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 code and VAT number 07918540019

Report of the Directors and Financial statements of Immsi Group at 30 June 2007

Index:

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

Roberto Colaninno (1) - (2)	***Chairman***
Carlo d'Urso	***Deputy Chairman***
Luciano La Noce (1)	***Managing Director***
Matteo Colaninno	***Director***
Michele Colaninno	***Director***
Mauro Gambaro	***Director***
Giovanni Tamburi	***Director***
Marco Reboa	***Director***
Giorgio Cirla	***Director***

BOARD OF STATUTORY AUDITORS

Alessandro Lai	***Chairman***
Giovannimaria Seccamani Mazzoli	***Staturory auditor***
Marco Spadacini	***Statutory auditor***
Leonardo Losi	***Deputy statutory auditor***
Giovanni Sala	***Deputy statutory auditor***

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.	***2006-2011***

(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 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.

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

LEAD INDIPENDENT DIRECTOR

Marco Reboa

REMUNERATION COMMITEE

Carlo d'Urso	***Chairman***
Mauro Gambaro	
Giovanni Tamburi	

INTERNAL AUDIT COMMITEE

Marco Reboa	***Chairman***
Carlo d'Urso	
Mauro Gambaro	

DIRECTOR APPOINTED

Luciano La Noce

PERSON IN CHARGE OF THE INTERNAL AUDIT

Pierantonio Piana

SUPERVISORY BOARD

Marco Reboa	***Chairman***
Alessandro Lai	
Alessandro Bertolini	

CHIEF FINANCIAL OFFICER (CFO)

Andrea Paroli

INVESTOR RELATIONS MANAGER

Andrea Paroli

Directors’ report on operations

This Half Yearly Report, which is prepared in accordance with the provisions of Consob resolution no. 11971 dated 14 May 1999 as subsequently amended, in particular by resolutions no. 14990 dated 14 April 2005 and no. 15519 - 15520 dated 28 July 2006, contains the Group consolidated financial statements and explanatory notes as well as the Parent company financial statements and related notes, drawn up using the IAS/IFRS and in particular the IAS 34 enforceable to the Interim Financial Reporting.

Information on operations

During the first six months of the year 2007 Immsi Group’s operating earnings improved substantially compared to the same period of the previous year.
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 7.4 million euros compared to a profit of 0.2 million euros at 30 June 2006 mainly due to the greater positive financial items of income, for dividends from Piaggio & C. S.p.A. amounting to 6.5 million euros (not raised in 2006) and from Capitalia S.p.A. for 2.5 million euros (2.2 million in 2006).
In 2007 the net items of income of a financial nature, equal altogether to 7.7 million euros, are significantly greater than the revenues of the real estate and services management, equal to 2.1 million euros, while in the correspondent period of 2006 there was a prevalence of this latter type of revenues (4.6 million euros) in comparison to the items of the financial management that had a positive net balance of 1.8 million euros.

With reference to the subsidiary company Pietra S.r.l. and in particular to the state of progress of the reconversion project of the shipyard of Pietra Ligure in a state concession for a surface of 44,148 s.q. destined as shipyard activities, it should be remembered that the above-mentioned project started in 2005 and comprises two phases:

- the application to privatise 15,630 square meters of residential land,
- An urban variance of the whole complex and a change to the non-privatised area, equal to 28,518 square meters (Burlando decree).

Regarding the first phase we are awaiting completion by the General Administrative Department of the State Property Office of the process of evaluation and approval of the economic values identified for the sale of the area, which will have to be followed by the tender announcement for the adjudication.
As regards the second phase, following the presentation of the project it was published in the Italian Official Gazette (Gazzetta Ufficiale) by the Municipal Administration of Pietra Ligure for any observations or other proposals from third parties.
In addition, the Municipality as the Principal body, suggested by the Region, will call the services meeting in September for referring admissibility, in which the competent Organisms will have to officially submit their observations on the project. Any changes that may become necessary must be defined before the convocation of the deliberating meeting (180 days).

Regarding Is Molas S.p.A., the tourism sector property project has been completed and presented to the authorities for the necessary permits. In particular, the company has accordingly prepared the necessary documentation for the investigation of the evaluation of the project in conformity with the requirements of the new Regional Country Plan issued in the last few months of last year and the supplementary documentation related to the procedure of screening and environmental

compatibility. This latter documentation was delivered to the Councillors of the Region of Sardinia, the Province of Cagliari and the Municipality of Pula on 22 June 2007.
The company has consequently had to revise the schedule for the activities of selling the villas following the lengthening of the time for issuing the building permission.
The sales activity has in particular concerned the negotiations for the transfer of the “Le Ginestre” property whose preliminary contract was undersigned in the month of July for a total of 9.1 million euros.

As for Apuliae S.p.A., it is pointed out that the property’s restructuring has been suspended as of March 2005 following investigations by the legal authorities that are still ongoing.
These investigations regard in particular verification of Lecce Province’s right of ownership of the building and the subsequent handling of the tender which Apuliae won.
In a May 2006 ruling, the Consiglio di Stato (the judicial body that reviews administrative action) deemed that the destination of use as a tourist facility, as per the above tender, contradicts the lease granted by the Demanio (the authority governing the public domain) to the Province of Lecce. Even though Apuliae, in the knowledge of its full compliance with the provisions of the related concessions, has carried out the actions deemed necessary to protect its assets against the province, any confirmation of the above mentioned ruling by the Consiglio di Stato may compromise the outcome of such investment. With a view to prudence and with it being unlikely that the investigations will finish soon, the company has written down the assets recognized in the financial statements regarding the project to date.

Regarding the **industrial sector**, the Piaggio group, during the first half of 2007 improved its economic and financial results compared to the same period of 2006.
In particular, net revenues amount to 65.3 million euros (+7.2%) compared to the same period of 2006, that was positively influenced by the contract for supplies to Poste Italiane S.p.A. that Piaggio & C. S.p.A. was awarded in late 2005 and that had contributed to the first half of 2006 for 36.5 million euros. The increase is to attributed to the good progress both of the Two-Wheeler business (+6.9%) and of the Light Commercial Vehicles business (+5.9%). In particular, compared to the same period of the preceding year, growth is due to the increases in sales registered by the Gilera and Vespa brands for 28.8 million euros, by Aprilia and Moto Guzzi for 25 million euros, the increase in sales achieved by the Light Commercial Vehicles business unit for 10.5 million euros, that jointly balance the reduction (-2 million euros) registered by the Derbi brand because of the different mix of products as well as the effect of the above-mentioned contract with Poste Italiane on the Piaggio brand.

Improvements were made in the first half of 2007 both in the operating profit before amortization (+8.1% to 145.9 million euros) and in the operating earnings (+14.7% to 106.4 million euros) while the net profit before minority shares passed from 64.8 million 2006 euros to 51.5 million euros, following a greater incidence of the taxes registered in the period (37.3 million euros at 30 June 2007 compared to 13.7 million euros at 30 June 2006), also because of the incidence of the deferred taxes assets recorded in 2006.

The net financial position at 30 June 2007 is negative for 277.1 million euros compared to 318 million at 31 December 2006 and compared to 326.2 million to 30 June 2006. The reduction of 40.9 million compared to the close of the last period is due to the positive performance of the operating cash flow, partially compensated for by the distribution of dividends, the purchase of treasury stock and the activities of investment in tangible and intangible fixed assets.

As regards the **shipbuilding sector**, where Immsi operates through the group controlled by Rodriquez Cantieri Navali S.p.A., the first half of 2007 recorded an increase in net revenue from sales compared to the previous year of around 54.6% reaching 62.3 million euros. The significant increase is due both to the creation of advances in production on the major orders acquired during the preceding period and to the completion and delivery of prior orders.

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, even if the managerial results have improved over the same period of the prior year.

The net financial debt, equal to 59.5 million euros has increased over the balance of 31 December 2006, equal to 33.9 million euros following the settlement of debts of supply and consequent recovery of overdue amounts, while it suffers the increase in the overdue amounts on some orders as a result of delays in collection, particularly on supplies to Guardia di Finanza following the change in the procedures of payment by the Ministry.

At the organizational level, during the first half of the year the new operational structure has been completed based on business divisions focused on 3 sectors Fast Ferries, Yachts and Military, supported by Central Functions focused on the pursuit of all the possible synergisms, cost optimization, policy definition and centralized management control.

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	*Property Holding sector*	*in %*	*Industrial sector*	*in %*	*Naval sector*	*in %*	*Immsi Group*	*in %*
Net revenues	2,447		968,567		62,266		1,033,280	
Operating earnings before depreciation and amortisation (EBITDA)	-2,886	-117.9%	145,931	15.1%	-1,866	-3.0%	141,179	13.7%
Operating earnings (EBIT)	-3,182	-130.0%	106,375	11.0%	-3,762	-6.0%	99,431	9.6%
Earnings before taxation	-2,976	-121.6%	88,772	9.2%	-5,434	-8.7%	80,362	7.8%
Earnings for the period including minority interest	-1,867	-76.3%	51,505	5.3%	-6,144	-9.9%	43,494	4.2%
Group earnings for the period (consolidated)	-1,055	-43.1%	28,182	2.9%	-3,508	-5.6%	23,619	2.3%
Net financial position	-80,847		-277,119		-59,546		-417,512	
Personnel (number)	94		7,615		385		8,094	

The “property and holding company sector” consolidates the financial and balance sheet 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

Regarding the Parent company Immsi S.p.A., it should be noted that the net revenues achieved in the first half of the year, resulting from the property and services management, are equal to 2.1 million euros but lower than 4.6 million euros of the same period of the previous year, against the reduction of the *management fees* debited to the subsidiary Piaggio & C. S.p.A. and connected to the support given within the framework of the listing process on MTA ended in July 2006.
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 2007, amounted to 0.9 million euros.
The net financial position at 30 June 2007 is negative for 61.5 million euros compared to 32.9 at 31 December 2006 with a negative net change of 28.6 million, due to the payment of dividends

amounting to 10.3 million euros, the capital issued in the subsidiary company Pietra S.r.l. for 10.4 million euros and the net cash flow absorbed by management for 7.9 million euros, mainly for taxes paid on the income of 2006.

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. The real estate project has been completed and presented to the competent authorities and the activity was focused on the preparation and delivery to the Councillors of the Region of Sardinia, the Province of Cagliari and the Municipality of Pula of the necessary documentation for the investigation of evaluation of the project in conformity with the new Regional Country Plan.
Hotel activity in the six-month period has registered net revenues equal to 1.2 million euros, less than the 1.5 million euros of the same period in 2006 mainly because of a longer closure of the hotel than in the preceding year and a smaller influx of clientele coming from the North European market.

Apuliae S.p.A. acquired, by private bid, a building in S. Maria di Leuca (Lecce) to be used as a tourist hotel. All related activities are still suspended following the investigations carried out by the legal authorities; the Consiglio di Stato (*i.e.*, Council of State) ruled against Apuliae, deeming the building's use to be in contrast with the lease of the Demanio (*i.e.*, State property) to the Province of Lecce. Apuliae filed an appeal with the same competent body but with sentence no.029/2007, published on 16 July 2007, the appeal was declared inadmissible.

Overall the first half of 2007, 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 consolidable negative net earning equal to 1.1 million euros and a negative net financing position equal to 80.8 million euros.

The industrial sector: Piaggio group

The 2-wheeler business

During the first half of 2007, the world market for motorised 2-wheelers reaches almost 22 million vehicles sold with a 3% growth over the same period of the previous year.
Asia remains the number one market: the People's Republic of China confirmed its position as the biggest world market, with a 3% growth over the first half of 2006, with over 10 million vehicles sold. In second place was India, with 3.7 million vehicles sold, recording a 2% decrease.
South East Asia, with 4.7 million vehicles, experienced a recovery (+4% over the first half of 2006); among the countries in this area, Indonesia accounts for 2.0 million vehicles sold, equal to 44% of sales, increasing by 13% over the first half of 2006, followed by Vietnam, increasing by 44% and Thailand recording a 24% decrease.
The North-American market registers a 6% decrease over the first half of 2006 because of the United States contributing for over 90% of the sales with 551,000 vehicles (-7%). Whereas there is a significant increase recorded in Latin America (+23% over the first half of 2006) thanks to Brazil that, representing 90% of the area, has confirmed 26% growth with 0.8 million units sold.
The 2-wheeler business in Europe registers during the first half of 2007 approximately 5% increase. The result is produced by the growth of the scooter (+8%) and (+1%) motorcycles business. This result depends on the good performance of the over 50cc (+3%) segment combined with a considerable growth of the 50cc (+10%) segment.
With reference to the scooter market, Italy remains the main market with 234,000 units sold, 2%

less than the same period of 2006 (net of the extraordinary Poste Italiane order of 2006 the scooter market has however increased by 8%). The 50cc scooter segment, with 63,000 units, is unchanged compared to the same period of 2006, while the over 50cc market registers 171,000 units with a 3% drop (net of the extraordinary Poste Italiane order of 2006 the over 50cc scooter market has however increased by 11%).
The European scooter market has recorded an increase of 8% and 732,000 units sold (+12% increase net of the Poste Italiane order) that was helped by the 50cc segment with 360,000 units (+11% over the first half of 2006) and the over 50cc segment with 371,000 units (+13%).
After the Italian market, that remains the reference market, there follow, among the other European countries, France with 126,000 units (+19%), Spain with 105,000 units (+4%), Germany with 49,000 units (+4%) and Great Britain with 19,000 vehicles (+7%).
The scooter market in North America in the first half of 2007 has registered a 3% decline compared to the same period of 2006 with 35,000 units sold above all due to the slight decline of 1% in the United States that make up 84% of the area of reference.
With reference to the motorbike market, the first half of 2007 in Italy recorded a decrease equal to 7% passing to 107,000 units from 115,000 units of the first half of 2006 mainly because of the decline in 51-125cc motorbikes to 5,400 units (-4%) and in 126-750cc motorbikes to 59,000 units (-12%) while the registrations of 50cc and over 750 cc motorbikes are stable.
The European motorbike market, in the first half of 2007, reached 561,000 units with a 1% increase over the 555,000 units in the same period of the preceding year. Particularly worthy of note is the increase of 5% in the 50cc segment to 50,000 units and in the 51-125cc segment that grew by 4% to 71,000 units, while the over 125cc segment is stable with volumes of 439,000 units.
The main markets, after Italy, are France (92,000 units), Spain (88,000 units), Germany (85,000 units) and Great Britain (52,000 units).
The motorbike market in the United States in the first half of 2007 recorded a general trend in decline of 7%, due mainly to a strong decrease in the segments up to 125cc (-20%) that represent 10% of the American motorbike market and a smaller decline in the over 126-750 segments (-6.8%) and over 750cc (-3.2%) where the sales in the first half of 2007 were 471,000 units against 494,000 of the same period in 2006.

Light Commercial Vehicle business

In the first half of 2007 the European market of light commercial vehicles (vehicles with Total Payload ≤ 3.5 tons.) recorded a slight increase (+5.7%) over the same period of 2006 (source: Acea).

In the Italian market (source: Anfia) the growth, in the first half of 2007, was +2.4%, with 125,000 units against 122,000 of the first half of 2006.

The Indian market, where Piaggio Vehicle Private Limited (PVPL), a subsidiary company of Piaggio & C. S.p.A., is working with success, in the first half-year recorded 190,000 units with a decrease of 3.5% compared to the 197,000 units of the same period of 2006. In this market, the segment of Passenger vehicles was of 116,000 units (-1.1%) while the Cargo segment was of 74,000 units (-7.2%).

The regulatory framework

Italy

As regards environmental policies, on 11 June 2007 state incentives started for the renewal of the fleet of mopeds. This campaign contemplates mandatory scrapping of a polluting moped (Euro 0 or anyhow built before 31 December 2001) to be able to be eligible for the discount for the purchase of a Euro 2 moped, defined according to the following:

- for an electric moped or a bicycle with assisted pedalling, 30% of the price list up to a maximum of 700 euro;
- for a 4-stroke EURO 2 moped or anyhow one with low consumption (2.3 l per 100 km), 15% of the price list up to a maximum of 300 euro;
- for a 2-stroke EURO 2 moped, 8% of the price list up to a maximum of 150 euro.

Europe

In compliance with EU directives 2002/51/CE and 2003/77/CE, as from 1 January 2007 the obligations for Euro 3 phase for motorcycles are extended to all new homologations.
Directive 2006/72/CE of 18 August 2006, already adopted in Italy under decree of 17 February 2007, came into force on 1 July 2007 and upon request allows the Manufacturer to homologate the motorcycle according to the new WMTC test cycle.
The Commission is moreover preparing a new provision that should define the new Euro3 limits for Mopeds, Tricycles and Quadricycles, and contain a package of additional measures for all 2 or 3 wheeled motorized vehicles (measurement of fuel consumption, CO2 emissions, durability, evaporative emissions, etc.).
As regards motor vehicles and commercial vehicles (sub-segment in which Piaggio is present with its Porter commercial vehicle), on 29 June 2007 Regulation 715/2007 was implemented that sets the limits and the dates of entry into force for Euro 5 and Euro 6 (1 September 2009 for new homologations – 1 January 2011 for new registrations) valid both for motorcars and for commercial vehicles, while it refers the definition of the test procedures to a subsequent provision.

The 2-wheeler business unit

During the first half of 2007, the Piaggio group, taking into consideration all the brands managed, Piaggio, Gilera, Vespa, Derbi, Aprilia and Moto Guzzi sold a total of 311,500 units (+1.9% compared to the same period of 2006) in the 2-wheeler sector, with net sales of 769.6 million euros (+6.9%) including spare parts and accessories. The Group's brands maintained their leadership of the European scooter market.
Looking at the individual brands, the first half of 2007 saw strong growth for Vespa which sold 62,000 units (+21.9%) thanks to the confirmation of the LX model and the launch of the 125cc version of the GTS range. The volumes of Piaggio brand are lower compared to the first half of 2006, that benefited the positive contribution from the Italian Post Office contract for about 24,300 vehicles; with the exclusion of this contract, 125,000 units were sold (+10% compared to the first half of 2006). This result was possible thanks to the success of the innovative MP3, Beverly Cruiser and Carnaby.
As for Gilera, 24,000 units sold (+24%) and the extension of the range Nexus and mainly Fuoco (3-wheeler scooter) keep the expectations for high-level results, also due to the launching of the new GP800 on the European markets.
As for Derbi, even though it registered higher volumes compared to the first half of 2006, 21,100 units compared to 20,500 units at 30 June 2006 (+2.9%), the sales contracted 6.3% (33.2 millions euros compared to 35.5 million euros of the same period in 2006) mainly due to the decline in sales of Mulhacen 659.
As for Aprilia, the results for the first six months of 2007 with 73,600 units (+6.4%) sold, equal to

189.9 million euros (+8.2%) sales are limited by a slight volume decrease of the scooter segment, offset by a good performance of the motorbike segment.
While the result for scooters reflects a product range which is being renewed and technologically updated, the positive result for motorbikes was due to the good performance in Italy of the new RS 125 and the entry into the 126cc – 750cc sub-segment of the new Pegaso 650 Strada and Trail and the new 2007 Tuono edition.

In the first half of 2007 Moto Guzzi achieves 6,200 motorbikes sold compared to 5,903 motorbikes during the same period of 2006 (+5.1%) and 46.2 million euros sales compared to 42.1 million euros in the same period of the previous year (+9.6%) thanks to the introduction of Norge and 1200 Sport.

THE 2-WHEELER PRODUCT RANGE

The best-selling models in the first half of 2007 are Vespa LX (almost 38,000 units sold) followed respectively by Piaggio Liberty and Zip with 23,000 and 20,000 units sold. The volumes of Beverly also remain high with approximately 20,000 units; there is a noteworthy contribution of Vespa GTS (17,000 units sold) and Piaggio MP3 (13,000 units sold) that considerably contributed to the increase in sales in the first part of the current year.
In the first half of 2007 the Piaggio brand launched the new 125 and 250 cc motorized Piaggio Carnaby, while the Gilera brand has launched the new Nexus 500 and 250 on the market. The Zip and Fly models (50 and 100cc) produced in China have recorded sales of over 20,000 units.
The Aprilia motorbike range has seen a strengthening in its coverage of the Enduro segment with the launch of the Pegaso Factory. The Euro 3 versions of Pegaso and RS 125 have been introduced with their adaptation to the antipollution regulations.
In the high-performance sector the Bol D'Or (RSV) and Daytona (Tuono) versions have been introduced, evocative of the sporting successes of Aprilia.
2007 is the year of consolidation for the Tuono Factory, established in late 2006 as a limited series, and it became, by virtue of its commercial success, a price-list version.
Finally in the month of June 2007 the Shiver 750 was presented, an aggressive motorbike with a high technological content intended for the Naked segment that represents over 40% of the market.

In the scooter segment, Aprilia completed the total renewal of the Scarabeo range with the marketing of the new Scarabeo 50 4-s, Scarabeo 50 2-s and Scarabeo 100 4-s models and it started production of the new Scarabeo 125 and 200 model with new engines.

During the first months of 2007, Moto Guzzi continued to renew its range of vehicles, with the launch of the Norge 850 and the new Bellagio 940.

The LCV business unit

The Light Commercial Vehicle (VTL) Division ended the first half of 2007 with 84,300 units sold with 12.4% growth over the volumes of the same period of 2006, while sales increased from 178.0 million euros in the first half of 2006 to 188.5 million euros in the first half of 2007 (+5.9%). Sales were generated in Europe for 77.3 million euros and in India for 111.2 million euros.
On the European market Piaggio has 10,700 units sold with a slight decline compared to the same period of 2006 (-5.2%).
On the Indian market, Piaggio Vehicles continues to strengthen its role as a key player and the second operator on the local market. Sales passed from 63,700 in the first half of 2006 to 73,300 in the first half of 2007 (+15%). The market share has therefore reached 38.1% up on the 31.9% of the first half of 2006.

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).
In the Cargo segment (0.5 tons and 0.75 tons) the market share of Piaggio Vehicles is 42.4%. In addition, the growth of Piaggio Vehicles continues in the Passenger segment, recording a significant increase in market share (35.3%) in the first half of 2007.
As regards the range produced in Europe, the first few months of 2007 have been characterized by the introduction of the Quargo Model Year 2007 and, in June, of Ape Calessino (limited edition of Ape with prestigious finishing intended for transportation of people).

The shipbuilding sector: Rodriquez group

In the first half of 2007 the Rodriquez group, characterized by completion of the new operational organization in business divisions based on three sectors Fast Ferries, Yachts and Military, accomplished a significant increase in net revenues with 62.3 million euros over 40.3 million euros of the same period in 2006 (+54.6%); the group has moreover suffered in terms of marginality on the whole still insufficient to absorb the costs of the fixed structures (not benefiting to date of the positive effects deriving from the negotiations on the costs of purchase, that should, in this way, have permitted an improvement in the contract estimates). Actions are still in progress to reach an acceptable level of profitability.

On the commercial front, in the sphere of the contract acquired in late 2006 from the Finnish Navy for the construction of three mine sweepers, for an overall value of 245 million euros, in the month of April a contract was signed with the supplier Atlas for the supply of the combat system to be installed on the aforesaid boats; the contract, whose value amounts to 81 million euros, largely contains similar conditions to those received from the Finnish Navy.

At 30 June 2007, the overall order book stood at some 450 million euros of which about 380 million euros being military (the construction of minesweepers and patrol boats), 61 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.

In relation to the above, in the first half of 2007 the Rodriquez group registered a net loss to be consolidated to 3.5 million euros compared to a loss of 4.8 million euros in the same period of 2006.

In the sphere of the renovation plan that Rodriquez Cantieri Navali S.p.A. expects to complete on 31 December 2007, there is to be a share capital increase to be able to make the necessary industrial investments for the development of the Mega Yacht division, while also fulfilling the provisions of article 2446 of the Italian civil code. When the operation is completed the company will be in a position to obtain the necessary financial resources for the development of the business.

As regards non-core shipbuilding activities, Rodriquez Cantieri Navali S.p.A., Rodriquez Cantieri Navali S.p.A., due to the changed juridical title of the area located in the Municipality of Pietra Ligure from being State owned to being available for sale (Decree published in the Italian Official Gazette G.U. nr. 21 on 26 January 2007), has obtained a lease on the area from the State, with pre-emptive rights on the purchase, awaiting the sale by public auction, thereby showing an interest in purchasing the areas as quickly as possible. In the meantime Rodriquez Cantieri Navali S.p.A. has established Rodriquez Pietra Ligure S.r.l., a company that must receive the business unit of the shipyard of Pietra Ligure to complete the conversion project of the area.

