IMMSI S.p.A.

Share capital 148,720,000 euro fully paid up
Registered office: P.zza Vilfredo Pareto, 3 – 46038 Mantua
Mantua Register of Companies and Tax Code 07918540019

Directors' report on operations and financial statements at 31 December 2005

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COMPANY BOARDS

BOARD OF DIRECTORS

Roberto Colaninno (1) - (2)	***Chairman***
Carlo d'Urso (4)	***Deputy Chairman***
Rocco Sabelli (2)	***Chief Executive Officer***
Matteo Colaninno	***Director***
Mauro Gambaro (4)	***Director***
Giorgio Magnoni	***Director***
Luciano La Noce	***Director***
Marco Reboa (3)	***Director***
Giovanni Tamburi (4)	***Director***

BOARD OF STATUTORY AUDITORS

Angelo Girelli	***Chairman***
Alessandro Lai (3)	***Standing auditor***
Marco Spadacini	***Standing auditor***
Mauro Girelli	***Alternate auditor***
Maria Luisa Castellini	***Alternate auditor***

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

(1) Legal representative with powers conferred by law and by the By-laws.

(2) Legal representative with authority to sign and with powers to oversee the Company’s operations, being thus authorised to carry out all the acts and operations for ordinary activities, as well as to implement the resolutions of the Shareholders’ Meeting and of the Board of Directors.

(3) Members of the Supervisory Body (Leg. Decree 231/2001) appointed by the resolution of the Board of Directors of 29 July 2004.

(4) Members of the Remuneration Committee.

Directors' report on operations

This Report, drawn up in accordance with the provisions established by CONSOB in its regulation no. 11971 of 14/05/1999 and subsequent modifications, contains both the Group's consolidated financial statements and notes to the statements, prepared using the IAS/IFRS accounting standards. The comparative figures for 2004 have been reclassified and restated by applying these accounting standards as necessary.
As for the financial statements and related notes for the Parent Company, in compliance with the provisions of Leg. Decree no. 38 of 28/02/2005, these have been prepared using Italian accounting standards.

In accordance with the requirements of IFRS 1, the notes to the consolidated financial statements include a specific section on the transition to the international accounting standards with particular reference to the impact on the balance sheet at 1 January 2004, the transition date, and at 31 December 2004, as well as on the income statement for 2004. The document illustrates and comments on the main changes compared to the financial statements prepared in accordance with the Italian accounting standards adopted thus far. The balances indicated in the reconciliation tables have been fully audited in conformity with CONSOB Communication no. DEM/5025723 of 15/04/2005.

Report on operations

During 2005 the Immsi Group put into place, in the various sectors in which it operates, strategies aimed at achieving the objectives set by the budget plan approved for the year in question.

In particular, in reference to the property sector, the Disposal Plan started in 2003 for the properties of the Parent Company Immsi S.p.A., can be considered at an end. Following the disposals made in 2005, which involved 3 properties, only one asset is still being carried, located in Via Abruzzi (Rome), which it is considered preferable not to dispose of for the moment. The Company has also arranged to extinguish the remainder (approximately 11.8 million euro) of the loan entered into in 2003 for an overall amount of 150 million euro, and has access to a new long-term loan, again backed by the guarantee on the property in Rome, for an amount of 46 million euro, with Efibanca S.p.A.
During February 2005 the Company completed the share capital increase which involved the issue of 66 million new ordinary shares for an overall amount of 79.2 million euro divided between share capital (34,320 thousand euro) and share premium (44,880 thousand euro).

As for further property initiatives the plans approved in the investment plan for Is Molas S.p.A. are being finalised. This company operates in Pula and Villa San Pietro (Cagliari) through a hotel complex and connected sports facilities. The investment plan envisages the planning and construction of residential premises on the land owned by Is Molas, for which in terms of design the Company works together with the Fuksas Studio.
The Company has so far finalised the main executive plans in relation both to the residential development and to the hotel and sports works. The due requests for the issue of the buildings licences to which such works are subordinate have been made to the competent public bodies.

As for Apuliae S.p.A., note should be taken of the suspension, as from March 2005, of the property restructuring activity following investigations by the judicial authorities. These investigations in particular concern the right to ownership of the property by the Province of Lecce and the consequent management of the tender competition, which Immsi, through the subsidiary Apuliae, won, as well as the observance of town planning obligations. The Company has taken the initiatives considered necessary to be able to protect its asset rights with regard to the Province and in sure knowledge of full compliance with the provisions in the outstanding concessions.

As for the Piaggio Group, which as from 1 January 2005 includes the results of the Aprilia Group (Aprilia and Moto Guzzi) which was acquired in December 2004, note should be made of the positive result achieved in 2005.
In particular net income, including minority interest, in 2005 totalled approximately 38.1 million euro compared with net income in 2004 of 26.3 million euro.

These results reflect the increase recorded in sales which, with over 610,000 vehicles sold in 2005, reached 1,451.8 million euro, up compared to 2004 by 367.6 million euro overall, of which approximately 351 million euro was due to the aforementioned change in the consolidation area.

In particular the light vehicle transport sector grew compared to the previous year by 28% in terms of net sales and by 34% in terms of sales volumes, above all in relation to the significant growth of the Indian market, where the Piaggio Group is present with its subsidiary Piaggio Vehicles Private Limited, while the further increase in revenues is due to the 2-wheel sector which, on a constant consolidation area basis compared to the previous year, grew by 0.6%.

2005 for the Piaggio Group was the year in which, following the acquisition of the Aprilia Group, it consolidated its position among the leading global players in the motorised 2-wheel sector. During the year the Piaggio Group maintained its leadership of the European scooter market and, as for motorbikes, Aprilia stood out for its innovative and hi-tech products, while Moto Guzzi presented various models which were appreciated by the market.

The Piaggio Group’s net financial debt at the end of 2005 stood at 411.4 million euro, down compared to the balance of 31 December 2004 by 110.1 million euro, in particular owing to the generation of cash flow from operations (128.6 million euro) and efficiency gains in the management of working capital, down by 70.2 million euro.
As for the composition of the debt, it is noted that during the year the bonded loan issued by Aprilia Luxemburg S.A. for an amount of 100 million euro with an expiry date of 2 May 2005, was entirely repaid, while on 21 April 2005 Piaggio Finance S.A. issued a bonded loan of 150 million euro, with an expiry date of 30 April 2012, placed with institutional investors and listed on the Irish Stock Exchange, the income from which was partly used to repay the aforementioned loan which was due.
In addition, in December the syndicated loan of 165 million euro was refinanced, as were the operative credit lines for 125 million euro overall and the opening of a credit facility provided by Banca Intesa for 27 million euro activated during the acquisition of the Piaggio Group, with a new loan for 250 million euro overall underwritten by Banca Intesa and Mediobanca. This transaction enabled, among other things, the extension of the repayment profile, the reduction of the funding cost, the cancellation of the guarantees which hung over the debt which was repaid in advance, and finally the selection of the number of counterparties.

It should also be recalled that, as part of the process to integrate and rationalise the Group’s activities, in particular in reference to synergies with recently acquired companies, on 31 December 2005 Piaggio & C. S.p.A. merged Aprilia S.p.A. by incorporation with accounting and tax effect as from 1 January 2005.

