Intermarine S.p.A.</b> Via Alta - 19038 Sarzana (La Spezia) Rodriquez Cantieri Navali S.p.A. equity investment of 100%	Euro	10,000,000.00	100.00%	
<b>Conam S.p.A.</b> Via Provinciale Pianura - Loc. S. Martino, 15 80078 Pozzuoli (Napoli) Rodriquez Cantieri Navali S.p.A. equity investment of 89%	Euro	2,530,000.00	89.00%	
<b>Rodriquez Logtec Srl</b> Via Mercadante, 4C 89026 S. Ferdinando (Reggio Calabria) Rodriquez Cantieri Navali S.p.A. equity investment of 55%	Euro	60,000.00	55.00%	
<b>Rodriquez Cantieri Navali do Brasil Ltda</b> Rua Miguel de Lemos n. 53 - Ponta da Areia - Niteroi - RJ CEP 24040-260 Rodriquez Cantieri Navali S.p.A. equity investment of 100%	R\$	1,068,150.00	100.00%	
<b>Rodriquez Yachts Srl</b> Via S. Raineri, 22 - 98122 Messina Rodriquez Cantieri Navali S.p.A. equity investment of 95% Rodriquez Marine System S.r.l. equity investment of 5%	Euro	22,289.00	100.00%	
<b>Rodriquez Marine System Srl</b> Via S. Raineri, 22 - 98122 Messina Rodriquez Engineering S.r.l. equity investment of 90%	Euro	46,800.00	90.00%	
<b>Rodriquez Pietra Ligure S.r.l.</b> Via Vivaio, 6 - 20121 Milano Rodriquez Cantieri Navali S.p.A. equity investment of 100%	Euro	20,000.00	100.00%	

Company name	Currency	Share capital	% of share capital owned	% voting rights (if different)
<b>EQUITY INVESTMENTS IN SUBSIDIARIES, ASSOCIATED AND JOINT CONTROL COMPANIES VALUED USING THE EQUITY METHOD</b>				
<b>Piaggio China Co. LTD</b> Suite 1901, 19/F, Cheung Kong Center, 2 Queen's Road Central Hong Kong Piaggio & C. S.p.A. equity investment of 99.99%	USD	12.100.000,00	99,99%	
<b>Zongshen Piaggio Foshan Motorcycle Co. Ltd</b> Zhenxing Road, Chengxi Industrial Zone, Zhangcha, Foshan City Guangdong Province - 52800 CHINA Piaggio & C. S.p.A. equity investment of 32.5% Piaggio China Co. LTD equity investment of 12.5%	USD	29.800.000,00	45,00%	
<b>Aprilia World Service Holding do Brasil Ltda***</b> Rua Professor Alceu Maynard de Araujo, 121, Térreo, San Paolo - Brazil Aprilia World Service BV equity investment of 99.99%	R\$	2.028.780,00	99,99%	
<b>Aprilia Brasil S.A. ***</b> Av.da Carvalho Leal n° 1336, 2° andar, Manaus - Brazil Aprilia World Service do Brasil Ltda equity investment of 51%	R\$	2.020.000,00	51,00%	
<b>EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES VALUED USING THE COST METHOD</b>				
<b>Motoride S.p.A. ***</b> V. Monte Napoleone, 21 - Milano – Italy Piaggio & C. S.p.A. equity investment of 28.29%	Euro	1.989.973,00	28,29%	
<b>Pont - Tech , Pontedera &amp; Tecnologia S.c.r.l.</b> v.le Rinaldo Piaggio,32 - 56025 Pontedera (Pisa) - Italy Piaggio & C. S.p.A. equity investment of 20.44%	Euro	884.160,00	20,44%	
<b>S.A.T. Société d'Automobiles et Triporteurs S.A.</b> 128 Avenue Jugurtha, Mutueville, 1082 Tunisi - Tunisia Piaggio Vespa B.V. equity investment of 20%	TND	210.000,00	20,00%	
<b>Acciones Depuradora Soc. Coop. Catalana Limitada</b> Agrupacio d'Industrials del Baix Valles Doctor Lluís duran,762 °08100 Mollet de Valles Barcelona-Spain National Motor S.A. equity investment of 22%	Euro	60.101,00	22,00%	
<b>Rodriquez Mexico ***</b> Altamirano 750 Col El Esterito La Paz, BCS CP 23020 - Mexico Rodriquez Cantieri Navali S.p.A. equity investment of 50%	Pesos	50.000,00	50,00%	
<b>Consorzio CTMI - Messina</b> Via S. Raineri, 22 - 98122 Messina Rodriquez Cantieri Navali S.p.A. equity investment of 41.54%	Euro	53.040,00	41,54%	
<b>Rodriquez Charter &amp; Broker Srl ***</b> Via S. Raineri, 22 - 98122 Messina Rodriquez Yachts S.r.l. equity investment of 100%	Euro	10.000,00	100,00%	
<b>Fondazione Piaggio Onlus</b> V.le Rinaldo Piaggio, 7 - 56025 Pontedera (Pisa) - Italy Piaggio & C. S.p.A. equity investment of 50%	Euro	103.291,38	50,00%	

\*\*\* Non-operating company or company in liquidation.



**IMMSI S.p.A.**

**Financial statements**  
**at**  
**30 June 2008**

Below are the balance sheet, income statement, cash flow statement and schedule of changes in shareholders' equity, detailing the significant amounts relating to intragroup and related party dealings.

## **Balance sheet**

In thousands of euros

<b>ASSETS</b>		<b>30/06/2008</b>	<b>31/12/2007</b>
NON-CURRENT ASSETS			
Intangible assets		0	0
Tangible assets	C1	11,918	11,631
- of which intragroup and related parties		81	92
Property investments		0	0
Equity investments	C2	378,326	366,753
Other financial assets	C3	26,350	12,000
- of which intragroup and related parties		26,350	12,000
Amounts due from the tax authorities	C4	3,421	4,315
Deferred tax assets		0	0
Trade receivables and other receivables	C5	1,897	1,385
- of which intragroup and related parties		1,893	1,381
<b>TOTAL NON-CURRENT ASSETS</b>		<b>421,911</b>	<b>396,084</b>
ASSETS INTENDED FOR DISPOSAL		0	0
CURRENT ASSETS			
Trade receivables and other receivables	C5	1,651	1,314
- of which intragroup and related parties		1,442	1,154
Amounts due from the tax authorities	C4	353	216
Other financial assets	C3	51,654	79,882
- of which intragroup and related parties		12,850	14,701
Cash and cash equivalents	C6	4,655	8,220
<b>TOTAL CURRENT ASSETS</b>		<b>58,312</b>	<b>89,632</b>
<b>TOTAL ASSETS</b>		<b>480,223</b>	<b>485,716</b>
<b>LIABILITIES</b>		<b>30/06/2008</b>	<b>31/12/2007</b>
SHAREHOLDERS' EQUITY			
Share capital		177,507	178,464
Reserves and retained earnings		153,565	176,721
Earnings of the period	E10	18,501	11,551
<b>TOTAL SHAREHOLDERS' EQUITY</b>	D1	<b>349,573</b>	<b>366,736</b>
NON-CURRENT LIABILITIES			
Financial liabilities	D2	45,889	45,863
Trade payables and other payables		0	0
Reserves for severance indemnity and similar obligations	D4	174	158
Other long-term reserves		0	0
Deferred tax liabilities	D6	3,695	5,574
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>49,758</b>	<b>51,595</b>
LIABILITIES CONNECTED WITH ASSETS INTENDED FOR DISPOSAL		0	0
CURRENT LIABILITIES			
Financial liabilities	D2	74,180	62,698
- of which intragroup and related parties		540	540
Trade payables	D3	1,408	1,059
- of which intragroup and related parties		52	238
Current taxation	D7	468	310
Other payables	D3	4,716	3,198
- of which intragroup and related parties		3,262	2,325
Current portion of other long-term reserves	D5	120	120
<b>TOTAL CURRENT LIABILITIES</b>		<b>80,892</b>	<b>67,385</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>480,223</b>	<b>485,716</b>



## **Income statement**

In thousands of euros

In the light of the evolution of the business that has progressively involved a greater economic incidence of the financial component in relation to the property and services component, the Company has adopted as from the financial statements at 31 December 2007 a report on the profit and loss account consistent with this situation.