In this connection it should be remembered that in the month of December 2006 Rodriquez Cantieri Navali S.p.A. had sold to Pietra S.r.l. (ex Rodriquez Pietra Ligure S.r.l., having the same name as the above-mentioned newly formed company) the future credit it will have with the purchaser of the area at issue. Only after the end of the auction, and depending on its outcome, will the economic and asset effects of the operation have to be evaluated and defined.

Human resources

At 30 June 2007, Immsi Group employed 8,094 staff, of which 94 in the property/holding company sector, 7,615 in the industrial sector (Piaggio group) and 385 in shipbuilding (Rodriquez group).
The following tables divide resources by category and geographical area:

Human resources by category

numbers	30/06/2007			
	Property sector	Industrial sector	Naval sector	Immsi Group
Senior managers	7	116	22	145
Middle managers and clerical staff	36	2,258	153	2,447
Manual workers	51	5,241	210	5,502
TOTAL	**94**	**7,615**	**385**	**8,094**

Human resources by geographical area

numbers	30/06/2007			
	Property sector	Industrial sector	Naval sector	Immsi Group
Italy	94	5,082	381	5,557
Rest of Europe	0	699	0	699
Rest of the World	0	1,834	4	1,838
TOTAL	**94**	**7,615**	**385**	**8,094**

Below is a comparison between 30 June 2007 and 31 December 2006, divided by category and geographical area.

Human resources by category

numbers	30/06/2007	31/12/2006	Change
Senior managers	145	137	8
Middle managers and clerical staff	2,447	2,366	81
Manual workers	5,502	4,716	786
TOTAL	**8,094**	**7,219**	**875**

Human resources by geographical area

Numbers	30/06/2007	31/12/2006	Change
Italy	5,557	4,748	809
Rest of Europe	699	591	108
Rest of the World	1,838	1,880	-42
TOTAL	**8,094**	**7,219**	**875**

Group staff at 30 June 2007 include also workers employed with term contracts, mainly the Piaggio group to meet the seasonal cycle of the production activity.

Financial situation and financial performance

The Group

In the first half of 2007 the Group has economic, asset and financial results on the increase compared to the same period of the preceding year, that is substantially homogeneous in terms of its consolidation perimeter. On 30 June 2006 the Group included Piaggio Holding Netherlands B.V., sold at the end of the year 2006, whose economic and asset results did not significantly affect the values of Group at that date. On the contrary, the shareholders' equity consolidated share of the Piaggio group, that at 30 June 2007 amounted to 55.66%, was equal to 40.10% at 30 June 2006, with significantly different impacts in terms of shares that could be consolidated by the Immsi Group.

The total net revenues increased by over 87.2 million euros (+9.2%) reaching 1,033.3 million euros, thanks to the contribution of the industrial sector, increased by 65.3 million euros (+7.2%) to 968.6 million euros and of the naval sector, increased by 22 million euros (+54.6%) to 62.3 million euros.

Operating earnings before amortisation and depreciation at 30 June 2007 was 141.2 million euros, 13.7% of revenues, while operating earnings were 99.4 million euros, 9.6% of revenues.
This is an increase of 10.4 million euros (+7.9%) and 13.3 million euros (+15.5%), respectively, 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.

Earnings before taxes, increased by 14.2%, on 30 June 2007 amounted to 80.4 million euros, equal to 7.8% of the revenues compared to 70.4 million euro (7.4% of revenues) at 30 June 2006.

The taxes for the period amount to 36.9 million euros compared to 16.4 million at 30 June 2006, with a significantly greater tax rate (45.9% against 23.3% in 2006) mainly following the incidence of the deferred tax assets recognized by Piaggio in 2006.

Group earnings for the period stand at 23.6 million euros (2.3% of revenues) compared to 19.4 million euros (2.1% of revenues) at 30 June 2006.

Group net financial debt at 30 June 2007 totals 417.5 million euros, slightly increasing (3.2 million of euros) compared to the balance of 414.3 million euros at 31 December 2006, and 9.1 million euros improvement compared to 30 June 2006.

Group gross investments in the year totalled 43.4 million euros, divided as follows:

- 27.9 million euros in intangible assets, of which 27.5 million euros referring to the Piaggio group;
- 15.4 million euros in tangible assets (excluding property disposals of 0.7 million euros), of which 13.9 million euros referring to the Piaggio group, 1 million euros to the Rodriquez group and the rest to the property/holding company sector;

Total Immsi Group shareholders' equity at 30 June 2007 stand at 671.9 million euros; excluding minority interest, Group shareholders' equity is 412.6 million euros.

Financial performance of the Group

The Group prepares reclassified figures as well as the financial statement schedules required by law. These reclassifications are not audited.
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	*1st Half Year 2007*		*1st Half Year 2006*		*Change*	*in %*
Net revenues	**1,033,280**	**100%**	**946,033**	**100%**	**87,247**	**9.2%**
Costs for materials	609,368	59.0%	530,175	56.0%	79,193	14.9%
Costs for services and the use of third party assets	197,756	19.1%	200,332	21.2%	-2,576	-1.3%
Employee costs	136,224	13.2%	136,297	14.4%	-73	-0.1%
Other operating income	67,793	6.6%	70,480	7.5%	-2,687	-3.8%
Other operating costs	16,546	1.6%	18,905	2.0%	-2,359	-12.5%
OPERATING EARNINGS BEFORE AMORTIZATION/DEPRECIATION	**141,179**	**13.7%**	**130,804**	**13.8%**	**10,375**	**7.9%**
Depreciation of tangible assets	22,271	2.2%	22,263	2.4%	8	0.0%
Amortization of goodwill	0	-	0	-	0	-
Amortization of finite life intangible assets	19,477	1.9%	22,442	2.4%	-2,965	-13.2%
OPERATING EARNINGS	**99,431**	**9.6%**	**86,099**	**9.1%**	**13,332**	**15.5%**
Loss on equity investments	-1	0.0%	-2	0.0%	1	-50.0%
Financial income	7,894	0.8%	8,539	0.9%	-645	-7.6%
Financial charges	26,962	2.6%	24,245	2.6%	2,717	11.2%
EARNINGS BEFORE TAXATION	**80,362**	**7.8%**	**70,391**	**7.4%**	**9,971**	**14.2%**
Taxation	36,868	3.6%	16,432	1.7%	20,436	124.4%
EARNINGS AFTER TAXATION FROM CONTINUING ASSETS	**43,494**	**4.2%**	**53,959**	**5.7%**	**-10,465**	**-19.4%**
Profit (loss) from assets intended for disposal or sale	0	-	0	-	0	-
EARNINGS FOR THE PERIOD INCLUDING MINORITY INTEREST	**43,494**	**4.2%**	**53,959**	**5.7%**	**-10,465**	**-19.4%**
Minority interest	19,875	1.9%	34,531	3.7%	-14,656	-42.4%
GROUP EARNINGS FOR THE PERIOD	**23,619**	**2.3%**	**19,428**	**2.1%**	**4,191**	**21.6%**

Consolidated Group turnover at 30 June 2007 is 1,033.3 million euros, of which 968.6 million euros from the Piaggio group, 2.5 million euros from the property/holding company sector and 62.3 million euros from the Rodriquez group.
The industrial sector has increased net revenues of 65.3 million euros (+7.2%) compared to the same period of 2006, that was positively influenced by the contract for supplies to Poste Italiane S.p.A. that Piaggio & C. S.p.A. was awarded in late 2005 and that had affected the first half of 2006 for 36.5 million euros. The increase is to be attributed to the good progress both of the Two-Wheeler business (+6.9%) and of the Light Commercial Vehicles business (+5.9%). In particular, compared to the same period of the preceding year, growth is due to the increases in sales registered by the Gilera and Vespa brands for 28.8 million euros, by Aprilia and Moto Guzzi for 25 million euros, the increase in sales achieved by the Light Commercial Vehicles business unit for 10.5 million euros, that jointly balance the reduction (-2 million euros) registered by the Derbi brand because of the different mix of products as well as the effect of the above-mentioned contract with Poste Italiane on the Piaggio brand.
2007 consolidated revenues from the shipbuilding sector total 62.3 million euros, a 54.6% improvement compared to 40.3 million euros in 2006 due to the advances in production on the contracts acquired in 2006.
Finally, revenues for the period of the property/holding company sector are essentially in line with the figures of the first half of 2006.

Operating costs and other consolidated Group net costs during the first half of 2007 total 892.1 million euros (86.3% of revenues), of which 822.6 million euros (84.9% of revenues) relating to the Piaggio group.

Costs for materials total 609.4 million euros, 59% of revenues. The part relating to the industrial sector amounts to 581.5 million euros, 60% of revenues.

Personnel costs total 136.2 million euros, or 13.2% of revenues. The largest part, 123.6 million euros (12.8%), refers to the Piaggio group. The average workforce paid totals 7,900 units compared to 7,445 thousand euros of the first half of 2006.

Operating earnings before depreciation and amortisation (EBITDA) total 141.2 million euros, equal to 13.7% of turnover compared to 130.8 million euros in 2006 (13.8%), with 10.4 million euros increase in 2006. The first half of 2006, Piaggio group, contributing with 145.9 million euros, recorded non-recurring costs associated in the *Borsa Italiana* stock exchange listing for 4 million euros. All above effects deducted, the result at 30 June 2006 would total 134.8 million euro, with a 14.2% incidence on sales.

Depreciation and amortisation for the period stand at 41.7 million euros (of which 39.6 million euros in the industrial sector), 4% of turnover. Depreciation of tangible assets accounts for 22.3 million euros, while amortised intangibles excluding goodwill total 19.5 million euros.

EBIT showed a profit of 99.4 million euros, 9.6% of turnover, of which 106.4 million euros referring to the industrial sector.

The positive net financial balance totals 19.1 million euros, 1.8% of turnover, the result of a net negative balance of 17.6 million euros relating to the industrial sector and 1.7 million euros from the shipbuilding sector.

Profit before taxation stands at 80.4 million euros, or 7.8% of turnover, of which 88.8 million euros from the industrial sector, 0.6 million euros from the Parent company Immsi S.p.A. (deducted the intercompany eliminations), while the shipbuilding sector shows a loss of 6.1 million euros, and the other companies of the group stands at 2.9 million euros negative.

Net earnings for the period, after taxation and net of minority interest, totals 23.6 million euros (2.3% of revenues).

Group financial situation

In thousands of euros	*30.06.2007*	*in %*	*31.12.2006*	*in %*	*30.06.2006*	*in %*
Current assets:						
Cash and cash equivalents	114,464	5.4%	101,941	5.2%	133,984	6.3%
Financial assets	13,188	0.6%	12,594	0.6%	44,624	2.1%
Operating assets	819,054	38.3%	565,250	28.9%	751,158	35.4%
Total current assets	**946,706**	**44.3%**	**679,785**	**34.8%**	**929,766**	**43.9%**
Non-current assets:						
Financial assets	1,015	0.0%	1,015	0.1%	1,015	0.0%
Intangible assets	809,557	37.9%	802,112	41.1%	737,468	34.8%
Tangible assets	312,143	14.6%	318,135	16.3%	313,455	14.8%
Other assets	68,433	3.2%	151,752	7.8%	137,533	6.5%
Total non-current assets	**1,191,148**	**55.7%**	**1,273,014**	**65.2%**	**1,189,471**	**56.1%**
TOTAL ASSETS	**2,137,854**	**100.0%**	**1,952,799**	**100.0%**	**2,119,237**	**100.0%**
Current liabilities:						
Financial liabilities	147,595	6.9%	120,039	6.1%	179,522	8.5%
ting liabilities	755,017	35.3%	591,558	30.3%	726,428	34.3%
Total current liabilities	**902,612**	**42.2%**	**711,597**	**36.4%**	**905,950**	**42.7%**
Non-current liabilities:						
Financial liabilities	398,584	18.6%	409,827	21.0%	426,670	20.1%
Other non-current liabilities	164,728	7.7%	185,772	9.5%	206,113	9.7%
Total non-current liabilities	**563,312**	**26.3%**	**595,599**	**30.5%**	**632,783**	**29.9%**
TOTAL LIABILITIES	**1,465,924**	**68.6%**	**1,307,196**	**66.9%**	**1,538,733**	**72.6%**
TOTAL SHAREHOLDERS' EQUITY	**671,930**	**31.4%**	**645,603**	**33.1%**	**580,504**	**27.4%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,137,854**	**100.0%**	**1,952,799**	**100.0%**	**2,119,237**	**100.0%**

The current assets at 30 June 2007 amounted to 946.7 million euros, an increase over 31 December 2006 of 266.9 million euros and approximately 16.9 million euros compared to 30 June 2006.
The increase on the end of the year is largely due to the growth in trade receivables (+162.9 million euros) and to the growth in inventories (stock) (+24.7 million euros) in Piaggio tied to seasonality while the growth over 30 June 2006 is due to the higher volume of sales. In addition, the aforesaid growth is also helped by the reclassification in the current assets from the non-current assets of the

stake of Immsi S.p.A. in Capitalia S.p.A. for 79.9 million euros, following the merger project with Unicredit that broke the constrains of strategic investment for the Group transforming it into a mere financial investment.

Non-current assets at 30 June 2007 stand at 1,191.1 million euros against 1,273 million at 31 December 2006, with an 81.9 million euros decrease, mainly a result of the reclassified equity investment held by Immsi S.p.A. in Capitalia S.p.A. for 79.9 million euro to current asset.

Specifically, among the non-current assets, intangible assets total 809.6 million euros, a 7.4 million euros increase compared to 31 December 2006, tangible assets stand at 312.1 million euros (318.1 at the end of 2006) and other assets of 68.4 million euros (against 151.8 million at the end of 2006).

Current liabilities at 30 June 2007 total 902.6 million euros, a 191 million euros increase compared to 31 December 2006, due mainly to the increase in trade payables of the Piaggio group (+126.4 million euros), as a result of increased volumes and the seasonal purchases.

Non-current liabilities at 30 June 2006 stand at 563.3 million euros compared to 595.6 million euros at 31 December 2006. The decrease is attributable to 11.2 million euros of financial liabilities relating to the reduction in Group net debt, and to other liabilities for 21 million euros. Included among the other liabilities the staff severance indemnity reserve for 10.9 million euros, mainly in pursuance of Law no.296 of 27/12/2006 and subsequent Decrees and Regulations in the case.
Staff Severance Indemnity Reserve (“TFR”) by Law no.296 of 27 December 2006 (“Finance Law 2007”) and subsequent Decrees and Regulations issued in the first few months of 2007 on its acc

Consolidated Group and minority interest shareholders’ equity at 30 June 2007 is 671.9 million euros, of which 259.3 million euros attributable to minority interest.

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

In thousands of euros	*30.06.2007*	*in %*	*31.12.2006*	*in %*	*30.06.2006*	*in %*
Current operating assets	819,054	65.3%	565,250	45.4%	751,158	61.9%
Current operating liabilities	-755,017	-60.2%	-591,558	-47.5%	-726,428	-59.9%
Net operating working capital	**64,037**	**5.1%**	**-26,308**	**-2.1%**	**24,730**	**2.0%**
Intangible assets	809,557	64.5%	802,112	64.4%	737,468	60.8%
Tangible assets	312,143	24.9%	318,135	25.5%	313,455	25.8%
Other assets	68,433	5.5%	151,752	12.2%	137,533	11.3%
Invested capital	**1,254,170**	**100.0%**	**1,245,691**	**100.0%**	**1,213,186**	**100.0%**
Non-current non-financial liabilities	164,728	13.1%	185,772	14.9%	206,113	17.0%
Minority interest capital and reserves	259,303	20.7%	243,784	19.6%	316,503	26.1%
Consolidated Group shareholders’ equity	412,627	32.9%	401,819	32.3%	264,001	21.8%
Total non-financial sources	**836,658**	**66.7%**	**831,375**	**66.7%**	**786,617**	**64.8%**
Net financial debt	**417,512**	**33.3%**	**414,316**	**33.3%**	**426,569**	**35.2%**

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

In thousands of euros	***30.06.2007***	***30.06.2006***
Cash generated internally	134,368	107,651
Change in net working capital	-70,389	17,055
Cash flow generated from operations	**63,979**	**124,706**
Payment of dividends by Parent company	-10,296	-8,580
Payment of dividends to third parties by Group companies	-5,344	0
Increase in Parent company share capital	0	0
Increase in share capital of subsidiaries underwritten by third parties	9,246	6,000
Purchase of treasury shares by the companies of the Group	-16,812	0
Purchase of intangible assets	-27,945	-21,911
Purchase of tangible assets	-15,430	-15,996
Net decrease from property disposals	715	327
Acquisition of non-controlling equity investments, net of disposals	20	0
Acquisition of controlling equity investments, net of disposals	0	-750
Other net movements	-1,329	528
Change in net financial position	**-3,196**	**84,324**
Initial net financial position	**-414,316**	**-510,893**
Closing net financial position	**-417,512**	**-426,569**

As shown above, net cash flow generated from operations totalling 64 million euros for the first half of 2007, together with the increase in share capital by minority interest in Piaggio & C. S.p.A. (6.3 million euros) and e Pietra Srl (3 million euros), partially finance the gross investments for the period (43.4 million euros), the amounts paid to minority interest as dividends (5.3 million euros) and the dividends paid by the Parent company (10.3 million euros) and the purchase of treasury shares by Piaggio & C. S.p.A. with a 16.8 million euros disbursment, giving rise to a negative change in the net financial position of 3.2 million euros. Net financial debt at 30 June 2007 therefore stands at 417.5 million euros.

The net **financial debt** of 417.5 million euros is analysed below and compared with the figure at 30 June and 31 December 2006:

In thousands of euros	*30.06.2007*	*31.12.2006*	*30.06.2006*
Short-term liquidity			
Cash and cash equivalents	-114,464	-101,941	-133,984
Financial assets	-13,188	-12,594	-44,624
Total short-term financial assets	**-127,652**	**-114,535**	**-178,608**
Short-term financial payables			
Bonds	0	0	0
Amounts due to banks	125,681	98,228	148,690
Amounts due under finance leases	841	963	934
Amounts due to other lenders	21,073	20,848	29,898
Total short-term financial payables	**147,595**	**120,039**	**179,522**
Total short-term financial debt	**19,943**	**5,504**	**914**
Medium/long-term financial assets			
Receivables for loans	-1,015	-1,015	-1,015
Other financial assets	0	0	0
Total medium/long-term financial assets	**-1,015**	**-1,015**	**-1,015**
Medium/long-term financial payables			
Bonds	144,929	144,628	144,216
Amounts due to banks	217,017	217,305	234,196
Amounts due under finance leases	10,323	10,757	11,189
Amounts due to other lenders	26,315	37,137	37,069
Total medium/long-term financial payables	**398,584**	**409,827**	**426,670**
Total medium/long-term financial debt	**397,569**	**408,812**	**425,655**
Net financial debts	**417,512**	**414,316**	**426,569**

Financial situation and financial performance of the Parent company

The company prepares not only the financial statements schedules required by law, but specific reclassifications as well. These schedules are not audited.
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.

Reclassified income statement

In thousands of euros	*1st Half Year 2007*		*1st Half Year 2006*		*Year 2006*	
Net revenues	**2,114**	**100%**	**4,640**	**100%**	**6,305**	**100%**
Costs for materials	38	1.8%	52	1.1%	98	1.6%
Costs for services and the use of third party assets	1,798	85.1%	2,306	49.7%	5,011	79.5%
Employee costs	753	35.6%	817	17.6%	1,762	27.9%
Other operating income	101	4.7%	968	20.9%	740	11.7%
Other operating costs	201	9.5%	846	18.2%	698	11.1%
OPERATING EARNINGS BEFORE AMORTIZATION/DEPRECIATION	**-576**	**-27.2%**	**1,587**	**34.2%**	**-524**	**-8.3%**
Depreciation of tangible assets	40	1.9%	196	4.2%	421	6.7%
Amortization of goodwill	0	-	0	-	0	-
Amortization of finite life intangible assets	0	-	14	0.3%	29	0.5%
OPERATING EARNINGS	**-616**	**-29.1%**	**1,377**	**29.7%**	**-974**	**-15.4%**
Loss on equity investments	0	-	0	-	0	-
Financial income	9,402	444.7%	3,031	65.3%	41,504	658.3%
Financial charges	1,682	79.6%	1,243	26.8%	5,911	93.8%
EARNINGS BEFORE TAXATION	**7,104**	**336.0%**	**3,165**	**68.2%**	**34,619**	**549.1%**
Taxation	-275	-13.0%	2,986	64.4%	6,647	105.4%
EARNINGS AFTER TAXATION FROM CONTINUING ASSETS	**7,379**	**349.1%**	**179**	**3.9%**	**27,972**	**443.6%**
Profit (loss) from assets intended for disposal or sale	0	-	0	-	0	-
EARNINGS FOR THE PERIOD INCLUDING MINORITY INTEREST	**7,379**	**349.1%**	**179**	**3.9%**	**27,972**	**443.6%**
Minority interest	0	-	0	-	0	-
GROUP EARNINGS FOR THE PERIOD	**7,379**	**349.1%**	**179**	**3.9%**	**27,972**	**443.6%**

Net earnings for the 1st half of 2007 of 7.4 million euros is an improvement on the 7.2 million euros in the same period of 2006, due mainly to the contribution to 2007 earnings of the dividends paid by Capitalia S.p.A. of 2.5 million euros and by the subsidiary Piaggio & C. S.p.A. of 6.5 million euros.

Specifically:

- *Net revenue* amounted to 2,114 thousand euros in the first half of 2007, a major decrease down on the revenue of the same period of 2006 (equal to 4,640 thousand euros) due to the lower revenue from services provided to the subsidiary companies equal to 850 thousand euros at 30 June 2007 against 3,650 thousand euros at 30 June 2006. This decrease is almost exclusively due to the business provided by Immsi S.p.A. in the course of 2006 to the Piaggio group finalized at the listing on the MTA of the Parent company Piaggio & C. S.p.A. completed in the month of July of the same year;
- *Costs for services and the use of third party assets* total 1,798 thousand euros, a reduction of 508 thousand euros compared to the first half of 2006, mainly as a result of lower property management costs and of professional and financial consultancy;
- *Employee costs*, referred to an average workforce of 17 employees, of whom 4 managers and 13 clerical staff, stand at 753 thousand euros at 30 June 2007, increasing compared to the value recognized in the first half of 2006, for 817 thousand euros, thanks to a policy of workforce optimization;
- The 100 thousand euros negative net balance of *operating income and costs* compares with a positive balance of 122 thousand euros at 30 June 2006, mainly as a result of higher incomes recognized in the first half of 2006 to release part of the provisions in the bad debt reserve operated in the previous years;
- The *operating loss* stands at 616 thousand euros at 30 June 2007, due to the positive result achieved during the same period of the previous year, for 1,377 thousand euros, as a consequence of the lower revenue from services of assistance and consultancy provided to the subsidiary companies in 2006 and in particular to the Piaggio group;
- The positive net balance of *financial income and charges* totals 7,720 thousand euros at 30 June 2007, a 5,932 thousand euros improvement compared to 30 June 2006, as a result of the distribution, during the half-year by the subsidiary Piaggio & C. S.p.A., of dividends respectively for 2,450 thousand euros and 6,537 thousand euros. The positive effect deriving from the dividends collected is partly compensated for by the greater financial burdens sustained by the company with an average increase in the applied debit rates of approximately 1.1 percentage points;
- *Income tax* of 275 thousand negative euros is a small percentage of the profit for the year by effect of the low tax bracket applied to the financial income from dividends, which is a major component of the earnings for the period of the Parent company;
- There are no *gains or losses from disposed assets* at 30 June 2007.