Finally, as for significant events after the end of the year, it should be noted that, on 10 March 2006, Piaggio & C. S.p.A. officially presented the request for the admission of its ordinary shares to listing on the Mercato Telematico of the Italian Stock Exchange.
The process, initiated with the Piaggio Board of Directors’ resolution of 15 December 2005, sees Banca Caboto, Citigroup, Deutsche Bank, Lehman Brothers and Mediobanca as the coordinators – or Bookrunners – of the global offer.

As for the naval construction sector, in which Immsi is present through the group controlled by Rodriquez Cantieri Navali S.p.A., 2005 was a year of transition which, while it saw significant changes aimed at relaunching the business and implementing a new corporate and operative structure, also recorded a loss on the income statement.

Among the relaunch initiatives was the complete renewal of the Group's management, the establishment of strategic guidelines, the reconstitution of the share capital structure, the commencement of activities to return to an acceptable business margin, and the sourcing of financing to support production and development in general.
As noted, 2005 was a difficult year in economic terms largely due to the management problems which had arisen in the past and which came to a head in 2005, above all in relation to the incurrence of costs connected to the completion of orders held with poor margins.
In addition, in reference to the value of production and net sales, which were down in 2005 compared to the previous year calculated over the same period of time, the reasons are due above all to the stage of completion in the cycle for outstanding orders, for which in previous years the material components above all had been prepaid, while the set-up and processing components remained in 2005.

Group activities

Here below are the financial highlights of the Immsi Group, divided by business sector and calculated, as noted previously, by applying the provisions of the international accounting standards. Please refer to the later section in the document for a broader description of the choices made and the effects following the transition to such standards.

In thousands of euro	*Property Sector*	*in %*	*Industrial sector*	*in %*	*Naval sector*	*in %*	*Other cos. and adj.*	*Immsi Group*	*in %*
Net sales	5,271		1,451,781		90,595		-74	1,547,573	
EBITDA	-6,048	-114.7%	184,764	12.7%	-4,599	-5.1%	-1,768	172,349	11.1%
EBIT	-7,045	-133.7%	94,260	6.5%	-9,081	-10.0%	-1,191	76,943	5.0%
Income before tax	-8,186	-155.3%	63,959	4.4%	-12,907	-14.2%	-780	42,086	2.7%
Net income for the year	-63	-1.2%	38,068	2.6%	-13,591	-15.0%	-856	23,558	1.5%
Group net income (may be consolidated)	1,052	20.0%	15,211	1.0%	-11,082	-12.2%	3,184	8,365	0.5%
Group consolidated shareholders' equity	245,087		348,467		26,967		-108,067	512,454	
Net financial position	-31,543		-411,387		-49,083		-18,880	-510,893	
Personnel (heads)	89		6,353		378		0	6,820	

The property sector consolidated the income statement and balance sheet results of Immsi S.p.A., Is Molas S.p.A. and Apuliae S.p.A., the industrial sector includes the Piaggio Group, the naval sector includes the group controlled by Rodriquez Cantieri Navali S.p.A., while under 'Other companies and adjustments' are included, in addition to the consolidation entries, the results for Piaggio Holding Netherlands B.V. and RCN Finanziaria S.p.A.

The property sector

In reference to the property business, and in particular the Disposal Plan regarding the Parent Company Immsi S.p.A., it should be noted that during 2005 the sales were finalised of the properties in Via Fermi – Cassina de' Pecchi (Milan), Via Pirelli – Milan and Via del Maggiolino – Rome. These disposals generated overall income of 52.5 million euro and net capital gains for approximately 7.6 million euro, calculated in accordance with international accounting standards.
Against these disposals the Company repaid the related share of financing for an overall amount of 51.9 million euro. In addition, in June 2005 it arranged to repay the further remaining share of debt for approximately 11.8 million euro. At the same time the Company accessed a new mortgage in agreement with Efibanca S.p.A., for 46 million euro, which was backed by a guarantee on the remaining property in the portfolio, located in Via Abruzzi – Rome, expiring in May 2010.
Thus the Company completed the Disposal Plan which was started in July 2003 and which overall generated cash flow for approximately 142.8 million euro.
Immsi S.p.A. provides the other Group companies, through a range of consultancy contracts, with the professional skills of its own set-up, including technical know-how relating to the property sector in order to be able to make the best use of the opportunities linked to its tangible assets which it has available through the various companies currently present in the consolidation area. The overall value of the consultancies provided by the Parent Company during 2005 totalled approximately 3.9 million euro, including the administrative, financial and corporate consultancies mainly provided to the Piaggio Group.

As noted previously, at 31 December 2005 Immsi was still carrying the property located in Rome Via Abruzzi, 25 which is largely designated as office space (Italian *A/10 UFFICI* rating) with a gross surface area of 12,983 square meters and a net accounting value, in accordance with the IAS/IFRS, of approximately 11.5 million euro.
The property is currently leased to a third party for over 90% of the total surface area, while the remaining space is occupied by Group companies. The overall annual income generated by the property amounts to approximately 2.1 million euro.
In addition, the work to optimise the asset management for this property continues, especially in relation to the renegotiation of outstanding lease contracts and at the same time the production of market-value aligned income from the area whose release is planned over coming months.

Here below are the main figures relating to the disposals undertaken in 2005:

In thousands of euro	CARRYING VALUE	SALE PRICE	CAPITAL GAINS
Tied sale:	17,893	25,000	7,107
Milan - via Pirelli no.	9,080		
20Cassina de' Pecchi (MI) - via Fermi no. 2	8,813		
Rome - via del Maggiolino n. 151	27,003	27,500	497
ASSET SALES	**44,896**	**52,500**	**7,604**

*The capital gains shown have been defined on the basis of the book values of the properties restated in accordance with the provisions of the international accounting standards, on the basis of which the Group's financial statements have been prepared as from 2005. The aforementioned values differ from the capital gains defined in the financial statements of the Parent Company Immsi S.p.A. which for the same year used Italian accounting standards.

Immsi S.p.A. developed further initiatives in the property sector in particular through the business of its subsidiary Is Molas S.p.A., which, as mentioned previously, operates in Pula and Villa San Pietro (Cagliari) through a hotel complex equipped with major sporting structures (international standard golf courses) and a large scale project to develop residential property.
In reference to this latter project, in November the local authority of Pula was presented with the allocation plan for the volumes and surface areas for each individual lot of the whole division. Currently checks and investigations by the competent administrative bodies are underway.
Among the main investments in the period we may note the acquisition of building land subject to division into lots for a total of over 21 thousand square metres, which may be added to the main investment made in 2004 following the acquisition at a bankruptcy auction held by the Bankruptcy Court of Bergamo of 3.9 million square metres overall relating to the whole structure.
To realise the development plan for the whole residential and hotel sector and for the construction of the golf courses, the company turned to internationally famous professionals such as the architect Fuksas, Gary Player, Golf Vacanze and Ai Engineering which organised a complete action plan, in particular for the correct identification and distribution of the areas and volumes for the sector which is subject to division into lots.
The architectural plans are now at an advanced stage in relation to all the production buildings which are to be built, as are the executive projects relating to the four types of accommodation to be built and put on sale.

The industrial sector: Piaggio Group

The two-wheel business

The world market for motorised two-wheel transport in 2005 confirmed the marked expansion that had already been seen in previous years, exceeding 40 million vehicles sold, up by 9% compared to 2004.

