IMMSI Group

Share capital 201,664,853.52 euro fully paid up
Registered office: Viale R. Piaggio 25, Pontedera (Pisa)
Pisa Register of Companies and Tax Code 04773200011
Pisa Economic and Administrative Repertory 134077

Quarterly Report
30 September 2006

CONTENTS

Summary

COMPANY BOARDS

Board of Directors[1]	
Chairman	Roberto Colaninno
Deputy Chairman	Matteo Colaninno
Chief Executive Officer	Rocco Sabelli (*)
Directors	Giangiacomo Attolico Trivulzio
	Michele Colaninno
	Franco Debenedetti (3), (4)
	Daniele Discepolo (2), (5)
	Luciano La Noce (3), (4)
	Giorgio Magnoni
	Luca Paravicini Crespi (3), (5)
	Riccardo Varaldo (4), (5)
	(2) Lead Independent Director
	(3) Member of the Appointments Committee
	(4) Member of the Remuneration Committee
	(5) Member of the Internal Control Committee
Board of Statutory Auditors	
Chairman	Giovanni Barbara
Standing auditors	Attilio Francesco Arietti
	Alessandro Lai
Substitute auditors	Mauro Girelli
	Maurizio Maffeis
Supervisory Body	Enrico Ingrillì
	Giovanni Barbara
	Gianclaudio Neri (*)
General Manager	Gianclaudio Neri (*)
Independent auditors	Deloitte & Touche S.p.A.

(*) resigning

[1] Appointed by the ordinary Shareholders' meeting held on 28 August 2006, the Board will serve until approval of the financial statements at 31 December 2008.

PIAGGIO GROUP FINANCIAL HIGHLIGHTS

Amounts in M. €)		1-1/30-9 2006	1-1/30-9 2005	2005 statutory
Income statement (reclassified)				
Net sales		1,285.8	1,164.2	1,451.8
Gross industrial margin		403.4	359.3	438.2
Operating costs		-284.9	-254.9	-343.9
Operating income		118.5	104.4	94.3
Income before tax		97.5	82.5	64.0
Net income		77.6	64.5	38.1
.Minority interest		0.4	0.3	*0.2*
.Group		77.2	64.2	*37.9*
Gross margin as % of net sales	%	31.4	30.9	30.2
Operating income as % of net sales	%	9.2	9.0	6.5
Net income as % of net sales	%	6.0	5.5	2.6
Gross industrial margin=EBITDA (from operations)		**183.5**	**173.8**	**184.8**
Gross industrial margin as % of net sales	%	14.3	14.9	12.7
Balance sheet				
Net working capital		18.1	65.8	44.0
Tangible assets		247.1	256.7	260.1
Intangible assets		632.5	561.8	624.7
Financial assets		6.9	16.6	7.4
Provisions		-168.3	-176.7	-176.3
Net invested capital		**736.3**	**724.3**	**759.9**
Net financial position		295.2	406.5	411.4
Shareholders' equity		441.0	317.8	348.5
Sources of funds		**736.3**	**724.3**	**759.9**
Minority interest		0.7	0.7	0.3
Change in net financial position				
Opening net financial position		**-411.4**	**-521.5**	**-521.5**
Cash Flow from operations (Income +Amortisation)		142.6	133.9	128.6
(Increase)/Decrease in working capital		25.9	47.6	70.2
(Increase)/Decrease in fixed assets		-59.2	-58.2	-136.9
Change in pension provisions and other provisions		-8.0	-10.3	-10.9
Change in shareholders' equity		14.9	2.1	59.2
Total Change		***116.2***	***114.9***	***110.1***
Closing net financial position		**-295.2**	**-406.5**	**-411.4**

KEY FIGURES BY BUSINESS SECTOR AT 30 SEPTEMBER 2006

	2W				LCV	OTHER	TOTAL
	Piaggio Gilera Vespa	DERBI	Aprilia	M. Guzzi			
Volumes sold (no. units)	297.9	29.6	94.0	8.1	117.0		**546.6**
Net sales (1)(M. €)	628.1	56.8	262.4	64.0	263.9	10.5	**1,285.8**
Employees (no.)	3,274	391	1,034	240	2,157	0	**7,096**
Investment							
- Fixed assets (M. €)	11.7	2.8	5.4	1.8	1.8	0.0	**23.5**
- R&D (spending) (M. €)	20.4	3.9	19.5	2.6	2.9	0.0	**49.3**

(1) Includes Parts and Accessories

KEY FIGURES BY GEOGRAPHICAL AREA AT 30 SEPTEMBER 2006

GEOGRAPHICAL AREA	ITALY	EUROPE	NORTH AMERICA	INDIA	OTHER	TOTAL
Volumes sold (no. units)	184.0	226.6	18.4	101.4	16.2	**546.6**
Net sales (1) (M. €)	519.9	513.2	61.4	151.1	40.1	**1,285.8**
Employees (no.)	4,506	693	48	1,812	37	**7,096**
Investment						
- Fixed assets (M. €)	18.3	3.3	0.3	1.6	0.0	**23.5**
- R&D (spending) (M. €)	45.2	3.9	0.0	0.0	0.0	**49.3**

(1) Includes Parts and Accessories

GROUP HIGHLIGHTS IN THE FIRST NINE MONTHS OF 2006

Consolidated net sales grew to 1,285.8 M. € (+10.4% compared to the same period in 2005) of which 326.4 M. € came from the contributions of the Aprilia and Guzzi brands and 959.4 M. € from the Piaggio, Gilera Vespa, Derbi brands and the LCV Business Unit. Net sales of vehicles, parts and accessories for the Piaggio brands grew from 866.5 M. € in the first nine months of 2005 to 948.8 M. € (+9.4%) in the first nine months of 2006, including 36.5 M. € for the supply to the Italian Post Office (*Poste Italiane*), while net sales for the Aprilia and Guzzi brands rose overall from 288.3 M. € in the first nine months of 2005 to 326.4 M. € in the same period of 2006 (+13.2%).

Consolidated EBITDA rose by 5.6% to 183.5 M. €, compared to 173.8 M. € in the first nine months of 2005.

Operating income was 118.5 M. €, compared to 104.4 M. € in the first nine months of 2005 (+13.4%).

In the first nine months of 2006, the Piaggio Group recorded **net income for the period** of 77.6 M. € compared to 64.5 M. € in the same period in 2005 and compared to 38.1 M. € in 2005 as a whole.

Consolidated net debt improved from 411.4 M. € at 31 December 2005 to 295.2 M. € at 30 September 2006, a change of 116.2 M. € and of 111.3 M. € compared to 406.5 M. € recorded in the first nine months of 2005.

SIGNIFICANT EVENTS SUBSEQUENT TO 30 SEPTEMBER 2006

On 25 October 2006, Rocco Sabelli, the Chief Executive Officer of the parent company Piaggio & C. S.p.A., for personal reasons resigned from all the positions he held within the company and at subsidiaries. His resignation will be effective as from 13 November 2006.

In addition, again on 25 October 2006, with effect as from 31 October 2006, Gianclaudio Neri resigned as both General Manager of Piaggio & C. S.p.A., and as director at some subsidiaries of the Piaggio Group, in order to take up other duties within the IMMSI Group.

During the Board of Directors' meeting which has been called for 13 November 2006, it will be proposed to appoint Roberto Colaninno as Chief Executive Officer. He will maintain the role of Chairman.

At the same meeting a new organisational arrangement for the Piaggio Group will be proposed to the Board, as part of which it will be proposed to appoint Daniele Bandiera as General Manager, with responsibility for the areas of planning, production and marketing and Michele Pallottini for administration, finance, control, information systems, legal affairs and purchasing of goods and services.

It will also be proposed to the Board to co-opt Gianclaudio Neri as director.

OUTLOOK: PROSPECTS FOR THE CURRENT YEAR

The results for the third quarter confirm the positive trend already recorded in the first part of the year. The last quarter of the year will see the Piaggio Group still engaged in the presentation and launch of new products, in order to maintain its role as leader in the scooter and motorbike market and, more generally, the role of innovator for its own products which has been a feature of its history over the years.

In the light commercial vehicles sector, the Group will continue to support the expansion of its Indian subsidiary on the domestic market, also through significant new investment.

Directors' Report

FINANCIAL AND BUSINESS PERFORMANCE OF THE PIAGGIO GROUP

Business results of the Piaggio Group in the first nine months of 2006

Net sales

Amounts in M. €	*1/1-30/9/2006*	*1/1-30/9/2005*	*Change*
Two wheels (1)	1,011.3	931.5	79.8
Light commercial vehicles (1)	263.9	221.1	42.8
Other	10.5	11.6	(1.1)
TOTAL NET SALES	**1,285.8**	**1,164.2**	**121.6**

(1) includes Parts and Accessories

Group consolidated net sales in the period 1 January – 30 September 2006 stood at 1,285.8 M. €, up by 10.4% compared to the figure for the same period of 2005.

The increase was due to the improved performance of both the two-wheel business and the light commercial vehicles business. In particular, compared to the same period of 2005, growth was due to the increases in net sales recorded by the Gilera and Vespa brands for 38.8 M. €, Aprilia and Moto Guzzi for 39.0 M. €, the increase in net sales achieved by the Light commercial vehicles BU of 42.8 M. €, as well as the contract to supply the Post Office which the Parent company Piaggio & C. S.p.A. won at the end of 2005 for 36.5 M. €, which jointly offset the fall experienced by the Derbi brand.

The item "Other" mainly includes engine sales.

Gross industrial margin, defined as the difference between "Net sales" and the corresponding "Cost of sales" for the period, was 403.4 M. €, up by 12.3 % compared to the first nine months of 2005 and with a ratio to net sales of 31.4% (30.9% in the same period of 2005).

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

Consolidated EBITDA - defined as "Operating income" gross of amortisation of intangible assets and depreciation of tangible assets as they result from the consolidated income statement – was 183.5 M. €, up by 5.6% compared to 173.8 M. € in the same period in 2005. In percentage terms compared to net sales, EBITDA in the first nine months of 2006 stood at 14.3% compared to 14.9% in the same period of 2005 (-0.6%).

As described in more detail in the explanatory notes to the consolidated financial statements at 30 September 2006, on the basis of CONSOB notice no. DEM/6064293 of 28 July 2006 in relation to the income, balance sheet and financial impact of non-recurring events and operations, it should be noted that operating costs at 30 September 2006 included 9.9 M. € relating to the share of charges which the parent company had incurred for the listing process, while in the same period of 2005 the consolidated financial statements included income of 18.6 M. € for Ministry of the Environment anti-pollution incentives recognised to Piaggio & C. S.p.A. and Aprilia S.p.A. for sales of environmentally friendly vehicles between June 2003 and July 2004 and which both companies had already passed on to the end customers in previous years.

Net of the impact of the IPO operations and the receipt of the anti-pollution incentives which had opposing effects on the first nine months of 2006 and 2005, EBITDA would have been 193.4 M. € at 30 September 2006 and 155.2 M. € at 30 September 2005 (+24.6%), with a ratio to net sales of 15.0% and 13.3% respectively.