Reclassified balance sheet

In thousands of euros	30.06.2007	in %	31.12.2006	in %	30.06.2006	in %
Current assets:						
Cash and cash equivalents	6,749	1.4%	4,444	1.0%	87,669	21.4%
Financial assets	1,250	0.3%	1,100	0.2%	1,000	0.2%
Operating assets	86,514	18.4%	1,205	0.3%	1,254	0.3%
Total current assets	**94,513**	**20.1%**	**6,749**	**1.5%**	**89,923**	**22.0%**
Non-current assets:						
Financial assets	12,000	2.6%	12,000	2.7%	12,000	2.9%
Intangible assets	0	0.0%	0	0.0%	15	0.0%
Tangible assets	11,600	2.5%	11,599	2.6%	11,700	2.9%
Other assets	352,256	74.9%	421,351	93.3%	295,113	72.2%
Total non-current assets	**375,856**	**79.9%**	**444,950**	**98.5%**	**318,828**	**78.0%**
TOTAL ASSETS	**470,369**	**100.0%**	**451,699**	**100.0%**	**408,751**	**100.0%**
Current liabilities:						
Financial liabilities	35,720	7.6%	4,608	1.0%	79,354	19.4%
Operating liabilities	2,443	0.5%	12,487	2.8%	5,585	1.4%
Total current liabilities	**38,163**	**8.1%**	**17,095**	**3.8%**	**84,939**	**20.8%**
Non-current liabilities:						
Financial liabilities	45,832	9.7%	45,814	10.1%	45,787	11.2%
Other non-current liabilities	11,049	2.3%	12,659	2.8%	14,848	3.6%
Total non-current liabilities	**56,881**	**12.1%**	**58,473**	**12.9%**	**60,635**	**14.8%**
TOTAL LIABILITIES	**95,044**	**20.2%**	**75,568**	**16.7%**	**145,574**	**35.6%**
TOTAL SHAREHOLDERS'EQUITY	**375,325**	**79.8%**	**376,131**	**83.3%**	**263,177**	**64.4%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**470,369**	**100.0%**	**451,699**	**100.0%**	**408,751**	**100.0%**

- *Current assets* at 30 June 2007 amounted to 94,513 thousand euros, an increase over 31 December 2006 of 87,764 thousand euros.
  In particular, this increase is due to the reclassification of 79,865 thousand euros, related to the equity investment held in Capitalia, from non-current available-for-sale financial assets to current available-for sale financial assets by virtue of the merger by incorporation of Capitalia in Unicredito which is expected to be finalised at the beginning of the last quarter of the current year, subject to obtaining the necessary authorisation. This transaction will actually release the shares held by Immsi S.p.A from all obligations, transforming the equity investment into a simple financial investment. The fair value of said shares at the end of June amounted to a total of 82,093 thousand euros.
- *Non-current assets* total 375,856 thousand euros at 30 June 2007, a 69,094 thousand euros decrease compared to 31 December 2006, due mainly to the reclassification of the equity investment held in Capitalia – as above – partially offset by the share capital increase in Pietra S.r.l. for 10,423 thousand euros subscribed by the Parent company at the beginning of the year;
- *Current liabilities* total 38,163 thousand euros at 30 June 2007, a 21,068 thousand euros increase compared to 31 December 2006, mainly as a result of two short-term loans issued during the first half-year for 25 and 10 million euros granted respectively by Intesa Sanpaolo and Banca di Roma partially offset by the smaller debt (payable)

for current taxes accrued at end of June compared to the balance recognized at 31 December 2006 and repayment during the first months of 2007 of the credit line for approx. 3.9 million euros granted by Intesa Sanpaolo S.p.A. at end of 2006;

- *Non-current liabilities* stand at 56,881 thousand euros at 30 June 2007, down by 1,592 thousand euros compared to 31 December 2006 and mainly include 45,832 thousand euros of amortised cost of the payable due to Efibanca S.p.A. (nominal value of 46 million euros) relating to the loan due in 2010, the difference being a reserve for deferred taxation (10,864 thousand euros) and the employees' severance indemnity reserve (185 thousand euros);
- *Shareholders' equity* totals 375,325 thousand euros, in line compared to 31 December 2006, as a result of the re-measurement to fair value of financial assets net of the corresponding tax component (2,110 thousand euros), the 7,379 thousand euros profit for the period and after the distribution of 10,296 thousand euros in dividends.

Cash flow statement

In thousands of euros	***30.06.2007***	***31.12.2006***	***30.06.2006***
Cash generated internally	4,758	96	4,044
Change in net working capital	-12,672	-1,698	512
Cash flow generated from operations	**-7,914**	**-1,602**	**4,556**
Payment of dividends by Parent company	-10,296	-8,580	-8,580
Increase in Parent company share capital	0	80,080	0
Purchase of intangible assets	0	0	0
Purchase of tangible assets	-67	-240	-63
Net decrease from property disposals	25	53	0
Acquisition of controlling equity investments	-10,423	-91,202	-9,000
Other net movements	0	-2	0
Change in net financial position	**-28,675**	**-21,493**	**-13,087**
Initial net financial position	**-32,878**	**-11,385**	**-11,385**
Closing net financial position	**-61,553**	**-32,878**	**-24,472**

Analysis of invested capital

In thousands of euros	*30.06.2007*	*in %*	*31.12.2006*	*in %*	*30.06.2006*	*in %*
Current operating assets	86,514	19.3%	1,205	0.3%	1,254	0.4%
Current operating liabilities	-2,443	-0.5%	-12,487	-3.0%	-5,585	-1.8%
Net operating working capital	**84,071**	**18.8%**	**-11,282**	**-2.7%**	**-4,331**	**-1.4%**
Intangible assets	0	0.0%	0	0.0%	15	0.0%
Tangible assets	11,600	2.6%	11,599	2.8%	11,700	3.9%
Other assets	352,256	78.6%	421,351	99.9%	295,113	97.6%
Invested capital	**447,927**	**100.0%**	**421,668**	**100.0%**	**302,497**	**100.0%**
Non-current non-financial liabilities	11,049	2.5%	12,659	3.0%	14,848	4.9%
Consolidated Group Shareholders' equity	375,325	83.8%	376,131	89.2%	263,177	87.0%
Total non-financial sources	**386,374**	**86.3%**	**388,790**	**92.2%**	**278,025**	**91.9%**
Net financial debt	**61,553**	**13.7%**	**32,878**	**7.8%**	**24,472**	**8.1%**

- *Net operating working capital* was positive at 30 June 2007 for 84,071 thousand euros compared to a negative value at 31 December 2006 of 11,282 thousand euros mainly due to the reclassification of the equity investment held by Immsi S.p.A. in Capitalia from non-current assets to current assets for a total at the end of June equal to 82,093 thousand euros and the smaller debit for current taxes accrued at the end of the six-month period compared to the previous year (reduction of 9,437 million euros);
- *Invested capital* amounts to 447,927 thousand euros, an increase over 31 December 2006 of 26,259 thousand euros, mainly due to the improvement in the net operating working capital, the revaluation of the in Capitalia S.p.A. for 2,228 thousand euros and the capital issue in Pietra S.r.l. to which Immsi subscribed at the start of the year 2007 with 10,423 thousand euros;
- *Non-financial sources*, comprising 375,325 thousand euros of *shareholders' equity* and 11,049 thousand euros of *non-current non-financial liabilities,* are essentially in line with the balance at 31 December 2006;
- *Net financial debt* stands at 61,553 thousand euros at 30 June 2007, a 28,675 thousand euros increase compared to 31 December 2006, mainly due, as explained above, to the increase in share capital of the Group and the issuing of two short-term loans totalling 35 million euros, partially offset by the cash flow generated from operations, as shown in the cash flow statement above.

Net Financial debt

In thousands of euros	*30.06.2007*	*31.12.2006*	*30.06.2006*
Short-term liquidity			
Cash and cash equivalents	-6,749	-4,444	-87,669
Financial assets	-1,250	-1,100	-1,000
Total short-term financial assets	**-7,999**	**-5,544**	**-88,669**
Short-term financial payables			
Amounts due to banks	35,000	3,888	78,454
Amounts due to other lenders	720	720	900
Total short-term financial payables	**35,720**	**4,608**	**79,354**
Total short-term financial debt	**27,721**	**-936**	**-9,315**
Medium/long-term financial assets			
Receivables for loans	-12,000	-12,000	-12,000
Other financial assets	0	0	0
Total medium-/long-term financial assets	**-12,000**	**-12,000**	**-12,000**
Medium/long-term financial payables			
Amounts due to banks	45,832	45,814	45,787
Amounts due to other lenders	0	0	0
Total medium/long-term financial payables	**45,832**	**45,814**	**45,787**
Total medium/long-term financial debt	**33,832**	**33,814**	**33,787**
Net financial debt	**61,553**	**32,878**	**24,472**

- *Net short-term liquidity* totals 27,721 thousand euros at 30 June 2007 compared to 936 thousand euros positive balance at 31 December 2006, while *medium-/long-term financial debt* is essentially in line at end June 2007 compared to the balance at 31 December 2006 standing at 33,832 thousand euros.
  As regards the 46 million euros loan agreement signed between Immsi and Efibanca S.p.A. that is repayable in 2010, two financial covenants need to be met, calculated on the ratio between financial liabilities and shareholders' equity (to be the same or lower than before) and on the ratio between lease instalments and interest on the loan itself (to be the same or higher than before). Breach of these covenants without an explanation and indications of the measures adopted to return to the agreed conditions, allows Efibanca S.p.A. to withdraw from the agreement and/or declare it terminated *ipso iure*, and consider the loan immediately due for the entire amount outstanding with the ensuing obligation of Immsi to repay the residual amount of capital due plus accrued interest as well as payment of a 1% penalty fee, calculated on the residual amount of capital due at the time of withdrawal and/or termination.

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 2007 with its policy aimed at maintaining technological leadership in the sector, setting aside overall resources of 39.5 million euros (of which 30.8 million euros in Piaggio & C. S.p.A., 2.4 million euros in Nacional Motor S.A., 2.7 million euros in Moto Guzzi S.p.A. and 3.7 million euros in Piaggio Vehicles Pvt Ltd) for R&D activities (4.1% of sales), and of which 25.9 million euros was capitalised under intangible assets. In particular, research activities relating to product innovation and manufacturing technology projects absorbed 3.0 million euros of resources; the development activities for the remaining 36.5 million euros concerned in particular new vehicles and new engines, environmentally friendly above all. Following the development activities for new 2-wheeler products, for an overall cost of 28.8 million euros, of which 15.5 million euros for the Piaggio, Gilera, and Vespa brands, and 13.3 million euros for Aprilia, during the first half year the range benefited from the production start-up of the new models Piaggio Carnaby and MP3 400cc, Aprilia Scarabeo, Mana 850cc, Naked 750cc, Gilera Fuoco and GP800.
As for the LCV business, the total cost in the first half of 2007 was 2.0 million euros, same as in the correspondent period of 2006, referred mainly to the development of the new Ape Calessino.
As for Guzzi, research and development costs total 2.7 million euros which were fully capitalised, and concern the production launch of new vehicles such as the Bellagio 940cc.
As regards the shipbuilding sector, the Rodriquez group has continued the development started in previous years of two important research projects through the Parent company Rodriquez Cantieri Navali: “fully submerged hydrofoil” and “Enviroaliswath”.
For these projects, whose overall value amounts to 43.6 million euros, costs were sustained in the period for 2.6 million euros of which 0.4 million euros were capitalized under the intangible assets.

Group and related party dealings

As regards disclosure of related party dealings, in accordance with IAS 24 (Related Party Disclosure), it is pointed out that dealings with those parties were concluded at normal market conditions or in compliance with specific regulatory provisions. There were no atypical or unusual transactions recorded during the first half of 2007.
It is pointed out that the income and balance sheet effects deriving from consolidated intragroup dealings have been eliminated from the consolidated figures.

The table below highlights the main income effects (excluding revenues from recharges to subsidiaries and Parent companies, in compliance with the provisions of IAS 18) and balance sheet effects from dealings with Immsi S.p.A. related parties at 30 June 2007:

Main income and balance sheet headings	Amounts in €/000	Description of the nature of the dealings
Dealings with related parties:		
Current trade payables	*225*	*Legal assistance provided by St. d'Urso Munari Gatti to the Group*
Costs for services	*120*	*Legal assistance provided by St. d'Urso Munari Gatti to the Group*
Dealings with Parent companies:		
Tangible assets	*102*	*Fittings and vehicles provided by Omniainvest S.p.A.*
Other current liabilities	*7*	*Deferred income to Omniainvest S.p.A. and Omniapartecipazioni S.p.A.*
Costs for services and the use of third party assets	*119*	*Rental of offices in Mantova provided by Omniaholding S.p.A . to the Group*
Dealings with subsidiaries:		
Other non-current financial assets and other receivables	*13,027*	*Convertible loan granted to RCN Finanziaria S.p.A and interest*
Current trade receivables and other receivables	*782*	*Amounts due by the Piaggio group for recharged costs, rental of offices in Roma and Milano, consultancy contract and repayment of emoluments*
	681	*Amounts due by the Rodriquez group for recharged costs, rental of offices in Roma, interest, fees and consultancy contract*
	170	*Amounts due by Is Molas S.p.A. for recharged costs, consultancy contract and repayment of emoluments*
	4	*Amounts due by Apuliae S.p.A. for repayment of emoluments*
Other current financial assets	*850*	*Loans granted to RCN Finanziaria S.p.A.*
	400	*Loan granted to Rodriquez Cantieri Navali S.p.A.*
Current financial liabilities	*720*	*Interest-bearing deposit provided by Apuliae S.p.A.*
Current trade payables and other payables	*16*	*Interest on interest-bearing deposit provided by Apuliae S.p.A.*
	13	*Renal of offices in Milan provided by Piaggio & C. S.p.A.*
	35	*Deferred income to Piaggio & C. S.p.A.*
	6	*Deferred income to Rodriquez group.*
Net revenues	*500*	*Consultancy contract and assistance with Piaggio & C. S.p.A.*
	300	*Consultancy contract and assistance with Is Molas S.p.A.*
	50	*Consultancy contract and assistance with Rodriquez Cantieri Navali S.p.A.*
	47	*Rental of offices in Rome and Milan to Piaggio & C. S.p.A.*
	5	*Rental of offices in Rome to Rodriquez Cantieri Navali S.p.A.*
Other operating costs	*13*	*Indemnity for anticipated termination of lease of the offices in Milan supplied by Piaggio & C. S.p.A.*
Financial charges	*16*	*Interest on interest-bearing deposit provided by Apuliae S.p.A.*
Financial income	*6,537*	*Dividends from Piaggio & C. S.p.A.*
	381	*Interest and guarantee fees from Rodriquez group*
Other operating income	*25*	*Accrued income for repayment of emoluments from Piaggio group*
	16	*Accrued income for repayment of emoluments from Is Molas S.p.A.*
	4	*Accrued income for repayment of emoluments from Apuliae S.p.A.*

Income figures include non-deductible VAT.

In addition, Immsi, as part of the contract for the supply of 5 catamarans to the Sultanate of Oman for which the Rodriquez 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, counterguaranteed the “performance bond” and the “advanced payment bond” issued by the above banks for an 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 Rodriquez Cantieri Navali S.p.A.’s obligations to channel payments.

Immsi S.p.A. has in addition signed a fidejussory guarantee for Intesa Sanpaolo in the interest of Rodriquez Cantieri Navali S.p.A., to cover an obligation of payment of the latter company for a total of 15 million euros.

To supplement the above, the following chart gives the value of the operations with related and infragroup party not eliminated, included in the consolidated financial statements at 30 June 2007 as well as their incidence on the respective items of the financial statements.

	Amounts in thousands of euros	% Incidence on item of financial statements
Balance Sheet:		
Other financial assets	93	7.8%
Trade receivables and other receivables	2,150	0.6%
Trade and other payables	9,010	1.3%
Income Statement:		
Costs for materials	22,287	3.7%
Costs for services and use of third-party assets	265	0.1%
Other operating income	2,394	3.5%

Other information

Stock Option

At 30 June 2007, Immsi S.p.A. has no existing stock option plan.
The subsidiary company Piaggio & C. S.p.A., with reference to the incentive plan 2004-2007 ("Plan 2004-2007"), on 31 January 2007 issued 5,328,760 new shares allocated to the beneficiaries who had applied on 26 January 2007; of these, 3,920,760 at the price of 0.98 euro and 1,408,000 at the price of 1.72 euro.

Rights	Number of options	Average exercise price (euro)
Rights existing at 31.12.2006	5,328,760	
° of which exercisable in 2006	5,328,760	
New rights granted in 2007	6,510,000	
Rights exercised in 2007	5,328,760	1.1755
Rights expired in 2007		
Rights existing at 30.06.2007	6,510,000	
° of which exercisable at 30.06.2007	0	

On the date of approval of this half-year report, all the options allocated with the Plan 2004-2007 have therefore been completely exercised.
Consequently, the new share capital of Piaggio & C. S.p.A. is 205,941,272.16 euros represented by 396,040,908 shares of 0.52 euro nominal value.
On 7 May 2007 the company's annual ordinary general meeting, after revoking the deliberations made by the meeting of 8 March 2006 regarding a bonus stock plan for the period 2007-2009, approved, in accordance with and by the effects of art. 114-bis Italian legislative order D.Lgs. 58/1998, a new plan of incentives reserved for the senior executives of Piaggio & C. S.p.A. 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") to be implemented by freely assigning rights of option valid for the purchase of ordinary Piaggio shares in the company's portfolio. This Plan, at 30 June 2007, has assigned 6,510,000 rights of option for a corresponding number of shares.

Treasury stock

During the first half of 2007, the Parent company carried out no transactions involving treasury stock and, at 30 June, does not hold any treasury stock.

For the purpose of the implementation of the incentive Plan 2007-2009, the meeting of Piaggio & C. S.p.A. has authorized, in accordance with and by effect of art. 2357 of the Italian civil code, the purchase of the company's ordinary shares, in one or more times and at any moment, for the maximum period permitted by the applicable regulations and as of the date of the deliberation, up to a maximum number of 10,000,000 shares, at an amount between the minimum and maximum corresponding to the arithmetic mean of the official prices recorded by the ordinary Piaggio shares

in the ten days of trading prior to each single purchase, respectively decreased or increased by 10%.
In implementation of the above, in the months of June, July and August 2007 Piaggio & C. S.p.A. purchased 7,190,000 of treasury stocks at an average weighted price of 3.6666 euro.

Disputes

Regarding 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.

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. The judge granted the terms in accordance with art. 183 c.p.c. (Code of Civil Procedure) to file the pleadings, setting a hearing for the parties to present their cases on 17 October 2007.
As for the tax dispute, it is noted that till today there are no disputes involving Piaggio & C. S.p.A.. The main tax disputes of the other Piaggio group companies concern P&D S.p.A. (in liquidation), Piaggio Espana SA (incorporated into Nacional Motor S.A.), 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 1995-1996-1997, as well as a dispute before the Pisa Province Tax Commission regarding 2000- 2001-2002.
Concerning these disputes, there are no updates on the proceedings already in being on 31 December 2006 in the different jurisdictions.
On 3 May 2007 P&D was notified of the provisions of administrative suspension of the collection issued by the competent Inland Revenue department in relation to the two tax demands related to the tax disputes in being for the tax periods 1995-1996-1997 and 2000-2001-2002.
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 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; there are no updating referred to the situation at 31 December 2006 and the company has not considered it necessary to make provisions in the balance sheet in light of the positive indications expressed by the professional experts engaged by the defence.

As regards the shipbuilding sector (Rodriquez group), as for the arbitration entered into in May 2003 with the customer, Sea Spin Shipping, in relation to the contract to build a ship ordered to Rodriquez Cantieri Navali S.p.A., in August 2007 the parties undersigned a settlement contract for the 4.25 million euros repayment against the advance payments made by the customer for 6.2 million euros.

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 do determine any liabilities the company may have.

On 3 July 2007 the revenue inspection made by the Regional Administration of Liguria was concluded on the year 2004 for Intermarine S.p.A. 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, on 7 August presented its "Observations and Counter-Deductions" considering its work to have been substantially correct.
In the month of August 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 arbitrage 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. Intermarine S.p.A. considers the requests made by the counterparty to be unfounded and intends to go to court to protect its interests.

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 till 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, setting the date of 15 October 2007 for the Public Prosecutor and the defendants. The sentence is expected by February 2008.
With reference to the court case arisen between the State Administration and the Province of Lecce regarding 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, the Judge has postponed deliberation of the investigation to 11 April 2008.
Following the outcome of the private tender called in 2002 by the Province of Lecce to obtain the concession for the redevelopment of the *ex Colonia Scarciglia* , an administrative dispute arose between Apuliae S.p.A. and Igeco S.r.l.. After a series of appeals, in a ruling published on 9 May 2006, the *Consiglio di Stato* ruled in favour of the last one presented by Igeco S.r.l., which claimed that the project presented by Apuliae S.p.A. go against the initial plan to redevelop the *Colonia* and that the building of a hotel is beyond the scope of the Province. Apuliae S.p.A. therefore appealed to the *Consiglio di Stato* but, with sentence no. 4029/2007 published on 16 July 2007, the appeal was declared inadmissible.

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

Corporate Governance

On 18 June 2007 the company's Board of Directors in an extraordinary meeting adopted new by-laws in order to adjust their content to the regulatory prescriptions introduced by Italian Law 262/2005 and by the Legislative Order D. Lgs. 303/2006.
On the same date the Board named Andrea Paroli, current Finance Manager of Immsi S.p.A., as the CFO assigned to drawing up the accounts and documents of the Company in accordance with art. 154 bis of Legislative Order D.Lgs. 58/1998.
Immsi will apply the provisions required by art. 81-ter of the Issuers' Regulations to the accounts records whose period of reference closes after 1 July 2007.
At the date of approval of this Report the activities for drawing up the certification required by the Issuers' Regulations are being implemented.

Events since 30 June 2007 and foreseeable management developments

With reference to the real estate sector and in particular to Is Molas, in the month of July the preliminary contract was undersigned for the transfer of the “Le Ginestre” property for a total of 9.1 million euros.

With reference to the Piaggio group on 25 July 2007 a new version of the Vespa was presented, called S, equipped with 50 and 125 cc engines.
The same occasion saw the presentation of a prototype with a hybrid motorization (electric and petrol) that Piaggio is currently developing and that in the near future will equip different vehicles in the scooter range.
During the months of July and August Piaggio & C. S.p.A. continued with its activity of buying back treasury stocks that at 31 August amounted to 7,190,000. at an average purchase price of 3.6666 euro.
During 2007 the Piaggio group will pursue the objective of confirming and developing its leadership at international level in the light transport sector in terms of innovation, design and creativeness.
The results of the first half of 2007 are in line with the set targets and are the prerequisite to continue on the path laid out in the industrial plan 2007-2009 with the consequent attainment of the set objectives.

With reference to the naval sector, in the perspective of company reorganization to take place by the end of 2007 or at the beginning of 2008, Intermarine has appealed to the Inland Revenue of the Region of Liguria to disapply the limiting provisions on the amount carried over for losses in the hypothesis of merger by incorporation of Rodriquez Cantieri Navali S.p.A., Rodriquez Engineering S.r.l., Rodriquez Marine System S.r.l., Rodriquez Yachts S.r.l. and Rodriquez Charter & Broker S.r.l. in Intermarine S.p.A. The result of the appeal will subsequently be brought to the attention of the Board for the purposes of deliberating on the operation.
In early August Intermarine with the Municipality of Sarzana, the Province and Montemarcello-Magra Parks Authority undersigned a memorandum of understanding related to the project to expand the production capacity of the yard of Sarzana, in full respect of the environmental regulations. This project comes within the group’s development strategy aimed at focusing on making Sarzana, thanks to the further development of the production of military boats and large pleasure boats, a pole of excellence of Italian shipbuilding. The lead time is estimated to be 3 years for a total investment of approximately 14 million euros and the project involves not only the construction of a new office block, but also the development of production capacity to build in parallel up to 6 boats of 60 metres in length.
With reference to the foreseeable management developments, in the light of the contracts in being, it is possible for the second part of the year to foresee significant growth in the volume of production compared to the first six-month period, with consequent recovery of marginality making operational profitability possible.