Asia remains undoubtedly the main driver for this result: the People's Republic of China confirmed its position as the world's leading market by increasing volumes by 9% with over 18 million vehicles. India was again in second place with growth of 10% and more than 6.7 million vehicles sold. Also South East Asia in 2005 confirmed the growth of recent years, reaching almost 9 million vehicles (+13% compared to 2004): among the countries in this area, Indonesia covers around half of the sales, followed by Thailand and Vietnam which respectively account for 25% and 20%.

The crisis of the Japanese market seems to have ended and it saw a slight positive trend compared to 2004; sales volumes in 2005 were just over 706,000 units (+1%).

The positive trend in North America (of which more than 90% is concentrated in the USA) continued with growth of 4% and sales in excess of one million units. As for Latin America, Brazil maintained its marked growth (90% of the area), also in this case with sales volumes of over one million units (+12% compared to 2004).

Europe, the main area for the Piaggio Group's businesses, for the second year running saw a rising trend (+5% compared to 2004, of which +6% for scooters and +4% for motorbikes). This result arose once again from the solid performance of the over 50 cc segment (+9%) which made up for the fall in the 50 cc segment (–3%); unlike 2004, in 2005 the over 50 cc scooter segment (+13%) recorded a higher rise than that for the over 50 cc motorbikes (+6%); thus there was a continuation in the trend by which in coming years the over 50 cc scooter segment should surpass the 50 cc motorbike segment which is still over half of the European market.

The Italian scooter market ended 2005 at 395 thousand vehicles sold compared to 403 thousand in the same period of 2004 (-2%), thus confirming the change in the mix that has occurred between 50 cc and over 50 cc vehicles in favour of the latter.

The 50 cc segment fell from 130 thousand units in 2004 to 122 thousand units in 2005 (-7%). The market for over 50 cc vehicles at 31 December 2005 stood at 273 thousand units and was thus stable compared to 2004.

In 2005 the scooter market in Europe grew, going from 1,102,000 units in 2004 to 1,164,000 (+6%).

The 50 cc scooter segment fell slightly from 593 thousand units in 2004 to 590 thousand in 2005. The over 50 cc scooter segment rose to 574 thousand units compared to 509 thousand in the same period of 2004 (+13%).

The main market is Italy (395 thousand units) followed by Spain (172 thousand), France (168 thousand), Germany (99 thousand), Greece (82 thousand), and Great Britain (40 thousand).

The Spanish market stood at 172 thousand vehicles, an increase of 34% compared to the same period in 2004, which is not representative of the sharp change in the type of demand. In fact against a fall in the market of 6% for 50 cc scooters, the market for over 50 cc scooters grew by 94%.

The French market saw overall growth compared to the previous year, rising from 157 thousand units to 168 thousand (+7%), due both to the increase in 50 cc scooters and licence plate registered scooters (+4% and +14% respectively compared to the previous year).

In Italy the market for motorbikes (including 50 cc motorbikes) rose from 152 thousand units in 2004 to 155 thousand in 2005, thus recording growth of 2%.

The segment for 50 cc motorbikes fell (-1%) from 6,500 units in 2004 to 6,400 units in 2005. There was, however, a marked rise in 51-125 cc motorbikes, which moved from 8,600 units in 2004 to 9,700 in 2005, an increase of 14%. The segment for over 125 cc motorbikes grew by 1% with 139 thousand registrations at 31 December 2005 compared to 137 thousand in 2004. In particular the 126-750 cc motorbike segment grew by 1% (87 thousand vehicles compared to 86 thousand in 2004), while the over 750 cc motorbikes saw slight growth of 1% (52 thousand vehicles compared to 51 thousand in 2004).

The market for motorbikes in Europe rose from 823 thousand units in 2004 to 854 thousand units in 2005 (+4%). While the 50 cc segment fell from 91 thousand to 76 thousand units (-17%), the 51-125 cc segment grew by 31%, going from 98 thousand units in 2004 to 129 thousand units in 2005, and the over 125 cc segment stood at 650 thousand units compared to 634 thousand in the previous year (+2%).
The main market is France (155 thousand units), followed by Italy (154 thousand units), Germany (140 thousand units), Spain (121 thousand units), and Great Britain (91 thousand units).
In Europe the main segment is that for 126-750 cc motorbikes, where the Group is represented by the Aprilia brand, followed by that for maxi motorbikes of over 750 cc where the Group is present with the Aprilia and Moto Guzzi brands. In 2005, the over 750 cc segment fell slightly (-1%), while the segment for intermediate 126-750 cc motorbikes grew compared to the previous year (+5%). Turning to the key European market for Moto Guzzi (over 750 cc), Germany, although remaining the leading European market, saw its market drop by 7%.
In 2005 the motorbike market in the USA grew overall (+4%). In more detail, while the 51-125 cc segment fell (-12%), the over 125 cc motorbike segment grew (+7%). In particular, again in relation to 750 cc motorbikes, there was growth of 5% from 459 thousand 2004 to 482 thousand registrations in 2005.

Light commercial vehicles business
In 2005 the European market for light commercial vehicles (vehicles with a gross weight of up to 3.5 tonnes) saw further recovery of 3.5% compared to 2004. Italy, however, went against the trend and fell by 2.4%. The Italian market, therefore, stood at 216,160 units compared to 221,500 in 2004.
The Indian market, where Piaggio Vehicle Private Limited, a subsidiary of Piaggio & C. S.p.A., successfully operates, continued to enjoy a positive growth trend, up by 12.1% compared to 2004. During 2005, in terms of sales to the final customer in the segments in which PVPL is present, it totalled 339,780 units for 3-wheel vehicles compared to around 303,000 units recorded in 2004.
Within the market, the passenger vehicle segment stood at 194,636 units in 2005, slightly up on 2004 (+7.2%). The trend in the Cargo segment shows a much more marked rise. Between 2004 and 2005 the segment grew by 19.5% from 121,500 to 145,145 units sold. The Cargo market therefore, even if smaller in terms of size than the Passenger segment, is the growth driver for the Indian market.
At the end of 2005 PVPL enjoyed a 38% share of the Indian market for three wheel cargo vehicles and 24% for Passenger vehicles.

The regulatory framework
On 21 June 2005, the Ministry of the Environment issued the reimbursements for the incentive campaign contributions for 2003 and 2004. Piaggio, the Ministry's main creditor, received a full reimbursement of 11.3 million euro (9.6 million accrued in 2003 and 1.7 million in 2004). Aprilia obtained a repayment of 7.3 million euro (6.3 million accrued in 2003 and 1 million in 2004).
18 April 2005 saw the finalisation of the supplement to the Programme Agreement signed on 12 February 2002 between the Ministry of the Environment and ANCMA, for the continuation of the supply of contributions for the purchase of low-polluting mopeds. The funds for the 2005 campaign were made available as from 20 May 2005 for an overall sum of 25 million euro. A contribution of 250 euro (including sales tax) was provided for every low-polluting moped. As at December 2005, the Group brands had obtained the following contributions: Piaggio 8.4 million euro, Aprilia 4.6 million euro, and Derbi 0.4 million euro.
In 2005 the regulations contained in the Legislative Decree on the New Highway Code continued to come into force. Public, media and market attention was very high, above all owing to the numerous innovations announced for two wheel vehicles. In particular the obligation to obtain the mini licence for scooters (as the Code defines all two wheel vehicles up to 50 cc) was extended to adults who do not possess any other licence as from 1 October 2005. In addition, it was made compulsory for all candidates for the mini licences to present a medical certificate of driving suitability. Despite the toughening of the obligations, once the regulatory requirement had been clarified, there were no negative consequences on the market for both 2-wheel mopeds and for the Ape 50. Nonetheless, it must be recalled that such products were covered by the government