Operating costs at 30 September 2006 totalled 284.9 M. €, up by 30.0 M. € compared to 254.9 M. € in the same period of 2005, and consisted of employee costs, costs for services and use of third party assets and operating costs, net of operating income not included in the gross industrial margin. Operating costs also include amortisation 34.4 M. €.

As indicated above, operating costs at 30 September 2006 included 9.9 M. € relating to the share of charges which the parent company had incurred for the listing process, while in the same period of 2005 the consolidated financial statements included income of 18.6 M. € for Ministry of the Environment anti-pollution incentives recognised to Piaggio & C. S.p.A. and Aprilia S.p.A. for sales of environmentally friendly vehicles between June 2003 and July 2004 and which both companies had already passed on to the end customers in previous years.

Given the aforementioned trend in net sales and costs, **operating income** at 30 September 2006 was 118.5 M. €, up by 14.1 M. € compared to 104.4 M. € in the same period of 2005. In the period the slight increase in profitability was also confirmed (measured as operating income in relation to net sales), standing at 9.2%, compared to 9.0% in the same period of 2005. Net of the effects of the IPO operations and the receipts from the anti-pollution incentives which had opposing effects on the respective first nine months of 2006 and 2005, operating income would have been 128.4 M. € at 30 September 2006 and 85.8 M. € at 30 September 2005 (+49.7%).

Financial charges totalled 21.0 M. €, compared to 22.5 M. € in the same period of 2005, of which 11.7 M. € related to the bonded loan issued by the parent company in 2005.

The first nine months of 2006 ended with consolidated **net income** of 77.6 M. €, compared to net income of 64.5 M. € recorded in the same period of 2005, after taking into account tax of 19.9 M. €.

TWO WHEEL BUSINESS

	1/1-30/9/2006		*1/1-30/9/2005*		*Change %*	
	Volumes Sell in (units/ '000)	Net sales (M. €)	Volumes Sell in (units/ '000)	Net sales (M. €)	Volumes	Net sales
Piaggio	188.7	333.7	163.5	311.5	15.4	7.1
Gilera	30.1	59.7	27.6	48.6	9.1	22.8
Vespa	79.1	166.7	70.6	139.0	12.1	19.9
Derbi	29.6	51.0	39.3	69.8	-24.6	-27.0
Aprilia	94.0	234.4	96.1	221.5	-2.2	5.8
M. Guzzi	8.1	58.4	5.3	32.3	54.2	80.7
Parts and Accessories	n.m.	107.4	n.m.	108.8		-1.3
TOTAL	**429.6**	**1,011.3**	**402.3**	**931.5**	**6.8**	**8.6**

The European two-wheel market maintained at 30 September 2006 a positive trend compared to the same period of 2005 (+5%[2]) for overall volumes of around 1.8 million units. There was confirmation of the positive trend in the scooter and motorbike sectors with respective growth rates of +6% (around 1 million units recorded) and +4% (for around 775 thousand units); in particular progress continued in the segments for over 50 cc scooters (+11%), 125 cc motorbikes (+5%) and 126 cc-750 cc motorbikes (+8%); 50 cc scooters were stable at the levels of 2005, while there was another fall in 50 cc motorbikes (-4%).

In the first nine months of 2006 the Piaggio Group, considering the brands managed, Piaggio, Gilera, Vespa, Derbi, Aprilia and Guzzi sold in the two-wheel business a total of 429,600 units (+6.8% compared to the same period of 2005), with net sales of 1,011.3 M. € (+8.6%) including parts and accessories.

Group brands maintained their leadership of the European scooter market with a 32.7% share.

Looking at the individual brands, the first nine months of 2006 saw strong growth for Vespa which totalled sales of more than 79,000 units with 166.7 M. € in net sales (respectively +12.1% and + 19.9% compared to the same period in 2005) thanks to the LX and GTS models which were launched respectively in March and June 2006.

Thanks to the launch of new products, especially the innovative MP3, and the positive contribution from the Post Office order for approximately 24,500 vehicles, volumes of the Piaggio brand grew by 15.4%. Also Gilera ended the first nine months of 2006 up, with more than 30,000 units sold (+9.1%).

As for Derbi, some negative factors led to a sharp fall in turnover and the number of units sold in the first nine months of 2006, including the ending of the collaboration for the distribution of Kawasaki motorbikes on the Spanish market, the ending of the main collaboration with the

[2] Source: Piaggio processing on the basis of figures from the Ministry, manufacturing associations and internal statistics. The shares for the individual brands should be regarded as provisional.

importer for the Austrian market, substituted only as from July, and the generally negative trend in the 50 cc motorbike market in Europe – Derbi's key sub-segment, and in particular the French market, Derbi's main market for this type of vehicle.

As for Aprilia, the results in the first nine months of 2006 derived from a worsening of volumes and net sales in the scooter subsegment, offset by a solid improvement in the motorbike subsegment. While the result for scooters reflects a range which is being renewed and technologically updated, the positive result for motorbikes, albeit with a negative trend in the European 50 cc motorbike market, was due to the good performance in Italy of the new RS 125, the entry into the 126 cc – 750 cc sub-segment, with the new Pegaso 650 Strada and Trail and Tuono 2006 edition and the positive contribution from off-road motorbikes.

In the first nine months of 2006 Moto Guzzi reached a volume of 8,100 motorbikes sold compared to 5,300 motorbikes in the same period of 2005 (+54.2%) and net sales of 58.4 M. € compared to 32.3 M. € in the same period of 2005 (+80.7%).

LCV BUSINESS

	1/1-30/9/2006		*1/1-30/9/2005*		*Change %*	
	Volumes Sell in (units/ '000)	Net sales (M. €)	Volumes Sell in (units/ '000)	Net sales (M. €)	Volumes	Net sales
Ape	108.7	167.8	78.9	125.5	37.8	33.6
of which India	101.4	142.0	72.7	104.6	39.4	35.8
Minivan	5.1	46.7	5.3	47.3	-2.8	-1.3
Quargo	2.8	19.8	2.8	20.0	-2.4	-1.1
Microcars	0.4	3.4	0.7	4.7	-32.8	-28.2
Parts and Accessories (1)	n.m.	26.3	n.m.	23.5	n.m.	12.0
TOTAL	**117.0**	**263.9**	**87.7**	**221.1**	**33.5**	**19.4**

(1) Includes Parts India

In the first nine months of 2006 the European market for light commercial vehicles (vehicles with a gross weight of up to 3.5 tons) saw a recovery, compared to the same period in 2005, of +4% (source : Acea September 2006).

On the domestic Italian market (source: ANFIA deliveries declared by the manufacturers) growth, for the period January-September, stood at +8.5% with 168,301 units recorded in 2006 compared to 155,118 recorded in the first nine months of 2005.

The Indian market, where Piaggio Vehicle Private Limited, a subsidiary of Piaggio & C. S.p.A., successfully operates, continued to show a good growth trend, with growth of 21.2% compared to the first nine months of 2005. During January-September 2006 sales to end-users in the 3-wheel segment reached 303,744 units compared to around 250,500 units recorded in the same period of 2005. Within this market, the sub-segment for passenger vehicles (3 and 6 seaters), reached 177,884 units (+23.5%), while the cargo subsegment saw significant but less sustained growth of

18.2%, reaching 125,860 units. At the end of the first nine months PVPL enjoyed an overall market share of 33% on the Indian market, of which 38% in the Cargo segment and 30% in Passenger segment.

The Light Commercial Vehicles Division (LCV) ended the first nine months of 2006 with 117,041 units sold, up by 33.5% compared to the same period of 2005 and overall net sales of 237.6 M. €, up by 20.2 % compared to 2005 (197.6 M. €). This increase was mainly due to the success of the Indian subsidiary PVPL which rose from 72,730 units to 101,360 in the first nine months of the year (+39.4%). As for the European market there was confirmation of the positive trend which started in 2005. Sales rose from 14,927 to 15,681 (+5.1%) and net sales from January to September totalled 95.6 M. € compared to 93.0 M. € in the same period of 2005.

CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement prepared in accordance with the models envisaged by the international accounting standards (IFRS) is given in the "Consolidated Financial statements and Explanatory notes at 30 September 2006"; the following is a comment relating to the summary statement shown in the Highlights on page 8.

Cash flow generated in the period was 116.2 M. €.

Cash flow from operations, i.e. net income plus amortisation and depreciation, was 142.6 M. €. The positive impact of this cash flow generated by the decrease in working capital from 44.0 M. € at 31 December 2005 to 18.1 M. € at 30 September 2006 (-25.9 M. €) was also obtained thanks to the completion of the implementation of factoring without recourse on the Italian market, which started in December 2005. However, it was partly absorbed by investment activities for 59.2 ML € and by the change in provisions of 8.0 M. €.

This positive performance also benefited, by approximately 13.8 M. €, from the increase in capital arising from the exercise of stock options.

The increase in fixed assets, of 59.2 M. € overall, mainly consisted of 53.0 M. € in investments in tangible and intangible assets, 9.0 M. € arising from the recording of higher goodwill paid on the acquisition of Aprilia for the final derivative for Aprilia 2004-2009 shareholders, issued by Piaggio in 2004, and which the directors considered necessary to include taking account of the forecasts of the existing business plans and the solid performance of the Piaggio shares on the Milan Stock Exchange, net of approximately 3 million in translation differences.

BALANCE SHEET OF THE PIAGGIO GROUP AT 30 SEPTEMBER 2006

Working capital – defined as the net total of: trade receivables and other current and non-current receivables, inventories, trade payables and other long-term payables and current trade payables, other receivables (short and long-term receivables due from tax authorities, deferred tax assets) and other payables (payables due to tax authorities and other short-term payables) – stood at 18.1 M. €, down compared to the values at 31 December 2005 (25.9 M. € the net fall), and above all the sharp reduction compared to the same period in 2005 (47.7 M. € the difference recorded).

Tangible assets consist of property, machinery and industrial equipment, net of accumulated depreciation, and assets destined for sale, as set out in more detail in the Explanatory notes to the consolidated financial statements at notes no. 16 and 26. At 30 September 2006 these totalled 247.1 M. € overall, down by 13.0 M. € compared to 31 December 2005 and 9.6 M. € compared to the same period of 2005.

Intangible assets consist of capitalised research and development costs and the goodwill arising from the merger and acquisitions operations undertaken within the Group since 2000 onwards as set out in more detail in the Explanatory notes to the consolidated financial statements at note no. 15. At 30 September 2006 these totalled 632.5 M. € overall, up by 7.8 M. € compared to 31 December 2005, largely due to the recording of the higher value of the goodwill paid for the Aprilia 2004-2009 shareholders derivative, taking account of the forecasts of the existing business plans and the solid performance of the Piaggio shares on the Milan Stock Exchange, and with a net increase of 70.7 M. € compared to 30.09.05, largely due to the recording of the higher value arising from the recording of the 2004-2009 warrants issued by Piaggio & C. S.p.A. for the acquisition of Aprilia S.p.A., of 73.1 M. €.