IS		1 <sup>st</sup> half of 2008	1 <sup>st</sup> half of 2007
Financial income	E1	23,092	9,402
- of which intragroup and related parties		14,484	6,918
Financial charges	E2	(3,117)	(1,682)
- of which intragroup and related parties		(14)	(16)
Gain / loss on equity investments		0	0
Operating income	E3	2,199	2,114
- of which intragroup and related parties		910	902
Costs for materials		(38)	(38)
Costs for services and use of third party assets	E4	(2,388)	(1,798)
- of which intragroup and related parties		(179)	(138)
Personnel costs	E5	(745)	(753)
Depreciation of tangible assets	E6	(187)	(41)
Amortisation of goodwill		0	0
Amortisation of intangible assets with a finite life		0	(0)
Other operating income	E7	61	101
- of which intragroup and related parties		49	45
Other operating costs	E8	(418)	(201)
- of which intragroup and related parties		0	(13)
<b>EARNINGS BEFORE TAXATION</b>		<b>18,460</b>	<b>7,104</b>
Taxation	E9	41	275
- of which intragroup and related parties		0	0
<b>EARNINGS AFTER TAXATION FROM CONTINUING ASSETS</b>		<b>18,501</b>	<b>7,379</b>
Gain (loss) from assets intended for disposal or sale		0	0
<b>NET EARNINGS FOR THE PERIOD</b>	E10	<b>18,501</b>	<b>7,379</b>

## **Earnings per share**

In euros

IS	1 <sup>st</sup> half of 2008	1 <sup>st</sup> half of 2007
Basic	0.054	0.022
Diluted	0.054	0.022

Hereunder, for purposes of comparison, we give the reconciliation report on the profit and loss account values published in the Report of the Directors and Financial Statements at 30 June 2007 and the same values given in the above profit and loss account:

	Financial Stat. Profit & Loss Account 30 06 2007	Reclassified Profit&Loss Account 30 06 2007	
<b>Net revenues</b>	<b>2,114</b>	<b>9,402</b>	<b>Financial income</b>
	0	(1,682)	Financial charges
Costs for materials	(38)	0	Gain / loss on equity investments
Costs for services and use of third party assets	(1,798)	0	Operating income
Personnel costs	(753)	2,114	Costs for materials
Depreciation of tangible assets	(41)	(38)	Costs for services and use of third party assets
Amortisation of goodwill	0	(1,798)	Personnel costs
Amortisation of intangible assets with a finite life	(0)	(753)	Depreciation of tangible assets
Other operating income	101	(41)	Amortisation of goodwill
Other operating costs	(201)	0	Amortisation of intangible assets with a finite life
	0	(0)	Other operating income
Gain / loss on equity investments	0	0	Other operating costs
Financial income	9,402	101	
Financial charges	(1,682)	(201)	
<b>EARNINGS BEFORE TAXATION</b>	<b>7,104</b>	<b>7,104</b>	<b>EARNINGS BEFORE TAXATION</b>
Taxation	275	275	Taxation
<b>EARNINGS AFTER TAXATION FROM CONTINUING ASSETS</b>	<b>7,379</b>	<b>7,379</b>	<b>EARNINGS AFTER TAXATION FROM CONTINUING ASSETS</b>
Gain (loss) from assets intended for disposal or sale	0	0	Gain (loss) from assets intended for disposal or sale
<b>NET EARNINGS FOR THE PERIOD</b>	<b>7,379</b>	<b>7,379</b>	<b>NET EARNINGS FOR THE PERIOD</b>

## Cash flow statement

In thousands of euros

		1 <sup>st</sup> half of 2008	1 <sup>st</sup> half of 2007
<b>Operations</b>			
Earnings of the period	E10	18,501	7,379
Taxation	E9	(41)	(275)
Depreciation of tangible assets (including property investments)	E6	187	41
Provisions for risks and for severance indemnity and similar obligations	D4	33	34
Write-downs / (Revaluations)	E8	239	16
Losses / (Gains) on disposal of tangible assets (including property investments)		0	21
Losses / (Gains) on disposal of securities	E1	(5,884)	0
Interest receivable (1)	E1	(967)	(403)
Dividend income (2)	E1	(16,114)	(8,987)
Interest payable (3)	E2	3,116	1,665
<b>Change in working capital:</b>			
(Increase) / Decrease in trade receivables (4)	C5	(834)	(1,123)
Increase / (Decrease) in trade payables (5)	D3	349	(1,071)
Increase / (Decrease) reserves for severance indemnity similar obligations	D4	(17)	(37)
Other changes (4-5)		(58)	374
<b>Cash generated from operations</b>		<b>(1,490)</b>	<b>(2,366)</b>
Interest paid (3)		(1,688)	(1,239)
Taxation paid		(306)	(13,291)
<b>Cash flow from operations</b>		<b>(3,484)</b>	<b>(16,896)</b>
<b>Investments</b>			
Acquisition of subsidiaries, net of cash and cash equivalents (6)	C2	(11,537)	(10,423)
Investments in tangible assets	C1	(474)	(67)
Sale price, or repayment value, of tangible assets (including property investments)		0	4
Loans provided (7)	C3	(26,350)	(150)
Repayment of loans (8)	C3	13,851	0
Sale price of financial assets	E1	8,029	0
Interest received		569	34
Dividends from equity investments (2)	E1	16,114	8,987
<b>Cash flow from investments</b>		<b>202</b>	<b>(1,615)</b>
<b>Financing</b>			
Purchase of treasury stock	D1	(1,469)	0
Loans received	D2	0	35,000
Outflow for repayment of loans	D2	(8,597)	0
Outflow for dividends paid to Parent company shareholders	H	(10,296)	(10,296)
<b>Cash flow from financing</b>		<b>(20,362)</b>	<b>24,704</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>	<b>C6</b>	<b>(23,644)</b>	<b>6,193</b>
<b>Opening balance</b>		<b>8,220</b>	<b>556</b>
Exchange differences		0	0
<b>Closing balance</b>		<b>(15,424)</b>	<b>6,749</b>

(1) Of which 889 thousand euros of interests from Rodriguez Cantieri Navali S.p.A. and RCN Finanziaria S.p.A.;

(2) Of which 13,520 thousand euros of dividends from Piaggio & C. S.p.A.;

(3) Of which 14 thousand euros of interests for Apuliae S.p.A.. paid during the 1<sup>st</sup> half of the year;

(4) Of which 289 thousand euros increase referred to trade receivables and other current receivables towards subsidiary companies and parent companies;

(5) Of which 752 thousand euros decrease referred to trade payables and other current payables towards subsidiary companies, parent companies and related parties;

(6) Purchase of Piaggio & C. S.p.A. shares;

(7) Loan provided to Rodriguez Cantieri Navali S.p.A. for 12.000 thousand euros and to RCN Finanziaria S.p.A. for 14.350 thousand euros;

(8) Loan reimbursed by Rodriguez Cantieri Navali S.p.A..

This schedule illustrates the changes in cash and cash equivalents, net of short-term bank overdrafts (equal to 20.1 million euros at 30 June 2008).

## Changes in shareholders' equity

In thousands of euros

	Share capital	Extraordinary reserve A - B - C	Share premium reserve A - B	Financial instrument measurement reserve	Reserves for revaluation L. 413/91 A - B - D	Legal reserve A	Other legal reserves A - B - D	Earnings reserves A - B - C	Reserves and retained earnings	Shareholders' equity
<b>Balances at 31 December 2006</b>	178,464	7,103	95,216	58,758	4,602	1,288	1,153	1,575	27,972	376,131
Allocation of earnings to legal reserve						1,399			(1,399)	0
Allocation of earnings to dividends									(10,296)	(10,296)
Allocation of earnings to retained earnings								16,277	(16,277)	0
Measurement at fair value of financial assets				2,111						2,111
Purchase of treasury stock										0
Other changes										0
Net earnings for the period									7,379	7,379
<b>Balances at 30 June 2007</b>	178,464	7,103	95,216	60,869	4,602	2,687	1,153	17,852	7,379	375,325

	Share capital	Extraordinary reserve A - B - C	Share premium reserve A - B	Financial instrument measurement reserve	Reserves for revaluation L. 413/91 A - B - D	Legal reserve A	Other legal reserves A - B - D	Earnings reserves A - B - C	Reserves and retained earnings	Shareholders' equity
<b>Balances at 31 December 2007</b>	178,464	7,103	95,216	48,108	4,602	2,687	1,153	17,852	11,551	366,736
Allocation of earnings to legal reserve						558			(558)	0
Allocation of earnings to dividends									(10,296)	(10,296)
Allocation of earnings to retained earnings								697	(697)	0
Measurement at fair value of financial assets				(23,899)						(23,899)
Purchase of treasury stock	(957)							(512)		(1,469)
Other changes										0
Net earnings for the period									18,501	18,501
<b>Balances at 30 June 2008</b>	177,507	7,103	95,216	24,209	4,602	3,245	1,153	18,037	18,501	349,573

Available for:

A: Loss hedging

B: Share capital increase

C: Distribution to shareholders

D: Distribution to shareholders under tax suspension

## **Explanatory and additional notes to the financial statements** **at 30 June 2008**

Note	Description
<b>A</b>	<b>General aspects</b>
<b>B</b>	<b>Accounting standards and measurement criteria</b>
<b>C</b>	<b>Information on the main asset items</b>
C1	Tangible assets
C2	Equity investments
C3	Other financial assets
C4	Amounts due from tax authorities
C5	Trade receivables and other receivables
C6	Cash and cash equivalents
<b>D</b>	<b>Information on the main liabilities items</b>
D1	Shareholders' equity
D2	Financial liabilities
D3	Trade payables and other payables
D4	Reserves for severance indemnity and similar obligations
D5	Other long-term reserves (current portion included)
D6	Deferred tax liabilities
D7	Current taxation
<b>E</b>	<b>Information on the main Income Statement items</b>
E1	Financial income
E2	Financial charges
E3	Operating income
E4	Costs for services and use of third party assets
E5	Personnel costs
E6	Depreciation of tangible assets
E7	Other operating income
E8	Other operating costs
E9	Taxation
E10	Net earnings for the period
<b>F</b>	<b>Commitments, risks and guarantees</b>
<b>G</b>	<b>Net financial position</b>
<b>H</b>	<b>Dividends paid</b>
<b>I</b>	<b>Profit per share</b>
<b>L</b>	<b>Related party dealings</b>

## **A – General aspects**

Immsi S.p.A. (the Company) is a limited company established under Italian law and has registered offices in Mantova - P.zza Vilfredo Pareto, 3 and sub-offices in via Abruzzi, 25 – Rome and Via Vivaio, 6 – Milan. The main activities of the company and its subsidiaries (the Group) are described in the first part of the interim Directors' Report.