Immsi Group

at

30 June 2007

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2007

Amounts in thousands of euros

ASSETS		**30 June 2007**	**31 December 2006**
NON-CURRENT ASSETS			
Intangible assets	F1	809,557	802,112
Tangible assets	F2	312,143	318,135
Property investments	F3	0	0
Equity investments	F4	758	787
Other financial assets	F5	1,187	81,057
- of which with related parties		*93*	*63*
Amounts due from the tax authorities	F6	7,981	8,113
Deferred tax assets	F7	39,089	54,175
Trade receivables and other receivables	F8	18,834	8,329
- of which with related parties		*0*	*363*
TOTAL NON-CURRENT ASSETS		1,189,549	1,272,708
ASSETS INTENDED FOR DISPOSAL	F9	1,599	306
CURRENT ASSETS			
Trade receivables and other receivables	F8	387,280	216,856
- of which with related parties		*2,150*	*5,049*
Amounts due from the tax authorities	F6	22,229	39,638
Inventories	F10	321,302	294,933
Contract work in progress	F11	6,150	13,823
Other financial assets	F5	95,281	12,594
Cash and cash equivalents	F12	114,464	101,941
TOTAL CURRENT ASSETS		946,706	679,785
TOTAL ASSETS		2,137,854	1,952,799

LIABILITIES		**30 June 2007**	**31 December 2006**
SHAREHOLDERS' EQUITY			
Consolidated Group shareholders' equity		412,627	401,819
Minority interest capital and reserves		259,303	243,784
TOTAL SHAREHOLDERS' EQUITY	G1	671,930	645,603
NON-CURRENT LIABILITIES			
Financial liabilities	G2	398,584	409,827
Trade payables and other payables	G3	9,458	18,608
Reserves for severance indemnity and similar obligations	G4	73,273	84,201
Other long-term reserves	G5	27,003	30,224
Deferred tax liabilities	G6	54,994	52,739
TOTAL NON-CURRENT LIABILITIES		563,312	595,599
LIABILITIES LINKED WITH ASSETS INTENDED FOR DISPOSAL		0	0
CURRENT LIABILITIES			
Financial liabilities	G2	147,595	120,039
Trade payables	G3	592,103	466,342
- of which with related parties		*8,795*	*10,756*
Current taxation	G7	27,614	16,920
Other payables	G3	105,966	82,408
- of which with related parties		*215*	*9,435*
Current portion of other long-term reserves	G5	29,334	25,888
TOTAL CURRENT LIABILITIES		902,612	711,597
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,137,854	1,952,799

CONSOLIDATED INCOME STATEMENT AT 30 JUNE 2007

Amounts in thousands of euros

		1st Half Year 2007	1st Half Year 2006
Net revenues	H1	1,033,280	946,033
Costs for materials	H2	609,368	530,175
- of which with Related Parties		*22,287*	*11,811*
Costs for services and use of third party assets	H3	197,756	200,332
- of which with Related Parties		*265*	*622*
Personnel costs	H4	136,224	136,297
Depreciation of tangible assets	H5	22,271	22,263
Amortisation of goodwill		0	0
Amortisation of intangible assets with a finite life	H6	19,477	22,442
Other operating income	H7	67,793	70,480
- of which with Related Parties		*2,394*	*1,022*
Other operating costs	H8	16,546	18,905
OPERATING EARNINGS		99,431	86,099
Gain / loss on equity investments		(1)	(2)
Financial income	H9	7,894	8,539
Financial charges	H10	26,962	24,245
EARNINGS BEFORE TAXATION		80,362	70,391
Taxation	H11	36,868	16,432
EARNINGS AFTER TAXATION FROM CONTINUING ASSETS		43,494	53,959
Gain (loss) from assets intended for disposal or sale	H12	0	0
EARNINGS FOR THE PERIOD INCLUDING MINORITY INTEREST		43,494	53,959
Minority interest		19,875	34,531
GROUP EARNINGS FOR THE PERIOD	H13	23,619	19,428

EARNINGS PER SHARE

In euros

From continuing assets and discontinued operations:	1st Half Year 2007	1st Half Year 2006
Basic	0.069	0.068
Diluted	0.069	0.068

From continuing assets:	1st Half Year 2007	1st Half Year 2006
Basic	0.069	0.068
Diluted	0.069	0.068

Average number of shares:	343,200,000	286,000,000

CONSOLIDATED CASH FLOW STATEMENT AT 30 JUNE 2007

Amounts in thousands of euros

		1st Half Year 2007	1st Half Year 2006
Operations			
Earnings for the period	*H13*	23,619	19,428
Minority interest	*G1*	19,875	34,531
Taxation	*H11*	36,868	16,432
Depreciation of tangible assets (including property investments)	*H5*	22,271	22,263
Amortisation of intangible assets	*H6*	19,477	22,442
Provisions for risks and for severance indemnity and similar obligations	*H8 - H4*	18,257	11,571
Write-downs / (Revaluations)	*H7 - H8*	1,218	(4,870)
Losses / (Gains) on disposal of tangible assets (including property investments)	*H7 - H8*	(655)	(164)
Losses / (Gains) on disposal of intangible assets	*H7 - H8*	(5)	0
Losses / (Gains) on disposal of consolidated equity investments		0	0
Losses / (Gains) from assets intended for disposal or sale	*H12*	0	0
Losses / (Gains) on disposal of securities	*H9*	0	0
Interest receivable	*H9*	(1,478)	(1,575)
Dividend income	*H9*	(2,450)	(2,228)
Interest payable	*H10*	19,905	17,952
Depreciation of grants	*H7*	(1,155)	(2,978)
Earnings portion before taxation in associated companies (and other companies measured to Shareholders' Equity)		9	0
Change in working capital:			
(Increase) / Decrease in trade receivables	*F8*	(171,198)	(161,894)
(Increase) / Decrease in other receivables	*F8*	23,213	(27,059)
(Increase) / Decrease in inventories	*F10*	(26,369)	(58,853)
Increase / (Decrease) in trade payables	*G3*	125,761	229,002
Increase / (Decrease) in other payables	*G3*	43,840	48,184
(Increase) / Decrease in contract work in progress	*F11*	7,673	14,176
Increase / (Decrease) in provisions for risks	*G5*	(11,743)	(14,003)
Increase / (Decrease) reserves for severance indemnity similar obligations	*G4*	(17,174)	1,767
Other changes		(33,796)	(13,745)
Cash generated from operations		95,963	150,379
Interest paid		(21,803)	(20,685)
Taxation paid	*F6 - G7*	(18,209)	(12,546)
Cash flow from operations		55,951	117,148

		1st Half Year 2007	1st Half Year 2006
Investments			
Acquisition of subsidiaries, net of cash and cash equivalents		0	(750)
Sale price of subsidiaries, net of cash and cash equivalents		0	0
Investments in tangible assets	*F2 - F3*	(15,430)	(15,996)
Sale price, or repayment value, of tangible assets (including property investments)		1,370	491
Investments in intangible assets	*F1*	(27,945)	(21,911)
Sale price, or repayment value, of intangible assets		18	142
Purchase of non-consolidated equity investments	*F4*	0	(3)
Sale price of non-consolidated equity investments		20	46
Loans provided		(128)	(2)
Repayment of loans		551	530
Purchase of financial assets	*F5*	(1,017)	(34,107)
Sale price of financial assets		0	6
Interest received		4,722	4,398
Sale price on assets intended for disposal or sale		0	0
Other flows from assets intended for disposal or sale		(252)	0
Public grants received		0	1,288
Dividends from equity investments		2,450	2,228
Cash flow from investments		(35,641)	(63,640)
Financing			
Increase in share capital by Group shareholders	*G1*	0	0
Increase in share capital by third parties	*G1*	9,246	6,000
Purchase of treasury stock		(16,812)	0
Receipt connected to the issuing of convertible bonds		0	0
Loans received		68,410	96,854
Outflow for repayment of loans		(53,565)	(67,152)
Finance leases received		21	0
Repayment of finance leases		(577)	(515)
Outflow for dividends paid to Parent company shareholders	*G1*	(10,296)	(8,580)
Outflow for dividends paid to minority interest		(5,344)	0
Cash flow from financing		(8,917)	26,607
Increase / (Decrease) in cash and cash equivalents		11,393	80,115
Opening balance		80,420	40,989
Exchange differences		(1,095)	348
Closing balance		90,718	121,452

This schedule illustrates the changes in cash and cash equivalents, net of short-term bank overdrafts totalling 23.7 million euros at 30 June 2007.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 30 JUNE 2007

Amounts in thousands of euros

	Share capital	Reserves and retained earnings	Earnings for the period	Group shareholders' equity	Minority interest capital and reserves	Group and minority interest shareholders' equity
Balances at 31 December 2005	***148,720***	***79,663***	***8,365***	***236,748***	***275,706***	***512,454***
Increases in share capital against payment				0	6,000	6,000
Allocation of Group earnings to legal reserve		479	(479)	0		0
Allocation of Group earnings to dividends		(6,235)	(2,345)	(8,580)		(8,580)
Allocation of Group earnings to retained earnings		5,541	(5,541)	0		0
Purchase of treasury stock				0		0
Measurement at fair value of financial assets		16,868		16,868		16,868
Measurement of "War. '04/'09", "EMH '04/'09" and "Aprilia shareholder instruments "				0	651	651
Taxation on items charged to shareholders' equity		(283)		(283)		(283)
Figurative cost of stock options		1,027		1,027	1,534	2,561
Translation differences		(1,207)		(1,207)	(1,743)	(2,950)
Other changes				0	(176)	(176)
Earnings for the period			19,428	19,428	34,531	53,959
Balances at 30 June 2006	***148,720***	***95,853***	***19,428***	***264,001***	***316,503***	***580,504***
	Share capital	***Reserves and retained earnings***	***Earnings for the period***	***Group shareholders' equity***	***Minority interest capital and reserves***	***Group and minority interest shareholders' equity***
Balances at 31 December 2006	***178,464***	***157,792***	***65,563***	***401,819***	***243,784***	***645,603***
Increases in share capital against payment				0	9,246	9,246
Allocation of Group earnings to legal reserve		1,399	(1,399)	0		0
Allocation of Group earnings to dividends		0	(10,296)	(10,296)	(5,344)	(15,640)
Allocation of Group earnings to retained earnings		53,868	(53,868)	0		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 "				0	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
Earnings for the period			23,619	23,619	19,875	43,494
Balances at 30 June 2007	***178,464***	***210,544***	***23,619***	***412,627***	***259,303***	***671,930***

EXPLANATORY AND ADDITIONAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2007

- A - GENERAL ASPECTS

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 Directors' Report. At 30 June 2007, Immsi S.p.A. was directly controlled by Omniapartecipazioni S.p.A., a company owned by Omniaholding S.p.A. through Omniainvest S.p.A.. It is noted that on 23 July 2007 the Meeting of Omniainvest S.p.A. and Omniapartecipazioni S.p.A. resolved the merger by incorporation of the two companies, planned for the end of September.

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 following explanatory and additional notes are stated in thousands of euros (if not otherwise indicated).
These financial statements are limited audited by Deloitte & Touche S.p.A. pursuant to the mandate granted by the shareholders meeting in 12 May 2006 for the period 2006-2011.

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.

Conformity with international accounting standards

Following the coming into force of European Regulation n°. 1606 in July 2002, as of 1 January 2005 the Immsi Group 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 Group.
This Report was drawn up within the scope of application of IAS 34 "Interim Financial Reporting".
In preparing the financial statements at 30 June 2007, the same policies and criteria adopted in the preparation of the last annual report have been followed.
Additionally, international accounting standards have been uniformly applied for all the Group companies. The financial statements of the subsidiaries used for the consolidation have been duly adapted and reclassified, where necessary, in order to make them conform to the international accounting standards and to the standard classification criteria used in the Group.

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 n°. 15519 of 17 July 2006 it is pointed out that, as regards the financial schedules, specific income statement and balance sheet schedules have been inserted to evidence significant related party dealings.

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, drawn up using the indirect method, is presented by areas generating cash flows.
- **Schedule of changes in consolidated shareholders' equity:** The schedule of changes in consolidated shareholders' equity is shown 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 IAS/IFRS accounting standards.

- B - CONSOLIDATION AREA

At 30 June 2007, the Immsi Group structure is the one attached at the end of this report.
The consolidation area did not suffer any change compared to the consolidated financial statements at 31 December 2006.
Compared to the consolidated financial statements at 30 June 2006, changes to the consolidation area are represented by the completion of the liquidation of Motocross Company S.r.l. and Aprilia Research & Development S.A., started in previous years, and from the disposal of Piaggio Holding Netherlands B.V.. These changes do not therefore alter the comparability of the financial results 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 owns, whether directly or indirectly through subsidiaries, 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. The list of companies included in the consolidation area is provided at the end of these explanatory and additional notes.
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. 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, to the income statement if negative. In accordance with the transitory provisions of IFRS 3, the Group has stopped amortising goodwill, subjecting it instead to an impairment test, starting from the transition date.
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*".

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.

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.
Any goodwill arising from the acquisition is recorded as an asset and initially measured at cost, represented by the surplus of the acquisition cost compared to the Group share in fair values of the assets, liabilities and identifiable contingent liabilities recorded. If the acquisition cost is lower than the net identifiable assets acquired, the difference is charged to the income statement.
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.

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.

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. 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.

Equity investments in **other companies** are recorded at cost which is written down if necessary for impairment. Any dividends received from such companies are included under the heading "Financial income".

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).
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 items 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:

	30/06/2007	**AVERAGE 30/06/2007**	**31/12/2006**	**AVERAGE 30/06/2006**
US dollar	1,35050	1,32935	1,31700	1,22920
Pound sterling	0,67400	0,67466	0,67150	0,68715
Indian rupee	55,15030	56,72952	58,29750	55,23316
Singapore dollar	2,06640	2,03157	2,02020	1,97667
Chinese renmimbi	10,28160	10,25892	10,27930	9,87210
Croatian kuna	7,30350	7,35837	7,35040	7,31134
Japanese yen	166,63	159,64356	156,93000	142,15706

- D - ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

Listed below are the main accounting policies adopted.

INTANGIBLE ASSETS

An intangible asset, in accordance with IAS 38, 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 IAS/IFRS, 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.

Trademarks and patents

In accordance with IAS 38, trademarks and patents are recognized in the corporate assets and qualified as with a finite life and are amortised and periodically tested for impairment aiming to identify the facts and circumstances that led to any reductions in value, as established in IAS 36.
Costs connected with industrial patent rights and intellectual property rights are amortised over three to five years while trademarks are amortised over a maximum period of 15 years from the purchase date.

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 three 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 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, generally 5 years, if they have a finite useful life. 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

To measure property, plant and equipment, the fair value accounting method as per IFRS 1 was not applied. 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).
Land is not depreciated.

Assets are depreciated by applying the criterion and rates indicated below:

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 depreciated according to the term of the lease.

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

Leasehold assets

Assets held under financial lease contracts, through which all of the risks and benefits associated to ownership are substantially transferred to the Group, are recognised as Group assets at their present value or, if less, at the current value of the minimum payments due for the leasing. The corresponding liability towards the lessor is recorded in the balance sheet under loans payable. Assets held under financial lease contracts are depreciated by applying the criteria and the rates used for owned assets.
Leasing arrangements in which the lessor substantially maintains all of the risks and benefits associated to the 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 for the entire duration of the lease contract.

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.
When financial assets are held for trading (*held to maturity*), 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 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 loans and the receivables that the Group does not hold for trading purposes (loans and receivables that arise during the course of ordinary operations) and all financial assets for which there are no listings on an active market and whose fair value cannot be reliably determined, are measured, if they have a fixed maturity, at amortised cost, using the effective interest rate method, net of write-downs made to reflect impairment losses. When financial assets do not have a fixed maturity, they are recognised at purchase cost.

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 implying maintaining a significant exposure of the financial cash flows performance deriving from receivables sold and that do not meet the requirements established by IAS 39, remain recognised in the financial statements even though legally sold and the simultaneous recognition of a financial liability for the same amount up to the time of receipt from the debtor. 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 measurement 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 average weighted 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 measurement 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.

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.

TREASURY STOCK

Treasury stocks are recorded under cost and recognised as a reduction in shareholders' equity; profits and losses resulting in stock trading are recorded under a special shareholders' equity fund.

FINANCIAL LIABILITIES

Financial liabilities, as defined by IAS 39, are classified from their measurement as financial liabilities at fair value and financial liabilities associated to loans.
Loans are initially recognised at the original amount received net of the accessory loan charges whereas they are subsequently recorded at amortised cost, calculated using the effective interest rate method with recognition to the income statement of the amortised discount.
Financial liabilities at fair value, including those held for trading and usually represented by derivative instruments, are measured at fair value. Profit or loss resulting from changes in present value is recorded in the income statement.
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

Derivative financial instruments are used by Immsi Group only for hedging, so as to reduce the risk of changes in market price and in exchange and interest rates.
The use of these derivatives is regulated by written procedures on the use of derivatives in line with the Group's risk management policies.

Derivatives are initially recorded at cost, and then adjusted to their fair value, 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.
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 in 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.

RESERVES FOR PENSION AND EMPLOYEE BENEFITS

With the adoption of the IFRS, employees' severance 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 half-year 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.

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 TAX ASSETS AND LIABILITIES

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 deferments 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

Income and costs are recorded in the financial statements following the principle of prudence and on an accrual basis, recording the related prepayments and accruals. Revenues and income, costs and charges are stated net of returns, discounts, allowances and premiums. Revenues and costs for services are recognised on an accrual basis at the time of performance or receipt of the service.

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.

In accordance with IAS 18, revenues from recharged expenses are offset by 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 COSTS

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 and is recognised on the basis of the best estimate of the average weighted rate expected for the entire financial year.
The consolidated financial statements include the taxation set aside in the financial statements of the individual companies that are part of the consolidation area on the basis of the estimated taxable income determined in conformity with the national legislation in force at the closing date of the financial statements, taking account of applicable exemptions and the tax credits due. Income tax is recognised in the amounts due to the tax authorities net of advances and withholdings, and 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.

EARNINGS PER SHARE

Earnings per share are calculated by dividing the income or loss attributable to Parent company shareholders by the average weighted number of ordinary shares in circulation during the period, excluding own shares. When calculating diluted earnings per share, the average weighted 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 date of closing of the financial year. If such estimates and assumptions should differ from actual future circumstances, they would be suitably adjusted in the period in which such circumstances were to change and the effects of any change reflected immediately in the income statement.
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.
Note that some measurement processes, in particular the more complex ones such as determining any impairment losses on fixed assets, are generally performed in a complete manner when the annual financial statements are drawn up, when all necessary information is available, with the exception of cases in which there are indications that require an immediate measurement of any impairment losses.

NEW ACCOUNTING STANDARDS

No accounting principles or interpretations have been reviewed or issued, effective as of 1 January 2007, which have had a significant effect on the Groups half-year financial statements.

- 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

In thousands of euros	*Property and holding co. sector*	*Industrial sector*	*Naval sector*	*Immsi Group*
Net revenues from third parties	2,447	968,567	62,266	1,033,280
Net intercompany revenues				0
NET REVENUES	**2,447**	**968,567**	**62,266**	**1,033,280**
OPERATING EARNINGS	**-3,182**	**106,375**	**-3,762**	**99,431**
Gain/loss on equity investments	0	-1	0	-1
Financial income				7,894
Financial charges				26,962
EARNINGS BEFORE TAXATION				**80,362**
Taxation				36,868
EARNINGS AFTER TAXATION FROM CONTINUING ASSETS				**43,494**
Gain (loss) from assets intended for disposal or sale				0
EARNINGS FOR THE PERIOD INCLUDING MINORITY INTEREST				**43,494**
Minority interest				19,875
GROUP EARNINGS FOR THE PERIOD				**23,619**

Balance sheet

In thousands of euros	*Property and holding co. sector*	*Industrial sector*	*Naval sector*	*Immsi Group*
Sector business	310,237	1,645,218	181,651	2,137,106
Equity investments in associated companies	0	725	23	748
TOTAL ASSETS	**310,237**	**1,645,943**	**181,674**	**2,137,854**
TOTAL LIABILITIES	**105,584**	**1,174,270**	**186,070**	**1,465,924**

Other information

In thousands of euros	*Property and holding co. sector*	*Industrial sector*	*Naval sector*	*Immsi Group*
Investments in tangible and intangible assets	**578**	**41,387**	**1,410**	**43,375**
Depreciation, amortisation and write-downs	**312**	**40,758**	**1,896**	**42,966**
Cash flow from operations	**-20,268**	**101,461**	**-25,242**	**55,951**
Cash flow from investments	**2,630**	**-38,276**	**5**	**-35,641**
Cash flow from financing	**20,755**	**-36,005**	**6,333**	**-8,917**

Secondary sector: geographical areas

The following table presents the Group income statement and balance sheet figures in relation to the geographical areas "of origin" at 30 June 2007, 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	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the world*	*Immsi Group*
Net revenues from third parties	749,980	99,076	111,267	35,778	37,179	1,033,280
Net intercompany revenues						0
NET REVENUES	**749,980**	**99,076**	**111,267**	**35,778**	**37,179**	**1,033,280**

Balance sheet

In thousands of euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the world*	*Immsi Group*
Sector business	1,726,376	274,485	65,533	36,148	34,564	2,137,106
Equity investments in associated companies	700	3			45	748
TOTAL ASSETS	**1,727,076**	**274,488**	**65,533**	**36,148**	**34,609**	**2,137,854**

In thousands of euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the world*	*Immsi Group*
Total receivables	**151,220**	**212,624**	**6,304**	**11,046**	**24,920**	**406,114**
Total payables	**557,855**	**102,006**	**12,810**	**3,244**	**31,612**	**707,527**

Other information

In thousands of euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the world*	*Immsi Group*
Investments in tangible and intangible assets	**34,415**	**3,470**	**4,480**	**510**	**500**	**43,375**
Depreciation, amortisation and write-downs	**38,444**	**3,020**	**1,291**	**165**	**46**	**42,966**

- F - INFORMATION ON THE MAIN ASSET ITEMS

Amounts are stated in thousands of euros unless otherwise indicated.

- F1 - INTANGIBLE ASSETS 809,557

Net intangible assets at 30 June 2007 total 809,557 thousand euros, a 7,445 thousand euros increase compared to 31 December 2006, as detailed below:

In thousands of euros	Gross amounts				
	Balance at 31.12.2006	***Increases***	***Change in consolidation area***	***Other movements***	***Balance at 30.06.2007***
Development costs	248,503	22,611	0	(5,909)	265,205
Concessions, patents, industrial and similar rights	113,447	5,255	0	(1)	118,701
Trademarks and licences	163,132	0	0	0	163,132
Software	784	29	0	0	813
Goodwill	606,270	671	0	0	606,941
Other intangible assets	2,587	50	0	(192)	2,445
TOTAL	1,134,723	28,616	0	(6,102)	1,157,237

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

In thousands of euros	Accumulated amortisation					Net amounts
	Balance at 31.12.2006	***Amortisation***	***Change in consolidation area***	***Other movements***	***Balance at 30.06.2007***	***Balance at 30.06.2007***
Development costs	180,334	10,462	0	(4,246)	186,550	78,655
Concessions, patents, industrial and similar rights	89,107	4,740	0	0	93,847	24,854
Trademarks and licences	56,575	4,172	0	0	60,747	102,385
Software	615	69	0	0	684	129
Goodwill	3,433	0	0	0	3,433	603,508
Other intangible assets	2,547	34	0	(162)	2,419	26
TOTAL	332,611	19,477	0	(4,408)	347,680	809,557

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. It includes assets in the process of formation for 36,756 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.

As regards development costs incurred by Piaggio group, the new projects capitalised during the first half of 2007 refer to the new models of the Piaggio Carnaby and the MP3 400 cc, the Aprilia Scarabeo, the Mana 850 cc, the Naked 750 cc, the Gilera Fuoco and the GP 800, the Moto Guzzi Bellagio, the Derbi Mulhacen 125 cc, India LCV (VTL) diesel motor.

During the first half of 2007, development costs of about 13.6 million euros have been recorded by the group directly in the income statement.

As regards the shipbuilding sector, the Rodriquez group continued the development of two important research projects through the Parent company Rodriquez Cantieri Navali: fully submerged hydrofoils (planning and construction of two prototypes of a new submerged-foil hydrofoil), "Enviroaliswath" (planning and construction of a naval vessel that is innovative as regards environmental impact in terms of wake wash reduction).
For the above projects, whose total value amounts to 43.6 million euros, 7.1 million euros costs have been capitalised net of amortisation and deferred income; 0.4 million euros of the latter costs have been capitalised during the first six-month of the year.

Development costs are not amortised until project completion, when they begin to generate income and are amortised on a straight-line basis over 3-5 years, in consideration of their residual usefulness.

Concessions, industrial patents, software, intellectual rights and similar rights
This heading totals 24,854 thousand euros of finite life rights comprising software (7,721 thousand euros), patents and know-how (respectively 4,051 and 12,031 thousand euros) relating to Vespa, the MP3 and the GP800, all recognised exclusively by the Piaggio group. It includes 1,043 thousand euros of assets in the process of formation.
The increases in the period refer mainly to software for the extension of SAP applications at the Mandello di Lario facility, as well as the implementation of applications in the commercial, administrative and production areas, and, as regards industrial patent rights and intellectual property rights, to the development of the Gilera GP800, Piaggio MP3, Vespa S, Aprilia Mano and Aprilia Naked models.
Industrial patent rights and intellectual property right costs are amortised over three years.