Financial assets, defined by the directors as the total of equity investments, other non-current financial assets and the share of the guarantee deposits shown under other current financial assets (see the Explanatory notes no. 18, 19 and 25), totalled 6.9 M. € overall, slightly up (0.5 M. €) compared to 31 December 2005 and down by 9.7 M. € compared to the same period of 2005.

Provisions consist of the pension and employee benefits provisions (Note no. 33), other long-term provisions (Note no. 31), the current share of other long-term provisions (Note no. 31), deferred tax liabilities (Note no. 32), and totalled 168.3 M. € overall, slightly down compared to 31 December 2005 (-8.0 M. €) and compared to the same period of 2005 (-8.4 M. €).

Consolidated Net debt at 30 September 2006 stood at 295.2 M. €, compared to 411.4 M. € at 31 December 2005 and compared to 406.5 M. € in the same period of 2005. The fall of 116.2 M. € compared to 31 December 2005 was mainly due to the positive trend in cash flow from operations, which was partly helped also by the seasonal nature of the two-wheel business, to which may be added the positive impact from the increase of capital arising from the exercise of stock options.

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

Amounts in M. €	*30 September 2006*	*31 December 2005*
Medium/long-term financial payables	235.8	231.5
Bonded loan	144.2	144.0
Short-term financial payables	22.9	88.5
(Financial assets)	(57.7)	(9.8)
(Cash and cash equivalents)	(50.0)	(42.8)
Total	295.2	411.4

Shareholders' equity at 30 September 2006 totalled 441.0 M. €, compared to 348.5 M. € at 31 December 2005. Following the exercise 13,148,889 options by the beneficiaries of the stock option plan implemented on 15 May 2006 and carried out on 11 and 12 July 2006, the share capital and share premium reserve rose by 6.8 M. € and 7.0 M. € respectively.

EMPLOYEES

Group **employees** at 30 September 2006 totalled 7,096 units compared to 6,353 units at 31 December 2005.

The development of the workforce is in line with the seasonal cycle of manufacturing for which use was made of employees on fixed-term contracts.

	Average number		*Number at*	
Level	*01.01-30.09.2006*	*01.01-30.09.2005*	*30Sept-06*	*31-Dec-05*
Directors	115	112	117	115
Senior managers/employees	2,140	2,111	2,180	2,111
Technical staff and workers	4,764	4,515	4,799	4,127
Total	**7,019**	**6,738**	**7,096**	**6,353**

DEALINGS WITH RELATED PARTIES

Net sales, costs, payables and receivables at 30 September 2006 with regard to parent companies, subsidiaries and associated companies relate to the sale of goods or services and derive from transactions carried out at normal market values.

The table which follows completes the information regarding dealings with associated companies, parent companies and other related parties which do not form part of the consolidation of the Piaggio Group.

Main income statement or balance sheet entries

	Regarding:			**Nature of the dealings**
€/1000	Associated companies	Parent companies	Other related parties	
Net sales and services	1,708.3	20.0		Net sales of vehicles and parts and/or recovery of other costs
Consumption of raw materials and services	20,943.1	3,616.0	525.0	Acquisition of parts from associated companies, acquisition of services from parent companies
Positive (negative) balance on other financial income/charges		(70.3)		Commissions on Piaggio Holding BV guarantee
Financial receivables under current assets	123.4			Receivables due from Fondazione Piaggio
Financial payables		54.5		Payables due to Piaggio Holding B.V.
Trade receivables and other receivables	4,983.8	17.0		Receivables arising from sales transactions for vehicles, parts and/or recovery of other costs
Trade payables and other	4,843.8	77.3	525.0	Payables arising from the purchase of parts and/or vehicles and services

Piaggio Group

Consolidated financial statements and Explanatory notes at 30 September 2006

INCOME STATEMENT

In thousands of euro	Notes	1/1-30/9/2006	1/1-30/9/2005	Change
Net sales	4	**1,285,772**	**1,164,196**	**121,576**
Costs for materials	5	740,582	661,905	78,677
Costs for services and use of third party assets	6	252,155	234,141	18,014
Employee costs	7	180,269	171,658	8,611
Depreciation of tangible assets	8	29,782	32,857	(3,075)
Amortisation of intangible assets	8	35,218	36,538	(1,320)
Other operating income	9	91,381	107,627	(16,246)
Other operating costs	10	20,669	30,323	(9,654)
Operating income		**118,478**	**104,401**	**14,077**
Income from equity investments		(3)	549	(552)
Financial income	11	8,529	11,541	(3,012)
Financial charges	11	(29,520)	(34,011)	4,491
Income before tax		**97,484**	**82,480**	**15,004**
Tax for the period	12	19,865	18,746	1,119
Income from functioning assets		**77,619**	**63,734**	**13,885**
Assets destined for disposal:				
Profit or loss from assets destined for disposal	13	**0**	**724**	**(724)**
Consolidated net income		**77,619**	**64,458**	**13,161**
Attributable to:				
Parent company shareholders		**77,172**	**64,156**	**13,016**
Minority shareholders		**447**	**302**	**145**
Profit per share (figures in €)	14	**0.21**	**0.17**	**0.04**
Diluted profit per share (figures in €)	14	**0.19**	**-**	**-**

BALANCE SHEET

In thousands of euro	Notes	At 30 September 2006	At 31 December 2005	Change
ASSETS				
Non-current assets				
Intangible assets	15	632,526	624,746	7,780
Property, plant and machinery	16	246,417	259,591	(13,174)
Property investment	17	0	506	(506)
Equity investments	18	767	650	117
Other financial assets	19	5,138	10,354	(5,216)
Receivables due from tax authorities (long-term)	20	7,224	7,156	68
Deferred tax assets	21	39,112	35,135	3,977
Trade receivables and other receivables	22	2,000	7,140	(5,140)
Total non-current assets		**933,184**	**945,278**	**(12,094)**
Assets destined for sale	27	**646**	**55**	**591**
Current assets				
Trade receivables and other receivables	23	242,833	176,772	66,061
Receivables due from tax authorities (short-term)	20	22,124	12,440	9,684
Inventories	24	251,171	192,029	59,142
Other financial assets	25	58,652	137	58,515
Cash and cash equivalents	26	50,040	42,770	7,270
Total current assets		**624,820**	**424,148**	**200,672**
TOTAL ASSETS		**1,558,650**	**1,369,481**	**189,169**

In thousands of euro	Notes	At 30 September 2006	At 31 December 2005	Change
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Capital & reserves attrib. to parent company shareholders	28	440,342	348,213	92,129
Capital & reserves attrib. to minority shareholders	28	693	254	439
Total shareholders' equity		**441,035**	**348,467**	**92,568**
Non-current liabilities				
Financial liabilities due after 12 months	29	380,016	375,596	4,420
Trade payables and other payables (long-term)	30	13,998	13,403	595
Provisions for pensions and employee benefits	33	81,380	77,068	4,312
Other long-term provisions	31	34,928	44,552	(9,624)
Deferred tax liabilities	32	33,968	35,002	(1,034)
Total non-current liabilities		**544,290**	**545,621**	**(1,331)**
Current liabilities				
Financial liabilities due within 12 months	29	22,948	88,488	(65,540)
Trade payables	30	436,036	296,616	139,420
Tax payables	34	31,076	14,348	16,728
Other short-term payables	35	65,223	56,237	8,986
Current share of other long-term provisions	31	18,042	19,704	(1,662)
Total current liabilities		**573,325**	**475,393**	**97,932**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,558,650**	**1,369,481**	**189,169**

CASH FLOW STATEMENT

In thousands of euro	1/1 – 30/9/ 2006	1/1 – 30/9/ 2005
Operative assets		
Consolidated net income	77,172	64,156
Minority interest	447	302
Tax for the period	19,865	18,746
Depreciation of property, plant and machinery	29,782	32,857
Amortisation of intangible assets	35,218	36,538
Non-monetary costs for stock options	2,561	724
Allocation to provisions for risks and provisions for pensions and employee benefits	21,179	19,127
Writedowns / (Revaluations)	1,972	6,673
Capital loss / (gain) on disposal of property, plant and machinery	(448)	(908)
Capital loss / (gain) for assessments at fair value of financial assets	(43)	(99)
Financial income	(8,529)	(11,541)
Financial charges	29,520	34,011
Income from public contributions	0	(19,196)
Change in current assets:		
(Increase)/Decrease in trade receivables	(59,305)	(48,791)
(Increase)/Decrease in other receivables	(3,620)	26,766
(Increase)/Decrease in inventories	(59,142)	(11,870)
Increase/(Decrease) in trade payables	138,299	62,101
Increase/(Decrease) in other payables	10,702	16,964
Increase/(Decrease) in current share of provisions for risks	(1,662)	(16,757)
Increase/(Decrease) in non-current share of provisions for risks	(21,993)	2,682
Increase/(Decrease) in provisions for risks and provisions for pensions and employee benefits	(4,498)	(6,825)
Other changes	(13,288)	(7,821)
Liquid funds generated by operations	***194,189***	***197,839***
Interest paid	(22,567)	(25,848)
Tax paid	(13,999)	(14,385)
Cash flow from operative assets (A)	***157,623***	***157,606***
Investments		
Investment in property, plant and machinery	(19,913)	(48,867)
Sale price, or redemption value, of property, plant and machinery	946	4,299
Investment in intangible assets	(33,076)	(22,321)
Sale price, or redemption value, of intangible assets	170	48
Sale price of equity investments	(74)	1,049
Loans supplied	0	159
Repayment of loans supplied	9,790	49
Purchase of financial assets	(57,677)	0
Interest received	5,794	7,848
Income from public contributions	0	19,196
Cash flow from investments (B)	***(94,040)***	***(38,540)***
Financing		
Increase in capital from Group shareholders	13,855	0
Loans received	0	146,776
Outlay for repayment of loans	(60,056)	(193,522)
Loans received with leasing	0	12,445
Repayment of financial leasing	(689)	(65)
Outlay for dividends paid to minority shareholders	0	(313)
Cash flow from financing (C)	***(46,890)***	***(34,679)***
Increase / (Decrease) in liquid funds (A + B + C)	***16,693***	***84,387***
Opening balance	***30,655***	***(24,449)***
Translation difference	494	(2,225)
Closing balance	***47,842***	***57,713***

This model shows the factors behind changes in cash and cash equivalents, net of short-term bank overdrafts, as required by IAS no. 7.

It should be noted that, for the purposes of comparison, the opening balance of liquid funds at 1 January 2005 has been reclassified since it included the so-called “hot money” financing of the parent company, which in the financial statements for 2004 had been considered as an integral part of cash operations, while subsequently it has been treated, as required by the accounting standard in question, as a financial asset.

The following table sets out the breakdown of the balance of cash and cash equivalents at 30 September 2006 and 30 September 2005.