contribution as low-polluting vehicles. At 31 December 2005 the Ministry figures relating to the issue of mini licences showed a total of 1,076,590 since the obligation was introduced. The Group's initiatives to support education campaigns and schools are continuing, in particular with the involvement of its own dealers to provide part of the free courses at schools.
At the same time as the coming into force of the mini licence for adults, Parliament modified article 213 of the Highway Code, extending the cases in which the additional sanction of confiscating the vehicle (moped or motorcycle) is applied, to cases of riding without a helmet, illegally increasing the bike's performance, dangerous driving and unauthorised transport of a passenger on a moped.
Among the other changes made to the Highway Code relating to the 50 cc segment, note should be made of: a) the possibility of transporting a passenger on a moped; b) the circulation document – which will be for a nominated person– as well as; c) the new registration system for mopeds.
For the whole of 2005 the regulatory activity continued in the institutions of Brussels that led to the establishment of new pollution limits for the so-called "Euro3" phase for motorcycles and to the proposal of a directive for corresponding Euro3 limits for 2/3/4 wheel mopeds, motorised tricycles and quadricycles. While the Euro3 parameters for motorcycles have been obligatorily in force throughout Europe since 1 January 2006 for all new approvals and as from 1 January 2007 for all registrations of motorcycles, for other categories of vehicle such dates and corresponding limits have not yet been identified.
Overall, the products of the Piaggio Group conform to the strictest regulations currently in force in Europe and, with particular adaptations, in the USA regarding the environment and safety and they also conform to other existing non-EU regulations which are generally less restrictive.

The 2-wheel business unit

In 2005 the Piaggio, Vespa and Gilera brands maintained their leadership of the scooter market with a 25.1% share. Looking at the individual brands, 2005 was a very good year for Vespa which recorded annual global sales of 87,800 units thanks to the launch of two new models: LX 50/125/150, restyling of the ET launched in 1996, and of the GTS, the first 250 cc Vespa equipped with a latest generation electronic injection engine well before the Euro 3 regulation comes into force. Thus the share in Europe of the most famous brand in the Piaggio Group grew in 2005 by almost one percentage point from 4.4% to 5.2%.
After a 2004 characterised by the restyling of the Liberty and Beverly models and by the excellent performance of the X8, Piaggio volumes in 2005 stood at 195,900 units, or a 17.5% share.
Gilera ended 2005 with 35,100 units sold or a 2.5% share. The initial market indications seen at the end of 2005 following the launch of Runner, offered good prospects for 2006.
The expansion of the Piaggio Group in the USA continued in 2005 too: the distribution network was enhanced by increasing the Vespa Boutiques which are spread all over the country to around 120. Vespa remains the Group's leading product with around 8,700 units sold, while the market share remained largely stable at 16.0%.
Derbi too confirmed its position as European leader in its key sector, that for 50 cc motorbikes, with a market share of 33.8 % (+4.7% compared to 2004) and the Senda confirmed its position as the best-selling 50 cc motorbike in Europe (26,347 units), albeit the market in general fell by around 17% compared to the previous year.
As for the American market, up compared to 2004, the presence of Aprilia and Guzzi underwent a structural reorganisation which will bear fruit as from the second quarter of 2006.

Albeit in a slightly negative market, Moto Guzzi, with 1.7%, regained share in its niche market. Thanks also to the launch of the new Breva 1100 cc and Griso 1100 cc, volumes in 2005 stood at 6,975 motorcycles sold with net sales worth 43.8 million euro (+90% compared to 2004).

The light commercial vehicles business unit

The Light Commercial Vehicles (LCV) Division ended 2005 with 121,400 units sold, up by 33.9% compared to volumes in 2004. This growth arose especially from the success of the associated Indian company PVPL (Piaggio Vehicles Private Ltd) which further reinforced its presence on the domestic market in India and gradually increased the capacity of its production facility at Baramati. Moreover, in 2005 there was an excellent performance from the European market which, following several years in decline, started to grow again thanks to the new commercial and marketing policy

and to the introduction of the new Quargo product. Therefore, it rose from around 18,500 units sold in 2004 to 20,021 vehicles recorded at the end of 2005. Growth in Europe, therefore, stood at a significant level of 7.6% which not only enabled an inversion in the trend by generating positive growth in net sales, but also caused a real turnaround in the business and in the contribution which Piaggio LCV Europe makes to the Group.
Overall net sales of Piaggio LCV rose from 237.6 million euro in 2004 to 304.0 million euro in 2005 (+27.8%). Net sales generated in Europe totalled 146.8 million euro, while India, following the sharp growth in volumes, reached 157.2 million euro in net sales.
The Indian market, where Piaggio Vehicle Private Limited, a subsidiary of Piaggio & C. S.p.A., operates, continued to grow, up by 12.1% compared to 2004. During 2005, in terms of sales to the end customer in the segments in which PVPL is present, 339,780 3-wheel units were sold compared to around 303,000 units recorded at the end of 2004.
Against this background, the performance of the associated Indian company PVPL continued to show a marked increase and an interesting growth rate. Sales rose from almost 72,000 units in 2004 to over 100,000 units during 2005. The growth rate for PVPL, therefore, stood at 41.4%. This marked growth enabled PVPL to significantly increase its market share which rose from 23% of the total 3-wheel market in 2004 to the current 30%.
The reasons for the continual growth on the Indian market are a high quality product and, above all, a value proposition that is enhanced by advanced service that meets the needs of end users.

The naval construction sector: Rodriquez Cantieri Navali (RCN) Group

As noted previously, the results reported by the Rodriquez Group in 2005 were negative from an income viewpoint mainly owing to the restructuring work started in 2004, the still largely underused production capacity and as a consequence of the significant orders won in previous years which were completed or near to completion in 2005 and which had very slim or even negative margins, and which therefore translate into a minor contribution to the income for the year.

As a consequence of this, and in expectation of new significant orders, during the year the company started a suspended employment procedure for the Messina shipyard, aimed at reducing indirect production costs and general overheads.

Against this background the company management is also working to be able to gradually substitute the orders which are being completed with new orders with margins in line with expected returns and which can offer the necessary financial and commercial guarantees.
In this regard some initial encouraging results have been achieved through the winning of important orders for the supply of hydrofoils and military patrol boats. In addition, Rodriquez Cantieri Navali has other ongoing negotiations of interest which could, if successful, enable the resolution of the problem of productive overcapacity as set out above.

In July the Board of Directors approved the 2006-2008 Business Plan guidelines. The plan aims to relaunch the Group through the development of the 3 business sectors in which it operates (commercial, military and yachts) and envisages overall investment of approximately 20 million euro, of which about a third is linked to the Messina facility.
In more detail, the main objectives of the plan are the return to broad economic balance, growth in overall business volumes, an increase in profitability and financial solidity, development of the business mix (increase in volumes in the yacht and commercial sectors and maintenance / growth in the military sector), and reconversion of the Pietra Ligure shipyard (Savona).
In reference to the main strategies of this Plan, these have been identified as the industrialisation of production, differentiating the offer range in the yacht sector, and strengthening the current positioning in the military sector, by exploiting the technological leadership in the sectors in which it currently operates (patrol boats).