Trademarks and licences
The trademarks and licences with a finite life item, totalling 102,385 thousand euros, is as follows:

In thousands of euros	*Net value at 30 June 2007*	*Net value at 31 December 2006*
Guzzi	27,015	28,094
Aprilia	74,836	77,829
Laverda	387	465
Minor brands	147	169
Total brands	*102,385*	*106,557*

The gross value of the Aprilia brand is 89,803 thousand euros, while that of 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.
In relation to the acquisition of the Aprilia group, some derivatives were issued whose forward commitments are summarised below under the note to Goodwill.

Goodwill

The composition of goodwill is detailed in the following table:

In thousands of euros	*Net balance at 31.12.2006*	*Increases / Decreases*	*Net balance at 30.06.2007*
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 100% of Aprilia S.p.A. by Piaggio & C. S.p.A. (in 2004)	74,015	671	74,686
Acquisition of 66.49% of Rodriquez S.p.A. by RCN Finanziaria S.p.A. (in 2004)	30,337		30,337
Acquisition of 33.51% of Rodriquez S.p.A. by RCN Finanziaria S.p.A. (in 2005)	2,001		2,001
Other acquisitions / changes	776		776
TOTAL	**602,837**	**671**	**603,508**

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 accumulated amortisation until 31 December 2003. During first-time adoption of the IFRS, in fact, the Group chose not to apply IFRS 3 “Business combinations” retroactively to company acquisitions prior to 1 January 2004; consequently, the goodwill generated on acquisitions prior to the IFRS transition date 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 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, before taxes, is 7.24%. 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 between 1.5% and 3%.
The impairment test carried out by the Piaggio group at 31 December 2006 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 provides reassurance on the appropriateness of the figures used. During the first half of 2007, there were no events such as to indicate that an asset might have been impaired.

The increase of 671 thousand euros, recorded in the first half of the year, is due to the measurement of financial instruments related to the acquisition of the Aprilia group.
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 that can never exceed the overall issue price by more than

twelve times. Therefore the maximum commitment at maturity can never exceed 64,206 thousand euros;

- EMH 2004/2009 financial instruments for a global nominal value of 10,000 thousand euros, which grant the right to a forward payment 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;
- Aprilia shareholder 2004/2009 financial instruments which envisage a sale value that can never exceed 10,000 thousand euros.

In conformity with the main content of the aforementioned contractual agreements, by virtue of which, among other things, the final purchase cost is dependent on the achievement of specific income and balance sheet parameters, in the light of the forecasts of the 2007-2008 Business Plan and the positive stock market performance of the Piaggio security, the adjustment of initial the purchase cost has been considered likely for all the financial instruments and has been estimated at 74,686 thousand, charged to goodwill.
Since payment is deferred, the cost is represented by its present value, determined in accordance with the following parameters:

In thousands of euros	Amount	at 30 June 2007 Present value (A)	Time	Discount rate	at 31 December 2006 Present value (B)	Change (A-B)
Warrant	64,206	60,400	0.94	6.50%	58,985	1,415
EMH instruments	6,500	6,115	0.94	6.50%	5,940	175
Aprilia shareholder instrument	10,000	8,171	3.11	6.50%	9,090	(919)
Total	80,706	74,686			74,015	671

The counter-entry for the adjustment to the purchase cost, taking account of the peculiar nature of the underlying financial instruments, has been recorded for 60,400 thousand euros in the financial instruments fair value reserve and for 14,286 thousand euros to medium- and long-term financial payables.

As regards the Rodriquez group, the goodwill recognised was tested for impairment at 31 December 2006 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% 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 Rodriquez group for the next three years.

Other intangible assets

The "Other intangible assets with a finite life" item, totalling 26 thousand euros, includes only assets acquired from third parties recorded by the Piaggio group.

- F2 - TANGIBLE ASSETS 312,143

Net tangible assets at 31 June 2007 total 312,143 thousand euros, compared to 318,135 thousand euros at 31 December 2006, and comprise property assets of Immsi S.p.A. equal to 11,600 thousand euros, of the Piaggio group equal to 252,394 thousand euros, of the Rodriquez group equal to 28,887 thousand euros and of Is Molas S.p.A. equal to 19,262 thousand euros. The following table details this item:

In thousands of euros	Gross amounts				
	Balance at 31.12.2006	***Increases***	***Decreases***	***Other movements***	***Balance at 30.06.2007***
Land	56,535	0	0	(163)	56,372
Property	146,302	1,244	(2,625)	865	145,786
Plant and machinery	325,069	5,498	(33)	1,340	331,874
Industrial and commercial equipment	440,457	7,597	(87)	(272)	447,695
Assets to be given free of charge	16,204	0	0	0	16,204
Other assets	51,965	1,091	(2,020)	305	51,341
TOTAL	1,036,532	15,430	(4,765)	2,075	1,049,272

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

In thousands of euros	Accumulated depreciation					Net amounts
	Balance at 31.12.2006	***Depreciation***	***Applications***	***Other movements***	***Balance at 30.06.2007***	***Balance at 30.06.2007***
Land	116	0	0	14	130	56,242
Property	37,914	2,164	(2,398)	(6)	37,674	108,112
Plant and machinery	245,855	6,590	(6)	448	252,887	78,987
Industrial and commercial equipment	384,417	11,068	(35)	0	395,450	52,245
Assets to be given free of charge	9,526	635	0	0	10,161	6,043
Other assets	40,569	1,814	32	(1,588)	40,827	10,514
TOTAL	718,397	22,271	(2,407)	(1,132)	737,129	312,143

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

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) and Baramati (India), to the building owned by the Parent company Immsi S.p.A. located in Roma, to the industrial complexes of the Rodriquez group in Pozzuoli (NA) and Sarzana (SP) and to the tourism/hotel structure managed by Is Molas S.p.A. in the Municipality of Pula (Cagliari).

Buildings are depreciated in accordance with the rates - as detailed in paragraph D - considered suitable to represent the useful life of the buildings, on a straight-line basis.

Depreciation of the buildings located on public land held by the Rodriquez group is according to the term of the concession, expiring on 31 December 2007 for Pietra Ligure and in 2013 for the site in Messina.

Land is not depreciated.

At 30 June 2007, the net value of the land owned under finance leases is 8,006 thousand euros while the value of buildings held under finance leases is 6,141 thousand euros, 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 essentially to the production facilities of the Piaggio group located in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcellona (Spain) and Baramati (India), as well as the structures owned by the Rodriquez 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 78,550 thousand euros.
Furthermore, the Rodriquez group has plant and machinery held under finance leases for a net book value of 437 thousand euros.
Plant and machinery are depreciated according to the rates listed in paragraph D.

Industrial and commercial equipment
The “Industrial and commercial equipment” item, totalling 52,245 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.
The balance includes construction in progress equal to 13,866 thousand euros recorded mainly by the Piaggio group and fully depreciated equipment still in use totalling 10,839 thousand euros recorded by the Rodriquez group.
The main investments in equipment regarded moulds for the new vehicles either launched during the half-year or expected to be launched by the end of the year, moulds for new engines and specific equipment for the assembly lines.
Industrial and commercial equipment is depreciated using the rates deemed appropriate to represent their useful life, which are listed in paragraph D.

Assets to be relinquished
Under tangible assets as at 30 June 2007, 6,043 thousand euros has been recorded for assets to be relinquished wholly owned by the Rodriquez group by virtue of a concession agreement with the state. On expiry of said agreement, the same must be transferred free of charge and in a perfect state of repair to the granting body. Said assets are depreciated as a function of the duration of the concession.

Other assets
The “Other assets” heading comprises vehicles, cars, furniture, fittings and EDP systems, net of cumulated depreciation, stated for an overall amount of 10,514 thousand euros including assets held under finance leases for 190 thousand euros. The Rodriquez group also owns fully depreciated assets still in use with a gross value of 1,317 thousand euros.

Guarantees
At 30 June 2007, the Group owns land and property encumbered by mortgages or pledges in favour of financial institutions to guarantee bank loans received.

- F3 - INVESTMENT PROPERTY 0

The “Equity investments” item at 30 June 2007 comprises:

In thousands of euros	Balance at 31.12.2006	Increases	Decreases	Revaluations / Write-downs	Balance at 30.06.2007
Equity investments in subsidiaries	10	0	0	0	10
Equity investments in associated companies and joint ventures	777	0	(20)	(9)	748
TOTAL	**787**	**0**	**(20)**	**(9)**	**758**

The table below details the equity investments:

Equity investments	% Group	Book value at 30 June 2007
Valued using the equity method:		
Piaggio China Co. Ltd	99.99%	0
Aprilia World Service do Brasil Ltda***	99.99%	0
Aprilia Brasil S.A.***	51%	0
Valued using the cost method:		
Rodriquez Charter & Broker S.r.l. ***	100%	10
Rodriquez Mexico ***	50%	0
Total subsidiaries		**10**
Valued using the equity method:		
Piaggio Foshan Motorcycle Co. Ltd	45%	0
Total joint-ventures		**0**
Valued using the cost method:		
S.A.T. S.A.	20%	45
Acciones Depuradora Soc. Coop.	22%	3
Motoride S.p.A. ***	28.29%	496
Pontech Soc. Cons. a.r.l.	20.44%	181
Armas Ocean Jet S.A.	10%	0
Consorzio CTMI	41.54%	23
Total associated companies		**748**
TOTAL		**758**

*** Inactive companies or companies in liquidation

The 787 thousand euros difference compared to the balance at the end of 2006 is due especially to the transfer of the entire equity investment in D.E.V. S.r.l. for 20 thousand euros.
As regards Motoride in liquidation, on the basis of information currently available, it is believed that the value of the equity investment is recoverable. It is also pointed out that Aprilia World Service do Brasil at 30 June 2007 has a negative shareholders’ equity of 479 thousand euros against which a reserve for the same amount has been allocated.

The equity investment in Piaggio Foshan Motorcycles Co. Ltd has been classified under “Joint ventures” in relation to the agreement signed on 15 April 2004 between Piaggio & C. S.p.A.,

Foshan Motorcycle Plant and Zongshen Industrial Group Company Limited.
Piaggio & C. S.p.A.'s equity investment in 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 2006, 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 13,255 thousand euros.

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

Piaggio Foshan Motorcycle Co.	Situation at 30 June 2007	
		45% (*)
In thousands of euros		
NET TRADE RECEIVABLES	4,740	2,133
TRADE RECEIVABLES DUE FROM Piaggio group	8,566	3,855
INVENTORIES	4,758	2,141
TRADE PAYABLES	(11,659)	(5,247)
AMOUNTS DUE TO Piaggio group	(1,149)	(517)
OTHER RECEIVABLES	1,689	760
OTHER PAYABLES	(1,458)	(656)
OTHER PAYABLES DUE FROM Piaggio group	(48)	(21)
CONTINUING CAPITAL	**5,439**	**2,447**
TANGIBLE ASSETS	16,005	7,202
INTANGIBLE ASSETS	14	6
TOTAL NON-CURRENT ASSETS	*16,019*	*7,209*
NET INVESTED CAPITAL	**21,458**	**9,656**
Other reserves	128	58
RESERVES	*128*	*58*
FINANCIAL PAYABLES	19,125	8,606
SHORT-TERM FINANCIAL RECEIVABLES AND CASH	(1,997)	(899)
FINANCIAL POSITION	**17,128**	**7,708**
SHARE CAPITAL	24,893	11,202
OTHER RESERVES	33,270	14,972
RETAINED EARNINGS	(58,616)	(26,376)
EARNINGS FOR THE PERIOD	4,651	2,093
SHAREHOLDERS' EQUITY	**4,202**	**1,891**
TOTAL SOURCES OF FUNDS	**21,458**	**9,656**

(*) percentage Group ownership

- F5 - OTHER FINANCIAL ASSETS 96,468

- Non-current portion

Among the other non-current financial asset, equal to 1,187 thousand euros, there are mainly other financial receivables claimed by Rodriquez towards Ustica Lines amounting to 1,015 thousand euros, as illustrated in the table below:

In thousands of euros	*Balance at 30.06.2007*	*Balance at 31.12.2006*
Financial assets	172	80,042
Financial receivables	1,015	1,015
TOTAL	**1,187**	**81,057**

The decrease of financial assets as compared to 31 December 2006 is attributable to the equity investment held by Immsi S.p.A. in Capitalia S.p.A., which corresponds to approximately 0.43% of the share capital, purchased in 2003 for a total of 17,835,518 euros, 79,865 thousand euros of which, equal to the fair value at the end of 2006, has been reclassified from non-current available-for-sale financial assets to current available-for sale financial assets by virtue of the merger by incorporation of Capitalia in Unicredito which is expected to be finalised at the beginning of the last quarter of the current year, subject to obtaining the necessary authorisation. This transaction will actually release the shares held by Immsi S.p.A from all obligations, transforming the equity investment into a simple financial investment. The fair value of said shares at the end of June amounted to a total of 82,093 thousand euros.

Current portion

Other current financial assets total 95,281 thousand euros at the year end, an 82,687 thousand euros increase compared to 31 December 2006 and are detailed in the table below:

In thousands of euros	*Balance at 30.06.2007*	*Balance at 31.12.2006*
Financial assets	94,997	11,887
Financial receivables	284	707
TOTAL	**95,281**	**12,594**

Among the financial assets, 12,181 thousand euros are recognised and are referred to certificates of deposit issued by an Indian social security institution underwritten by the Indian subsidiary so as make efficient use of its temporary liquidity.

- F6 - AMOUNTS DUE FROM TAX AUTHORITIES 30,210

Current and non-current amounts due from tax authorities total 30,210 thousand euros and are as follows:

- Non-current portion

In thousands of euros	*Balance at 30.06.2007*	*Balance at 31.12.2006*
Amounts due from the tax authorities for VAT	14	885
Amounts due from the tax authorities for income tax	7,801	234
Other amounts due from the tax authorities	166	6,994
TOTAL	**7,981**	**8,113**

- Current portion

In thousands of euros	Balance at 30.06.2007	Balance at 31.12.2006
Amounts due from the tax authorities for VAT	17,824	38,776
Amounts due from the tax authorities for income tax	4,341	740
Other amounts due from the tax authorities	64	122
TOTAL	**22,229**	**39,638**

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

- F7 - DEFERRED TAX ASSETS 39,089

At 30 June 2007, net deferred tax assets falling due within 12 months amount to 11,039 thousand euros while those falling due beyond 12 months amount to 28,050 thousand euros, net of deferred tax offset by due date and by nature.
The Piaggio group has recognised 30,646 thousand euros of deferred tax assets referred to the reversal of non-realised inter-company capital gains with third parties, prepaid tax on tax losses of Piaggio & C. S.p.A. and Nacional Motor S.A., prepaid tax on timing differences of Piaggio & C. S.p.A., as well as the adjustment of the group's tax burden to the tax rate expected for the entire financial year.
The deferred tax assets accrued by the Rodriquez group total 4,814 thousand euros and are calculated for IRES purposes mainly on a portion of the tax losses suffered in previous years by group companies and for IRAP purposes on all the asset timing differences, there being the reasonable certainty of achieving future taxable income sufficient to absorb them. The deferred tax assets accrued by Is Molas S.p.A. total 3,629 thousand euros relating to the loss for the years 2004, 2005, 2006 and the first six month of the year 2007.

- F8 - TRADE RECEIVABLES AND OTHER RECEIVABLES 406,114

- Non-current portion

Trade receivables and other receivables included under non-current assets total 18,834 thousand euros against 8,329 thousand euros at 31 December 2006 and are detailed below:

In thousands of euros	Balance at 30.06.2007	Balance at 31.12.2006
Trade receivables	1,986	1,852
Amounts due from subsidiaries	440	440
Amounts due from associated companies	464	426
Other receivables	15,944	5,611
TOTAL	**18,834**	**8,329**

This item includes 1,986 thousand euros of trade receivables recognised by the Rodriquez group

falling due beyond 12 months, recorded net of the related bad debt reserve of 1,203 thousand euros.
Among the receivables from subsidiaries are 440 thousand euros due from AWS do Brasil

- Current portion

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

In thousands of euros	*Balance at 30.06.2007*	*Balance at 31.12.2006*
Trade receivables	336,661	162,336
Amounts due from Parent companies	3,148	3,142
Amounts due from joint ventures	1,148	4,453
Other receivables	46,323	46,925
TOTAL	**387,280**	**216,856**

The "Trade receivables" item, comprising receivables due from normal sales transactions, increase by over 174 millions euros, compared than at 31 December 2006, due to the seasonality of the sales, particularly of Piaggio group, whose sales are mainly concentrated during the first half of the year. The trade receivables are stated net of a bad debt reserve of 25,364 thousand euros, decreasing compared than at 31 December 2006 of 1.305 thousand euros as a consequence of draw downs equal to 2.523 thousand euros and provisions of the year equal to 1,218 thousand euros.
At 30 June 2007, sales of receivables made by Piaggio & C. S.p.A. that did not envisage the transfer of the related risks and benefits total 8,602 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 166,884 thousand euros, of which 82,912 thousand euros received as financial advances before the natural expiry.
"Other receivables" include accrued income and prepaid expenses of 7,714 thousand euros, advances to suppliers for 11,742 thousand euros, almost entirely recognised by the Rodriquez group, and 6,995 thousand euros relating to government grants received by the Rodriquez group.
During the six-month period, Piaggio & C. S.p.A.'s receivable equal to 3,379 thousand euros was paid by Piaggio Foshan relating to the *joint venture* contract with the Chinese partner, Zongshen Industrial Group Company Limited.

- F9 - ASSETS INTENDED FOR SALE 1,599

The assets intended for sale, recorded only by Rodriquez Cantieri Navali S.p.A., are represented by equipment and plant located at the site in Pietra Ligure.

- F10 - INVENTORIES 321,302

Inventories are measured at the lower of cost and market value and total 321,302 thousand euros at the year end compared to 294,933 thousand euros at 31 December 2006, and comprise:

In thousands of euros	*Balance at 30.06.2007*			*Balance at 31.12.2006*		
	Cost	*Write-down*	*Net*	*Cost*	*Write-down*	*Net*
Raw materials	128,861	(17,015)	111,846	112,841	(12,907)	99,934
Work in progress and semi-finished products	70,502	(2,004)	68,498	73,261	(1,999)	71,262
Finished products	158,474	(17,516)	140,958	139,024	(15,287)	123,737

TOTAL	**357,837**	**(36,535)**	**321,302**	**325,126**	**(30,193)**	**294,933**

The overall increase of 26,369 thousand euros is connected with the seasonal nature of the production cycle, in particular of the Piaggio group.

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 2007, the Piaggio group recognises 258,041 million euros net of write-downs, of raw materials, semi-finished products and finished products represented by components, accessories, 2-wheeler and 4-wheeler vehicles. The Rodriquez group contributes 41,892 million euros, mainly raw materials and contract work in progress as well as internal construction and repairs. Finally, Is Molas S.p.A. records 21,369 million 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, volumetrics, costs for services and consultancy for the property development project relating to the allotment located in Is Molas - Cagliari.

There are mortgages in favour of banks encumbering constructions of Rodriquez Cantieri Navali S.p.A. totalling 25,130 thousand euros.

- F11 - CONTRACT WORK IN PROGRESS 6,150

Contract work in progress, stated net of 129,411 thousand euros of advance payments received from customers and referring entirely to the Rodriquez group, decreases by 7,673 thousand euros compared to 31 December 2006 relating to the main advances received by customers as per contract.
Details of the “Contract work in progress” item follows:

In thousands of euros	*Balance at 31.12.2006*	*Increases*	*Decreases*	*Balance at 30.06.2007*
Contract work in progress gross of advances	**122,960**	53,989	(41,388)	**135,561**
Contractual advances received from customers	109,137			129,411
Contract work in progress net of advances	**13,823**			**6,150**
Costs incurred	104,100			109,669
Margins recorded (net of losses)	18,860			25,892

- F12 - CASH AND CASH EQUIVALENTS 114,464

Cash and cash equivalents at the year end total 114,464 thousand euros against 101,941 thousand euros at 31 December 2006, as detailed in the table below:

In thousands of euros	*Balance at 30.06.2007*	*Balance at 31.12.2006*
Cheques	55	346
Cash and cash equivalents	15,234	161
Amounts due from banks within 90 days	99,175	101,434

TOTAL	**114,464**	**101,941**

The increase compared to 31 December 2006 is essentially due to the investment in shares of a harmonised liquidity fund managed by Lehman Brothers (Lehman Euro Liquidity Fund) made by Piaggio & C. S.p.A. of 15,000 thousand euros in order to efficiently utilise the temporary liquidity and with a very short term expiry.

- G - INFORMATION ON THE MAIN LIABILITIES ITEMS

Amounts are expressed in thousands of euros unless otherwise indicated.

- G1 - SHAREHOLDERS' EQUITY 671,930

Shareholders' equity at 30 June 2007 stands at 671,930 thousand euros, of which 412,627 thousand euros being consolidated Group shareholders' equity and 259,303 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.	375,325	7,379
Dividens derecognition from subsidiaries of the Parent company	(6,537)	(6,537)
Pro rata earnings of investee companies	22,777	22,777
Differences between book value and pro rata value of shareholders' equity	20,461	
Translation differences	601	
TOTAL	**412,627**	**23,619**

Share capital

At 30 June 2007, 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.
The majority shareholder is Omniapartecipazioni S.p.A.. On 23 July, the Shareholders' Meetings of Omniainvest S.p.A. and Omniapartecipazioni S.p.A. resolved on the merger by incorporation of the two companies, planned for the end of September of this year.

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.

Legal reserve

The legal reserve comprises reserves allocated following the distribution of profits from the year 2000 to the year 2006, in accordance with the provisions of law and totals 2,687 thousand euros at the year end.

Other reserves

This item totals 185,891 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, details of which are in the report to the financial statements at 31 December 2005, also available on the www.immsi.it website.

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	Legal reserves	Legal reserves	Stock Option reserve	Financial instrument measurement reserve	Other reserves	Total other reserves
Balances at 31 December 2006	***7,103***	***95,216***	***5,300***	***4,602***	***1,153***	***(601)***	***1,843***	***59,512***	***5,028***	***179,156***
Measurement at fair value of financial assets								2,481		2,481
Taxation on items charged to shareholders' equity								(118)		(118)
Translation differences						601				601
Other changes							519		3,252	3,771
Balances at 30 June 2007	***7,103***	***95,216***	***5,300***	***4,602***	***1,153***	***0***	***2,362***	***61,875***	***8,280***	***185,891***

Retained earnings

The gain carried forward totals 21,966 thousand euros and refers to cumulative Group earnings at 30 June 2007.

Minority interest capital and reserves

At 30 June 2007, the balance of share capital and reserves attributable to third party shareholders totals 259,303 thousand euros, a 15,519 thousand euros decrease compared to 31 December 2006, mainly due to the portion of the profit for the period of minority interest.

- G2 - FINANCIAL LIABILITIES 546,179

Financial liabilities total 546,179 thousand euros at 30 June 2007. The part recorded under non-current liabilities amounts to 398,584 thousand euros, against 409,827 at 31 December 2006, while the part included among current liabilities totals 147,595 thousand euros, a 27,556 thousand euros increase compared to the year end 2006.
The attached tables summarise the financial liabilities by type of financial debt:

- Non-current portion

In thousands of euros	*Balance at 30.06.2007*	*Balance at 31.12.2006*
Bonds	144,929	144,628
Amounts due to banks	217,017	217,305
Amounts due under finance leases	10,323	10,757
Amounts due to other lenders	26,315	37,137
TOTAL	**398,584**	**409,827**

- Current portion

In thousands of euros	Balance at 30.06.2007	Balance at 31.12.2006
Amounts due to banks	125,681	98,228
Amounts due under finance leases	841	963
Amounts due to other lenders	21,073	20,848
TOTAL	**147,595**	**120,039**

During the first semester of 2007, the Piaggio group's financial indebtedness decreased, related to financial performance and to the seasonal nature of the business, more than offset by the worsening of the indebtedness of the Parent company following the issuing of two loans totalling 35 million euros and by the Rodriquez group due to the evolution of working capital.