In thousands of euro	At 30 September 2006	At 30 September 2005
Cash and cash equivalents	50,040	63,995
Current account overdrafts	(2,198)	(6,282)
Closing balance	**47,842**	***57,713***

NET FINANCIAL POSITION

In thousands of euro	Note	At 30 September 2006	At 31 December 2005	Change
Medium/long-term financial payables:				
Medium/long-term bank loans	29	185,269	187,804	(2,535)
Payables for leasing	29	10,665	11,385	(720)
Payables due to other lenders	29	21,472	23,211	(1,739)
Derivatives for Aprilia acquisition	29	18,339	9,190	9,149
Payables due to parent companies	29	55	55	0
Total		*235,800*	*231,645*	*4,155*
Bonded loan	29	144.216	143,951	265
Short-term financial payables:				
Current account overdrafts	29	2,198	12,115	(9,917)
Current account payables	29	1,651	31,532	(29,881)
Payables due to factoring companies	29	7,376	32,502	(25,126)
Bank loans	29	5,351	6,172	(821)
Payables for leasing	29	934	903	31
Payables due to other lenders	29	5,438	5,264	174
Payables due to parent companies	29		0	0
Total		*22,948*	*88,488*	*(65,540)*
Other current financial assets				
Financial receivables due from third parties	25		(9,804)	9,804
Financial receivables due from associated companies	25	(30)	(123)	93
Securities	25	(57,677)		(57,677)
Total		*(57,707)*	*(9,927)*	*(47,780)*
Cash and cash equivalents	26	(50.040)	(42,770)	(7,270)
Total net financial position		**295.217**	**411,387**	**(116,170)**

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

In thousands of euro	
Increase / decrease in cash and cash equivalents from the cash flow statement	**16,693**
Outlay for repayment of loans	60,056
Repayment of financial leasing	689
Acquisition of financial assets	57,677
Loans supplied	(9,790)
Translation differences	(494)
Effect of discounting EMH derivative not included in the IAS summary since not creating a monetary change	(174)
Effect of discounting APRILIA SHAREHOLDERS derivative not included in the IAS summary since not creating a monetary change	(8,975)
Non-monetary change in financial receivables and payables (Value included in other changes to operative assets in cash flow statement)	488
Change in net financial position	**116,170**

CHANGES IN SHAREHOLDERS’ EQUITY 31 December 2005 / 30 September 2006

In thousands of euro	Share capital	Share premium reserve	Legal reserve	Reserve for assessment of derivatives	Reserve for IAS transition	Reserve for Group consolidation	Reserve for Group conversion	Reserve for stock options	Profit (loss) in previous years	Net income for the period	***Consolidated Group shareholders’ equity***	***Minority interest - capital and reserves***	**TOTAL SHAREHOLDERS’ EQUITY**
At 1 January 2006	194,827	24,500	723	56,898	(4,113)	993	1,532	2,266	32,704	37,883	348,213	254	348,467
Exercise of stock options	6,838	7,017						(4,827)	4,827		13,855		13,855
Translation of financial statements into currency							(2,674)				(2,674)	(8)	(2,682)
Change to IAS reserves				1,215				2,561			3,776		3,776
Allocation of profit									37,883	(37,883)	0		0
Net income for the period										77,172	77,172	447	77,619
At 30 September 2006	201,665	31,517	723	58,113	(4,113)	993	(1,142)	0	75,414	77,172	440,342	693	441,035

CHANGES IN SHAREHOLDERS' EQUITY 31 December 2004 / 30 September 2005

In thousands of euro	Share capital	Share premium reserve	Legal reserve	Reserve for IAS transition	Reserve for Group consolidation	Reserve for Group conversion	Reserve for stock options	Profit (loss) in previous years	Net income for the period	***Consolidated Group shareholders' equity***	***Minority interest - capital and reserves***	**TOTAL SHAREHOLDERS' EQUITY**
At 1 January 2005	194,827	24,500	671	(4,113)	993	308	966	6,724	26,032	250,908	326	251,234
Translation of financial statements into currency						1,204				1,204	92	1,296
Change in IAS reserves							724			724		724
Allocation of profit								26,032	(26,032)	0		0
Other changes			52							52		52
Net income for the period									64,155	64,155	302	64,457
At 30 September 2005	194,827	24,500	723	(4,113)	993	1,512	1,690	32,756	64,155	317,043	720	317,763

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2006

Chapter	Note no°	DESCRIPTION
A		*GENERAL ASPECTS*
	1	Conformity to international accounting standards
	2	Consolidation area
	3	New accounting standards
B		*INFORMATION BY SECTOR*
C		*INFORMATION ON THE CONSOLIDATED INCOME STATEMENT*
	4	Net sales
	5	Costs for materials
	6	Costs for services and use of third party assets
	7	Employee costs
	8	Amortisation and impairment costs
	9	Other operating income
	10	Other operating costs
	11	Net financial income (charges)
	12	Tax
	13	Profit / (loss) from assets destined for disposal or disuse
	14	Profit per share
D		*INFORMATION ON THE CONSOLIDATED BALANCE SHEET:*
D1		*ASSETS*
	15	Intangible assets
	16	Property, plant and machinery
	17	Property investments
	18	Equity investments
	19	Other non-current financial assets
	20	Current and non-current receivables due from Tax authorities
	21	Deferred tax assets
	22	Non-current trade receivables and other receivables
	23	Current trade receivables and other receivables
	24	Inventories
	25	Other current financial assets
	26	Cash and cash equivalents
	27	Assets destined for sale

A) GENERAL ASPECTS

The quarterly report and consolidated financial statements have been prepared in accordance with the provisions of CONSOB regulation no. 11971 of 14 May 1999, as modified by CONSOB resolution no. 14990 of 14 April 2005.
The financial statements are expressed in euro (€) since that is the currency in which most of the Group's transactions take place. The foreign businesses are included in the consolidated financial statements in accordance with the principles indicated in the following notes.

ACCOUNTING STANDARDS

1. Conformity to international accounting standards

Following the coming into force of European Regulation no. 1606 of July 2002, starting with the financial statements for the first half of 2005, the Piaggio Group adopted the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board (IASB), as approved by the European Commission. "IFRS" also covers the International Accounting Standards (IAS) which are still in force, as well as the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC").
This quarterly report is, therefore, prepared on the basis of IAS 34 – *interim financial reporting*.
The international accounting standards have also been applied in the same way for all the Group companies.
The accounting schedules of the subsidiaries, used for the consolidation, have been duly modified 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.

The preparation of the interim financial statements requires on the part of the management the making of estimates and assumptions which have an impact on the values of net sales, costs, balance sheet assets and liabilities and on the information regarding potential assets and liabilities at the date of the interim financial statements. If in the future these estimates and assumptions made by management, should differ from the actual situation, they will be changed as appropriate in the year in which the circumstances change.

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

The Group undertakes business, above all in relation to the two-wheel sector, which presents significant seasonal variations in sales throughout the year.

Tax is recognised on the basis of the best estimate of the expected weighted average rate for the whole period.

2. Consolidation area

The changes in the consolidation area which occurred in the first nine months of 2006 compared to the consolidated financial statements at 31 December 2005 arose from the conclusion of the liquidation procedures for Aprilia Finance Ltd, Aprilia Leasing S.p.A, Motocross Company S.r.l. and Aprilia Research & Development S.A., started in previous years, and overall were not significant in terms of the comparability of the figures for the two periods in question.
With regard to the income statement values, compared to 30 September 2005 the consolidation area changed also owing to the impact of the disposal of Moto Sport S.A. which occurred in the first half of 2005. This limited change does not alter the comparability of the economic results between the two periods.

3. New accounting standards

No accounting standards or interpretations with effect from 1 January 2006 have been issued which have had a significant impact on the Group's financial statements.

OTHER INFORMATION

Please note that in the specific paragraph of this report is given information on significant events after the end of the quarter and on the probable outlook.

B) INFORMATION BY SECTOR

Primary sector: light wheeled transport market

The Piaggio Group is one of the world leaders in the sector of "light wheeled transport", a sector which the Group has helped to define with the introduction in the 40s of the "Vespa" and "Ape" models. This sector is related to two, three and four wheel vehicles for private or professional use which allow the user to enjoy greater mobility, by virtue of their safety, manoeuvrability and low environmental impact features.
The vehicles produced are marketed worldwide under the brands: Piaggio, Aprilia, Moto Guzzi, Gilera, Derbi, Vespa and Scarabeo.
The marketing of the products occurs through dealers, for the two, three and four-wheel vehicles.
Within the light transport sector, the Piaggio Group operates on the basis of policies which are common to all the companies/products: by establishing specific management policies so as to reflect the hunt for a common identity within which to direct the global strategies.

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

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

The means of procuring supplies are implemented worldwide on the same basis. In light of this the Group operates by seeking to take advantage of benefits from synergy arising mainly from: shared parts across several vehicles and shared suppliers for several Group companies.

Cash management is handled centrally by the Parent company in such a way as to concentrate the financial resources needed to be able to implement investments aimed at generating benefits for all the parts of the Group, by monitoring breakeven times.

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

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

These synergies arise from the concentration of technical, industrial and other central activities which are coordinated by the Corporate Divisions thus guaranteeing the dissemination and integration of specific functional skills.

In the light of the considerations above it may be considered that the activities of the Piaggio Group and the related strategies, as also the underpinning activities linked to Managerial control, have been established in the single sector of “light wheeled transport”.

C) CONTENTS AND MAIN CHANGES – INCOME STATEMENT

4. Net sales

Net sales are shown net of premiums recognised to customers (dealers).
This heading does not include transport costs which are recharged to customers (€/000 32,107) and advertising cost recoveries invoiced (€/000 5,766), which are shown under other income from operations.
The net sales for disposals of assets involving the core business of the Group essentially refers to the marketing of vehicles and parts on European and non-European markets.

Net sales by business sector

The division of net sales by business sector is shown in the following table:

In thousands of euro	*1/1-30/9/2006*		*1/1-30/9/2005*		*Changes*	
	amount	*%*	*Amount*	*%*	*amount*	*%*
2 wheel	903,906	70.30	822,694	70.67	81,212	9.87
LCV	237,630	18.48	197,610	16.97	40,020	20.25
Other	144,236	11.22	143,892	12.36	344	0.24
TOTAL	*1,285,772*	*100.00*	*1,164,196*	*100.00*	*121,576*	*10.44*

Net sales by geographical area

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

In thousands of euro	*1/1-30/9/2006*		*1/1-30/9/2005*		*Changes*	
	amount	*%*	*Amount*	*%*	*amount*	*%*
Italy	519,922	40.44	488,900	41.99	31,022	6.35
Europe	513,220	39.91	490,900	42.17	22,320	4.55
India	151,100	11.75	112,100	9.63	39,000	34.79
North America	61,433	4.78	38,400	3.30	23,033	59.98
Rest of the world	40,097	3.12	33,896	2.91	6,201	18.29
TOTAL	*1,285,772*	*100.00*	*1,164,196*	*100.00*	*121,576*	*10.44*

In the first nine months of 2006 net sales saw an increase of €/000 121,576.

The increase was mainly due to the rise in sales achieved on the North American and Indian markets, as well as approximately €/000 36,500 for the order for motorised vehicles from Poste Italiane.

5. Costs for materials

In the first nine months of 2006 costs for materials rose by €/000 78,677 from €/000 661,905 to €/000 740,582. At 30 September 2006 the costs for purchases of raw materials, parts and finished products totalled €/000 801,971 and were partly offset by an increase in inventories of €/000 61,389.