At 30 June 2008, Immsi S.p.A. was directly controlled by Omniainvest S.p.A., a company owned by Omniaholding S.p.A.. In this respect, it is noted that on 23 July 2007 the Meetings of Omniainvest S.p.A. and Omniapartecipazioni S.p.A., former controlling shareholder of Immsi, resolved the merger by incorporation of the two companies, which happened on 25 September 2007.

Following the coming into force of European Regulation no. 1606 in July 2002, Immsi S.p.A. has adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission, the updates of those pre-existing ones (IAS), as well as the documents of the International Financial Reporting Interpretations Committee (IFRIC) deemed applicable to the transactions carried out by the Company.

The Financial Statements of Immsi S.p.A., drawn up in conformity with the provisions of Italian Legislative Decree D. Lgs. 58 of 24 February 1998 in force at the time, is written in the form and with the content according to the information notice required by 34. The Company did not deem significant the presentation of information by sector, as established in IAS 14.

The currency used in preparing these financial statements is the euro and the amounts are expressed in thousands of euros unless otherwise indicated.

These financial statements are subject to limited audit by Deloitte & Touche S.p.A..

## **Presentation of the financial statements**

The consolidated financial statements consist of the Balance Sheet, the Income Statement, the Cash Flow Statement, the Schedule of changes to Shareholders' Equity and the explanatory and additional Notes.

With reference to Consob Resolution no. 15519 of 17 July 2006 it is pointed out that, as regards the financial schedules, specific income statement, balance sheet have been inserted to evidence significant related party dealings and intragroup. No atypical or unusual operations have been found during the first half of 2008.

In relation to the options envisaged in IAS 1 "*Presentation of Financial Statements*", Immsi S.p.A. 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 consolidated 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 Company, in the light of the evolution of the business in recent times that has involved a greater economic importance of the financial component in relation to the real estate and services component, has adopted a report on the profit and loss account that highlights at the top of the chart the predominant business that Immsi S.p.A. is carrying on. In addition, the income and cost items arising from assets that are intended for disposal or sale, including any capital gains or losses net of the tax element, are recorded in a specific balance sheet item which precedes the net earnings of the period.
- **Cash Flow Statement:** The Cash Flow Statement is presented divided into areas generating

cash flows, as indicated by international accounting standards. The Schedule of Statement adopted by Immsi has been prepared using the indirect method.

- **Schedule of Changes in Shareholders' Equity:** The Schedule of Changes in Shareholders' Equity is shown as required by international accounting standards, with a separate indication of the result for the period and of every individual sale, income, charge and expense that has not been recorded in the income statement, but charged directly in net shareholders' equity on the basis of specific IAS/IFRS accounting standards.

## **B - Accounting standards and measurement criteria**

The accounting standards adopted in preparing this financial statements are the same as those applied in preparing the annual financial statements at 31 December 2007.

The international accounting standards adopted are listed below.

### **Intangible assets**

An intangible asset is recorded 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 cost net of accumulated amortisation and cumulative impairment. Amortisation is equated to their expected useful life and starts when the asset is available for use.

### **Tangible assets**

Property, plant and equipment are recorded at purchase or production cost, including directly attributable accessory charges, net of accumulated depreciation and impairment. For an asset whose capitalisation is justified, the cost also includes the financial charges which are directly attributable to the purchase, construction or production of the asset.

The costs incurred following the purchase 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 over the estimated useful life of the assets or, in the case of disposal, until the end of the complete previous year.

Land is not depreciated.

The Company does not hold any asset under financial lease contract at 30 June 2008.

The duration of the useful life of the industrial building owned is estimated at 2023 while the related equipment at 2016. The other tangible assets are depreciated applying the criterion and rates indicated below:

Furniture and fittings, electrical machines	12%
Personal computers, hardware, EDP and telephone systems	20%
Motor vehicles	25%
Other equipment	from 15% to 25%

## **Equity investments**

Equity investments in subsidiaries and associated companies are recorded at cost including accessory costs and adjusted for any impairment.

## **Impairment**

Tangible assets and equity investments in subsidiaries and associated companies are subjected to impairment tests 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. With reference to the measuring of the equity investments, 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 recognised in the income statement as a restoration of value.

## **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 provision. This provision is calculated on the basis of the recovery assessments carried out by analysis of the individual positions and of the overall risk of all the receivables, taking account of any guarantees.

When the payment of the sum due is deferred beyond normal credit terms offered to customers and the financial effect associated with such deferral is significant, it is necessary to discount the receivable.

## **Cash and cash equivalents**

This heading includes cash in hand, on 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 include loans that are recognised at the cost represented by the original value of the sums received net of accessory charges for acquiring the loan. After the initial recording, non-current financial liabilities – which differ from the financial liabilities measured at fair value and recognized in the income statement - are measured with the amortised cost method, using the effective interest rate. Financial assets are recorded and reversed from the financial statements on the basis of their trade date

## **Financial assets**

The item financial Assets includes: Assets measured at fair value recognized in the income statement (held for trading), investments held at maturity, loans and receivables and the residual category for assets available for sale.

Included among financial assets are current securities, that is, short-term or negotiable securities that represent temporary investments of liquidity and do not meet the requirements for classification as cash equivalents. Their initial measurement takes account of the transition costs directly attributable to their purchase or issue.

After initial recognition at cost, financial instruments available for sale and these held for trading are measured at fair value.



When financial assets are held for trading (fair value to profit and loss), the gains and losses arising from changes in the fair value are charged to the income statement for the period. When financial assets are (available for sale), namely they are not classified as financial assets held for trading and they are not loans or receivables, the gains and losses arising from changes in the fair value are charged directly to shareholders' equity until the financial asset is sold or derecognised; at that moment the accumulated overall gains or losses, including the ones previously recognized in the shareholders' equity, are included in the income statement of the period.

The investments held to maturity and not for purposes of negotiation (financings and credits originated during the characteristic activity) and all the financial activities with preset maturities, for which there are no quotations available in an active market and whose fair value cannot be determined reliably, are valued according to the criterion of the amortized cost net of any devaluations operated to reflect losses in value.

The loans and receivables originated during the activity that Immsi S.p.A. does not hold for trading for which the fair value cannot be reliably determined, and they do not have a fixed maturity, are measured at purchase cost.

## **Payables**

Trade payables falling due within normal business terms are not discounted and are recognised at nominal value, deemed representative of their discharge value. The interest portion possibly included in the nominal value not accrued at the end of the period is deferred to future periods.

## **Employee benefits**

With the adoption of the IFRS, the employees' severance indemnity, that will now be held by the company, 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.

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 relating to unrecorded previous employment services, plus the present value of any repayments and reductions in future contributions to the plan.

The interest element of the income/charge relating the employee plans discounting under the "Financial will income/charges" heading.

It is pointed out that further to the amendment to Italian Law 296 of 27 December 2006 and the following implementing decrees and regulations regarding TFR and supplementary social security it has not involved any change to the evaluation of the liabilities, since the Company has fewer than 50 employees, and none of them has opted for complementary social security.

## **Provisions for risks and charges**

Provisions for risks and charges are recorded when there is a legal or implicit obligation towards third parties and it is likely that the use of resources will be necessary to fulfil the obligation and when a reliable estimate of the amount of the obligation itself can be made.

Provisions are recognised at the amount representing the best estimate of the amount that the company would pay to settle the obligation or to transfer it to third parties at the period end date. Changes in the estimate are reflected in the income statement for the period in which the change

occurred.

If the liability relates to tangible assets, the provision is recognised as a counter-entry to the asset to which it refers; recognition of the charge in the income statement is by depreciation of the tangible asset to which the charge refers.

## **Financial income and charges**

Financial income is recorded on an accrual basis.

It includes interest income on invested funds and income arising from financial instruments.

Interest income is charged to the income statement as it accrues, considering the effective yield.

Interests due on financial payables are calculated using the effective interest rate method.

Dividends recorded in the income statement are recorded when, following the resolution to distribute a dividend is passed by the investee company, the related tax credit right arises.

## **Operational revenues and costs**

The costs and revenues from the sale of assets are given in the financial statements only when the risks and the correlated benefits to the owners of the assets are considered transferred while, as concerns the services, costs and revenues, they are ascribed to the profit and loss account with reference to their advancement and the benefits achieved at the date of the financial statements.

The reporting criteria required by IAS 18 are applied to one or more operations as a whole when they are so closely connected that the commercial result cannot be valued without making reference to such operations as to a single whole, therefore the proceeds from re-charging costs for materials and services sustained by Immsi S.p.A. on behalf of companies in the Group or tenants are not given in the profit and loss account as they are compensated with the related costs they have generated.