Amounts due to banks include the following loans mainly:

- A medium/long-term loan, nominal value 46,000 thousand euros, provided by Efibanca to Immsi S.p.A. at an average rate at the end of June of 5.4% maturing 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 greater than before). The two parameters are currently respected;
- Short-term loan of 25,000 thousand euros granted by Banca di Roma to Immsi S.p.A and guaranteed through a lien on 9,000,000 ordinary Piaggio shares;
- Short-term loan of 10,000 thousand euros granted by Intesa Sanpaolo during the half year and guaranteed through a lien on the equity investment held in Pietra S.r.l. valued using the conventional method as 3.9 million euros as at January 2007, when the facility was granted;
- 148,530 thousand euros (nominal value 150,000 thousand euros) for a loan provided to Piaggio & C. S.p.A. by Mediobanca and Intesa San Paolo. In April 2006, this loan was syndicated to a restricted pool of banks and has a 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 2007 was completely undrawn. The structure envisages a 7-year duration, with a grace period of 18 months and 11 semi-annual instalments, 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 2005 annual financial statements, this margin has fallen from the initial 1.15% to 0.90% as from the second half of 2007. 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 the 2006 financial statements, these parameters were comfortably met;
- 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% with annual capitalization and repayment in a single instalment of capital and interest at the final maturity, set for 31 December 2009, aligned with the exercise date of the Piaggio 2004-2009 warrants underwritten by the same lenders during the Aprilia closing;

- 1,475 thousand euros referred to a loan provided by Interbanca to Piaggio & C. S.p.A. in accordance with 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 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;
- A 2,575 thousand euros variable rate loan provided to Piaggio & C. S.p.A. by Efibanca, maturing on 27 December 2009;
- 2,290 thousand euros soft-loan provided by Intesa Sanpaolo in accordance with law 346/88 for applied research;
- 3,500 thousand euros referred to payables due to Interbanca as provider of the EMH instruments.
- A 15,200 thousand euros loan, inclusive of interest to date, provided by Intesa San Paolo to Rodriquez Cantieri Navali S.p.A. maturing in December 2007, linked to future receipts from the "Pietra Ligure" transaction and guaranteed by Immsi for 15,000 thousand euros. In January 2007, 10,000 thousand euros of the loan, initially amounting to 25,000 thousand euros, was repaid in advance, while on 15 May, Rodriquez Cantieri Navali S.p.A. extended the loan of 15,000 thousand euros granted by Intesa Sanpaolo to 31 December 2007, pledging, in accordance with contractual obligations, its equity investment in Rodriquez Pietra Ligure s.r.l., the vehicle for the finalisation of the transaction to sell the area and rights for property development to third parties.
- 8,000 thousand euros loan subscribed by Intermarine S.p.A. in March 2007, for a 7-year term, with Banca Popolare Italiana, secured by a mortgage of 16,000 thousand euros on the property owned by Intermarine in Sarzana. At the same time, a residual loan of 600 thousand euros was repaid in advance to Interbanca in order to be able to transfer the mortgage of 6,000 thousand euros on the property to the new financer.
- Loans for advance payments on new shipbuilding contracts for delivery in 2007 for an overall amount of 13,604 thousand euros of which 7,345 thousand euros drawn down at the end of 2006, in particular for advances relating to the contract signed at the end of 2005 for the construction of 7 Bigliani vessels.
- 18,619 thousand euros relating to drawdowns on the credit line provided by Banca Agricola Mantovana to Is Molas S.p.A., available until cancellation, at an average effective rate of 4.4%.

The item "**bonds** falling due beyond 12 months" (144,628 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**, amounting to 11,164 thousand euros, refer mainly to contracts subscribed between Locat S.p.A. and Moto Guzzi S.p.A. for 10,763 thousand euros.

The “Financial liabilities” item also includes **payables to other financers** amounting to 47,388 thousand euros, 3,015 of which become payable beyond 5 years, as detailed below:

- 6,115 thousand euros of payables due to Interbanca as provider of the EMH financial instruments;
- financial instrument of former Aprilia shareholders amounting to €8,171 thousand;
- subsidized loans totalling 12,991 thousand euros granted by Simest and by the Ministry of Productive Activities pursuant to legislation to encourage exports and investment in research and development (non-current portion equal to 12,142 thousand euros);
- convertible loans from shareholders of 6,000 thousand euros received by RCN Finanziaria from shareholder Intesa Sanpaolo and expiring in 2008;
- payables to factoring companies for advances received of 8,602 thousand euros recorded by the Piaggio group;
- payables to factoring companies for advances received, mainly from Intermarine S.p.A., of 5,496 thousand euros recorded by the Rodriquez group.

To partially secure the amounts due to banks by the Rodriquez group, , in addition to the mortgage on the building in Sarzana of 16 million euros, a further guarantee in the form of a mortgage on the property located in Pozzuoli owned by Conam S.p.A. worth 2 million euros was issued.
Furthermore, a pledge on Intermarine shares for a value of 7.9 million euros was issued in favour of a bank lender for a loan to Rodriquez Cantieri Navali S.p.A. in 2002 for the purchase of the Intermarine shares. The outstanding amount of the loan at 30 June 2006 is 0.5 thousand euros.

We report that the Rodriquez group has a negative net financial position of 59.5 million euros as at 30 June 2007, a deterioration with respect to 31 December 2006 of 25.6 million euros due to an increase in working capital. The value of net financial indebtedness as at 30 June 2007, related to group net equity is lower than the ratio guaranteed as a financial covenant by the company for the issue of loans by the banks, just as the net equity, which has fallen below share capital, as of 30 June 2007 does not enable the second parameter of the covenant to be respected. The planned issue of share capital, described in the Directors’ Report on Operations, will restore the company’s financial capacity, also with a view to financing business development.

Financial instruments

Interest rate risk
At 30 June 2007, the Rodriquez group has interest rate derivative instruments with Unicredit Banca for about 10 million euros maturing 2014, with Intesa San Paolo for 10 million euros maturing 2008, and with Banca Popolare Italiana for 8 million euros maturing 2014.
The fair value of the above financial instruments was a negative 1.0 million euros.

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

In the first half of 2007, 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 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 at any moment. 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 2007 Piaggio & C. S.p.A. had outstanding forward sale contracts of:

- USD/000 34,825 corresponding to 25,874 thousand euros (valued at the forward exchange rate);
- GBP/000 7,975 corresponding to 11,712 thousand euros (valued at the forward exchange rate);
- NOK/000 6,000 corresponding to 737 thousand euros (valued at the forward exchange rate);
- DKK/000 18.800 corresponding to 2,523 thousand euros (valued at the forward exchange rate);
- CHF/000 5,050 corresponding to 3,068 thousand euros (valued at the forward exchange rate);

and forward purchases of:

- GBP/000 305 corresponding to 452 thousand euros (valued at the forward exchange rate).

As regards contracts in place to hedge exchange rate risk on forecast transactions (business risk), at 30 June 2007, Piaggio & C. S.p.A. had forward purchase transactions of JPY/000 560 corresponding to 3,828 thousand euros and forward sales transactions for a value of CHF/000 6,350 corresponding overall to 4,040 thousand euros (valued at the forward exchange rate) and GBP/000 17,460 corresponding to 25,811 thousand euros (valued at the forward exchange rate).
At 30 June 2007, Piaggio group Americas had forward sale transactions for a value of USD/000 28,250 corresponding overall to 21,955 thousand euros (valued at the forward exchange rate).

Rodriquez Cantieri Navali S.p.A., for the sales contract of 5 catamarans to the Sultanate of Oman for an overall consideration of USD/000 90,000, signed exchange rate option contracts with three banks (Unicredit, Intesa San Paolo and Banca di Roma) to hedge the underlying risk for an original overall amount of USD/000 72,039 distributed over the various contractual receipt maturities during the contract. At 30 June 2007, USD/000 34,969 of options had been used, of which USD/000 25,507 in the first half of 2007, therefore leaving USD/000 37,070 of exchange rate options to be used throughout the rest of the contract. The fair value of the above financial instruments amounts to about 969 thousand euros.

- G3 - TRADE PAYABLES AND OTHER PAYABLES 707,527

Trade payables and other payables total 707,527 thousand euros compared to the balance at 31 December 2006 of 567,358 thousand euros. The tables below detail the break-down of the current portion.

In thousands of euros		
	Balance at 30.06.2007	***Balance at 31.12.2006***
Trade payables	582,896	456,435
Amounts due to subsidiaries	0	751
Amounts due to associated companies	9,207	9,156
Other payables	105,966	82,408
TOTAL	**698,069**	**548,750**

The “Other current payables” item is detailed below:

In thousands of euros		
	Balance at 30.06.2007	***Balance at 31.12.2006***
Amounts due to employees	45,376	31,053
Liabilities connected to hedging instruments	860	984
Advances from customers	1,973	1,940
Amounts due for guarantee deposits	1,739	2,397
Amounts due to company boards	527	125
Amounts due to social security institutions	10,620	11,585
Other amounts due to third parties	2,389	1,777
Other amounts due to subsidiaries	16	0
Other amounts due to Parent companies	0	9,279
Accrued expenses	10,253	4,352
Deferred income	8,210	7,342
Other payables	24,003	11,574
TOTAL	**105,966**	**82,408**

The 140,169 thousand euros overall increase in trade payables and other payables is connected with the seasonal nature of the production cycle whom Piaggio group is particular subject to.
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 2007 mainly refer to purchases of components and/or vehicles from companies associated with the Piaggio group.

- G4 - SEVERANCE INDEMNITY RESERVES AND SIMILAR OBLIGATIONS 73,273

The reserve for severance indemnity and similar obligations amounts to 73,273 thousand euros at 30 June 2007. The reserve is detailed below:

In thousands of euros	*Balance at 30.06.2007*	*Balance at 31.12.2006*	*Change*
Employees' severance indemnity reserves	70,436	81,552	11,116
Other reserves	2,837	2,649	(188)
TOTAL	**73,273**	**84,201**	**10,928**

As at 30 June 2007, the Group recognised the effects of the changes made to the regulations of the Staff Severance Indemnity Reserve ("TFR") by Law no.296 of 27 December 2006 ("Finance Law 2007") and subsequent Decrees and Regulations issued in the first few months of 2007 on its accounts. This contributed to the decrease of the item in question compared to 31 December 2006. Pension funds, recorded exclusively by the Piaggio group, comprise reserves set aside by foreign companies and for the supplementary customer indemnities reserve. The latter represents indemnities due to agents in the event of termination of the agency contract for reasons not attributable to the agents.

- G5 - OTHER LONG-TERM RESERVES 56,337

The balance of other long-term reserves, including the portion falling due within 12 months, totals 56,337 thousand euros at the end of December, substantially remains unchanged compared to 31 December 2006 equal to 56,112 thousand euros.
The other reserves recognised in the financial statements are detailed below:

In thousands of euros	*Balance at 31.12.2006*	*Provisions*	*Applications*	*Other movements*	*Balance at 30.06.2007*	*Of which current portion*
Product warranty reserve	23,151	8,388	(7,834)	1,057	24,762	20,101
Reserve for risks on equity investments	5,893	0	0	0	5,893	301
Contractual risks reserve	9,826	0	(94)	(80)	9,652	4,700
Promotional reserves	0	0	0	0	0	0
Restructuring reserves	776	0	(72)	0	704	704
Severance indemnity reserves	120	0	0	0	120	120
Other provisions for risks and charges	16,346	3,623	(3,368)	(1,395)	15,206	3,408
TOTAL	**56,112**	**12,011**	**(11,368)**	**(418)**	**56,337**	**29,334**

The product warranty reserve relates to provisions made by the Piaggio group of 21,205 thousand euros and by Rodriquez group of 3,557 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 Rodriquez group allocates this reserve for naval vessels under construction delivered during the year or in previous years on the basis 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, as well as charges that may arise from transactions of liquidation/merger of some foreigner company belonging to the Piaggio group.
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 refers mainly to charges that may arise from the negotiation/collection of supply contracts in progress, allocated by Piaggio group equal to 5,120 thousand euros and by Rodriquez group equal to 4,532 thousand euros.
Other provisions for risks and charges mainly comprise the provision for legal risks, the provision for personnel risks allocated and the customer penalty risk provision.

- G6 - DEFERRED TAX LIABILITIES 54,994

The "Deferred tax liabilities" item refers to tax payables provisioned regarding charges relating to the individual companies on the basis of applicable national laws. The balance is offset by 6,424 thousand euros of deferred tax assets, consistent by due date and by nature, and the net amount falling due within 12 months is 6,979 thousand euros. Deferred tax liabilities are mainly recorded by the Piaggio group for 38,101 thousand euros, in particular Piaggio & C. S.p.A. as a result of taxation calculated on registering the Aprilia brand, and by the Parent company Immsi S.p.A., which had accumulated about 10,864 thousand euros of deferred tax liabilities at 30 June 2007 and by Rodriquez group for about 6,029 thousand euros.

- G7 - CURRENT TAXATION 27,614

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, increases by 10,694 thousand euros compared to the year end of 2006, as is as follows:

In thousands of euros	Balance at 30.06.2007	Balance at 31.12.2006
Amounts due for income tax	6,908	3,513
VAT payables	13,265	6,124
Amounts due for withtholding tax	3,086	6,859
Other payables	4,355	424
TOTAL	**27,614**	**16,920**

VAT payables refer exclusively to the Piaggio group and the increase leads to the seasonal trend of sales.
Amounts due for withholding tax refer mainly to withholdings on salaries, on termination payments and self-employed income.

-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 1,033,280

The 87,247 thousand euros increase in Group revenues from sales and services at 30 June 2007 compared to the same period of the previous year is attributable to industrial sector, in particular to the increase of the sales obtained on the 2-wheeler vehicle European market and on the light vehicle Indian market, as well as to the shipbuilding sector; during the first half-year, the shipbuilding sector has dedicated to the realization of production work progress and to the completion of the constructions further to numerous contracts acquired during the last period of 2006.
Shipbuilding grants are recorded on an accrual basis in relation to the work progress status of the underlying construction.

This item 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 by the related costs incurred by the Parent company.
In accordance with IFRS 5, revenues generated by assets intended for sale are stated separately, along with the related costs.
Below is a division of the revenues, net of premiums given to customers, 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 2007*		*First Half 2006*		*2006*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Property and holding company sector	2,447	0.2%	2,444	0.3%	5,439	0.3%
Industrial sector (Piaggio group)	968,567	93.7%	903,310	95.5%	1,607,412	94.1%
of which 2-wheeler sector	769,384	74.5%	719,631	76.1%	1,237,190	72.4%
of which Light Commercial Vehicle sector	188,515	18.2%	177,991	18.8%	356,558	20.9%
Engines and other	10,668	1.0%	5,688	0.6%	13,664	0.8%
Shipbuilding sector (Rodriquez group)	62,266	6.0%	40,279	4.3%	95,926	5.6%
TOTAL	**1,033,280**	**100.0%**	**946,033**	**100.0%**	**1,708,777**	**100.0%**

By geographical area

In thousands of euros	*First Half 2007*		*First Half 2006*		*2006*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Italy	406,670	39.4%	424,567	44.9%	715,856	41.9%
Other European countries	429,527	41.6%	353,256	37.3%	648,535	38.0%
Rest of the world	197,083	19.1%	168,210	17.8%	344,386	20.2%
TOTAL	**1,033,280**	**100.0%**	**946,033**	**100.0%**	**1,708,777**	**100.0%**

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 609,368

Costs for materials amount to 609,368 thousand euros, compared to 530,175 thousand euros for the same period of the previous year.
The increase of this item is essentially related to the greater production and sales volumes, confirming a slightly higher incidence on the turnover.
This item does not include the costs recharged for an equal amount to customers and tenants as such costs are offset by the relevant revenues as foreseen by the IAS 18.
The table below details the contents of the item:

In thousands of euros	*First Half 2007*	*First Half 2006*
Change in inventories of finished products, work in progress and semi-finished products	(16,595)	(11,861)
Change in capitalised piecework	(838)	(1,485)
Purchase of raw materials and consumables	636,947	590,697
Change in raw materials and consumables	(10,146)	(47,176)
TOTAL	**609,368**	**530,175**

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 22,287 thousand euros. These transactions are detailed in related party dealings.

- H3 - COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS 197,756

Costs for services and use of third party assets total 197,756 thousand euros and are detailed in the table below:

In thousands of euros	*First Half 2007*	*First Half 2006*
Transport costs	19,884	24,003
Product warranty costs	8,214	4,991
Advertising and promotion	25,377	30,158
Work performed by third parties	38,234	40,058
External maintenance and cleaning costs	4,398	4,118
Personnel costs	8,922	8,702
Technical, legal, tax, administrative consultancy, etc.	45,609	42,525
Sundry commercial expenses	9,436	7,125
Energy, telephone, postage costs, etc.	10,809	10,014
Services provided	684	120
Insurance	2,461	2,260
Cost of company boards	2,621	2,076

Sales commissions	3,685	3,212
Part-time staff and staff of other companies	1,868	2,031
Other costs	8,104	12,162
TOTAL COSTS FOR SERVICES	**190,306**	**193,555**
Rental instalments of business property	2,453	2,441
Rental instalments for cars, office machines, etc.	435	126
Operating lease instalments for plant and machinery	190	0
Other instalments	4,372	4,210
TOTAL COSTS FOR USE OF THIRD PARTY ASSETS	**7,450**	**6,777**
TOTAL COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	**197,756**	**200,332**

It should be noted that costs of services as at 30 June 2006 included 4,008 thousand euros of non-recurring costs incurred to list Piaggio & C. S.p.A. on the Stock Exchange.
Third party labour refers to production components.
The increase registered by the "product warranty" costs is partially offset by the reduction of the provisions for guarantee risk.

- H4 - PERSONNEL COSTS 136,224

Personnel costs comprise the following:

In thousands of euros	*First Half 2007*	*First Half 2006*
Salaries and wages	95,674	98,141
Social security costs	29,803	28,007
Employees' severance indemnity	6,246	6,224
Personnel restructuring costs	3,000	712
Stock options	943	2,561
Other costs	558	652
TOTAL	**136,224**	**136,297**

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

In thousands of euros	*First Half 2007*	*First Half 2006*
Senior managers	143	139
Middle managers and clerical staff	2,422	2,313
Manual workers	5,335	4,993
TOTAL	**7,900**	**7,445**

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 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 (term contracts).

As required by International Accounting Standards, the Group has recorded the charges related to the stock option plan amounting to 943 thousand euros under personnel costs, details of which can be found in the Report.

- H5 - DEPRECIATION OF TANGIBLE ASSETS 22,271

A summary of the deprecation of tangible assets at 30 June 2006 is provided below. The depreciation rates are listed in the preliminary notes under the "Tangible assets" item:

In thousands of euros	*First Half 2007*	*First Half 2006*
Depreciation of property	2,164	2,140
Depreciation of plant and machinery	6,590	7,173
Depreciation of industrial and commercial equipment	11,068	10,474
Depreciation of assets to be given free of charge	635	754
Depreciation of other assets	1,814	1,722
DEPRECIATION OF TANGIBLE ASSETS	**22,271**	**22,263**

- H6 - AMORTISATION OF FINITE LIFE INTANGIBLE ASSETS 19,477

Amortisation of finite life intangible assets recognised in the first half of 2007 totals 19,477 thousand euros and mainly 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 Guzzi brand. The item comprises the following:

In thousands of euros	*First Half 2007*	*First Half 2006*
Amortisation of development costs	10,462	15,871
Amortisation of concessions, patents, industrial and similar rights	4,740	2,146
Amortisation of trademarks and licences	4,172	4,293
Amortisation of software	69	90
Amortisation of other intangible assets with a finite life	34	42
AMORTISATION OF INTANGIBLE ASSETS	**19,477**	**22,442**

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 2006 confirmed the full recoverability of the amounts recorded in the financial statements.

- H7 - OTHER OPERATING INCOME 67,793

The "Other operating income" item comprises:

In thousands of euros	*First Half 2007*	*First Half 2006*
Gains on disposal of tangible assets	687	168
Sponsorships	5	0
Grants	1,155	2,978
Recovery of sundry costs	34,750	35,863
Licence rights	284	163
Sale of materials and sundry equipment	298	587
Insurance settlements	120	288
Increases for capitalised internal construction	16,713	13,700
Reversal of provisions for risks and other provisions	289	5,879
Other operating income	13,492	10,854
TOTAL	**67,793**	**70,480**

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".
"Other operating income" includes extraordinary income and income from the rent of racing bikes to the teams which compete in the World Motorcycling Championship.

- H8 - OTHER OPERATING COSTS 16,546

The "Other operating costs" item totals 16,546 thousand euros at 30 June 2007 and comprises the following:

In thousands of euros	*First Half 2007*	*First Half 2006*
Losses on disposal of tangible assets	32	4
Taxation (not on the income)	2,775	3,545
Provisions for product warranty	8,388	9,493
Provisions for future and other risks	3,623	2,078
Write-down of trade receivables (including provisions to bad debt reserve)	1,218	1,003
Other operating costs	510	2,782
TOTAL	**16,546**	**18,905**

Overall, other operating costs decreased by 2,359 thousand euros compared to the same period of the previous year, more specifically referable to the consolidated data of the Piaggio group.

- H9 - FINANCIAL INCOME 7,894

Financial income recognised by the Group in 2006 is detailed below:

In thousands of euros	*First Half 2007*	*First Half 2006*
Interest receivable on bank loans	1,268	996
Interest receivable on loans to third parties	1	229
Other interest receivable	209	350
Fees receivable	0	19
Exchange gains	3,332	3,514
Dividends	2,450	2,228
Other incombe	634	1,203
TOTAL	**7,894**	**8,539**

- H10 - FINANCIAL CHARGES 26,962

The financial charges at 30 June 2007 are detailed below:

In thousands of euros	*First Half 2007*	*First Half 2006*
Interest payable on bank loans	9,231	7,686
Interest payable on loans from third parties	2,503	2,445
Interest payable on bonds	7,807	7,770
Other interest payable	364	51
Fees payable	569	568
Charges for discounts and/or depreciation on loans	0	21
Exchange losses	3,990	4,246
Charges on interest rate hedges	5	9
Charges for "amortizations/write-downs" of equity investment (except for associated companies and others to "FV to equity")	0	6
Other charges	2,493	1,443
TOTAL	**26,962**	**24,245**

The increase of the balance compared to the same period of the previous year, equal to 2,717 thousand euros, is partly referable to the increase in short-term interest rates in euros upon which variable rate loans are index-linked.

- H11 - TAXATION 36,868

The expected income tax charge at 30 June 2007 for the companies consolidated on a line-by-line basis amounts to 36,868 thousand euros and comprises the following:

In thousands of euros		
	First Half 2007	*First Half 2006*
Current taxation	31,241	17,100
Deferred tax assets	(1,038)	(49)
Deferred tax liabilities	6,665	(619)
TOTALE	**36,868**	**16,432**

Income tax for the first half of 2007, calculated on the basis of IAS 34, is estimated to be 36,868 thousand euros, representing 45.9% of the pre-tax profit figure. The significant increase, both of the amount and of the relative percentage in the first half of 2007 against the corresponding period in 2006 is mainly due to taxes recorded by Piaggio & C. S.p.A. in 2006 based on the provisions of IAS 12.

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

- H13 - EARNINGS FOR THE PERIOD 23,619

The Immsi Group earnings for the period total 43,494 thousand euros, of which 19,875 pertaining to minority interest.

- I - COMMITMENTS, RISKS AND GUARANTEES

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

TYPE	AMOUNT € / 000
Bank guarantee from Cassa di Risparmio di Pisa issued on behalf of Piaggio & C. S.p.A. in favour of the Administration of the Province of PISA	130
Bank guarantee from Banca Intesa San Paolo issued on behalf of Piaggio & C. S.p.A. in favour of the Genoa 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	5,998
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	403
Bank guarantee to guarantee the credit line agreed with Intesa San Paolo to the subsidiary Piaggio Vespa BV for USD 20,000,000	
- of which unused	8,964
- of which provided to the subsidiary Piaggio Foshan	7,257
Building insurance guarantee policy of 23-10-2003 issued in favour of the Tax Agency of Pisa to guarantee receivables offset as part of the Piaggio group's sales tax procedure	839
Bank guarantee from MPS in favour of ACRAPOVIC /SLOVENIA issued on 07-12-2006 for 500,000 euros	
- of which unused	333
Bank guarantee from BNL issued in favour of the Venice Customs Authority	206
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 BNL in favour of Antonveneta to counter-guarantee the syndicated loan provided in 2004 to the subsidiary Aprilia S.p.A.	1,228
Bank guarantee from Banca Toscana issued on 25/01/2006 in favour of Ministry of Production in Rome for a prize contest	150

The main guarantees provided by banks on behalf of Nacional Motor in favour of third parties are:

TYPE	AMOUNT € / 000
Bank guarantee issued by BBVA in favour of third parties for tax disputes	1,831

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

TYPE	AMOUNT € / 000
Indirect guarantees in favour of third parties	115,879
Direct guarantees in favour of third parties/associated companies	2,702
Pledge on shares of group subsidiaries	7,961
Obligation to buy naval vessels	2,569
Other risks	5,272

The indirect guarantees in favour of third parties mainly refers to the guarantees and performance bonds issued by Rodriquez Cantieri Navali S.p.A. to the customer of the Oman contract (31,219 thousand euros) and to guarantees issued by Intermarine S.p.A. to customers such as the Finnish Navy (21,260 thousand euros) and the *Guardia di Finanza [i.e., Revenue Guard Corps]* (41,160 thousand euros).
The obligation to buy naval vessels refers to the obligations undertaken by Rodriquez Cantieri Navali S.p.A. and Conam S.p.A. for contracts 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.
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.) amounting to 6 million euros and Pozzuoli (Conam S.p.A.) amounting to 2 million euros, respectively, and a pledge on shares of the subsidiary Intermarine for a value equal to 7,961 thousand euros.