6. Costs for services and use of third party assets

In the first nine months of 2006 costs for services and use of third party assets rose by €/000 18,014 from €/000 234,141 to €/000 252,155. Costs for services included in the first nine months of 2006 non-recurring charges related to the stock market listing of €/000 9,936.

7. Employee costs

In the first nine months of 2006 employee costs rose in absolute terms by €/000 8,611 compared to the figures recorded in the same period of 2005 (+ 5.0%). The increase was largely due to the rise of 281 units recorded in the average workforce. In fact in the first nine months of 2006 the average unit cost remained practically unchanged compared to the values for the prior-year period.

On the basis of the requirements of the International Accounting Standards (IAS 19) the company has discounted the value of the payable for employee severance. The main parameters used are the following:

Inflation rate		1.60%		
	years 1 > 5	*years 6 > 10*	*years 11 > 15*	*years > 15*
Discount rate	3.05%	3.42%	3.70%	3.92%
Revaluation rate for accrued emp. indemnity		1.87%		
Rate of emp. indemnity		7.40%		
Annual salary increase rate		3.1%		

The overall impact at 30 September 2006 of such discounting was an increase in liabilities of €/000 3,453 with an impact on the income statement owing to lower interest of €/000 325, mainly due to the increase in the discounting rate in light of the increase in the cost of borrowing.

Here below is an analysis of the average breakdown of the workforce:

	Average size		
Role	*First 9 months 2006*	*First 9 months 2005*	*Change*
Directors	115	112	3
Senior managers/employees	2,140	2,111	29
Technical staff and workers	4,764	4,515	249
Total	*7,019*	*6,738*	*281*

	Size at		
Role	*30 September 2006*	*31 December 2005*	*Change*
Directors	117	115	2
Senior managers/employees	2,180	2,111	69
Technical staff and workers	4,799	4,127	672
Total	*7,096*	*6,353*	*743*

8. Amortisation and impairment costs

As from 1 January 2004 goodwill is no longer amortised, but is subjected annually to an impairment test.

The impairment test carried out at 31 December 2005 confirmed the full recoverability of the values expressed in the financial statements.

In the first nine months of 2006 amortisation costs fell by €/000 4,395 from €/000 69,395 to €/000 65,000. Amortisation of the item “Concessions, licences, trademarks and similar rights” includes the amortisation of the Aprilia brand for €/000 4,490 and of the Guzzi brand for €/000 1,638.

9. Other operating income

In the first nine months of 2006 other operating income fell by €/000 16,246 from €/000 107,627 to €/000 91,381. This fall was due to the presence in the first nine months of 2005 of non-recurring sales from anti-pollution incentives for €/000 18,624. These contributions were supplied by the Ministry of the Environment in June 2005 in conformity with the program agreement signed on 12.2.2002 and the supplementary document signed on 18 April 2005, relating to sales of environmentally friendly vehicles completed from June 2003 to July 2004.

10. Other operating costs

Overall in the first nine months of 2006 other operating costs improved by €/000 9,654. This change was mainly due to the presence in the statements for the same period of 2005 of non-recurring charges connected to the writedown of some asset entries.

11. Net financial income (charges)

The balance of financial income (charges) in the first nine months of 2006 was a loss of €/000 20,991, an improvement compared to €/000 22,470 in the prior-year period. The improvement of €/000 1,479 compared to the aforementioned period mainly arose from the decrease in net debt which was largely offset by the higher charges arising from higher interest rates and the greater nominal amount of the bonded loan called "Eur 150 million 10% Senior Notes due 2012" issued by the subsidiary Piaggio Finance S.A. on 27 April 2005 compared to that of 100 million euro issued by Aprilia in 2002 and repaid on 2 May 2005, as well as by the increase in short-term interest rates in euros on which the variable rate loans are indexed.

12. Tax

Tax for the first nine months of 2006 was estimated at €/000 19,865, with a ratio to income before tax of 20.4%. In the same period of 2005 tax was €/000 18,746 with a ratio to income before tax of 22.7%. The difference compared to the theoretical tax rate is related to the use of previous losses made by some Group companies.

13. Profit / (Loss) from assets destined for disposal or disuse

At the end of this interim reporting period there were no profits or losses from assets destined for disposal or disuse.

14. Profit per share

The calculation of profit per share is based on the following figures:

		1/1-30/9/2006	*1/1-30/9/2005*
Net income	€/000	77,619	64,458
Income attributable to ordinary shares	€/000	77,619	64,458
Number of ordinary shares in circulation at 1/1		374,668,137	374,668,137
Number of shares issued in period		13,148,889	-
Average number of ordinary shares in circulation in period		378,569,456	374,668,137
Profit per ordinary share	€	0.21	0.17
Adjusted average number of ordinary shares		414,456,503	
Diluted profit per ordinary share	€	0.19	

In calculating the diluted profit per share account is taken of the potential effects arising from the stock option plans and from the assessment of the financial instruments associated with the acquisition of Aprilia.

D) CONTENTS AND MAIN CHANGES – CONSOLIDATED BALANCE SHEET - ASSETS

15. Intangible assets €/.000 632,526

The following table sets out the breakdown of intangible assets at 30 September 2006 and at 31 December 2005, as well as the movements during the period.

in thousands of euro	*Value at 31 December 2005*	*Increases*	*Accumulated amortisation*	*Disposals*	*Reclassifications*	*Translation differences*	*Value at 30 September 2006*
Development costs	71,732	29,443	(25,106)	(164)	(605)	(115)	75,185
Patent rights	8,579	3,593	(3,763)	(5)	(41)		8,363
Concessions, licences and trademarks	114,788		(6,298)		93		108,583
Goodwill	429,390	10,904					440,294
Other	257	40	(51)	(1)	(131)	(13)	101
Total	*624,746*	*43,980*	*(35,218)*	*(170)*	*(684)*	*(128)*	*632,526*

The increases in the period under the items development costs and patent rights were mainly due to the capitalisation of development costs for new products and engines, as well as the acquisition of software. The increase shown under the item goodwill is connected to the creation of value from the "Aprilia Shareholders" derivative issued during the acquisition of Aprilia. Reclassifications refers largely to the accounting transfer made by some minor Group companies of improvements to third party assets to the specific categories under tangible assets (€/000 684).

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

- Piaggio 2004/2009 Warrants for an overall issue price of €/000 5,350.5 which envisage a sale price that can never exceed the overall issue price by more than twelve times. Therefore the maximum commitment on maturity can never exceed €/000 64,206;
- EMH 2004/2009 derivatives for a global nominal value of €/000 10,000, which will give the right to a forward payment of a minimum guaranteed sum of €/000 3,500, as well as a maximum sale value that can never exceed €/000 6,500;
- Aprilia shareholder 2004/2009 derivatives which envisage a sale value that can never exceed €/000 10,000.

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 from the Business Plan 2006-2008, as well as the good performance of the Piaggio share on the Stock Market, the adjustment

to the initial purchase price, which was considered likely for all the derivatives, has been estimated at €/000 73,060 and has been charged to goodwill.
Since the payment is deferred the cost is represented by the current value of the same determined in accordance with the following parameters:

		at 30 September 2006			at 31 December 2005	Change (A-B)
Values in €/000	Amount	Current value (A)	Time	Discount rate	Current value (B)	
Warrant	64,206	58,221	1.58	6.38%	56,465	1,756
EMH derivative	6,500	5,864	1.67	6.38%	5,690	174
Aprilia shareholders derivative	10,000	8,975	1.75	6.38%		8,975
Total	80,706	73,060			62,155	10,905

The counter entry for the adjustment to the purchase cost, taking account of the peculiar nature of the underlying derivatives, has been recorded for €/000 58,221, in the Derivatives fair value reserve and for €/000 14,839 to medium and long-term financial payables.

16. Property, plant and machinery €/.000 246,417

The following table shows the breakdown of tangible assets at 30 September 2006 and at 31 December 2005, as well as changes in the period.

in thousands of euro	*Value at 31 December 2005*	*Increases*	*Accumulated depreciation*	*Disposals*	*Reclassifications*	*Translation differences*	*Value at 30 September 2006*
Land and buildings	124,356	1,588	(2,719)		266	(1,019)	122,472
Plant and machinery	72,444	3,947	(9,680)	(71)	(7)	(1,914)	64,719
Equipment	53,761	12,419	(15,281)	(30)	(156)	(5)	50,708
Other	9,030	1,959	(2,102)	(397)	138	(110)	8,518
Total	*259,591*	*19,913*	*(29,782)*	*(498)*	*241*	*(3,048)*	*246,417*

The main increases related to moulds for the new vehicles launched in the period, the restructuring of assembly lines at the plant in Noale, as well as the new production lines at the factory in Baramati (India).
The column reclassifications brings together the following impacts:

- reattribution to land and buildings of a property which returned to the Group's full use and which, since it was rented at 31 December 2005, at the end of the year had been classified under property investment (€/000 +506);

- transfer under assets destined for sale of a piece of land in the process of being sold (€/000 -646);
- reclassification from plant and machinery to other receivables by the Indian subsidiary (€/000 –303);
- reclassifications from intangible assets as commented on previously (€/000 +684).

Guarantees

At 30 September 2006 the Group had land and buildings encumbered by mortgage liens or privileges to lending institutions to guarantee loans received in previous years.

17. Property investments **€/.000 0**

At 31 December 2005 these totalled €/000 506 and consisted of the premises in Milan, Via Trebazio 1, rented to IMMSI S.p.A. At 30 September 2006 the amount was reclassified under property, plant and machinery, since the premises were vacated and the asset had returned to the full use of the Parent company.

18. Equity investments **€/.000 767**

Equity investments were as follows:

In thousands of euro	*At 30 September 2006*	*At 31 December 2005*	*Change*
Equity investments in subsidiaries	0	41	(41)
Equity investments in joint ventures	0	0	0
Equity investments in associated companies	767	609	158
Total	*767*	*650*	*117*

The decrease of €/000 41 recorded by equity investments in subsidiaries is related to the completion of the liquidation procedure for Piaggio Argentina S.A., which was started in previous years.

As for equity investments in associated companies the changes recorded in the period were due to:

- Underwriting for €/000 160 the share capital of Pont-Tech Pontedera & Tecnologia S.c.r.l.;
- Sale of the equity investment in Marker S.r.l., previously recorded under equity investments in associated companies for €/000 5;
- Reclassification under equity investments in associated companies of the equity investment in Acciones Depuradora Soc. Coop. previously recorded under other equity investments (for a value of €/000 3).

19. Other non-current financial assets **€/.000 5,138**

In thousands of euro	*At 30 September 2006*	*At 31 December 2005*	*Change*
Financial receivables due from third parties	0	9,790	(9,790)
Financial receivables due from associated companies	93	0	93
Receivables due from Group companies valued at equity	3,981	381	3,600
Equity investments in other companies	182	183	(1)
Other	882	0	882
Total	*5,138*	*10,354*	*(5,216)*

The financial receivable for €/000 9,790 which Piaggio & C. S.p.A. held due from Scooter Holding 1 S.p.A., formerly Piaggio Holding S.p.A., was received in August 2006.