## **Current taxation**

The income taxes for the year are calculated using the tax rates in force at the balance sheet date and are recorded in the income statement, except for income tax relating to items directly charged or debited to shareholders' equity, in which case the tax effect is recognized directly as a reduction or increase in shareholders' equity.

Other taxation unrelated to income is included in other operating costs.

Income tax for IRAP is recognised in the amounts due to the tax authorities net of advances while as for IRES it is noted, that the Company has undersigned with some companies of the Group a national fiscal consolidated contract for the three-year period 2007-2009, therefore the payables, advance payments and withholdings suffered were transferred at the end of the period to the fiscal consolidated company. Immsi S.p.A., as the consolidating company, has reported in its own financial statements both the amount due to the companies transferring fiscal losses and tax credits and the amount due to companies transferring a taxable amount set off respectively against the credit or the cumulative payables with the Treasury.

## **Deferred taxation**

Deferred taxation assets and liabilities are calculated on all of the temporary taxable differences between the book value and their tax value.

Deferred tax assets on tax losses are recognised only to the extent that the existence of adequate future taxable income of the Group against which to use this positive balance is considered likely.

The book value of deferred tax assets is subject to annual review 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.

Assets for deferred taxation and the reserve for deferred taxation are offset when there is a legal right to offset and when the taxes are due to the same tax authority.

Deferred taxation is determined on the basis of the tax rates which are expected to be applied in the periods in which such temporary differences will occur or be extinguished.

Deferred taxation may not be discounted and is classified under non-current assets and liabilities.

## **Use of estimates**

The preparation of the financial statements and the related notes in application of the IAS/IFRS requires Management to make estimates and assumptions that have an impact on the values of the assets and liabilities in the financial statements and on the information relating to contingent assets and liabilities at the financial statement date. The actual results may differ from such estimates. The estimates are used to measure provisions for risks on receivables, amortisation and depreciation, write-downs of assets, employee benefits, tax, 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.

## **New accounting standards**

Hereunder we state the main changes to the international accounting standards issued by the IASB and applicable as of 1 January 2009:

- issued on 30 November 2006: the accounting standard IFRS 8 – *Operating Segments* that will be applicable in place of IAS 14 – *Segment Reporting*;
- issued on 29 March 2007: a reviewed version of IAS 23 again – *Borrowing Costs*;
- issued on 6 September 2007: a reviewed version of IAS 1 – *Presentation of Financial Statements*;
- issued on 10 January 2008: an updated version of IFRS 3 – *Business Combinations*;
- issued on 17 January 2008: an amendment to IFRS 2 – *Amendments for Vesting Conditions and Cancellations*;
- issued on 14 February 2008: an amendment to IAS 32 – *Financial Instruments*: presentation and to IAS 1 – *Presentation of Financial Statements* - puttable financial instruments and derivative bonds at the time of liquidation;
- issued on 22 May 2008: a set of changes: IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*; IAS 16 – *Property, Plant and Equipment*; IAS 19 – *Employee Benefits*; IAS 20 – *Accounting for Government Grants and Disclosure of Government Assistance*; IAS 23 – *Borrowing Costs*; IAS 28 – *Investments in Associates*; IAS 31 *Interests In Joint Ventures*; IAS 29 - *Financial Reporting in Hyperinflationary Economies*; IAS 36 - *Impairment of Assets*; IAS 38 - *Intangible Assets*; IAS 39 - *Financial Instruments - Recognition and Measurement*; IAS 40 – *Investment Property*.

On 10 January 2008 the IASB moreover issued IAS 27 – *Consolidated and Separate Financial Statements*, applicable respectively as of 1 January 2010.

At the date of issue of these half-yearly financial statements the relevant bodies of the European Union have not yet concluded the necessary process of homologation for their application.

## C - Information on the main asset items

<b>C1</b>	<b>Tangible assets</b>	<b>11,918</b>
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The changes in tangible assets are detailed below:

	Property	Land	Plant and machinery	Other assets	Total
<b>Situation at 31.12.07</b>	<b>4,002</b>	<b>6,742</b>	<b>265</b>	<b>622</b>	<b>11,631</b>
- Capital amount	5,463	6,742	1,288	1,012	14,505
- Accumulated depreciation	(1,461)	0	(1,023)	(390)	(2,874)
<b>Increases for investments</b>	<b>445</b>	<b>0</b>	<b>26</b>	<b>3</b>	<b>474</b>
<b>Decreases for depreciation</b>	<b>(93)</b>	<b>0</b>	<b>(20)</b>	<b>(74)</b>	<b>(187)</b>
<b>Other changes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Decreases for disposals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
- (Capital amount)	0	0	(8)	0	(8)
- Accumulated depreciation	0	0	8	0	8
<b>Situation at 30.06.08</b>	<b>4,354</b>	<b>6,742</b>	<b>271</b>	<b>551</b>	<b>11,918</b>
- Capital amount	5,908	6,742	1,306	1,015	14,971
- Accumulated depreciation	(1,554)	0	(1,035)	(464)	(3,053)

The investments made in the Buildings category, equal to 445 thousand euros, refer essentially to fixed assets in progress for works of improvement and renovation of facades performed on the property of Via Abruzzi – Rome. The works will be completed and will become useful as of the next half of the year therefore at the date of 30 June 2008 they have not been subjected to the process of amortization.

There is a 92 million euros mortgage on the property in Rome which secures the 46 million euros loan provided by Efibanca in 2005.

<b>C2</b>	<b>Equity investments</b>	<b>378,326</b>
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Equity investments in subsidiaries are detailed below:

Company name and Registered Office	Share capital	Shareholders' equity	Net earnings	% of share capital owned	Pro rata shareholders' equity	Difference between pro rata shareholders' equity and book value	No. of shares	Book value
Apuliae S.p.A. - Lecce	1,520	1,467	-43	85.00%	1,247	-36	2,000,000	1,283
Is Molas S.p.A. Pula (Cagliari)	7,510	17,561	-2,283	60.00%	10,537	-7,469	7,510,000	18,006
Piaggio & C. S.p.A. Pontedera (Pisa)	201,037	343,007	41,302	58.31%	200,007	-99,663	396,040,908	299,671
RCN Finanziaria S.p.A. Mantova	32,136	55,096	-813	63.18%	34,812	-5,793	64,271,976	40,605
Pietra S.r.l. - Milano	40	23,867	-5	77.78%	18,564	-197	n/a	18,761

### **APULIAE S.p.A.**

The equity investment in Apuliae S.p.A, is recognised in the financial statements for the amount underwritten upon establishing the company in December 2003, equal to 85% of the share capital and increased by the amount paid for a future increase in share capital in January 2004 for 2 million euros. As a consequence of the extended suspension of the restructuring activities relating to the “*ex Colonia Scarciglia*” building in Santa Maria di Leuca (Lecce), During 2006 Immsi devalued its shareholding by 2,453 thousand euros. The Extraordinary Shareholders’ meeting of Apuliae S.p.A. held on 28 April 2008 resolved, in compliance with the provisions of articles 2446 and 2447 of the Italian civil code, partial coverage of the losses recorded at 31 December 2007 equal to 2,490 thousand euro by writing down the shareholders’ equity and zeroing the reserve of 2 million euro paid by Immsi. The Parent Company therefore adjusted the value of its share in the pro-quota net equity at the date of the deliberation reducing the devaluation made during 2006 by 36 thousand euros. Therefore at 30 June 2008 the value of the shareholding was equal to 1,283 thousand euros.

### **IS MOLAS S.p.A.**

The equity investment in Is Molas S.p.A. equal to 60% of the share capital, is recorded in the financial statements 18,006 thousand euros, the amount paid upon acquiring the company Is Molas S.r.l. and subsequent increases in share capital. The value of the equity investment recognised is 7,469 thousand euros higher than Immsi’s pro-quota shareholders’ equity as a result of losses recorded.

This difference is deemed recoverable also in the light of the authorisations granted in 2008 by the local authorities to start the activities of residential and tourism/hotel development presented by the controlling party.

### **PIAGGIO & C. S.p.A.**

The shareholding is registered in the assets at 30 June 2008 for 299,671 thousand euros, increased over 31 December of the previous year following the purchases made on the market by Immsi S.p.A. for a total of 6,209,909 shares, that brought the shareholding from 56.4% held on 31 December 2007 to 58.31%, calculated net of treasury stock held by the subsidiary.

In fact, please note that Piaggio & C. S.p.A. purchased on the market 9,430,000 treasury stock, of which 2,090,000 during the 1<sup>st</sup> half of 2008.

The portion of share capital at 30 June 2008 was 99.663 thousand euros more than the pro-quota shareholders’ equity. This difference, considered by the Directors to be recoverable in relation to the success of the business, has increased compared to 31 December 2007 basically following the decision to settle the value of the 2004-2009 Piaggio warrants in cash and the consequent reclassification among the financial debts of 64,206 thousand euros previously registered by Piaggio in a specific reserve of shareholders’ equity.

### **RCN Finanziaria S.p.A.**

The 63.184% equity investment is recognised in the financial statements at the year end for an amount of 40,605 thousand euros, unchanged compared to 31 December 2007.

The amount recognised for the equity investment is 5,793 thousand euros higher than the pro-quota shareholders’ equity (equal to 34,812 thousand euros). As regards the re-launch of the Rodriguez group, this difference is deemed recoverable, as supported by the impairment test carried out at 31 December 2007.