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.
Guarantees of 108 thousand euros were also provided in favour of Is Molas S.p.A. by Impresa di Costruzioni Pellegrini for work contracted relating to the construction of the "Casa per Anziani" and the completion of works on the "Le Ginestre" building.

Immsi S.p.A. has issued 92 million euros of collateral security (the building in via Abruzzi – Rome) to guarantee the 46 million euros loan received from Efibanca.
Banca Popolare di Mantova issued on behalf of Immsi S.p.A. 81 thousand euros of guarantees in favour of the owners of buildings occupied by the same Parent company, while Intesa San Paolo provided Angioina S.r.l. with a 200 thousand euros guarantee relating to the building located in via Valtorta, Milan.
Furthermore, 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.
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 25 million euros loan agreement (of which 10 million euros was repaid in January 2007 by Rodriquez Cantieri Navali S.p.A.) signed at the end of 2005. 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.
Finally, the Parent company has received guarantees and deposits to secure rental contracts from tenants of the building owned in Rome for a total of 0.6 million euros at 30 June 2007.
Immsi S.p.A. has pledged 9,000,000 ordinary shares of Piaggio to guarantee the short term loan received from Banca di Roma of 25 million euros.
Lastly, Immsi S.p.A. has pledged the equity investment held at the end of January 2007 in Pietra S.r.l. valued to be worth 3,900,000 euros to guarantee the short-term loan granted by Intesa Sanpaolo of 10 million euros.

Commitments relating to the Aprilia transaction

Upon acquiring the Aprilia group, financial instruments were issued with the following forward commitments:

- Piaggio 2004/2009 warrants for an overall issue price of 5,350 thousand euros. This instrument envisages a redemption price that can never exceed 12 times the overall issue price. Therefore the maximum commitment can never exceed 64,206 thousand euros.
- EMH 2004/2009 financial instruments, for a global nominal value of 10,000 thousand euros, which will give the right to a forward payment of a minimum guaranteed sum of 3,500 thousand euros besides a maximum redemption price that can never exceed 6,500 thousand euros;
- Aprilia shareholders 2004/2009 financial instruments, which envisage a redemption price that can never exceed 10,000 thousand euros.

Operating leases

Piaggio & C. S.p.A. has signed operating leases for the use of tangible assets. Such contracts have an average life of 6.1 years. At 30 June 2007, the amount of irrevocable operating lease instalments still due is 494 thousand euros, a decrease compared to 31 December 2006, of which 254 thousand euros falling due within the year.

The Rodriquez group has signed operating leases referring essentially to production facilities for a total of 104 thousand euros represented by the overall amount of the outstanding instalments, of which 75 thousand euros within one year and operating leases for Think 3 software where the residual instalments total 158 thousand euros, of which 111 thousand euros within one year.

- L - RELATED PARTY DEALINGS

Reference should be made to the Directors' report as regards the main business relations of Group companies with related parties.

- M - FINANCIAL POSITION

The Immsi group net financial position at 30 June 2007 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	*30.06.2007*	*31.12.2006*	*30.06.2006*
Cash and cash equivalents	-114,464	-101,941	-133,984
Other short-term financial assets	-13,188	-12,594	-44,624
Medium- and long-term financial assets	-1,015	-1,015	-1,015
Short-term financial payables	147,595	120,039	179,522
Medium- and long-term financial payables	398,584	409,827	426,670
Net financial debt	**417,512**	**414,316**	**426,569**

- N - DIVIDENDS PAID

Dividends paid over the first half of 2007 (relating to the distribution of the profit for 2006, as per the shareholders' resolution on 9 May 2007) total 10,296 thousand euros, equal to 0.03 euros per ordinary share.
The Parent company did not issue shares other than ordinary shares.
Last year, the dividends paid relating to 2005 and approved on 12 May 2006, totalled 8,580 thousand euros, equal to 0.03 euros per ordinary share.

- O - PROFIT PER SHARE

Income per share
Income per share is calculated by dividing the net 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 thousands of euros		
	30.06.2007	*30.06.2006*
Net profit attributable to ordinary shareholders (euros)	23,618,688	19,428,000
Average weighted number of shares in circulation during the year	343,200,000	286,000,000
Basic profit per share	**0.069**	**0.068**

Diluted income per share
Diluted income per share is calculated by dividing the net 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 2007, therefore the diluted income per share coincides with the above basic income per share.

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND EQUITY INVESTMENTS AT 31 DECEMBER 2006, IN ACCORDANCE WITH ARTICLES 38 AND 39 OF LAW 127/1991

Company name	Currency	Share capital	% of share capital owned	% voting rights (if different)
LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH THE OVERALL INTEGRATION METHOD				
Is Molas S.p.A. Località Is Molas - 09010 Pula (Cagliari) Immsi S.p.A. equity investment of 60%	Euro	7,510,000.00	60.00%	
Apuliae S.p.A. P.zzetta Riccardi, 11 - 73100 Lecce Immsi S.p.A. equity investment of 85%	Euro	2,000,000.00	85.00%	
RCN Finanziaria S.p.A. Piazza Vilfredo Pareto, 3 - 46100 Mantova Immsi S.p.A. equity investment of 60.81%	Euro	27,135,988.00	60.81%	
Pietra S.r.l. Via Vivaio, 6 - 20121 Milan Immsi S.p.A. equity investment of 77.78%	Euro	40,000.00	77.78%	
Piaggio & C. S.p.A. V.le Rinaldo Piaggio,25 - 56025 Pontedera (Pisa) – Italy IMMSI S.p.A. equity investment of 55.02%	Euro	205,941,272.16	55.02%	55.66%
Derbi Italia S.r.l. V.le Rinaldo Piaggio,25 - 56025 Pontedera (Pisa) - Italy National Motor S.A. equity investment of 100%	Euro	21,000.00	100.00%	
Derbi Racing S.L. Calle La Barca. 5-7 - 08107 Martorelles Barcellona - Spain National Motor S.A. equity investment of 100%	Euro	1,263,000.00	100.00%	
Nacional Motor S.A. Calle Barcelona, 19 - 08107 Martorelles Barcellona - Spain Piaggio & C. S.p.A. equity investment of 100%	Euro	9,182,190.00	100.00%	
P & D S.p.A. *** V.le Rinaldo Piaggio, 25 - 56025 Pontedera (Pisa) - Italy Piaggio & C. S.p.A. equity investment of 100%	Euro	416,000.00	100.00%	
Piaggio Asia Pacific PTE Ltd. 19 Genting Road - Singapore 349478 Piaggio Vespa B.V. equity investment of 100%	SGD	100,000.00	100.00%	
Piaggio Benelux B.V. Hoevestein, 48 - 4903 SC Oosterhout - Holland Piaggio Vespa B.V. equity investment of 100%	Euro	45,378.00	100,00%	
Piaggio Deutschland Gmbh Marie-Curie Strasse 8 - 50170 Kerpen - Germany Piaggio Vespa B.V. equity investment of 100%	Euro	5,113,500.00	100.00%	
Piaggio Finance S.A. 10-21, Boulevard du Prince Henri L-1724 Luxembourg RCS Luxembourg B 107.430 - c/o SEB Societé Europeenne de Banque Piaggio & C. S.p.A. equity investment of 99.99%	Euro	31,000.00	99.99%	
Piaggio France S.A.S. 32, Rue Georges Boisseau, 92586 Clichy Cedex - France Piaggio Vespa B.V. equity investment of 100%	Euro	1,209,900.00	100.00%	
Piaggio Hellas S.A. 259, Imitu Street - 11631 Athens - Greece Piaggio Vespa B.V. equity investment of 99.99%	Euro	7,080,000.00	99.99%	
Piaggio Hrvatska D.o.o. Kralja Stjepana Drzislava 7 - 21000 Spalato - Croatia Piaggio Vespa B.V. equity investment of 75%	HRK	400,000.00	75.00%	
Piaggio Indochina PTE Ltd. *** 19, Genting Road - 349478 - Singapore Piaggio Asia Pacific PTE Ltd equity investment of 100%	SGD	100,000.00	100.00%	
Piaggio Limited 153-155 Masons Hill Linden House BR29HY Bromley Kent - United Kingdom 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%	
Piaggio Portugal Limitada *** Campo Grande n. 35 - 5° B Lisbona 16003100 - Portugal Piaggio Vespa B.V. equity investment of 100%	Euro	5,000.00	100.00%	
Piaggio Group Americas Inc. 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)
Piaggio Vehicles Private Limited 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%	
Piaggio Vespa B.V. 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%	
Moto Guzzi S.p.A. V. E.V. Parodi , 57 - 23826 Mandello del Lario (Lecco) - Italy Piaggio & C. S.p.A. equity investment of 100%	Euro	2,500,000.00	100.00%	
Moto Laverda S.r.l. *** V. Galileo Galilei, 15 - 30033 Noale (Venice) - Italy Piaggio & C. S.p.A. equity investment of 100%	Euro	80,000.00	100.00%	
Aprilia World Service B.V. c/o Fortis Intertrust Prins Bernhardplein 200 - 1097 JB Amsterdam - Holland Piaggio & C. S.p.A. equity investment of 100%	Euro	30,000,000.00	100.00%	
Aprilia Hellas S.A. 4, Rizariou Street & 3-5 Aghiou Ioannou Street 152 33 Chalandri - Greece Piaggio Vespa B.V. equity investment of 100%	Euro	60,040.00	100.00%	
Aprilia Motorrad GmbH Marie-Curie Strasse 8 -50170 Kerpen - Germany Aprilia World Service B.V. equity investment of 100%	Euro	2,125,000.00	100.00%	
Aprilia Moto UK Limited *** 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%	
Aprilia Japan Corporation 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%	
Rodriquez Cantieri Navali S.p.A. V. S. Raineri, 22 - 98122 Messina RCN Finanziaria S.p.A. equity investment of 100%	Euro	13,000,000.00	100.00%	
Rodriquez Engineering Srl Via S. Raineri, 22 - 98122 Messina Rodriquez Cantieri Navali S.p.A. equity investment of 98.74%	Euro	119,756.00	98.74%	
Intermarine S.p.A. Via Alta - 19038 Sarzana (La Spezia) Rodriquez Cantieri Navali S.p.A. equity investment of 100%	Euro	10,000,000.00	100.00%	
Conam S.p.A. Via Provinciale Pianura - Loc. S. Martino, 15 80078 Pozzuoli (Naples) Rodriquez Cantieri Navali S.p.A. equity investment of 86%	Euro	1,012,000.00	86.00%	
Rodriquez Logtec Srl Via Mercadante, 4C 89026 S. Ferdinando (Reggio Calabria) Rodriquez Cantieri Navali S.p.A. equity investment of 55%	Euro	60,000.00	55.00%	
Rodriquez Cantieri Navali do Brasil Ltda. 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%	
Rodriquez Yachts Srl 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	49,572.00	100.00%	
Rodriquez Marine System Srl Via S. Raineri, 22 - 98122 Messina Rodriquez Engineering S.r.l. equity investment of 90%	Euro	46,800.00	90.00%	
Progetto Smeb Srl *** Via S. Raineri, 2 - 98122 Messina Rodriquez Cantieri Navali S.p.A. equity investment of 75%	Euro	10,000.00	75.00%	
Rodriquez Pietra Ligure S.r.l. Via Vivaio, 6 - 20121 Milan 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)
EQUITY INVESTMENTS IN SUBSIDIARIES, ASSOCIATED AND JOINT CONTROL COMPANIES VALUED USING THE EQUITY METHOD				
Piaggio China Co. LTD 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	12,500,000.00	99.99%	
Zongshen Piaggio Foshan Motorcycle Co. LTD. 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%	
Aprilia World Service Holding do Brasil Ltda.*** 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%	
Aprilia Brasil S.A. *** Av.da Carvalho Leal n° 1336, 2° andar, Manaus - Brazil Aprilia World Service Holding do Brasil Ltda equity investment of 51%	R$	2,020,000.00	51.00%	
EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES VALUED USING THE COST METHOD				
Motoride S.p.A. *** V. Monte Napoleone, 21 - Milan - Italy Piaggio & C. S.p.A. equity investment of 28.29%	Euro	1,989,973.00	28.29%	
Pont - Tech , Pontedera & Tecnologia S.c.r.l. 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%	
S.A.T. Societé d'Automobiles et Triporteurs S.A. 128 Avenue Jugurtha, Mutueville, 1082 Tunisi - Tunisia Piaggio Vespa B.V. equity investment of 20%	TND	210,000.00	20.00%	
Acciones Depuradora Soc. Coop. Catalana Limitada Agrupacio d'Industrials del Baix Valles Doctor Lluis duran, 76 2° 08100 Mollet del Valles Barcelona - Spain National Motor S.A. equity investment of 22%	Euro	60,101.00	22.00%	
Rodriquez Mexico *** 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%	
Consorzio CTMI - Messina Via S. Raineri, 22 - 98122 Messina Rodriquez Cantieri Navali S.p.A. equity investment of 41.54%	Euro	53,040.00	41.54%	
Rodriquez Charter & Broker Srl *** Via S. Raineri, 22 - 98122 Messina Rodriquez Yachts S.r.l. equity investment of 100%	Euro	10,000.00	100.00%	
Fondazione Piaggio Onlus V.le Rinaldo Piaggio, 7 - 56025 Pontedera (Pisa) 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 2007

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

ASSETS	Notes	30/06/2007	31/12/2006	30/06/2006
NON-CURRENT ASSETS				
Intangible assets		0	0	15
Tangible assets	C1	11,600	11,599	11,700
- of which intragroup and related parties		*102*	*113*	*123*
Property investments		0	0	0
Equity investments	C2	351,224	340,801	223,222
Other financial assets	C3	12,000	91,865	83,478
- of which intragroup and related parties		*12,000*	*12,000*	*12,000*
Amounts due from the tax authorities		0	0	2
Deferred tax assets		0	0	7
Trade receivables and other receivables	C5	1,032	684	404
- of which intragroup and related parties		*1,027*	*679*	*397*
TOTAL NON-CURRENT ASSETS		**375,856**	**444,950**	**318,828**
ASSETS INTENDED FOR DISPOSAL		0	0	0
CURRENT ASSETS				
Trade receivables and other receivables	C5	1,927	1,108	1,037
- of which intragroup and related parties		*1,599*	*676*	*714*
Amounts due from the tax authorities	C4	2,494	97	217
Other financial assets	C3	83,343	1,100	1,000
- of which intragroup and related parties		*1,250*	*1,100*	*1,000*
Cash and cash equivalents	C6	6,749	4,444	87,669
TOTAL CURRENT ASSETS		**94,513**	**6,749**	**89,923**
TOTAL ASSETS		**470,369**	**451,699**	**408,751**

LIABILITIES	Notes	30/06/2007	31/12/2006	30/06/2006
SHAREHOLDERS' EQUITY				
Share capital		178,464	178,464	148,720
Reserves and retained earnings		189,482	169,696	114,278
Earnings for the period	E10	7,379	27,972	179
TOTAL SHAREHOLDERS' EQUITY	D1	**375,325**	**376,131**	**263,177**
NON-CURRENT LIABILITIES				
Financial liabilities	D2	45,832	45,814	45,787
Trade payables and other payables		0	0	0
Reserves for severance indemnityn and similar obligations	D4	185	188	228
Other long-term reserves		0	0	0
Deferred tax liabilities	D6	10,864	12,470	14,620
TOTAL NON-CURRENT LIABILITIES		**56,881**	**58,473**	**60,635**
LIABILITIES CONNECTED WITH ASSETS INTENDED FOR DISPOSAL		0	0	0
CURRENT LIABILITIES				
Financial liabilities	D2	35,720	4,608	79,354
- of which intragroup and related parties		*720*	*720*	*900*
Trade payables	D3	655	1,726	2,807
- of which intragroup and related parties		*63*	*527*	*259*
Current taxation	D7	230	388	845
Other payables	D3	1,437	10,252	1,740
- of which intragroup and related parties		*65*	*9,279*	*261*
Current portion of other long-term reserves	D5	120	120	193
TOTAL CURRENT LIABILITIES		**38,163**	**17,094**	**84,939**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**470,369**	**451,699**	**408,751**

Income statement
In thousands of euros

	Notes	1st Half Year 2007	2006	1st Half Year 2006
Net revenues	E1	**2,114**	**6,305**	**4,640**
- of which intragroup and related parties		*902*	*4,289*	*3,689*
Costs for materials		38	98	52
Costs for services and use of third party assets	E2	1,798	5,011	2,306
- of which intragroup and related parties		*138*	*1,589*	*552*
Personnel costs	E3	753	1,762	817
Depreciation of tangible assets	E4	41	421	196
Amortisation of goodwill		0	0	0
Amortisation of intangible assets with a finite life		0	29	14
Other operating income	E5	101	741	968
- of which intragroup and related parties		*45*	*60*	*0*
Other operating	E6	201	697	846
- of which intragroup and related parties		*13*	*0*	*0*
OPERATING EARNINGS		**(616)**	**(974)**	**1,377**
Gain/loss on equity investments		0	0	0
Financial income	E7	9,402	41,504	3,031
- of which intragroup and related parties		*6,918*	*38,606*	*441*
Financial charges	E8	1,682	5,911	1,243
- of which intragroup and related parties		*16*	*31*	*14*
EARNINGS BEFORE TAXATION		**7,104**	**34,619**	**3,165**
Taxation	E9	(275)	6,647	2,986
EARNINGS AFTER TAXATION FROM CONTINUING ASSETS		**7,379**	**27,972**	**179**
Gain (loss) from assets intended for disposal or sale		0	0	0
NET EARNINGS FOR THE PERIOD	E10	**7,379**	**27,972**	**179**

Earnings per share

	1st half year 2007
Basic	0.022
Diluted	0.022

Cash flow statement

In thousands of euros

		1st Half Year 2007	1st Half Year 2006	2006
Operations				
Earnings for the period	*E10*	7,379	179	27,972
Taxation	*E9*	(275)	2,986	6,647
Depreciation of tangible assets (including property investments)	*E4*	41	196	421
Amortisation of intangible assets		0	14	29
Provision to reserves for risks and for severance indemnity and similar obligations		34	0	81
Write-downs / (Revaluations)	*E8*	16	0	2,457
Losses / (Gains) on disposal of tangible assets (including property investments)		21	0	11
Interest receivable (1)	*E7*	(403)	(784)	(1,267)
Dividend income (2)	*E7*	(8,987)	(2,228)	(40,058)
Interest payable (3)	*E8*	1,665	1,213	3,292
Change in working capital:				
(Increase) / Decrease in trade receivables (4)	*C5*	(1,123)	2,706	2,254
(Increase) / Decrease in other receivables (4)	*C5*	406	213	576
Increase / (Decrease) in trade payables (5)	*D3*	(1,071)	1,348	267
Increase / (Decrease) in other payables (5)	*D3*	(207)	(504)	5,613
Increase / (Decrease) reserves for risks	*D5*	0	0	(72)
Increase / (Decrease) in reserves for severance indem.and similar oblig.	*D4*	(37)	19	(102)
Other changes		175	(3,248)	(10,187)
Cash generated from operations		(2,366)	2,110	(2,066)
Interest paid		(1,239)	594	(1,864)
Taxation paid		(13,291)	(857)	(497)
Cash flow from operations		(16,896)	1,847	(4,427)
Investments				
Acquisition of subsidiaries, net of cash and cash equivalents (6)	*C2*	(10,423)	(9,000)	(91,359)
Sale price of subsidiaries, net of cash and cash equivalents	*C2*	0	0	157
Investments in tangible assets	*C1*	(67)	(64)	(241)
Sale price, or repayment value, of tangible assets (including property investments)		4	0	42
Loans provided (7)	*C3*	(150)	(100)	(200)
Repayment of loans provided	*C3*	0	9,000	9,000
Interest received		34	503	655
Dividends from equity investments (2)	*E7*	8,987	2,228	2,228
Cash flow from investments		(1,615)	2,567	(79,718)
Financing				
Increase in share capital by shareholders	*D1*	0	0	80,080
Loans received	*D2*	35,000	78,454	0
Outflow for repayment of loans	*D2*	0	0	(180)
Outflow for dividends paid to shareholders	*D1*	(10,296)	(8,580)	(8,580)
Cash flow from financing		24,704	69,874	71,320
Increase / (Decrease) in cash	*C6*	6,193	74,288	(12,825)
Opening balance		556	13,381	13,381
Exchange differences		0	0	0
Closing balance		6,749	87,669	556

(1) Of which 369 thousand euros of interest and fees receivable from subsidiaries.
(2) Of which 6,537 thousand euros of dividends from Piaggio & C. S.p.A..
(3) Of which 16 thousand euros of interest payable to Apuliae S.p.A..
(4) Trade receivables and other receivables due from related parties and intragroup increasing by 1,271 euros.
(5) Trade payables and other payables due to related parties and intragroup decreasing by 464 thousand euros.
(6) Capital increase in Pietra S.r.l.
(7) Loan in favour of RCN Finanziaria S.p.A. for 150 thousand euros.

This schedule illustrates the changes in cash and cash equivalents, net of short-term bank overdrafts (0 (zero) value at 30 June 2007).

Changes in shareholders’ equity

In thousands of euros

	Share capital	Extraordinary reserve ***	Share premium reserve / share capital increase *	Reserves for measurement of financial instruments *	Reserves as per Law 413/91 **	Legal reserve *	Other legal reserves **	Earnings reserves ***	Earnings for the period	Shareholders’ equity
Balances at 31 December 2005	***148,720***	***7,103***	***44,880***	***36,033***	***4,602***	***809***	***1,153***	***8,728***	***2,824***	***254,852***
Allocation of earnings to legal reserve						479			(479)	0
Allocation of earnings to dividends								(6,235)	(2,345)	(8,580)
Allocation of earnings to retained earnings										0
Measurement at fair value of financial assets				16,726						16,726
Earnings for the period									179	179
Balances at 30 June 2006	***148,720***	***7,103***	***44,880***	***52,759***	***4,602***	***1,288***	***1,153***	***2,493***	***179***	***263,177***

	Share capital	Extraordinary reserve ***	Share premium reserve / share capital increase *	Reserves for measurement of financial instruments *	Reserves as per Law 413/91 **	Legal reserve *	Other legal reserves **	Earnings reserves ***	Earnings for the period	Shareholders’ equity
Balances at 31 December 2006	***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				2,110						2,110
Earnings for the period									7,379	7,379
Balances at 30 June 2007	***178,464***	***7,103***	***95,216***	***60,868***	***4,602***	***2,687***	***1,153***	***17,852***	***7,379***	***375,324***

Of which:
* Not available
** Distributable when tax has been suspended
*** Distributable

Explanatory and additional notes to the financial statements at 30 June 2007

Note	Description
A	**General aspects**
B	**Accounting standards and measurement criteria**
C	**Information on the main asset items**
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
D	**Information on the main liability items**
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
D6	Deferred tax liabilities
D7	Current taxation
E	**Information on the main Income statement items**
E1	Net revenues
E2	Costs for services and use of third party assets
E3	Personnel costs
E4	Depreciation of tangible assets
E5	Other operating income
E6	Other operating costs
E7	Financial income
E8	Financial charges
E9	Taxation
E10	Earnings for the period
F	**Commitments, risks and guarantees**
G	**Net financial position**
H	**Related party dealings**
I	**Dividends paid**
L	**Profit per share**

A – General aspects

Immsi S.p.A. (the Company) is a limited liability company established in Italy under Italian law with registered office in Mantova – p.zza Vilfredo Pareto, 3 and secondary offices in via Abruzzi, 25 – Rome and in via Vivaio, 6 – Milan. The main activities of the Company and its subsidiaries (the Group) are described in the report on operations. At 30 June 2007, Immsi S.p.A. is directly controlled by Omniapartecipazioni S.p.A., a company controlled by Omniaholding S.p.A. through Omniainvest S.p.A.. It is noted that on 23 July 2007 the Shareholders' meeting resolved the merger by incorporation of the companies, planned by the end of September.