The heading receivables due from Group companies valued at equity includes the receivable due from AWS do Brasil of €/000 427 as well as the receivable due from Piaggio Foshan Motorcycles of €/000 3,554. The receivable due from Piaggio Foshan is related to the agreements contained in the joint venture contract with the Chinese partner Zongshen Industrial Group Company Limited which, in reference to the aforementioned receivable, envisage that, given certain conditions, Piaggio Foshan will arrange payment of 4.5 million US$ as soon as possible, including in instalments, by 15 April 2007 and in any case no later than 15 April 2009. At 31 December 2005 this receivable had been allocated under "Non-current trade receivables and other receivables".

Against the risks which may arise from the aforementioned agreements a specific allocation has been recorded under liabilities which is considered sufficient on the basis of the elements available.

As for equity investments in other companies the changes recorded in the period were due to:

- acquisition for €/000 5 of an equity investment in IVM the German motorcycle manufacturers association;
- Reclassification under equity investments in associated companies of the equity investment in Acciones Depuradora Soc. Coop. previously recorded under other equity investments (for a value of €/000 3).
- Disposal of the equity investment in the Centro per l'innovazione - Pisa (for a value of €/000 3).

The heading other mainly includes encumbered deposits.

20. Current and non-current receivables due from tax authorities **€/.000 29,348**

Receivables due from tax authorities of €/000 29,348 were as follows:

In thousands of euro	*At 30 September 2006*	*At 31 December 2005*	*Change*
Receivables due from Tax authorities for sales tax	15,566	10,753	4,813
Receivables due from Tax authorities for income tax	12,991	8,617	4,374
Other receivables due from the public administration	791	226	565
Total tax receivables	29,348	19,596	9,752

Receivables due from Tax authorities included under non-current assets totalled €/000 7,224, compared to €/000 7,156 at 31 December 2005, while receivables due from Tax authorities included under current assets totalled €/000 22,124 compared to €/000 12,440 at 31 December 2005.

21. Deferred tax assets **€/.000 39,112**

These totalled €/000 39,112 overall compared to €/000 35,135 at 31 December 2005. The change of €/000 3,977 was caused for €/000 1,900 by a reclassification from deferred tax liabilities, for €/000 882 by the tax impact for the period on the discounting of the employee leaving indemnity of the Parent company and for €/000 1,195 by consolidated adjustments related mainly to the elimination of infragroup profits on stocks.

Deferred tax assets mainly includes: prepaid tax, referring to the cancellation of unrealised intercompany capital gains with third parties, deferred tax assets on the tax losses of Nacional Motor S.A. for €/000 10,818 overall and deferred tax assets on tax losses and temporary differences of the Parent company for €/000 17,810 overall.

22. Non-current trade receivables and other receivables **€/.000 2,000**

Trade receivables and other receivables included under non-current assets totalled €/000 2,000 compared to €/000 7,140 at 31 December 2005, as follows:

In thousands of euro	At 30 September 2006	At 31 December 2005	Change
Receivables due from customers	325	1,642	(1,317)
Receivables due from associated companies	396	0	396
Receivables due from companies valued at equity	0	3,776	(3,776)
Other	1,279	1,722	(443)
Total	*2,000*	*7,140*	*(5,140)*

As already noted the receivable due from Piaggio Foshan Motorcycles was reclassified during the period under non-current other financial assets.

23. Current trade receivables and other receivables — €/.000 242,833

Trade receivables and other receivables included under current assets totalled €/000 242,833 compared to €/000 176,772 at 31 December 2005. The increase of €/000 66,061 is linked to the phenomenon of the seasonal nature of sales which are concentrated in the spring and summer months.

Trade receivables and other receivables included under current assets are represented by:

In thousands of euro	At 30 September 2006	At 31 December 2005	Change
Receivables due from customers	209,467	150,851	58,616
Receivables due from parent companies	17	-	17
Receivables due from associated companies	123	403	(280)
Receivables due from companies held on equity basis	910	559	351
Receivables due from others	32,316	23,968	8,348
Other non-financial current assets	-	991	(991)
Total	*242,833*	*176,772*	*66,061*

Trade receivables is made up of the receivables, referring to normal sale transactions, shown net of a provision for risks on receivables of €/000 18,658.

The parent company normally cedes its receivables with and without recourse. At 30 September 2006 receivables ceded with recourse totalled €/000 7,031 and a counter entry was made under current liabilities. During 2005 the Parent company signed contracts with three of the most important Italian factoring companies for the sale of its trade receivables with recourse. At 30 September 2006 trade receivables disposed of with recourse totalled €/000 117,255 overall, of which €/000 39,936 before the contractual expiry.

24. Inventories — €/.000 251,171

At 30 September 2006 these totalled €/000 251,171 compared to €/000 192,029 at the end of the period in 2005, as follows:

In thousands of euro	*At 30 September 2006*	*At 31 December 2005*	*Change*
Raw materials and consumables	110,295	82,607	27,688
Writedown provision	(12,187)	(11,519)	(668)
	98,108	*71,088*	27,020
Products in process of formation	15,533	16,466	(933)
Writedown provision	(852)	(1,048)	196
	14,681	*15,418*	(737)
Finished products and goods for resale	152,240	122,661	29,579
Writedown provision	(13,983)	(17,170)	3,187
	138,257	*105,491*	32,766
Payments on account	*125*	*32*	*93*
Total	*251,171*	*192,029*	*59,142*

Overall growth of €/000 59,142 was related to the seasonal nature of the production cycle.

25. Other current financial assets €/.000 58,652

These were as follows:

In thousands of euro	*At 30 September 2006*	*At 31 December 2005*	*Change*
Financial receivables due from third parties	0	14	(14)
Financial receivables due from associated companies	30	123	(93)
Securities	57,677	0	57,677
Other	945	0	945
Total	*58,652*	*137*	*58,515*

Securities refers for €/000 30,484 to the underwriting of Italian state bonds (BTP 1-nov-2006 7.75%), for €/000 10,000 to underwriting stakes in the Euro Liquidity Fund managed by Lehman Brothers Plc and €/000 17,193 to deposit certificates issued by an Indian public social security body and bought by the subsidiary Piaggio Vehicles Private Ltd. in order to make efficient use of temporary liquidity.
The heading other mainly includes the current share of guarantee deposits.

26. Cash and cash equivalents €/.000 50,040

The heading mainly includes short-term and on demand bank deposits.
Cash and cash equivalents totalled €/000 50,040 compared to €/000 42,770 at 31 December 2005, as shown in the following table:

In thousands of euro	*At 30 September 2006*	*At 31 December 2005*	*Change*
Bank and post office deposits	49,099	42,498	6,601
Cheques	837	212	625
Cash on hand	104	60	44
Total	*50,040*	*42,770*	*7,270*

27. Assets destined for sale **€/.000 646**

These relate to the value of some land located in the town of Noale, the preliminary sale contract for which was signed on 25 July 2006.

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28. Share capital and reserves **€/.000 441,035**

Share capital €/000 201,665

Share capital at 30 September 2006, fully subscribed and paid up, consisted of 387,817,026 ordinary shares with a nominal value of € 0.52 each, for a total of € 201,664,853.52 after the issue of 13,148,889 new ordinary shares offered to the beneficiaries of the stock option plan and underwritten by them. At the moment there are 8,223,882 outstanding options to underwrite a similar number of newly issued Piaggio shares which may be exercised by and no later than 360 days from the date of the start of trading on the MTA.

Share premium reserve €/000 31,517

The share premium reserve at 30 September 2006 stood at €/000 31,517. In the period it rose by € 7,017,888.94 following the exercise of 13,148,889 options.

Legal reserve €/000 723

At 30 September 2006 the legal reserve stood at €/000 723.

Other reserves and profit/loss carried forward €/000 129,265

The breakdown of this item was as follows:

In thousands of euro	*At 30 September 2006*	*At 31 December 2005*	*Change*
Conversion reserve	(1,142)	1,532	(2,674)
Stock option reserve	0	2,266	(2,266)
Derivatives' fair value reserve	58,113	56,898	1,215
IFRS transition reserve	(4,113)	(4,113)	0
Total other reserves	*52,858*	*56,583*	*(3,725)*
Consolidation reserve	993	993	0
Profit / (loss) brought forward	75,414	32,704	42,710
Total	129,265	90,280	38,985

The derivatives fair value reserve includes €/000 58,221 arising from the assessment of the Aprilia warrants and €/000 108 relating to the effect of the recording of the cash flow hedge.
The consolidation reserve was generated following the purchase in January 2003, by Piaggio & C. S.p.A. of the equity investment held by Daihatsu Motor Co. Ltd in P&D S.p.A., equal to 49% of the share capital.

Group net income for the period €/000 77,172

Minority interest – capital and reserves €/000 693

The period end values refer to the minority shareholders in Piaggio Hrvatska Doo.

29. Financial liabilities (current and non-current) €/.000 402,964

Financial liabilities included under non-current liabilities totalled €/000 380,016 compared to €/000 375,596 at 31 December 2005, while financial liabilities included under current liabilities totalled €/000 22,948 compared to €/000 88,488 at 31 December 2005.
As is shown in the table on the net financial position included in the financial statement schedules, the Group's overall net debt fell from €/000 411,387 at 31 December 2005 to €/000 295,217 at 30 September 2006, thus down by €/000 116,170.

The attached tables summarise the breakdown of financial debt at 30 September 2006 and at 31 December 2005, as well as the changes in the period.

In thousands of euro	*At 31 December 2005*	*Reclassi-fications*	*Other changes*	*30 September 2006*
Non-current items				
Medium/long-term loans	187,804	(2,784)	249	185,269
Bonds falling due after 12 months	143,951		265	144,216
Other medium/long-term loans				
of which leasing	*11,385*	(720)	0	10,665
of which payables due to other lenders	*23,211*	(1,682)	(57)	21,472
of which EMH derivative	*9,190*		9,149	18,339
of which payables due to parent companies	*55*			55
Total Loans after 12 months	43,841	(2,402)	9,092	50,531
Total	*375,596*	*(5,186)*	*9,606*	*380,016*

In thousands of euro	*At 31 December 2005*	*Repay-ments*	*Reclassi-fications*	*Other changes*	*At 30 September 2006*
Current items					
Current account overdrafts	12,115	(9,917)	-	-	2,198
Current account payables	31,532	(29,881)	-	-	1,651
Payables due to factoring	32,502	(25,126)	-	-	7,376
Current share of medium/long-term loans					
of which leasing	903	(689)	720	-	934
of which due to banks	5,264	(2,417)	2,591	-	5,438
of which payables due to other	6,172	(2,632)	1,875	(64)	5,351
Total Loans within 12 months	12,339	(5,738)	5,186	(64)	11,723
Total	*88,488*	*(70,662)*	*5,186*	*(64)*	*22,948*

The significant decrease in debt was due to the cash flow generated in the period thanks to the positive income performance and a further improvement in the management of working capital. Against this background, it was arranged to reduce the forms of short-term debt, typically in the forms of current account overdrafts, the taking out of revolving credit lines and advances from factoring, while no new medium-term credit lines have been opened.