As for the balance sheet situation and in particular in reference to the need to recapitalise the company following the losses in 2004 and 2005, some transactions have been undertaken on the share capital and Shareholders' equity of Rodriquez Cantieri Navali S.p.A.:

- Underwriting of a first tranche of a share capital increase with the extraordinary Shareholders' Meeting of 6 May 2005 for 10.8 million euro, through the underwriting of the tranche by the parent company RCN Finanziaria S.p.A. and the opening of the period to exercise option rights for other shareholders; this share capital increase was used for 2.9 million euro to cover the residual negative shareholders' equity on the financial statements as at 31 December 2004;
- Share capital increase completed in July following the failure to exercise option rights by minority shareholders, with underwriting of 100% of the unopted amount by the parent company RCN Finanziaria S.p.A., (sole shareholder as from May 2005) and a further share capital increase for the residual share of the financing entered into during 2004. On that date a further 9.5 million euro was converted into the share capital increase account. With this transaction overall loans of 20.3 million euro provided by RCN Finanziaria S.p.A. have been converted;
- Share capital increase arising from the extraordinary Shareholders' Meeting of 28 September 2005 which passed a resolution for an 18 million euro increase, underwritten and paid by the parent company RCN Finanziaria S.p.A., in its turn financed with a bonded loan convertible into shares of the aforementioned company, respectively for 12

million euro by the shareholder Immsi S.p.A. and for 6 million euro by the shareholder Banca Intesa S.p.A.

Following these recapitalisation operations by the shareholders (for a total in the year of 38.3 million euro), the net financial position of the Rodriquez Group saw a positive movement of 26.2 million euro compared to the previous year. This debt was largely restructured, moving from exposure almost all falling within 12 months to an exposure of over 12 months for two-thirds of the debt. In particular on 16 November a loan was underwritten with Banca Intesa expiring halfway through 2007, wholly guaranteed by the shareholder Immsi, for 25 million euro, of which at 31 December 2005 22.3 million euro had been used.

Regarding non-ordinary activities, the company, in relation to the area set aside for shipyards located at Pietra Ligure (Savona) and given in concession to Intermarine S.p.A., started a project aiming initially at the removal from public ownership of part of the area (approximately 16 thousand square metres compared to the overall total of 46 thousand square metres) and subsequently, obtaining the change in the town planning status of the whole complex and a change in the public concession of the surface area that has not been removed from public ownership (approximately 29 thousand square metres). The company signed an agreement for the sale of the surface involved in the project, which was bound to the positive outcome of the work to remove the land from public ownership and obtaining the concessions needed for the requalification of the area from solely industrial to urban and industrial use.

Human resources

Personnel in the Immsi Group at 31 December 2005 totalled 6,820 units divided between the property sector with 89 units, the industrial sector (Piaggio Group) with 6,353 units and the naval shipyard sector (Rodriquez Cantieri Navali Group) with 378 units.

The division by position and by geographic area is shown in the following tables:

Human resources by position

in units	31/12/2005			
	Property sector	**Industrial sector**	**Naval sector**	**Group total**
Directors	6	115	18	139
Managers and office workers	34	2,111	159	2,304
Manual workers	49	4,127	201	4,377
TOTAL	**89**	**6,353**	**378**	**6,820**

Human resources by geographic area

in units	31/12/2005			
	Property sector	**Industrial sector**	**Naval sector**	**Group total**
Italy	89	4,259	373	4,721
Rest of Europe	0	611	0	611
Rest of the world	0	1,483	5	1,488
TOTAL	**89**	**6,353**	**378**	**6,820**

Here below there is also a comparison between the staff at 31 December 2005 and the corresponding figure at 31 December 2004, divided by position and by geographic area.

Human resources by level

in units	**31/12/2005**	**31/12/2004**	**Change**
Directors	139	138	1
Managers and office workers	2,304	2,278	26
Manual workers	4,377	4,183	194
TOTAL	**6,820**	**6,599**	**221**

Human resources by geographic area

in units	**31/12/2005**	**31/12/2004**	**Change**
Italy	4,721	4,752	-31
Rest of Europe	611	669	-58
Rest of the world	1,488	1,178	310
TOTAL	**6,820**	**6,599**	**221**

The Group workforce at 31 December 2005 also included seasonally employed staff (fixed-term contracts and supply contracts), mainly in the Piaggio Group with 834 units.

Economic performance and the balance sheet/financial situation

The Group

As noted previously, as from 1 January 2005 the accounting results of the Aprilia Group have been consolidated. The control of the company was acquired at the end of 2004 by Piaggio & C. S.p.A. The financial statements of the previous year included, as from 31 December, the balance sheet entries of the group.
In addition, during the previous year the income statement and balance sheet entries for the Rodriquez Cantieri Navali Group in relation as from the acquisition date, 31 May 2004, were included in the consolidation area.
For these reasons the income statement items for 2005 are not the same as, and therefore not comparable, with those for the previous year.

In 2005 the Group recorded net income, after taxes and net of minority interest, of 8.4 million euro, or 0.5% of net sales. This result arose from the property sector for 1.1 million euro, the industrial sector for 15.2 million euro, while the naval sector recorded a loss of 11.1 million euro. In particular the property sector benefited from the capital gains realised on the sale of three properties, while the industrial sector brought together the results from operational efficiency gains, growth in net sales and the receipt of government contributions for eco-incentives, thus recording a positive performance. In reference to the naval sector, the time needed for the restructuring activities launched and, in particular, for the renewal of the order book to make a noticeable impact affected the result for the year.
EBITDA at 31 December 2005 totalled 172.3 million euro, or 11.1% of net sales, while operating income, 76.9 million euro, was 5% of net sales. In addition, it should be recalled that in accordance with the provisions of the international accounting standards, applied as from 1 January 2005, goodwill is no longer amortised on a straight line basis but is subject to periodic assessment of its recoverability and, if necessary, written down should such recoverability no longer exist. In particular on the basis of the results expected by the long-term development plans prepared by the Group companies and used by professional, independent third parties in the impairment tests, no writedown has been planned since such goodwill is considered recoverable through future financial flows.

Group net debt at 31 December 2005 totalled 510.9 million euro overall, down by 120.4 million euro compared to the debt of 631.3 million euro at 31 December 2004, mainly due to Group self-financing of 137.2 million euro and the positive change in net working capital of 40.3 million euro.

Group consolidated overall investment in the period totalled 106.5 million euro, as follows:

- 39.4 million euro in intangible assets, of which 37.2 million euro in reference to the Piaggio Group,
- 67.1 million euro in property, plant and machinery (gross of the property disposals undertaken), of which 62.9 million in reference to the Piaggio Group, 2.8 million euro to the Rodriquez Group, and the remainder to the property sector.

Total shareholders' equity of the Immsi Group at 31 December 2005 was 512.5 million euro; excluding the minority interest, Group shareholders' equity was 236.7 million euro.

Group economic performance

The reclassified income statement of the Immsi Group shown below classifies income items by their nature and is in line with the guideline given by the IAS which considered these items, with the exclusion of financial items, wholly as income from ordinary operations.
In addition, in reference to expense and income items in relation to assets destined for disposal or sale, again in compliance with the provisions of the international standards, it was arranged to reclassify from the balance sheet items which, by their nature, refer to a specific combination which expresses their contribution to the income for the year.