### **PIETRA S.r.l.**

At the end of 2006, Immsi S.p.A. acquired a 77.78% equity investment in Rodriguez Pietra Ligure S.r.l. (transformed into Pietra S.r.l. in early 2007), recognised in the financial statements for an amount of 18,761 thousand euros, the amount paid upon the initial underwriting, equal to 16 thousand euros, and at the subsequent increases in share capital, 3,889 thousand euros in 2006 and 14,856 thousand euros in 2007.

This company, established in December 2006 by Rodriguez Cantieri Navali S.p.A., was then sold to the two current shareholders (Immsi S.p.A. and Intesa San Paolo S.p.A.), so as to be able to sign an agreement to sell the future receivable relating to the Pietra Ligure shipyard project with Rodriguez Cantieri Navali S.p.A. itself. The preliminary contract of transfer of the area from which arose the credit transferred from Rodriguez Pietra is terminated, by breach of the counterparty, therefore Pietra S.r.l. has registered in its assets the cost so far sustained to acquire the asset associated with the above operation.

In parallel with the transfer of the credit, Rodriguez Cantieri Navali S.p.A. granted Pietra S.r.l. the stock rights for the acquisition of the entire stake in the *Newco*, contributor of the industrial complex together with the area transferred from the State, at the price of 300 thousand euros. The option is subject to the condition of suspension of the non-stipulation of the final contract of sale of the shareholding to which Rodriguez Cantieri Navali S.p.A. and the promissory purchaser committed themselves by effect of the stated preliminary contract.

In relation to the goals of the newly-established company, the 197 thousand euros difference between the book value and the pro-rata shareholders' equity is deemed recoverable.

<b>C3</b>	<b>Other financial assets</b>	<b>78,004</b>
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Other non-current financial assets totalling 26,350 thousand euros include the convertible shareholder loan equal to 12,000 thousand euros underwritten in RCN Finanziaria S.p.A. falling due in 2008 and and it is likely to be renewed, and a loan for a total of 14,350 thousand euros due at the end of 2009 disbursed during the half to RCN Finanziaria S.p.A..

The Unicredit shares in portfolio at 30 June 2008, equal to 9,975,443, are valued with a fair value at the end of June for an overall amount equal to 38,804 thousand euros down on the end of 2007 for a total of 26,376 thousand euros following the sale in the month of January 2008 of 1.5 million shares at an average price of 5.35 euros and the generalized negative trend of the financial markets that has reduced the *fair value* of the shares remaining in portfolio.

In euros	Purchase cost		Market Value	
	unit	overall	unit	overall
Unicredit	1.43	14,261,393	3.89	38,804,473

With reference to the Unicredit shares, the 9.1 million shares are bound at 30 June 2008 by two security loan contracts guaranteed by cash collateral, signed during the month of December 2007 and renewed in the 1<sup>st</sup> half of 2008 with Banca Akros for 5.6 million shares and Mediobanca for 3.5 million shares. It is specified that contractually the undersigned agreements between the parties do not modify the ownership of the securities subject of the loan but they solely transfer the rights and duties deriving from their possession for the duration of the contract, therefore the shareholding is registered in the assets of Immsi for a liability equal to the liquidity disbursed by the Banks as collateral.

The existing contract with Banca Akros requires, with the loan of Unicredit shares, requires delivery by the intermediary of cash collateral for an amount of 20 million euros represented by the market value of the stock at the date of subscription net of a spread that absorbs any downward swing of the stock.

Mediobanca, with the loan of 3.5 million shares with expiration in November 2008, has disbursed cash collateral for an amount of 15,561 thousand euros represented by the value of the stock at the date of subscription. The contract requires that, with market swings exceeding overall 3.5 million euros in relation to the value of the stock at the date of the subscription, Immsi refunds the corresponding portion of the collected collateral, if the stock swings downwards, or the intermediary

disburses a further portion of cash collateral, if the quotation increases.

Included among the other current financial assets is also 12,000 thousand euros relating to short-term loans in favour of Rodriquez Cantieri Navali S.p.A. and 850 thousand euros in favour of RCN Finanziaria S.p.A..

<b>C4</b>	<b>Amounts due from tax authorities</b>	<b>3,774</b>
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The Company, jointly with the subsidiary companies Piaggio & C. S.p.A., Moto Guzzi S.p.A., Is Molas S.p.A., Apuliae S.p.A., Rodriquez Cantieri Navali S.p.A., Intermarine S.p.A. and Conam S.p.A., has exercised the option to join Group taxation as provided for in art. 117 follow. of the Amalgamated Law of Income Taxes, for the financial years 2007, 2008 and 2009.

During 2008 also RCN Finanziaria S.p.A. subscribed to the agreement for the three year period 2008-2010.

In the light of the contracts signed with each subsidiary, Immsi S.p.A., as the consolidating company, has registered in its own financial statements receivables from the Treasury for non-current taxes, related to withholdings suffered and IRES advance payments made, transferred from the companies included in the national fiscal consolidation, for 3,421 thousand euros, whose use is supposed to be following the year 2008 in the light of the communicated industrial plans.

The taxation of the Group calculated for the year 2008 has expressed a consolidated fiscal loss, therefore in 2008 no advance payments will be made to the account of IRES income tax.

Current amounts due from tax authorities total 353 thousand euros and refer to the IRAP advance paid in June by the fiscal consolidation to Immsi S.p.A. for 285 thousand euros, for withholdings paid for 21 thousand euros and other payables for 47 thousand euros.

<b>C5</b>	<b>Trade receivables and other receivables</b>	<b>3,548</b>
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Trade receivables and other receivables included in the non-current assets total 1,897 thousand euros and refer essentially to interest receivable accrued on the 12 million euros convertible shareholder loan provided to RCN Finanziaria S.p.A..

The trade receivables and the other receivables included in the current portion are substantially represented by trade receivables from third parties for contracts of lease, contracts of management, remunerations paid for appointments made to employees of the Parent Company and expenses charged for activities managed by Immsi S.p.A. on behalf of the subsidiaries. These receivables include intercompany receivables for 1,442 thousand euros particularly from Rodriquez group for 889 thousand euros, Piaggio group for 366 thousand euros and from other subsidiaries and parent companies for 187 thousand euros and the remainder from accrued income and deferred expenses and from sundry receivables.

Trade receivables are recorded net of a bad debt reserve prudently allocated for 972 thousand euros against the uncertain recoverability of approx. 690 thousand euros receivables due from Volare Group to Immsi S.p.A. and Legal Services 2003 S.r.l. for 269 thousand euros. With reference to the Volare Group it is made known that the company has been subject to extraordinary administration since the end of 2004 and Immsi, passing into a loss, has been admitted to the benefit. We are therefore awaiting the division of the assets of the former tenant of the property of Via Pirelli – Milan sold by Immsi during 2005. As concerns Legal Service 2003 S.r.l., former tenant of the property in via Abruzzi – Rome to which is due the increase in the reserve compared to 31 December last, eviction is in progress and the injunction has been filed to forcibly recover the arrears.

The Company has no receivables due from foreign companies or receivables falling due beyond 5

years.

Finally, as security for rental agreements for the building at Via Abruzzi – Rome, Immsi S.p.A. received guarantees for 389 thousand euros and guarantee deposits recorded under other current receivables for 34 thousand euros.

<b>C6</b>	<b>Cash and cash equivalents</b>	<b>4,655</b>
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The cash holdings at the end of the period amount to 4,655 thousand euros compared to 8,220 thousand euros reported at 31 December 2007. The decrease in the balance at 30 June is essentially due to the purchase in the half of no. 6.209.909 shares of Piaggio and no. 1.840.000 shares of Immsi on the Electronic Share Market partially compensated for by the sale of 1.5 million Unicredit shares.

With the financing of 46 million euros received from Efibanca with maturity in May 2010, Immsi must for the entire duration of the contract channel the revenues from leasing into a deposit account and keep a minimum amount there equal to the interest instalment nearest maturity. This sum, equal to 456 thousand euros at 30 June 2008, is to all intents and purposes unavailable until attainment of the minimum amount deposited for the payment of the interest instalment in expiration.



## **D - Information on the main liability items**

<b>D1</b>	<b>Shareholders' equity</b>	<b>349,573</b>
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### **Share capital**

At 30 June 2008, the share capital of Immsi S.p.A. comprises 343.2 million ordinary shares with a nominal value of 0.52 euros each, for a total of 178,464,000 euros, fully subscribed and paid up.

The General Shareholders' Meeting of the Company held on 13 May 2008 authorized, for a period of eighteen months as of the date of the deliberation, operations to purchase and order treasury stock for the purposes of investment and stabilization of the price of the stock and its liquidity on the share market, that is for the purposes of using treasury stock within operations connected with the current management and/or projects in line with the strategies that the Company intends to pursue, in the terms and with the methods established by the applicable provisions and indicated by the Meeting.

During the month of June the Company, in compliance with the deliberation, purchased on the share market no. 1.840.000 of its own shares for a total of 1,469 thousand euros at an average price of 0.7984 euros.

In conformity with the provisions of the applicable international standards, the purchases of treasury stock are carried to direct deduction from the shareholders' equity.

The majority shareholder is Omniainvest S.p.A..