Medium/long-term loans totalled €/190,620 overall (of which €/000 185,269 was non-current and €/000 5,351 current) and was made up of the following loans:

- €/000 148,081 (nominal value €/000 150,000) loan provided to the Parent company by Mediobanca and Banca Intesa. This loan, which in April 2006 was syndicated to a restricted pool of banks, is broken down into a tranche of a nominal €/000 150,000 for the loan which has been fully used and a tranche of €/000 100,000 usable as a credit line which at 30 September 2006 was completely unused. The economic terms also envisage a 7-year duration, with an interest free period of 18 months and 11 half-yearly instalments with the last payment on 23 December 2012 for the loan tranche, a variable interest rate set to the Euribor 6-month rate to which a variable margin is added between a maximum of 2.10% and a minimum of 0.65% depending on the Financial Debt/ EBITDA ratio. In relation to the improvement in this index recorded with the annual financial statement figures for 2005, this margin has fallen from the initial 1.30% to 1.15% as from the second half of 2006. For the tranche relating to the opening of the credit line there is a commission for non-use of 0.25%. The contract does not envisage the issue of guarantees, while, in line with market practice, it does include respect for some financial parameters. It should be noted that, in reference to the results for the first half of 2006, these parameters were amply satisfied;
- a loan of €/000 29,000 conceded to the Parent company by a pool of 14 banks during the Aprilia purchase for a sum of 34 million euro in non self-liquidating financial receivables claimed by the same lenders from Aprilia S.p.A. The economic terms envisaged a fixed

interest rate of 3.69% with annual capitalisation and repayment in a single capital and interest instalment at the final expiry date, set for 31 December 2009, aligned with the exercise date for the Piaggio 2004-2009 warrants underwritten by the same lenders during the Aprilia closing;

- a loan of €/000 1,045 provided by Interbanca in accordance with Law 346/88 on tax breaks for applied research and guaranteed by a lien on property;
- interest free loan of €/000 2,691 provided by Banca Antonveneta originally to a subsidiary of the Aprilia Group and following the acquisition taken on by the Parent company with a single repayment date in 2011. The economic terms envisage a market interest rate over the last two years on the basis of the performance of the Piaggio 2004-2009 warrants;
- loan of €/000 968 provided to the Parent company by Unicredito Italiano with EIB reserves at a variable rate and falling due on 1 July 2007;
- loan of €/000 1,291 provided to the Parent company by the European Investment Bank with a guarantee from the Banca Toscana at a variable rate and expiring on 30 June 2007;
- loan of €/000 904 provided to the Parent company by Mediocredito Centrale at a discounted rate in accordance with Law 49 art. 7 on international cooperation, falling due on 16 June 2008;
- loan of €/000 3,605 provided to the Parent company by Efibanca at a variable rate and falling due on 28 December 2009 ;
- syndicated loan of €/000 3,035 (share supplied by commercial banks net of commissions) provided to Nacional Motor at a variable rate and falling due on 30 June 2008. The contractual terms of this loan envisage also the achievement of some financial covenants with an annual test. It is noted that on the basis of the results for 2005 the Spanish subsidiary satisfied all the parameters.

The item liabilities after 12 months (€/000 144,216, the net accounting 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 €/000 150,000, falling due on 30 April 2012 and with a half-yearly coupon with a fixed annual nominal rate of 10%. The bond issue was guaranteed by the Parent company and in April 2006 benefited from an upgrade by Moody’s and Standard & Poor’s. In fact in April 2006 Moody’s assigned a Ba3 rating (previously B2), aligning it to the issuer’s rating (previously B1) known as a stable outlook; in addition, in September 2006 Standard & Poor’s assigned the issue a rating of BB- (previously B+) known as a positive outlook.
Medium/long-term loans for due to other lenders stood overall at €/000 56,903 (€/000 50,531 other loans after 12 months; €/000 5,438 current share of other loans; €/000 934 current share of loans for leasing). Their breakdown was as follows:

- finance leasing for €/000 11,599 of which €/000 11,251 conceded by Locat S.p.A. to Moto Guzzi S.p.A., €/000 325 conceded by Italease Factoring S.p.A. to Piaggio & C. S.p.A and €/000 23 conceded by Centro Leasing to Piaggio & C. S.p.A.;
- payables due to Interbanca of €/000 9,364 as provider of the EMH derivatives;

- former Aprilia shareholders derivative for €/000 8,975;
- beneficial loans for €/000 12,267 provided by Simest and by the Ministry of Productive Activities using regulations to encourage exports and investment in research and development (non-current part of €/000 11,432);
- loans for €/000 14,698 agreed by the Catalan Institute of Finance in favour of Nacional Motor S.A. of which €/000 11,780 was part of a variable rate syndicated loan falling due on 30 June 2013. The remaining €/000 2,919 was encumbered by a lien and falls due on 28 June 2007.

Derivatives

Exchange rate risk

In the first nine months of 2006 exchange rate risk management followed the policy adopted in 2005 which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flow, through the cover of business risk, which concerns the changes in company profitability compared to the annual plan in the business budget on the basis of a key change (the so-called “budget change”) and of the settlement risk, which concerns the differences between the exchange rate recorded on the balance sheet for receivables or payables in foreign currency and that recorded in the related cash receipt or payment.
The exposure to business risk consists of the envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.
The cover must be at least 66% of the business exposure of each month.
The exposure to settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment, the cover must be equal at any moment to 100% of the exposure to settlement imports, exports or net for each currency.
In reference to contracts which are made to cover exchange rate risk on receivables and payables in foreign currency (settlement risk), at 30 September 2006 for Piaggio & C. S.p.A. there were forward purchases:

- for a value of USD/000 26,710 corresponding to €/000 20,957 (valued at the forward exchange rate);
- for a value of GBP/000 6,520 corresponding to €/000 9,648 (valued at the forward exchange rate);
- for a value of JPY/000,000 325 corresponding to €/000 2,209 (valued at the forward exchange rate);
- for a value of CHF/000 4,040 corresponding to €/000 2,572 (valued at the forward exchange rate);
- and finally Norwegian and Danish corona for an overall forward value of €/000 1,455.

In reference to the contracts in place for the cover of exchange rate risk on forecast transactions (business risk), at 30 September 2006 in the parent company there were forward purchase transactions of JPY/000,000 555, corresponding to €/000 4,089, and forward sale transactions of CHF/000 2,400, corresponding overall to €/000 1,573 (valued at the forward exchange rate), and GBP/000 2,470, corresponding to €/000 3,583 (valued at the forward exchange rate).

As for Piaggio Limited and Piaggio Group America, at 30 September 2006 there were forward sale transactions respectively for a value of GBP/000 3,825 and USD/000 3,500 corresponding overall to €/000 8,450 (valued at the forward exchange rate).

30. Trade payables and other payables (current and non-current) €/.000 450,034

Trade payables and other payables included under non-current liabilities totalled €/000 13,998 compared to €/000 13,403 at 31 December 2005, while trade payables included under current liabilities totalled €/000 436,036 compared to €/000 296,616 at 31 December 2005.

In thousands of euro	*At 30 September 2006*	*At 31 December 2005*	*Change*
Non-current liabilities			
Payables due to suppliers	-	223	(223)
Tax payables for indirect and other taxes	1,369	797	572
Payables due to social security institutions	1,066	1,116	(50)
Other payables	11,563	11,267	296
Total non-current part	*13,998*	*13,403*	*595*

In thousands of euro	*At 30 September 2006*	*At 31 December 2005*	*Change*
Current liabilities			
Payables due to suppliers	431,109	292,587	138,522
Trade payables due to associated companies	213	123	90
Trade payables due to companies valued at equity	4,637	2,491	2,146
Trade payables due to parent companies	77	1,415	(1,338)
Total current part	*436,036*	*296,616*	*139,420*

The overall growth in trade payables and other payables of €/000 140,015 is connected to the aforementioned seasonal phenomenon in the production cycle.

31. Provisions (current and non-current) €/.000 52,970

The breakdown and movements in the provisions for risks during the period was as follows:

In thousands of euro	Balance at 31 December 2005	Allocations	Applications	Reclassification	Translation difference	Balance at 30 September 2006
Provision for product liability	19,893	11,303	(9,458)	-	(34)	21,704
Provision for promotional costs	4,064	-	(4,064)	-	-	0
Provision for risks on equity investments	5,906	-	(55)	-	-	5,851
Provisions for restructuring	6,172	263	(2,030)	-	-	4,405
Provision for contractual risks	13,344	664	(2,520)	2,777	-	14,265
Other provisions for risks and charges	14,877	139	(4,002)	(4,223)	(46)	6,745
Total	*64,256*	*12,369*	*(22,129)*	*(1,446)*	*(80)*	*52,970*

During the period it was arranged to reclassify from other provisions to provisions for pensions €/000 1,446 set aside in previous years as future benefits to be recognised to employees of Piaggio Deutschland.

The division between the current and non-current share of long-term provisions was as follows:

In thousands of euro	*At 30 September 2006*	*At 31 December 2005*	*Change*
Non-current share			
Provision for product liability	7,167	10,425	(3,258)
Provision for risks on equity investments	5,851	5,906	(55)
Provisions for restructuring	1,753	0	1,753
Provision for contractual risks	14,265	13,344	921
Other provisions for risks and charges	5,892	14,877	(8,985)
Total non-current share	*34,928*	*44,552*	*(9,624)*

In thousands of euro	*At 30 September 2006*	*At 31 December 2005*	*Change*
Current share			
Provision for product liability	14,537	9,468	5,069
Provision for promotional expenses	0	4,064	(4,064)
Provisions for restructuring	2,652	6,172	(3,520)
Other provisions for risks and charges	853	0	853
Total current share	*18,042*	*19,704*	*(1,662)*

The product liability provision relates to allocations for technical assistance on products with customer service which it is estimated will be provided over the contractually envisaged guarantee period. This period varies depending on the type of asset sold and the sales market, and is also determined by customer take-up to commit to planned maintenance.

The provision increased during the period to €/000 11,303 and was used for €/000 9,458 in relation to charges incurred in the period.

The provision for risks on equity investments includes the share of negative shareholders' equity in the subsidiaries Piaggio China Co. Ltd and AWS do Brasil and the Piaggio Foshan joint venture, as well as the charges which it is envisaged may derive from the latter.

The provision for charges for company restructuring refers to future charges which it is expected to incur in reference to operations to reorganise the company as duly identified.

The provision of contractual risks refers mainly to charges which may arise from the ongoing negotiation of a supply contract.

"Other provisions" include the provision for legal risks for an amount of €/000 4,288.

32. Deferred tax liabilities **€/.000 33,968**

The provision for deferred tax liabilities refers for €/000 24,961 to the effect of tax on the recording of Aprilia. The remainder is related to temporary differences calculated by other Group companies.