In thousands of euro	*2005*		*2004*	
Net sales	**1,547,573**	**100%**	**1,180,666**	**100%**
Costs for materials	883,405	57.1%	650,075	55.1%
Costs for services and use of third party assets	349,457	22.6%	257,212	21.8%
Staff costs	247,875	16.0%	169,933	14.4%
Other operating income	155,289	10.0%	76,983	6.5%
Other operating costs	49,776	3.2%	49,676	4.2%
OPERATING INCOME BEFORE AMORTISATION/DEPRECIATION	**172,349**	**11.1%**	**130,753**	**11.1%**
Depreciation of tangible assets	46,751	3.0%	39,175	3.3%
Amortisation of goodwill	0	-	0	-
Amortisation of intangible assets	48,655	3.1%	27,086	2.3%
OPERATING INCOME	**76,943**	**5.0%**	**64,492**	**5.5%**
Income from equity investments	-10	0.0%	-1	0.0%
Financial income	17,952	1.2%	9,265	0.8%
Financial charges	52,799	3.4%	36,284	3.1%
INCOME BEFORE TAX	**42,086**	**2.7%**	**37,472**	**3.2%**
Tax	23,770	1.5%	14,975	1.3%
INCOME FROM FUNCTIONING ASSETS	**18,316**	**1.2%**	**22,497**	**1.9%**
Profit or loss from assets destined for disposal	5,242	0.3%	7,850	0.7%
NET INCOME FOR THE YEAR	**23,558**	**1.5%**	**30,347**	**2.6%**
Minority interest	15,193	1.0%	18,841	1.6%
GROUP NET INCOME	**8,365**	**0.5%**	**11,506**	**1.0%**

The Group’s consolidated net sales in 2005 stood at 1,547.6 million euro, to which the Piaggio Group contributed 1,451.8 million euro, the property sector 5.3 million euro and the Rodriquez Group 90.6 million euro.
In reference to the industrial sector, up by 367.6 million euro compared to 2004, it should be noted that, on a constant consolidation area basis, compared to the previous year growth in the two wheel business was approximately 0.6%, while the LCV business grew by 27.9% mainly in relation to the performance of the Indian market where the Group is present with the subsidiary Piaggio Vehicles Private Limited and also thanks to the reversal in trend on the European market.
In relation to the property sector, the trend in the reduction in net sales continued in relation to the disposals undertaken by Immsi S.p.A., only partially offset by the new activities started in the sector.

Finally, in reference to the naval sector, the value in net sales in 2005 fell by approximately 27% compared to the previous year owing to the problems mentioned previously relating to the process to reorganise the company.

Operating costs and other consolidated net charges of the Group in 2005 were 1,375.2 million euro (or 88.9% of net sales), of which 1,267.0 million euro (87.3% of net sales) related to the Piaggio Group.

The costs for materials totalled 883.4 million euro, or 57.1% of net sales; the cost in relation to the industrial sector alone totalled 847.2 million euro, or 58.4 % of net sales.

In reference to staff costs, 247.9 million euro, or 16.0% of net sales, the most significant contribution, in relation to the Piaggio Group, totalled 225.5 million euro (15.5%).

Operating income before amortisation and depreciation (EBITDA) totalled 172.3 million euro, or 11.1% of net sales, of which 184.8 million euro referred to the industrial sector.

Amortisation and depreciation in the year totalled 95.4 million euro (of which 90.5 million euro from the industrial sector), with a ratio to net sales of 6.1%. The depreciation of property, plant and machinery totalled 46.8 million euro, while the amortisation of intangible assets, which does not include amortisation of goodwill, totalled 48.7 million euro.

The overall value of EBIT totalled 76.9 million euro, or 5% of net sales, of which 94.3 million euro referred to the industrial sector.

The negative balance on financial income/charges totalled 34.9 million euro, or 2.3% of net sales, of which 30.3 million euro was due to the industrial sector and 3.8 million euro to the naval sector.

Income before tax was 42.1 million euro, or 2.7% of net sales, of which the industrial sector contributed 64 million euro.

Net income for the year, after tax and minority interest, totalled 8.4 million euro (0.5% of net sales).

Balance sheet and financial situation of the Group

In thousands of euro	*31.12.2005*	*in %*	*31.12.2004*	*in %*
Current assets:				
Cash and cash equivalents	59,372	3.4%	51,456	2.8%
Financial assets	1,260	0.1%	1,151	0.1%
Operative assets	524,854	29.6%	630,348	34.3%
Total current assets	**585,486**	**33.1%**	**682,955**	**37.2%**
Non-current assets:				
Financial assets	10,805	0.6%	12,462	0.7%
Intangible assets	737,429	41.6%	687,579	37.4%
Tangible assets	323,008	18.2%	347,922	18.9%
Other assets	114,595	6.5%	105,662	5.8%
Total non-current assets	**1,185,837**	**66.9%**	**1,153,625**	**62.8%**
TOTAL ASSETS	**1,771,323**	**100.0%**	**1,836,580**	**100.0%**
Current liabilities:				
Financial liabilities	122,057	6.9%	354,213	19.3%
Operative liabilities	465,790	26.3%	510,214	27.8%
Total current assets	**587,847**	**33.2%**	**864,427**	**47.1%**
Non-current liabilities:				
Financial liabilities	460,273	26.0%	342,135	18.6%
Other non-current liabilities	210,749	11.9%	213,114	11.6%
Total non-current assets	**671,022**	**37.9%**	**555,249**	**30.2%**
TOTAL LIABILITIES	**1,258,869**	**71.1%**	**1,419,676**	**77.3%**
TOTAL SHAREHOLDERS' EQUITY	**512,454**	**28.9%**	**416,904**	**22.7%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,771,323**	**100.0%**	**1,836,580**	**100.0%**

Current assets at 31 December 2005 totalled 585.5 million euro, down compared to 31 December 2004 by 97.5 million euro. This decrease was mainly due to the policies to contain warehouse stocks and to manage credit put into place in Piaggio.

Non-current assets at 31 December 2005 totalled 1,185.8 million euro compared to 1,153.6 million at 31 December 2004 with an increase of 32.2 million euro, owing, on the one hand, to the property disposals made by the Parent Company, while, on the other, in reference to intangible assets, owing to the recording of a further consolidation difference in Piaggio for 62.2 million euro given the new valorisation of the financial instruments termed "Piaggio 2004/2009 Warrants" and "EMH 2004/2009", which were issued during the Aprilia acquisition.
In particular it was arranged to revise upwards the acquisition cost of Aprilia in light of the positive income results achieved in the year and in consideration of the contractual agreements underlying this acquisition, which vary the final acquisition cost in relation to the achievement of specific income and asset parameters.

In particular, among non-current assets, intangible assets totalled 737.4 million euro, up compared to 31 December 2004 by 49.9 million euro, while tangible assets (plant, property and machinery) totalled 323.0 million (347.9 million at the end of 2004) and other assets totalled 114.6 million euro (compared to 105.7 million at the end of 2004).

Current liabilities at 31 December 2005 totalled 587.8 million euro, down compared to 31 December 2004 by 276.6 million euro, following, on the one hand, the decrease in financial liabilities owing to the issue of medium/long-term bonded loans in relation to the repayment of bonds which were about to expire and, on the other, the reduction in other operative liabilities in Piaggio of 22.9 million euro and in Rodriquez of 6.6 million euro.