Each ordinary share entitles the holder to a proportionate part of distributable profits and of the shareholders' equity resulting from any liquidation. Each ordinary share entitles the holder to unlimited voting rights.

### **Other reserves and retained earnings**

This item includes the legal reserve comprising provisions approved following the distribution of the profit for 3,245 thousand euros, the tangible asset revaluation reserve set up in accordance with Italian Law 413/91 by Sirti and transferred to Immsi following the demerger for 4,602 thousand euros, the extraordinary reserve for 7,103 thousand euros and the share premium reserve that includes the increase in share capital of 44,880 thousand euros in early 2005, as well as the consideration for the 2006 increase in share capital of 50,336 thousand euros.

Other reserves also include the reserve generated from financial instruments measurement. This reserve decreased by approx 23,899 thousand euros compared to 31 December 2007 further to the disposal of 1.5 million Unicredit shares and to the evaluation at the fair value of the remaining 9,975,443 shares still in portfolio whose price at 30 June 2008 was down by approximately 1.79 euros per share compared to 31 December 2007.

Earnings reserves include 18,037 thousand euros related to retained earnings and, with a negative sign, the reserve of transition to the international accounting standards for 1,619 thousand euros as required by IAS 38 and the portion related to the purchase of treasury stock exceeding its face value.

During the 1<sup>st</sup> half of 2008, 10,296 thousand euros (0.03 euro per share) of dividends were paid out as resolved by the ordinary Shareholders' Meeting on last 13 May.

**D2 Financial liabilities****120,069**

Non-current financial liabilities exclusively comprise the amount due to Efibanca for the loan of 46 million euros nominal value, provided to Immsi maturing in 2010. The loan, which is secured by a 92 million euros mortgage on the building owned in via Abruzzi, 25 – Rome, is recognised at a net amount of 45,889 thousand euros by effect of measurement at amortised cost, in accordance with international accounting standards.

The loan envisages meeting two financial covenants. The former, defined gearing, is to be calculated in relation to the ratio between the net financial liabilities and the shareholders' equity and the latter, defined interest service cover ratio, is calculated as the ratio between the rental payments for the lease of the property in Rome and interest on the financing. In case of failure to respect even just one of the two ratios, Immsi must state the reason and steps taken to restore the agreed conditions or the institute will have the right to terminate the financing contract.

Current financial liabilities include the 540 thousand euros interest-bearing deposit agreed with Apuliae S.p.A. renewed until 31 December 2008 and the short-term loan obtained in two parts with Banca di Roma for a total of 25 million euros and partially refunded in the month of June for 7 million euros through partial channeling of the Piaggio dividends as per the contract. To guarantee this financing 15 million ordinary shares of Piaggio & S.p.A. were constituted as a guarantee.

The Company has moreover profited from a revolving credit line granted by Banca Popolare di Lodi for 20 million euros guaranteed by 33 million Piaggio shares with expiration within the year 2008.

Current financial liabilities include moreover the collateral in cash received from Banca Akros and Mediobanca, respectively for 20,000 thousand euros and 15,561 thousand euros, with the stock loan described better under the entry of Other Financial Assets.

**D3 Trade payables and other payables****6,124**

Current trade payables refer to invoices received and not yet paid and to invoices to be received assessed according to the competence standard and total 1,408 thousand euros, of which 52 thousand euros to related parties for consultancy services.

Among the other current liabilities Immsi S.p.A., as the consolidating company defined in the national fiscal consolidation undersigned with some companies in the Group, registered the liability with the company that at the end of the period transferred a fiscal loss, receivables for withholding taxes suffered and advance payments made for a total of 3,208 thousand euros.

Among the other current liabilities lastly there are liabilities with institutes of social security for 85 thousand euros, liabilities with employees for 184 thousand euros, liabilities with directors and auditors for 306 thousand euros, liabilities for deposits as guarantees received for 34 thousand euros and accrued liabilities and deferred income for 892 thousand euros, of which 54 thousand with companies in the Group.

At end of June there were no amounts due to foreign companies or payables falling due beyond 5 years.

**D4 Reserves for severance and similar obligations****174**

Liabilities related to the reserve for severance total 174 thousand euros at the end of June 2008. At the same date none of the Immsi S.p.A. employees chose to assign their indemnities, as foreseen by the Ital.Legisl.Decree 252/2005 and by the Ital.Law 296 of 27 December 2006, to any other supplementary form of social security managed by the company, therefore, since Immsi has fewer

than 50 employees, limited to the personnel that has not opted for complementary social security and for which the Companies will keep on managing such reserve until otherwise indicated by the personnel.

The new IFRS financial reporting identifies the liability relating to employees' severance indemnity using the actuarial measurement method. An estimate is made of the probable employment period in the company for each employee. The annual salary is increased by the rate of 3.5% for this period, and revalued on the basis of an inflation rate of 3%. A part (the legal portion) was set aside as employees' severance indemnity. The portion of employees' severance indemnity already accrued, and that which will accrue up to the foreseeable date of terminating the work relationship, is revalued on the basis of a rate of 3.75%, then discounted at a rate of 6.25%.

In consideration of the evolutionary character of the economic conditions, the evaluation of the liabilities according to IAS 19 could undergo variations according to the dynamics of the above technical-financial parameters.

The employee leaving indemnity reserve during the first half of the year is detailed below:

<b>Balance at 31.12.2007</b>	<b>158</b>
Allocations for the period	31
Applications for employee termination	0
Pavment of additional social security contributions	-11
Advances to employees	0
IAS19	-4
<b>Balance at 30.06.2008</b>	<b>174</b>

<b>D5</b>	<b>Other long-term reserves (current portion included)</b>	<b>120</b>
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Other long-term reserves, recorded entirely in the current portion, total 120 thousand euros and refer to the risk, already reported in 2005, of the recall letter relating to amounts received by Immsi as of March 2004 being presented by the liquidator of Volare Group in relation to the lease contract agreed for some office spaces rent in the former property in via Pirelli - Milan.

<b>D6</b>	<b>Deferred tax liabilities</b>	<b>3,695</b>
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Deferred tax liabilities at 30 June 2008 total 3,695 thousand euros. The balance is offset by 647 thousand euros of deferred tax assets, consistent for due date and nature, allocated for differences in time. The estimated portion falling due within 12 months totals 1,742 thousand euros.

Deferred tax liabilities are mainly recognised in relation to gains realised on property disposals over 2004 and 2005 which were by instalments for tax purposes totalling 2,811 thousand euros. Moreover, 337 thousand euros deferred tax liabilities are recognised, in accordance with IAS 38, to measurement at fair value of the equity investment in Unicredit and deferred taxes allocated for 1,187 thousand euros against the value of buildings and plant amortized net of the value of the land and the recoverable value at the end of its useful life.

<b>D7</b>	<b>Current taxation</b>	<b>468</b>
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The current taxes at 30 June 2008 are mainly represented by the withholdings operated on the income from employee and self-employed work for 343 thousand euros, liabilities for VAT for 44 thousand euros and IRAP regional tax for 23 thousand euros.

No liabilities are registered for IRES since, following the above fiscal consolidation, the taxable

income calculated by Immsi S.p.A. is compensated for by the fiscal losses recorded by the other companies complying with the contract; indeed, the estimated taxation of the Group for the year 2008 shows a consolidated fiscal loss.

## **E - Information on the main income statement items**

<b>E1</b>	<b>Financial income</b>	<b>23,092</b>
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The item "financial income" is increasing compared to the same period of the previous year for 13,689 thousand euros mainly as a result of the dividend paid out during the 1<sup>st</sup> half of 2008 by Piaggio & C. S.p.A. equal to 13,520 thousand euros (6,537 thousand euros in the 1<sup>st</sup> half of 2007) and the sale of 1.5 million Unicredit shares registered at a value of approximately 1.43 euros per share and sold making capital gains of 5,884 thousand euros.

During the 1<sup>st</sup> half of the current year Immsi S.p.A. in addition collected dividends from Unicredit S.p.A. for 2,594 thousand euros.

The financial income includes interest and commissions from subsidiaries for around 964 thousand euros, accrued interest receivable on a/c for around 91 thousand euros, the financial income from the implementation of the Staff Severance fund as established by IAS 19 for 3 thousand euros and income from the revaluation of shares for 36 thousand euros that is commented on under the heading of Shareholdings.

<b>E2</b>	<b>Financial charges</b>	<b>3,117</b>
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Financial charges include 3,096 thousand euros of interest accrued on bank loans and mainly on the loan provided by Efibanca for a nominal 46 million euros, as well as 7 thousand euros arising from interests payable on a/c, 14 thousand euros regarding the interests acknowledged to the subsidiary Apuliae S.p.A. as consideration for 540 thousand euros interest-bearing deposit.

<b>E3</b>	<b>Operating income</b>	<b>2,199</b>
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Operating income in the exposure of the income statement adopted as from the 2007 financial statements include revenues for about 1,317 thousand euros arising from rental agreements, of which 58 thousand euros to companies of the Group, an increase of about 10% compared to the amount recorded in the 1<sup>st</sup> half of 2007, by virtue of the execution of the process of optimization of the property and rental of the property located in Rome. Moreover, during the 1<sup>st</sup> half of this year, revenues accrued for 850 thousand euros from existing service contracts with subsidiaries.