33. Provisions for pensions and employee benefits **€/.000 81,380**

In thousands of euro	*At 30 September 2006*	*At 31 December 2005*	*Change*
Pension funds	2,377	434	1,943
Employee leaving indemnity	79,003	76,634	2,369
Total	*81,380*	*77,068*	*4,312*

The provisions for pensions are composed of provisions for employees set aside by foreign companies and by the additional customer indemnity provision, which represents the compensation due to agents in the case of the agency contract being terminated for reasons beyond their control. The applications refer to the payment of compensation that has already been set aside in previous years, while provisions correspond to compensation accrued in the period.
The increase seen in the period was partly due to the aforementioned reclassification from other provisions to provisions for pensions of €/000 1,446 set aside in previous years as future benefits to be recognised to employees of Piaggio Deutschland.

The change in the provision for employee leaving indemnity was as follows:

	In thousands of euro
Balance at 31 December 2005	76,634
Allocations	8,359
Applications	(5,626)
Discounting effect	(325)
Other movements	(39)
Balance at 30 September 2006	*79,003*

34. Tax payables **€/.000 31,076**

"Tax payables" totalled €/000 31,076, compared to €/000 14,348 at 31 December 2005, as follows:

In thousands of euro	*At 30 September 2006*	*At 31 December 2005*	*Change*
Payable for income tax	11,114	4,076	7,038
Payable for non-income tax		814	(814)
Payables due to Tax authorities for:			
- sales tax	11,218	2,149	9,069
- tax withholdings made	3,420	7,294	(3,874)
- other	5,324	15	5,309
Total	19,962	9,458	10,504
TOTAL	*31,076*	*14,348*	*16,728*

The item includes tax payables recorded in the financial statements of the individual consolidated companies, set aside in relation to tax charges for the individual companies on the basis of the national laws applicable.

Payables for tax withholdings made refer mainly to withholdings on employees' earnings, on employment termination bonuses and on self-employed earnings.

35. Other current payables €/.000 65,223

In thousands of euro	*At 30 September 2006*	*At 31 December 2005*	*Change*
Guarantee deposits	2,648	2,028	620
Payables due to employees	33,682	29,547	4,135
Payables due to social security institutions	6,460	8,390	(1,930)
Various payables due to third parties	22,433	16,272	6,161
Total	*65,223*	*56,237*	*8,986*

Guarantee deposits include the deposit paid in 1997 by T.N.T. Automotive Logistics S.p.A. to Piaggio & C. S.p.A. to guarantee the payment of the employee leaving indemnities accrued at the latter by employees who are part of the company branch sold dealing with the receipt, packaging, stockholding and physical distribution of parts and accessories. At the end of the period the deposit totalled €/000 1,291.

Payables due to employees includes the amount for holidays accrued but not taken of €/000 11,412 and other payments to be made for €/000 4,756.

E) NON-RECURRING OPERATIONS

For greater clarity in the accounts and in adherence to the regulations of CONSOB the impact on the income statement and balance sheet of non-recurring operations is shown.

INCOME STATEMENT

In thousands of euro	1/1-30/9/2006 published	Listing costs	1/1-30/9/2006 adjusted	1/1-30/9/2005 published	Anti-pollution incentives	1/1-30/9/2005 adjusted
Net sales	**1,285,772**		**1,285,772**	**1,164,196**		**1,164,196**
Costs for materials	740,582		740,582	661,905		661,905
Costs for services and use of third party assets	252,155	(9,936)	242,219	234,141		234,141
Employee costs	180,269		180,269	171,658		171,658
Depreciation of tangible assets	29,782		29,782	32,857		32,857
Amortisation of intangible assets	35,218		35,218	36,538		36,538
Other operating income	91,381		91,381	107,627	(18,624)	89,003
Other operating costs	20,669		20,669	30,323		30,323
Operating income	**118,478**	**9,936**	**128,414**	**104,401**	**(18,624)**	**85,777**
Income from equity investments	(3)		(3)	549		549
Financial income	8,529		8,529	11,541		11,541
Financial charges	(29,520)		(29,520)	(34,011)		(34,011)
Income before tax	**97,484**	**9,936**	**107,420**	**82,480**	**(18,624)**	**63,856**
Tax for the period	19,865	422	20,287	18,746	(605)	18,141
Income from functioning assets	**77,619**	**9,514**	**87,133**	**63,734**	**(18,019)**	**45,715**
Assets destined for disposal:						
Profit or loss from assets destined for disposal	**0**			**724**		**724**
Consolidated net income	**77,619**	**9,514**	**87,133**	**64,458**	**(18,019)**	**46,439**

BALANCE SHEET

In thousands of euro	At 30 September 2006 published	Listing costs	At 30 September 2006 adjusted	At 31 December 2005 published	Anti-pollution incentives	At 31 December 2005 adjusted
ASSETS						
Non-current assets						
Intangible assets	632,526		632,526	624,746		624,746
Property, plant and machinery	246,417		246,417	259,591		259,591
Property investment	0		0	506		506
Equity investments	767		767	650		650
Other financial assets	5,138		5,138	10,354		10,354
Receivables due from tax authorities (long-term)	7,224		7,224	7,156		7,156
Deferred tax assets	39,112		39,112	35,135		35,135
Trade receivables and other receivables	2,000		2,000	7,140		7,140
Total Non-current assets	**933,184**		**933,184**	**945,278**		**945,278**
Assets destined for sale	**646**		**646**	**55**		**55**
Current assets						
Trade receivables and other receivables	242,833		242,833	176,772		176,772
Receivables due from tax authorities (short-term)	22,124		22,124	12,440		12,440
Inventories	251,171		251,171	192,029		192,029
Financial assets held for trading	58,652		58,652	137		137
Cash and cash equivalents	50,040	4,570	54,610	42,770		42,770
Total Current assets	**624,820**	**4,570**	**629,390**	**424,148**		**424,148**
TOTAL ASSETS	**1,558,650**	**4,570**	**1,563,220**	**1,369,481**		**1,369,481**

In thousands of euro	At 30 September 2006 published	Listing costs	At 30 September 2006 adjusted	At 31 December 2005 published	Anti-pollution incentives	At 31 December 2005 adjusted
SHAREHOLDERS' EQUITY AND LIABILITIES						
Shareholders' equity						
Capital & reserves attrib. to parent company shareholders	440,342	9,514	449,856	348,213	(18,019)	330,194
Capital & reserves attrib. to minority shareholders	693		693	254		254
Total shareholders' equity	**441,035**	**9,514**	**450,549**	**348,467**	**(18,019)**	**330,448**
Non-current liabilities						
Financial liabilities due after 12 months	380,016		380,016	375,596		375,596
Trade payables and other payables (long-term)	13,998		13,998	13,403		13,403
Provisions for pensions and employee benefits	81,380		81,380	77,068		77,068
Other long-term reserves	34,928		34,928	44,552		44,552
Deferred tax liabilities	33,968		33,968	35,002		35,002
Total Non-current liabilities	**544,290**	**0**	**544,290**	**545,621**	**0**	**545,621**
Current liabilities						
Financial liabilities due within 12 months	22,948		22,948	88,488	18,624	107,112
Trade payables	436,036	(5,366)	430,670	296,616		296,616
Tax payables	31,076	422	31,498	14,348	(605)	13,743
Other short-term payables	65,223		65,223	56,237		56,237
Current share of other long-term provisions	18,042		18,042	19,704		19,704
Total current liabilities	**573,325**	**(4,944)**	**568,381**	**475,393**	**18,019**	**493,412**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,558,650**	**4,570**	**1,563,220**	**1,369,481**	**0**	**1,369,481**

F) DEALINGS WITH RELATED PARTIES

The main economic and financial dealings that Group companies had with related parties have already been described in the specific paragraph in the Directors' Report to which reference is made here. To supplement that information the following table provides an indication by company of the outstanding items at 30 September 2006, as well as their contribution to the respective headings.

		Values in €/000	As % of statement heading
Dealings with associated companies			
Fondazione Piaggio			
	Costs for services and use of third-party assets	13	0.01%
	Other operating costs	77	0.37%
	Other non-current financial assets	93	1.81%
	Other current financial assets	30	0.05%
	Non-current trade and other receivables	396	19.80%
	Current trade and other receivables	123	0.05%
	Current trade and other payables	213	0.05%
Dealings with companies included in the consolidation area on an equity basis			
Piaggio Foshan			
	Costs for materials	20,833	2,81%
	Costs for services and use of third party assets	20	0.01%
	Net sales	30	0.00%
	Other operating income	1,678	1.84%
	Other non-current financial assets	3,554	69.17%
	Current trade and other receivables	910	0.37%
	Current trade and other payables	4,631	1.06%
AWS do Brasil			
	Other non-current financial assets	427	8.31%
Piaggio China			
	Costs for services and use of third party assets	6	0.00%
	Current trade and other payables	6	0.00%
Dealings with parent companies			
IMMSI	Costs for materials	1	0.00%
	Costs for services and use of third party assets	3,615	1.43%
	Other operating income	20	0.02%
	Current trade and other receivables	17	0.01%
	Current trade and other payables	77	0.02%
Piaggio Holding Netherland			
	Financial charges	70	0.24%
	Non-current financial liabilities	55	0.01%

G) COMMITMENTS AND RISKS

36. Guarantees provided

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

TYPE	AMOUNT €/000
Bank guarantee from Cassa di Risparmio di Pisa issued on our behalf in favour of the Administration of the Province of Pisa	130
Bank guarantee from the Banca Commerciale Italiana issued on our behalf in favour of the Genoa Customs Authority	200
Bank guarantee from the Banca Toscana di Pontedera in favour of the local authority of Pontedera issued on 21 October 1996	323
Bank guarantee for the credit line of USD 8,100,000 agreed with the Banca di Roma for the associated company Piaggio Foshan	6,398
Banca Intesa bank guarantee issued in favour of AMIAT – Turin to guarantee contractual obligations for the supply of vehicles	230
Banca Intesa bank guarantee issued in favour of the Algerian National Defence Ministry to guarantee contractual obligations for the supply of vehicles	602
Bank guarantee to guarantee the credit line agreed with Banca Intesa BCI to the subsidiary Piaggio Vespa BV for USD 20,000,000	
- of which unused	6,929
- of which agreed to the subsidiary Piaggio Foshan	7,741
Building insurance guarantee policy of 23 October 2003 issued in favour of the Tax Agency of Pisa to guarantee receivables compensated as part of the Group's sales tax procedure.	839
Bank guarantee from Banca Intesa issued on our behalf in favour of SIMEST S.p.A. – Rome for the repurchase of the equity investment in Piaggio Vehicles Ltd corresponding to 2.5% of the share capital of the subsidiary.	400
Bank guarantee from Banca Intesa in favour of ACE TRADE / AUSTRIA Issued on 20-01-2006	2,000
Bank guarantee from Banca Intesa in favour of ACRAPOVIC Issued on 13-02-2006	500
Bank guarantee from BNL issued in favour of the Venice Customs Authority	206
Bank guarantees from Banca Intesa issued in favour of the Venice Customs Authority	165
Bank guarantee from Banco di Brescia issued in favour of the local authority of Scorzé to guarantee the payment of town planning charges	166
Bank guarantee from CA.RI.VE. S.p.A. issued in favour of BMW - Munich	204

H) SUBSEQUENT EVENTS

At present no events have occurred subsequent to 30 September 2006 such as to require changes or additional notes to the current financial statements.

In any case refer to the Directors' report for significant events after 30 September 2006.