Non-current liabilities at 31 December 2005 totalled 671.0 million euro compared with 555.2 million euro at 31 December 2004. The increase was due to financial liabilities, for 118.1 million euro, in relation to the issue of the aforementioned bonded loan.

Group consolidated shareholders' equity and minority interest at 31 December 2005 totalled 512.5 million euro, of which minority interest was 275.7 million euro.

The analysis of **invested capital** and its financial cover is as follows:

In thousands of euro	***31.12.2005***	***in %***	***31.12.2004***	***in %***
Current operating assets	524,854	42.5%	630,348	50.0%
Current operating liabilities	-465,790	-37.7%	-510,214	-40.5%
Net operating working capital	**59,064**	**4.8%**	**120,134**	**9.5%**
Intangible assets	737,429	59.8%	687,579	54.5%
Tangible assets	323,008	26.2%	347,922	27.6%
Other assets	114,595	9.3%	105,662	8.4%
Invested capital	**1,234,096**	**100.0%**	**1,261,297**	**100.0%**
Non-current non-financial liabilities	210,749	17.1%	213,114	16.9%
Minority interest - capital and reserves	275,706	22.3%	198,623	15.7%
Group consolidated shareholders' equity	236,748	19.2%	218,281	17.3%
Total non-financial sources	**723,203**	**58.6%**	**630,018**	**50.0%**
Net debt	**510,893**	**41.4%**	**631,279**	**50.0%**

The following table sets out the **cash flow statement** for the year:

In thousands of euro	31.12.2005	31.12.2004
Self-financing	137,229	121,509
Change in net working capital	40,277	-97,381
Net cash flow from ordinary operations	**177,506**	**24,128**
Payment of dividends by Parent company	-8,580	-6,591
Payment of dividends to third parties by Group companies	-220	-346
Parent company share capital increase	807	78,392
Share capital increases in subsidiaries underwritten by third parties	0	49,371
Acquisition of intangible assets	-39,419	-33,574
Acquisition of tangible assets	-67,115	-65,625
Net decrease arising from property disposals	57,074	78,141
Acquisition / Disposal of net equity investments	929	-72,950
Net financial position of the companies acquired	0	-175,450
Other net movements	-596	-66,390
Change in net financial position	**120,386**	**-190,894**
Opening net financial position	**-631,279**	**-440,385**
Closing net financial position	**-510,893**	**-631,279**

As noted previously, the net cash flow generated on ordinary activities of 177.5 million euro overall for 2005, together with net investments for the year (48.5 million euro) and the dividends paid (8.6 million euro), led to a positive change in the net financial position of 120.4 million euro, thus recording financial debt at 31 December 2005 of 510.9 million euro.

Net debt, 510.9 million euro, is analysed below and compared with the figures at 31 December 2004:

In thousands of euro	*31.12.2005*	*31.12.2004*
Short-term financial assets		
Cash and cash equivalents	-59,372	-51,456
Financial assets	-1,260	-1,151
Total short-term financial assets	**-60,632**	**-52,607**
Short-term financial payables		
Debentures	0	100,000
Payables due to banks	75,726	168,645
Payables for financial leasing	914	594
Payables due to other lenders	45,417	84,974
Total short-term financial payables	**122,057**	**354,213**
Total short-term financial debt	**61,425**	**301,606**
Medium/long-term financial assets		
Receivables in relation to loans	-10,805	-12,462
Other financial receivables	0	0
Total medium/long-term financial assets	**-10,805**	**-12,462**
Medium/long-term financial payables		
Debentures	143,951	0
Payables due to banks	260,141	313,696
Payables for financial leasing	11,724	548
Payables due to other lenders	44,457	27,891
Total medium/long-term financial payables	**460,273**	**342,135**
Total medium/long-term financial debt	**449,468**	**329,673**
Net financial debt	**510,893**	**631,279**

Research and Development

The Immsi Group carries out its Research and Development through the subsidiaries Piaggio and Rodriquez. Hereafter is a summary of the main activities ongoing in these two sectors.

Also in 2005, the Piaggio Group undertook research and development activities, allocating overall resources of 54.9 million euro (of which 31.2 million euro in Piaggio & C. S.p.A., 4.0 million in Nacional Motor S.A., 16.2 million in Aprilia S.p.A., and the remainder in Moto Guzzi S.p.A.) with a ratio to net sales of 3.8%.
For its new products the associated Indian company Piaggio Vehicles Pvt Ltd mainly took advantage of the development undertaken by the Parent Company Piaggio & C. S.p.A. in the LCV business sector.
In particular the development activities involved new vehicles and new engines (above all environmentally friendly projects already compliant to the new Euro3 regulation).
Following the development of new 2-wheel products for an overall cost of 31.2 million euro, Piaggio started production of completely new vehicles as well as new engines for products already in the range such as the new Euro3 engines for all the Group's scooters and the new Euro4 version of the Porter, Vespa GTS and LX (with their related engines), Runner and Quargo India.

As for Aprilia, 2005, with overall costs of 16.2 million euro, saw the start of production of the Atlantic 500 Sprint, the Pegaso 650, both in the road and Enduro versions, the Scarabeo 50 with the new Piaggio 2-stroke engine, and the Tuono 1000 R.
In addition, the design and industrial production continued of the off-road twin-cylinder range, complete with the Cross, Motard and Enduro versions.
Moreover, Aprilia over coming months will see to the "updating" of its range of sports motorbikes with the restyling of the RSV 1000 and of all the vehicles over 50 cc in compliance with the Euro3 regulation.
As for Guzzi, with overall costs of 3.4 million euro, during 2005 the Breva 1100 and the Griso 1100 started production.
Finally Derbi, directly controlled by Nacional Motor, started production of the GP1 50 cc, the Senda R and SM, and the Boulevard 200.

In reference to the naval shipyard sector, the Rodriquez Group in previous years had launched two important research projects through the Parent Company Rodriquez Cantieri Navali: the fully submerged hydrofoil and the "Enviroaliswath".
The first has an overall value of approximately 25 million euro and envisages the design and construction by January 2007 of two prototypes of a new hydrofoil with fully submerged wings. For the Hydrofoil project, at 31 December 2005 costs had been capitalised of 7.9 million euro, of which 1.3 million during the year.
The second project called "Enviroaliswath", has an overall value of 18.6 million euro, and envisages the design and construction of a vessel that has an innovative environmental impact in terms of the reduction in the wake wash; at 31 December 2005 costs of 4.3 million euro had been capitalised, of which 1.2 million during the year.
The project called "Pia-Lightprop", finalised in August 2005 and developed by the subsidiary Rodriquez Marine System for an overall cost of 2.4 million euro, envisages the design and construction of a new concept in bow thrusters; at 31 December 2005 costs of 1.5 million euro had been capitalised, of which 0.1 million during the year.

DEALINGS WITH GROUP COMPANIES AND RELATED PARTIES

In relation to information regarding dealings with related parties as set out in art. 2428 of the Italian Civil Code, to the CONSOB communications on this issue and to IAS 24 "Related party disclosures", it should be noted that the transactions undertaken with such parties were completed in accordance with normal market conditions or specific regulatory provisions and that there were no atypical or unusual transactions during 2005, either by the Company or by the directors.