Revenues arising from the recharge of costs for materials and services incurred by Immsi S.p.A. on behalf of Group companies or tenants are not shown in the income statement as they are offset by the related costs that generated them, as required by IAS 18 according to which the commercial result of operations that as a whole are closely connected, cannot be valued without making reference to these operations as a single whole.

The income for the management of condominium expenses not submitted to such reporting and therefore stated among the operational income amounts to 32 thousand euros of which 2 thousand from intragroup operations.

<b>E4</b>	<b>Costs for services and use of third party assets</b>	<b>2,388</b>
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Costs for services and use of third party assets, net of the costs recharged in accordance with IAS 18 as described above, total 2,388 thousand euros, of which about 179 thousand euros deriving from intragroup transactions and with related parties whose details are provided at the end of this Note.

Costs for services are detailed below:

	1 <sup>st</sup> half of 2008	1 <sup>st</sup> half of 2007
Transport costs	17	3
Maintenance and cleaning expenses	109	118
Personnel costs	31	48
Technical, legal, tax, administrative consultancy, etc.	284	233
Advertising, promotional activities and materials	6	10
Energy, telephone, postal costs, etc.	55	59
Insurance	28	28
Company board (BoD) operating costs	1,327	755
Company board (Board of Statutory Auditors) operating costs	57	50
Communication and publication costs	10	6
Auditing costs and listing rights	55	66
Condominium, security and porter costs	29	44
Bank charges and miscellaneous	61	60
Charges for property rentals	240	255
Charges for rents and other renting	79	63
<b>Total</b>	<b>2,388</b>	<b>1,798</b>

The increase compared to the 1<sup>st</sup> half of 2007 is essentially due to the remuneration acknowledged for the special positions held within the Board of Directors for the year 2008.

<b>E5</b>	<b>Personnel costs</b>
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<b>745</b>
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Personnel costs recognised in the 1<sup>st</sup> half of this year refer to 544 thousand euros of salaries, 167 thousand euros of social security payments and 34 thousand euros of provisions for employees' severance indemnity. The evaluation of the Staff Severance Fund (TFR) has not suffered any variation after the coming into force of Ital.Legisl.Decree 252/2005 regarding supplementary benefit, as better described in the item "Reserves for severance and similar obligations."

Immsi S.p.A. currently has no employee stock option plan.

The average workforce paid in the year is 16 employees, of which 3 senior managers.

<b>E6</b>	<b>Depreciation of tangible assets</b>
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<b>187</b>
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Depreciation of tangible assets referred to the 1<sup>st</sup> half of 2008 totals 187 thousand euros and includes depreciation of buildings for 93 thousand euros, and of plant and machinery for 20 thousand euros relating to the property owned in via Abruzzi, 25 – Rome. Depreciation of electronic machines, hardware, vehicles, furniture and fittings and miscellaneous equipment total 74 thousand euros.

As regards investments during the first half of the year, it was deemed appropriate to apply the depreciation rates reduced by 50% due to their limited use during the year. The Company also fully depreciated those assets of minor value whose use had essentially ended during the year.

<b>E7</b>	<b>Other operating income</b>
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<b>61</b>
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This item, net of income generated from recharged costs in accordance with IAS 18 and decreasing compared to the previous year for around 40 thousand euros, totals 61 thousand euros at the year end and it mainly includes income for emoluments repaid by the company's employees

for company's office held within the Group.

<b>E8</b>	<b>Other operating costs</b>	<b>418</b>
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Other operating costs incurred during the 1<sup>st</sup> half of this year total 418 thousand euros and are slightly increasing compared to the same period of the previous year mainly as a result of the devaluation of the credit with the former tenant Legal Service 2003 S.r.l. as commented under the heading Trade receivables and other receivables. The details of other operating costs are indicated below:

	1 <sup>st</sup> half of 2008	1 <sup>st</sup> half of 2007
- losses on disposal	-	21
- ICI [local property tax]	103	101
- losses on receivables	275	7
- other taxes and duties	32	23
- other operating charges	8	49
<b>Total</b>	<b>418</b>	<b>201</b>

<b>E9</b>	<b>Taxes</b>	<b>41</b>
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With earnings before taxes equal to 18,460 thousand euros, the income taxes of the year, calculated according to the legal rates in force at 30 June 2008, are registered as a positive component of income for 41 thousand euros, equal to 74 thousand euros for taxes partially paid in advance compensated for by current taxes for 33 thousand euros, since the greater components of income are composed of financial entries that partially contribute to the formation of the taxable income, such as dividends and capital gains as described better under the entry of Financial income.

Remember that the Company has for the three-year period 2007-2009 signed a contract of national fiscal consolidation with some subsidiary companies in order to optimize fiscal management also according to the Group's forecast industrial plans as described under the heading Receivables from Treasury.

<b>E10</b>	<b>Net earnings for the period</b>	<b>18,501</b>
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Immsi S.p.A. in the first half of the year made a profit of 18,501 thousand euros, an increase compared to the same period of the previous year, mainly due to the dividends paid by the subsidiary Piaggio & C. S.p.A. and the sale of 1.5 million shares of Unicredit S.p.A. as described under the entry of Financial income.

## **F - Commitments, risks and guarantees**

The Company has issued 92 million euros of collateral (the building located in via Abruzzi – Rome) to secure the 46 million euros loan provided by Efibanca.

With this financing, Immsi must for the entire duration of the contract channel the revenues from leasing into a deposit account and keep a minimum amount there equal to the interest instalment nearest maturity.

To guarantee the lease contracts in being at the date of 30 June 2008 Immsi S.p.A. received bank guarantees for a total of 389 thousand euros and deposits for 34 thousand euros.

Immsi, as part of the supply contract for five catamarans to the Sultanate of Oman for which the Rodriguez group obtained a guarantee from a pool of banks for an amount of 84.4 million US dollars to secure payment of the consideration envisaged in the contract signed with the Sultanate of Oman for a value of 90 million US dollars, counterguaranteed the “performance bond” and the “advanced payment bond” issued by the above banks for an amount of 60 million US dollars and issued a letter of patronage for any part exceeding such amount in relation to Rodriguez Cantieri Navali S.p.A.’s obligations to channel payments. At 30 June this guarantee is less than the maximum value.

Immsi S.p.A. also signed a guarantee in favour of Intesa San Paolo for Rodriguez Cantieri Navali S.p.A., to secure the latter’s payment obligation equal to 15 million euros loan agreement up until today. The guarantee issued by the Parent company is counterguaranteed by the irrevocable commitment to channel income arising from the sale by the subsidiary of the Pietra Ligure area in favour of Intesa San Paolo, up to the entire amount of the loan, including interest and expenses. Immsi has moreover issued a letter of patronage to Banca Antonveneta guaranteeing the financing acknowledged during the month of May to Rodriguez Cantieri Navali S.p.A. for 5.2 million euros.

In the light of the contract stipulated between the Finnish Navy and the subsidiary Intermarine S.p.A. for the construction of three minesweepers, the Finnish Navy granted in the months of December 2007 and January 2008 three advance payments equal respectively to 16.3 million euros, 0.6 million euros and 32 million euros. These accounts are guaranteed, for an amount equal to 115% of the sum received, through insurance guarantees issued by SACE, which has declared itself available to release the aforesaid guarantees provided there is the co-obligation of Immsi S.p.A..

Immsi has pledged 15,000,000 ordinary shares of Piaggio to guarantee the short-term financing received from Banca di Roma for 25 million euros and partially reimbursed for 7 million euros in the month of June.

Lastly it is noted that the Company in view of the revolving credit line granted by Banca Popolare di Lodi has deposited 33 million Piaggio shares as a guarantee.



## **G - Net financial position**

The net financial debt at 30 June 2008 of Immsi S.p.A. is shown below. Further details on its components may be found in Notes to the financial statements above.

In thousands of euros	<b>30.06.2008</b>	<b>31.12.2007</b>
Cash and cash equivalents	-4,655	-8,220
Other short-term financial assets	-12,850	-14,701
Medium and long-term financial assets	-26,350	-12,000
Short-term financial payables	74,180	62,698
Medium and long-term financial payables	45,889	45,863
<b>Net financial debt</b>	<b>76,214</b>	<b>73,640</b>

The net financial debt amounts at 30 June 2008 to 76,214 thousand euros, an increase over 31 December 2007 of 2,574 thousand euros, mainly due to the purchases of shares in subsidiary companies for 11,537 thousand euros, the purchase of treasury stock for 1,469 thousand euros and the distribution of dividends to shareholders for 10,296 thousand euros partially compensated for by the cash flow generated by management for 13,173 thousand euros and the sale of 1.5 million Unicredit shares for an amount of 8,029 thousand euros as detailed below:

In thousands of euros	<b>30.06.2008</b>	<b>30.06.2007</b>
Cash generated internally	13,759	4,758
Change in net working capital	-586	-12,672
<b>Net cash flow generated from operations</b>	<b>13,173</b>	<b>-7,914</b>
Payment of dividends by Parent company	-10,296	-10,296
Purchase of treasury shares by the companies of the Group	-1,469	0
Purchase of tangible assets	-474	-67
Net decrease from property disposals	0	25
Acquisition of non-controlling equity investments, net of disposal	8,029	0
Acquisition of controlling equity investments, net of disposals	-11,537	-10,423
Other net movements	0	0
<b>Change in net financial position</b>	<b>-2,574</b>	<b>-28,675</b>
<b>Initial net financial position</b>	<b>-73,640</b>	<b>-32,878</b>
<b>Closing net financial debt position</b>	<b>-76,214</b>	<b>-61,553</b>

## **H - Dividends paid**

Dividends paid by Immsi S.p.A. in the 1<sup>st</sup> half of 2008 (relating to the distribution of 2007 profits, in accordance with the shareholder resolution on 13 May 2008) total 0.03 euros per ordinary share equal to 10,296 thousand euros. The Parent company has issued no shares other than ordinary shares.