Following the coming into force of European regulation n°. 1606 in July 2002, Immsi S.p.A. adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and approved by the European Commission, the updates of those already existing (IAS), as well as the documents of the International Financial Reporting Interpretations Committee (IFRIC) deemed applicable to transactions carried out by the Company.

In terms of structure and content, the financial statements of Immsi S.p.A. have been prepared in accordance with the provisions of IAS 34 and, as regards recognition and measurement criteria, in accordance with the provisions of art. 82 of the Issuers' Regulations by virtue of the implementation of IAS/IFRS standards. The Company did not retain the preparation of segment reporting as envisaged by IAS 14 necessary.
The accounting principles used to prepare the Balance Sheet and the Income Statement of Immsi S.p.A. as at 30 June 2007 are the same as those adopted for the preparation of the annual financial statements as at 31 December 2006.

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 audit limited by Deloitte & Touche S.p.A..

Presentation of the financial statements

The Immsi S.p.A. financial statements consist of the Balance Sheet, the Income statement, the Schedule of changes to shareholders' equity, the Cash Flow Statement and the Explanatory and Additional Notes.
With reference to Consob Resolution n°. 15519 of 17 July 2006, it is pointed out that, among the financial statement schedules, specific income statement and balance sheet schedules have been inserted to show significant intragroup and related party dealings.

As concerns the options established in IAS 1 "Presentation of financial statements", Immsi S.p.A. has opted for the following types of accounting schedules:

- **Balance Sheet:** The balance sheet is presented in sections with separate indication of assets, liabilities and shareholders' equity. Assets and liabilities are shown in the financial statements on the basis of their classification as current and non-current.
- **Income statement:** The income statement is presented with costs classified by their nature. The overall operating earnings recorded 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 intended for disposal or sale, including any capital gains or

losses net of the tax element, are recorded in a specific heading in the financial statements which precedes Group net earnings and Minority interest.

- **Cash flow statement:** The cash flow statement presented is divided into areas generating cash flows, as indicated by international accounting standards. The cash flow statement model adopted by Immsi uses the indirect method.
- **Schedule of changes in shareholders' equity:** The schedule of changes in shareholders' equity is presented, 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 transferred to the income statement, but charged directly to shareholders' equity on the basis of specific IAS/IFRS accounting standards.

B - Accounting standards and measurement criteria

The financial statements are the first to have been prepared in conformity with the International Financial Reporting Standards (IFRS).
The main accounting policies adopted are illustrated below.

Intangible assets

An intangible asset is recognised 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 impairment. Amortisation is equated to their expected useful life and starts when the asset is available for use.
For the software category alone the useful life is estimated in 3 years.

Tangible assets

Tangible assets are recorded at purchase cost inclusive of directly attributable accessory charges. For an asset whose capitalisation is justified, the cost also includes the financial charges which are directly attributable to the acquisition, construction or production of the asset.
The costs incurred following purchase are capitalised only if they increase the future economic benefits inherent in the asset to which they refer. All other costs are recorded in the income statement when they are incurred.
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 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, printers, hardware, EDP	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

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.
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, it is necessary to discount the receivable if the financial effect associated with such deferral is significant.

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 are measured with the amortised cost method, using the effective interest rate.

Financial instruments

This item includes equity investments in non-consolidated companies and others different from equity investments in associated companies and joint ventures, receivables and loans and other financial assets available for sale.
Equity investments in other companies, qualified as financial assets held for sale, are measured at fair value with the effects recognised in shareholders' equity or at cost adjusted for impairment, the effect of which is recognised to the income statement, when the fair value cannot reliably be determined. If, in future years, the reasons for reducing the value no longer apply, then a reversal of the loss in value is carried out up to the amount of the impairment and the effect is recognised to the income statement.

Included among financial assets are current securities (securities available for sale and securities held for trading), 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.
Other current and non-current financial assets are recorded in accordance with IAS 39 "Financial instruments: recognition and measurement".
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 (*held to maturity*), 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 loans and receivables that Immsi S.p.A. does not hold for trading (loans and receivables originated from normal business dealings) and all the financial assets for which no quotes are available in an active market and for which the fair value cannot be reliably determined, are measured, if they have a fixed maturity, using the effective interest rate method, net of any impairment. Financial assets with no 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 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 to employee plans under the "Financial will income/charges" heading.

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.

Revenues and costs

Revenues and costs are recorded in the financial statements on an accrual basis and following the principle of prudence, recognising the related prepayments and accruals. Revenues and costs for services are recognised on an accrual basis according to the time of performance or receipt of the service.
In accordance with IAS 18, 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 offset by the related cost that generated them.

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

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.

Current taxation

Current taxation liabilities are calculated using the tax rates in force at the balance sheet date. Income tax is 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 in shareholders' equity. Other taxation unrelated to income, such as property and wealth tax, is included in operating costs.
Income tax is recognised in the amounts due to the tax authorities net of advances and withholdings.

Deferred taxation

Deferred tax liabilities are calculated on all 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.
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 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.

C - Information on the main asset items

C1	Tangible assets	11,600

The changes in tangible assets are detailed below:

	Property	Land	Plant and machinery	Other assets	Total
Situation at 31.12.06	**3,973**	**6,742**	**146**	**738**	**11,599**
- Capital amount	5,244	6,742	1,304	1,182	14,472
- Accumulated depreciation	(1,271)	0	(1,158)	(444)	(2,873)
Increases for investments	**10**	**0**	**7**	**50**	**67**
Decreases for depreciation	**(93)**	**0**	**(19)**	**(68)**	**(180)**
Other changes	**(5)**	**0**	**149**	**0**	**144**
Decreases for disposals	**0**	**0**	**0**	**(30)**	**(30)**
- (Capital amount)	0	0	0	(228)	(228)
- Accumulated depreciation	0	0	0	198	198
Situation at 30.06.07	**3,885**	**6,742**	**283**	**690**	**11,600**
- Capital amount	5,254	6,742	1,311	1,004	14,311
- Accumulated depreciation	(1,369)	0	(1,028)	(314)	(2,711)

Investments, equal to 67 thousand euros, essentially refer to the purchase of equipment, office machines and furniture.
The item "other changes" includes the adjustment of plant and machinery accumulated depreciation to the relevant estimated useful life.
There is a 92 million euros mortgage on the property in Rome which secures the 46 million euros loan provided by Efibanca.

C2	Equity investments	351,224

Equity investments in subsidiaries are detailed below:

Company name and head office Amounts in euros	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	2,000,000	1,041,000	-72,000	85%	1,184,850	-62,257	2,000,000	1,247,107
Is Molas S.p.A. Pula (Cagliari)	7,510,000	21,857,000	-1,980,000	60%	13,114,200	-4,891,800	7,510,000	18,006,000
Piaggio & C. S.p.A. Pontedera (Pisa)	203,565,000	379,385,000	49,299,000	*55.02%	208,737,627	-75,905,033	396,040,908	284,642,660
RCN Finanziaria S.p.A. Mantova	27,136,000	46,569,000	-617,000	60.81%	28,318,609	-4,682,318	54,271,976	33,000,927
Pietra S.r.l. Milan	40,000	18,374,000	-46,000	77.78%	14,291,297	-35,779	n/a	14,327,076

* percentage of voting rights equal to 55.66%

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, increased by the amount paid for a future increase in share capital in January 2004 for 2 millions euros and net of the 2,453 thousand euros write-down, recognised at end 2006 as a consequence of the extended suspension of the restructuring activities relating to the "*ex Colonia Scarciglia*" building in Santa Maria di Leuca (Lecce) ordered by the legal authorities. This assessment concerns in particular the Province of Lecce's right to ownership of the property and the subsequent handing of the tender won by Apuliae.

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 4,892 thousand euros higher than Immsi's pro-quota shareholders' equity as a result of losses recorded.
This difference is deemed recoverable in the light of the residential and tourism/hotel development completed and presented to the competent authorities for the relevant authorisations.

PIAGGIO & C. S.p.A.

Share capital participation at the end of June 2007 amounted to 284,643 thousand euros, corresponding to 55.02%, unchanged compared to 31 December 2006, and 75,905 thousand euros less compared to shareholders' equity pro-quota. This is the result of the assignment, in October 2006, by the prior investee company Piaggio Holding Netherlands B.V., sold at the end of 2006, of 198,307,659 ordinary shares of Piaggio & C. S.p.A. for a book value of 194,341 thousand euros, the simultaneous transfer of the residual share of Immsi's equity investment in the Dutch company, corresponding to 70,310 thousand euros, to the Piaggio & C. S.p.A. equity investment and included the amount paid in when the capital increase resolved upon by Piaggio & C. S.p.A. in December 2004 related to the acquisition of the Aprilia group was subscribed.
Directors retain that the difference with respect to the above net shareholders' equity pro-quota can be recovered by virtue of sound business performance and the performance of Piaggio shares on the Stock Market.

RCN Finanziaria S.p.A.

The 60.81% equity investment is recognised in the financial statements at the year end for an amount of 33,001 thousand euros, unchanged compared to 2006. The amount recognised for the equity investment is 4,682 thousand euros higher than the pro-quota shareholders' equity (equal to 28,318 thousand euros). As regards the re-launch of the Rodriquez group, this difference is deemed recoverable, as supported by the impairment test carried out at 31 December 2006.

Pietra S.r.l.

At the end of 2006, Immsi S.p.A. acquired a 77.78% equity investment in Rodriquez Pietra Ligure S.r.l. (transformed into Pietra S.r.l. in early 2007), recognised in the financial statements for an amount of 14,327 thousand euros, the amount paid upon the initial underwriting and at the subsequent increases in share capital; last increase was underwritten in January 2007 equal to 10,423 thousand euros.
This company, established in December 2006 by Rodriquez 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 Rodriquez Cantieri Navali S.p.A. itself.
This project aims to convert 44,148 m^2 of the Pietra Ligure shipyard, public land leased for shipbuilding activities.

In relation to the goals of the newly-established company, the 36 thousand euros difference between the book value and the pro-rata shareholders' equity is deemed recoverable.

C3	Other financial assets	95,343

Other non-current financial assets totalling 12,000 thousand euros include the convertible shareholder loan underwritten in RCN Finanziaria S.p.A. falling due in 2008.
Comparted to 31 December 2006, the equity investment in Capitalia S.p.A., equal to approximately 0.43% of the share capital, corresponding to 11,138,789 shares purchased in 2003 at an average price of 1.60 euros per share for an overall amount of 17,835,518 euros, has been reclassified for 79,865 thousand euros, equal to the *fair value* at the end of 2006, from non-current available-for-sale financial assets to current available-for-sale financial assets as a result of the merger by incorporation of Capitalia in Unicredito which is expected to be finalised at the beginning of the last quarter of the current year, subject to obtaining the necessary authorization. This transaction will actually release the shares held by Immsi S.p.A from all obligations, transforming the equity investment into a simple financial investment. The fair value of said shares at the end of June amounted to a total of 82,093 thousand euros;

Included among the other current financial assets is 1,250 thousand euros relating to two short-term loans in favour of Rodriquez Cantieri Navali S.p.A. and RCN Finanziaria S.p.A. of 400 and 850 thousand euros, respectively.

C4	Amounts due from tax authorities	2,494

Current amounts due from tax authorities total 2,494 thousand euros and refer to the advance paid in June 2007 for the income taxes, net of the current taxes payable recorded at the end of the six-month period.

C5	Trade receivables and other receivables	2,959

Trade receivables and other receivables included in the non-current assets total 1,032 thousand euros and refer essentially to interest receivable accrued on the 12 million euros convertible shareholder loan provided to RCN Finanziaria S.p.A..

Included in the current portion are mainly trade receivables due from third parties for rental instalments and condominium expenses for 199 thousand euros due from subsidiaries, in particular Rodriquez Cantieri Navali S.p.A. and Piaggio & C. S.p.A. for about 1,599 thousand euros essentially for services provided by the Parent company, as well as 110 thousand euros of accrued income and prepaid expenses.
Trade receivables are recorded net of a bad debt reserve prudently allocated for 1,108 thousand euros against the uncertain and doubtful recoverability of some receivables that were overdue at the 31 December 2006.

The Company has no receivables due from foreign companies or receivables falling due beyond 5 years.
Finally, as security for rental agreements, Immsi S.p.A. received guarantees for 293 thousand euros and guarantee deposits recorded under other current receivables for 373 thousand euros.

C6	Cash and cash equivalents	6,749

At the year end, this item totals 6,749 thousand euros against 4,444 thousand euros at 31 December 2006.

D - Information on the main liability items

D1	Shareholders' equity	375,325

Share capital

At 30 June 2007, 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 majority shareholder is Omniapartecipazioni S.p.A.. On 23 July, the Shareholders' Meetings of Omniainvest S.p.A. and Omniapartecipazioni S.p.A. resolved on the merger by incorporation of the two companies, planned for the end of September of this year.

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, besides the retained earnings of 19,471 thousand euros mainly generated during 2006, includes the legal reserve comprising provisions approved following the distribution of the profit for 2,687 thousand euros, the tangible asset revaluation reserve set up in accordance with 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 the transition to international accounting standards. This reserve increased compared to 31 December 2006 as a result of measuring at fair value the equity investment in Capitalia S.p.A. which led to the recognition of a further 2,110 thousand euros, equal to the difference between the market value at 30 June 2007 and that at 31 December 2006, net of the related tax effect.
Finally, other reserves includes the 918 thousand euros negative entry relating to expenses incurred by the Company for the increase in share capital, net of the tax component, in accordance with IAS 38.

During the first six month of current year 10,296 thousand euros (0.03 euros per share) of dividends were paid out as resolved by the ordinary Shareholders' Meeting on 9 May 2007.

D2	Financial liabilities	81,552

Non-current financial liabilities exclusively comprise the amount due to Efibanca for the loan of 46 million euros nominal value, provided to Immsi at an average rate at the end of June of 5.4% 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 45,832 thousand euros by effect of measurement at amortised cost, in accordance with international accounting standards.
The loan envisages meeting two financial covenants, calculated on the ratio between net financial liabilities and shareholders' equity and on the ratio between lease instalments and interest on the loan itself, both met to date.
Current financial liabilities include : the 720 thousand euros interest-bearing deposit agreed with Apuliae S.p.A. falling due in 2007 and two short-term loans raised during the first half for 25 million

euros and 10 million euros granted respectively by Banca di Roma and Intesa Sanpaolo. The 25 million euros loan is guaranteed through a lien on 9,000,000 ordinary shares of Piaggio & C. S.p.A., the 10 million euros loan is guaranteed through a lien on the equity investment held in Pietra S.r.l. valued using the conventional method of 3.9 million euros as at January 2007;

D3	Trade payables and other payables	2,092

Current trade payables total 655 thousand euros, and refer to invoices received and not yet paid and to invoices to be received on an accrual basis.
Other current payables mainly includes amounts due to social security institutions for 108 thousand euros, amounts due to employees for 194 thousand euros, amounts due for guarantee deposits received for 373 thousand euros and 383 thousand euros of accrued expenses and deferred income.
The decrease compared to 31 December 2006 is attributable to the payment in June 2007 of IRES equal to 9,279 thousand euros accrued in 2006 and due by Omniapartecipazioni as a result of the 2004-2006 national tax consolidation agreement signed with Immsi S.p.A..
At end of June there were no amounts due to foreign companies or payables falling due beyond 5 years.
Banca Popolare di Mantova provided bank guarantees to secure rental agreements of Immsi S.p.A. for some 34 thousand euros.

D4	Reserves for severance and similar obligations	185

At 30 June 2007 none of the Immsi S.p.A. employees chose to assign their indemnities, as foreseen by the Law Deree D. Lgs. 252/2005, to any other supplementary form of social security managed by the company, therefore liability for employees' severance indemnity fund amounts to 185 thousand euros at end of the six-month period.
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 3.3% for this period, is revalued on the basis of an inflation rate of 1.7%, and a part (the legal portion) is 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 3.25%, then discounted at a rate divided into four five-year periods so as to consider a more reliable evolution in rates for all the years of employment (4.13% from 1 to 5 years, 4.35% from 6 to 10 years, 4.49% from 11 to 15 years and 4.59% for a period beyond 15 years).

D5	Other long-term reserves	120

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.

D6	Deferred tax liabilities	10,864

Deferred tax liabilities at 30 June 2007 total 10,864 thousand euros. The balance is offset by 1,023 thousand euros of deferred tax assets, consistent for due date and nature. The portion falling due within 12 months totals 6,978 thousand euros. Deferred tax liabilities are mainly recognised in relation to gains realised on property disposals over 2003-2005 which were by instalments for tax purposes totalling 7,107 thousand euros and to measurement at fair value of the equity investment in Capitalia with a 3,393 thousand euros counter-entry in shareholders’ equity, net of the tax component, stated under “Deferred tax liabilities”, in accordance with IAS 38.

D7	Current income taxes	230

Current income taxes at end of June are mainly represented by 164 thousand euros of withholdings on income from employment and independent work, as well as payable for VAT for 49 thousand euros. Income taxes recognised in the amounts due to the tax authorities are fully offset by the advances thereto paid in June of the current year and withholdings.

We report that the Company has exercised, jointly with the subsidiaries 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. the option of compliance with the tax system provided for by the articles artt. 117 ss. of the Consolidation Act on Income Taxes, towards investee companies for the corporate years 2007-2009.

E - Information on the main income statement items

E1	Net revenues	2,114

Included in net revenues are about 1,264 thousand euros arising from rental agreements, an increase compared to the 990 thousand euros recorded in the first half of 2006, by virtue of the execution of the process of optimization of the property and rental operations, and 850 thousand euros from service contracts with subsidiaries, decreasing compared to 3,650 thousand euros recorded the previous year as a result of the income from consultancy and assistance activities provided to Piaggio group and oriented to the listing of Piaggio & C. S.p.A. completed at the beginning of July 2006.
In compliance with IAS 18, 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 offset by the related cost that generated them.

E2	Costs for services and use of third party assets	1,798

Costs for services and use of third party assets, net of the costs recharged in accordance with IAS 18, total 1,798 thousand euros.
Costs for services are detailed below:

	1st half year 2007	2006	1st half year 2006
Transport costs	3	16	15
External maintenance and cleaning expenses	118	316	138
Personnel costs	48	76	53
Technical, legal, tax, administrative consultancy, etc.	233	1,997	757
Advertising, promotional activities and materials	10	13	8
Energy, telephone, postal costs, etc.	59	161	104
Insurance	28	49	46
Company boards operating costs	805	1,300	635
Communication and publication costs	6	26	19
Auditing costs and listing rights	66	146	48
Condominium, security and porter costs	44	100	52
Bank charges	73	62	49
Total costs for services	**1,481**	**4,262**	**1,924**

The decrease compared to the first half-year of 2006 is essentially due to the downsizing of property and rental management and to the costs professional services incurred in the previous year for the examination, measurement and management of the extraordinary transactions completed in 2006, such as the purchases of equity investments, the listing of the subsidiary Piaggio & C. S.p.A. and increases in share capital of investee companies.

Costs for use of third party assets totals 317 thousand euros, of which 255 thousand euros for property rental agreements.

E3	Personnel costs	753

Personnel costs recorded at 30 June 2007 refer to 537 thousand euros of salaries, 182 thousand euros of social security payments and 34 thousand euros of provisions for employees' severance indemnity.
Immsi S.p.A. currently has no employee stock option plan.
The average workforce paid at end of June is 18 employees, of which 4 senior managers.

E4	Depreciation of tangible assets	41

Depreciation referred to the first half of 2007 totals 180 thousand euros, a 16 thousand euros decrease compared to the same period of the previous year as a result of the property disposals completed in early 2005. This item includes depreciation of buildings for 93 thousand euros, plant and machinery for 18 thousand euros relating to the property owned in via Abruzzi, 25 – Rome, and finally electronic machines, hardware, vehicles, furniture and fittings for 69 thousand euros.
During the first half-year, the adjustment of accumulated depreciation was necessary for some categories of assets for a total value amounting to 144 thousand euros in order to adjust the amount of each asset to the effective use and physical deterioration of each category the assets refer to.
As regards investments during the half-year, it was deemed appropriate to apply the depreciation rates indicated by category of assets 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.

E5	Other operating income	101

This item, net of income generated from recharged costs in accordance with IAS 18, totals 110 thousand euros at the year end, a decrease compared to the first six months of the previous year as a result of recognition in 2006 of operating income arising from the release of provisions prudently made in 2005 to write down receivables the recovery of which was deemed difficult that were received in 2006 totalling some 538 thousand euros.

E6	Other operating costs	201

Other operating costs include mainly some 124 thousand euros, relating to local property and other taxes, and the balance being sundry operating costs. This item is slightly decreasing compared to the same period of the previous year as a result of bad debt provisions allocated at 30 June 2006.

E7	Financial income	9,402

The item “financial income” is slightly increasing compared to the same period of the previous year mainly as a result of respectively 6,537 thousand euros and 2,450 thousand euros of dividends received by Piaggio & C. S.p.A. and Capitalia S.p.A..
Furthermore, this item includes interest and fees due from subsidiaries for approximately 381 thousand euros, and interests receivable on bank accounts

E8	Financial charges	1,682

Financial charges include 1,561 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 89 thousand euros arising from interests payable on a/c.

E9	Taxes	275

Included in income tax calculated on the basis of applicable rates at 30 June 2007 are 314 thousand euros of negative current taxation, 40 thousand euros of deferred tax liabilities calculated on the lower costs recognised under IAS and the difference for deferred tax assets/pre-paid taxes relating to taxation pertaining to future years generated by costs incurred during the year as well as taxation generated by non-deductible costs recognised in accordance with international accounting standards.

The "Taxes" at the year end has a slight effect on the first half of 2007 earnings as a result of a lower tax burden relating to financial income from dividends received during the half-year, which are the largest component of earnings for the period of the Parent company.

E10	Earnings for the period	7,379

During the first half of 2007, Immsi S.p.A. made a profit of 7,379 thousand euros mainly as a result of dividends paid by Piaggio & C. S.p.A. and Capitalia S.p.A..

F - Commitments, risks and guarantees

At 30 June 2007, Immsi S.p.A. has no operating leases signed.
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.
Banca Popolare di Mantova has issued on behalf of Immsi S.p.A. bank guarantees in favour of third parties amounting to approx. 34 thousand euros in relation to rental payment, while Intesa San Paolo provided Angioina S.r.l. a guarantee of 200 thousand euros relating to the property in via Valtorta – Milan.
Furthermore, 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 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 Rodriquez Cantieri Navali S.p.A.’s obligations to channel payments.
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 25 million euros loan agreement signed at the end of 2005. 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 guaranteed the short-term loan granted by Banca di Roma amounting to 25 million euros through a lien on 9,000,000 ordinary Piaggio shares.
Lastly, Immsi has guaranteed the short-term loan granted by Intesa Sanpaolo amounting to 10 million euros through a lien on the equity investment held at en of January 2007 in Pietra S.r.l. valued at 3,900,000 euro.

G - Net financial position

The net financial debt at 30 June 2007 of Immsi S.p.A. is shown below. Further details on its components may be found in the tables included in the report on operations and the related information attached to them.

(in thousands of euros)	30.06.2007	31.12.2006	30.06.2006
Cash and cash equivalents	-6,749	-4,444	-87,669
Other short-term financial assets	-1,250	-1,100	-1,000
Medium- and long-term financial assets	-12,000	-12,000	-12,000
Short-term financial payables	35,720	4,608	79,354
Medium- and long-term financial payables	45,832	45,814	45,787
Net financial debt	**61,553**	**32,878**	**24,472**

H - Related party dealings

As regards the main business dealings of the Group companies with related parties, reference should be made to the Report on operations as provided above in the financial statement schedules.

I - Dividends paid

Dividends paid by Immsi S.p.A. in the first half of 2007 (relating to the distribution of 2006 profits, in accordance with the shareholder resolution on 9 May 2007) total 0.03 euros per ordinary share equal to 10,296 thousand euros. The Parent company has issued no shares other than ordinary shares.

L – 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 year. No treasury stock is held and no preferred shares were issued during the first half of 2007.
Diluted profit per share corresponds to the basic profit in that there are no potential shares having a diluting effect.
Profit per ordinary share is provided below the schedule of the Income Statement.