## **I - Profit per share**

The profit per share is determined in accordance with IAS 33 and is calculated by dividing the profit of Immsi S.p.A. by the number of shares in circulation during the 1<sup>st</sup> half of 2008 net of treasury stock. No preferred shares were issued at 30 June 2008.

During the month of June the Company, in compliance with the deliberation of the Meeting on 13 May 2008, purchased on the share market no. 1.840.000 of its own shares for a total of 1,469 thousand euros at an average price of 0.7984 euros.

Diluted profit per share corresponds to the basic profit in that there are no potential shares having a diluting effect.

Profit per ordinary share for the 1<sup>st</sup> half of 2008 is as follows:

Profit for the 1 <sup>st</sup> half of 2008 attributable to ordinary shares (In thousands of euros)	18,501
Average number of shares in the 1 <sup>st</sup> half of 2008	342,893,333
Profit per share (in euros)	0.0540
Number of shares at 30.06.2008	341,360,000
Profit per share (in euros)	0.0542

## **L – Dealings with Group companies and Related Party dealings**

As regards the information to be provided on related party transactions in accordance with IAS 24 (Related Party Disclosures), we would like to point out that such transactions take place as part of normal operations at market conditions or as laid down under specific laws.

The following table shows the impact of related party transactions on the income statement (excluding revenues from amounts recharged to subsidiaries and parent companies in accordance with IAS 18) and on each single item of the balance sheet of Immsi S.p.A. at 30 June 2008:

Main income statement and balance sheet items	Amounts in €000	% incidence on balance sheet items	Description of the transactions
<b>Transactions with Related Parties:</b>			
<i>Current trade payables</i>	52	3.7%	<i>Legal advice provided by Studio d'Urso Gatti e Associati</i>
<i>Costs for services and use of third party assets</i>	52	2.2%	<i>Legal advice provided by Studio d'Urso Gatti e Associati</i>
<b>Transactions with parent companies:</b>			
<i>Tangible assets</i>	81	0.7%	<i>Fittings and motor vehicles provided by Omniainvest S.p.A.</i>
<i>Current trade receivables and other receivables</i>	7	0.4%	<i>Receivables towards Omniainvest S.p.A. for recharged expenses</i>
<i>Other current payables</i>	4	0.0%	<i>Deferred income towards Omniainvest S.p.A.</i>
<i>Costs for services and use of third party assets</i>	88	5.2%	<i>Lease of offices in Mantova made available by Omniaholding S.p.A.</i>
<b>Transactions with subsidiaries:</b>			
<i>Other non-current financial assets and receivables</i>	13,776 14,467	48.8% 51.2%	<i>Medium-term loan granted to RCN Finanziaria S.p.A. and interest</i>
<i>Current trade receivables and other receivables</i>	366	22.2%	<i>Amounts due by the Piaggio group for recharged costs, consultancy contract and repayment of emoluments</i>
	889	53.9%	<i>Amounts due by the Rodriguez group for recharged costs, rental of offices in Roma, interest, fees and consultancy contract</i>
	175	10.6%	<i>Amounts due by Is Molas S.p.A. for recharged costs, consultancy contract and repayment of emoluments</i>
	4	0.2%	<i>Amounts due by Apuliae S.p.A. for repayment of emoluments</i>
	1	0.1%	<i>Amounts due by Pietra S.r.l. for recharged costs</i>
<i>Other current financial assets</i>	850 12,000	1.6% 23.2%	<i>Loans granted to RCN Finanziaria S.p.A. Loan granted to Rodriguez Cantieri Navali S.p.A.</i>
<i>Current financial liabilities</i>	540	0.7%	<i>Interest-bearing deposit granted by Apuliae S.p.A.</i>
<i>Other current payables</i>	39	0.8%	<i>Amounts due to Piaggio &amp; C. S.p.A. for recharged costs, repayment of emoluments and deferred income</i>
	8	0.2%	<i>Deferred income towards Rodriguez Cantieri Navali S.p.A.</i>
	1	0.0%	<i>Deferred income towards Is Molas S.p.A.</i>
	2	0.0%	<i>Deferred income towards RCN Finanziaria S.p.A.</i>
	1	0.0%	<i>Deferred income towards Pietra S.r.l.</i>
	3,208	68.0%	<i>Debts from national tax consolidation agreement</i>
<i>Financial income</i>	13,520 964	58.5% 4.2%	<i>Dividends from Piaggio &amp; C. S.p.A. Interest income and guarantee fees from the Rodriguez group</i>
<i>Financial charges</i>	14	0.5%	<i>Interest on interest-bearing deposit granted by Apuliae S.p.A.</i>
<i>Operating income</i>	548	24.9%	<i>Consultancy contract and assistance and income from leases towards Piaggio &amp; C. S.p.A.</i>
	300	13.6%	<i>Consultancy contract and assistance with Is Molas S.p.A.</i>
	60	2.7%	<i>Consultancy contract and assistance and income from leases towards Rodriguez Cantieri Navali S.p.A.</i>
	2	0.0%	<i>Condominium expenses for offices in Roma rent to companies of the Group</i>
<i>Costs for services and use of third party assets</i>	39	1.6%	<i>Accruals and recharges from Piaggio &amp; C. S.p.A.</i>
<i>Other operating income</i>	25	40.7%	<i>Accrued income for repayment of emoluments from Piaggio group</i>
	20	32.5%	<i>Accrued income for repayment of emoluments from Is Molas S.p.A.</i>
	4	5.7%	<i>Accrued income for repayment of emoluments from Apuliae S.p.A.</i>

Figures including non-deductible VAT.

Immsi, as part of the contract for the supply of 5 catamarans to the Sultanate of Oman for which the Rodriguez group stipulated an endorsement credit contract with a pool of banks for an amount of 84.4 million U.S. dollars to guarantee payment of the consideration envisaged in the contract signed with the Sultanate of Oman for 90 million US dollars, counter-guaranteed the “performance bond” and the “advanced payment bond” issued by the above banks for a maximum amount of 60 million U.S. dollars with the issue of a fidejussory guarantee and for any excess part with a letter of patronage in relation to Rodriguez Cantieri Navali S.p.A.’s obligations to channel payments.

A letter of patronage was issued in the month of May 2008 to Banca Antonveneta guaranteeing the financing acknowledged to Rodriguez Cantieri Navali S.p.A. for 5.2 million euros, falling due on 31 October 2009.

Immsi S.p.A. has also signed a guarantee for Rodriguez Cantieri Navali S.p.A. in favour of Intesa San Paolo, to guarantee that the company will pay a liability worth 15 million euros.

It should be also noted that further to the amendments of the contract stipulated between the Finnish Navy and the subsidiary Intermarine S.p.A., regarding the job order for the construction of three minesweepers, the Finnish Navy paid in January 2008, besides the advance payment foreseen by the contract for 32 million euros, two further advanced payments of 16.3 million euros and 600 thousand euros. These accounts are guaranteed, for an amount equal to 115% of the sum received, through insurance guarantees issued by SACE, provided there is the co-obligation of Immsi S.p.A. for an amount equal to 36.8 thousand euros, 18,745 thousand euros and 690 thousand euros.

## **Certification of the Interim Financial Reporting in accordance with art. 81-ter of the Consob Regulations no. 11971 of 14 May 1999 and subsequent changes and amendments**

The undersigned Roberto Colaninno, as Chairman of the Board of Directors, Luciano La Noce, as Managing Director and Andrea Paroli, as Executive (CFO) assigned to drafting the company accounts documents of Immsi S.p.A., certify, also taking account of the provisions of art. 154-bis, paragraphs 3 and 4 of the Ital.Legisl.Decree no.58 of 24 February 1998:

- adequacy in relation to the characteristics of the enterprise and
- actual application

of the administrative and accounting procedures for forming the Interim Financial Reporting during the first half of 2008.

To this regard no aspects of particular importance have emerged.

In addition, it is certified that the Half-Year Financial Report:

- corresponds to the documentary results, the registers and the accounting records;
- was drawn up in conformity with the applicable international accounting standards recognized in the European Union in accordance with the regulation (CE) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and in particular of IAS 34 – interim financial statements, as well as the provisions emanated in implementation of art. 9 of Ital.Legisl.Decree 38/2005, as it consists, is suited to provide a truthful and correct representation of the issuer's assets and liabilities, profit and loss and financial situation and of the whole of the enterprises included in the consolidation.

28 August 2008

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Chairman  
Roberto Colaninno

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CFO, Executive assigned to drawing up  
the company's accounting documents  
Andrea Paroli

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Managing Director  
Luciano La Noce