The main dealings with related parties are set out in detail below:

Main income statement and balance sheet items	Amounts in €/000	Description of the nature of the transactions
Dealings with Related parties:		
Payables due to suppliers	*22*	*Occasional tax assistance services provided by St. Girelli to the Group*
	258	*Financial consultancy provided by B&L S.r.l.*
	613	*Legal assistance services provided by St. d'Urso to the Group*
Interest and other financial charges	*303*	*Interest paid in relation to loan for Interbanca S.p.A. share*
External services	*93*	*Occasional tax assistance services provided by St. Girelli to the Group*
	1,033	*Financial consultancy provided by B&L S.r.l.*
	249	*Legal assistance services provided by St. d'Urso to the Group*
Dealings with Parent Companies:		
Assets	*263*	*Sale of furniture and vehicles by Omniainvest S.p.A.*
Payables due to suppliers	*2*	*Various services provided by Omniainvest S.p.A.*
Current receivables	*6*	*Services provided by the Parent Company to Omniainvest S.p.A.*
	578	*Tax services and receivables arising from the 2004 tax consolidation provided by the Parent Company to Omniapartecipazioni S.p.A.*
External services	*8*	*Costs recharged from Omniainvest S.p.A.*
Rents paid and building expenses	*188*	*Lease of offices in Mantua provided by Omniaholding S.p.A. to the Group*
	10	*Use of equipped premises provided by Omniainvest S.p.A.*
Other income	*6*	*Services provided by the Parent Company to Omniainvest S.p.A.*
	9	*Services provided by the Parent Company to Omniapartecipazioni S.p.A.*
Interest paid	*27*	*Interest on loan provided by Omniapartecipazioni S.p.A.*
Dealings with subsidiaries:		
Non-current receivables	*9,000*	*Loan provided to Is Molas S.p.A.*
	12,121	*Convertible loan and interest provided to RCN Finanziaria S.p.A.*
Current receivables	*1,686*	*Receivables due from the Piaggio Group for recharged expenses and consultancy and assistance contract*
	410	*Receivables due from the Rodriquez Group for recharged expenses, interest and consultancy contract*
	71	*Receivables due from Is Molas S.p.A. for recharged expenses and consultancy contract*
	7	*Receivables due from Apuliae S.p.A. for recharged expenses*
	400	*Loans provided to Rodriquez Cantieri Navali S.p.A.*
	500	*Loan provided to RCN Finanziaria S.p.A.*
Current payables	*900*	*Interest-bearing deposit granted by Apuliae S.p.A. to Immsi S.p.A.*
	7	*Lease of Milan offices provided by Piaggio & C. S.p.A.*
	1	*Payables due to Is Molas S.p.A. for recharged expenses*
Accrued income	*25*	*Accrued income for consultancy contract to Aprilia S.p.A.*
	16	*Accrued income for consultancy contract to Rodriquez Cantieri Navali S.p.A.*
Net sales	*84*	*Rent income and building expenses from lease of Rome offices to Piaggio & C. S.p.A.*
Interest paid	*29*	*Interest relating to interest-bearing deposit granted by Apuliae S.p.A. to Immsi S.p.A.*
Interest received	*378*	*Interest received in relation to loan to Is Molas S.p.A.*
	137	*Interest received in relation to loan to RCN Finanziaria S.p.A.*
	218	*Interest received in relation to loan to Rodriquez Cantieri Navali S.p.A.*
Other charges	*1*	*Payables due to Is Molas S.p.A. for recharged expenses*
Rents paid and building expenses	*69*	*Lease of Milan offices provided by Piaggio & C. S.p.A.*
Other net sales and income	*4,553*	*Net sales for consultancy and assistance contract and expenses recharged to the Piaggio Group*
	825	*Net sales for consultancy contract and expenses recharged to Is Molas S.p.A.*
	208	*Net sales for consultancy contract and expenses recharged to the Rodriquez Cantieri Navali Group*
	7	*Net sales for expenses recharged to Apuliae S.p.A.*

Economic values include non-deductible sales tax

Here below are the main dealings with related parties of the Piaggio Group at 31 December 2005:

Main income statement and balance sheet entries	Amount in ML €	Description of the nature of the transactions
Dealings with Related parties:		
Financial assets not included under fixed assets	*9.8*	*Five-year loan (due 23 September 2008) at fixed rate (2.5%) capitalised annually, provided to Scooter Holding 1 S.r.l. (formerly Piaggio Holding S.p.A).*
Equity investment Aprilia	*0.05*	*Studio d'Urso, Munari, Gatti – Accessory charges on acquisition*
Equity investment Aprilia	*0.2*	*Lehman Brothers – Accessory charges on acquisition*
Payables for invoices to be received	*0.05*	*Studio d'Urso, Munari, Gatti – Expenses for legal consultancies*
Payables for invoices to be received	*0.2*	*Lehman Brothers*
Financial income	*0.3*	*Interest on Scooter Holding 1 S.r.l. loan*
Off balance sheet commitments:		
Lehman Brothers USD 3.5 ML	*2.9*	*Contract to cover exchange risk*
Deutsche Bank Quanto Basis Collar Swap	*181.0*	*Cover of interest rate risks*

In addition, below is the list of banks which, through PB s.r.l., are part of the shareholding structure in Piaggio Holding Netherlands BV, the shareholder in Piaggio & C. S.p.A.:

- Intesa Group
- Monte dei Paschi di Siena Group
- Unicredito Group
- Banca Nazionale del Lavoro Group
- Banca Popolare Italiana Group
- Interbanca
- Cassa di Risparmio di Firenze
- Banca di Roma
- Centrobanca
- Banca Commercio e Industria
- Cassa di Risparmio di Volterra
- Cassa di Risparmio di San Miniato
- ICCREA
- Mediocredito del Trentino
- Mediocredito del Friuli
- Banca Popolare delle Marche

With reference to these banks, it is noted that the Piaggio Group had outstanding financing and derivative operations at 31 December 2005, as described in more detail in the Explanatory notes. In addition, as a natural consequence of the above, the following directors of Piaggio & C S.p.A. also have senior positions in the lending institutions with which the Group has dealings:

- Gaetano Micciché
- Carlo Pirzio Biroli.

INFORMATION ON STOCK OPTION PLANS FOR EMPLOYEES

At the closing date for the 2005 financial statements, a stock option plan was in force in reference to the subsidiary Piaggio & C S.p.A. for the Chief Executive Officer and the managers identified by the CEO, approved by the Board of Directors on 4 May 2004, on the basis of the resolutions of the Incentive Plan Committee.
The plan envisages the allocation of 24,401,084 options which may be exercised for the purchase of a similar number of shares.
The stock option plan envisages that the options, assigned by the Incentive Plan Committee to the CEO and by the CEO to directors he has identified, can be exercised following checks carried out by the Plan Committee on the basis of the consolidated financial statements at 31 December 2007 as approved by the Board of Directors, subordinate to achieving the Equity Value targets.
Should the company be admitted to listing on the Stock Exchange or should there be a change of control in the company before the vesting date, the exercise of the options will be brought forward in relation to the confirmation of the event considered.
It should be noted that at the year end date 21,372,771 options were allocated out of a total of 24,401,084 envisaged by the incentive plan with an exercise price of € 0.98 per share for 18,504,771 options and of € 1.72 per share for 2,868,000 options.
It is noted that, besides the Plan set out above, there are no further outstanding stock option plans within the Immsi Group.

EQUITY INVESTMENTS HELD BY MEMBERS OF THE ADMINISTRATION AND CONTROL BODIES AND BY THE CHIEF EXECUTIVES

Here below is the information required by the regulation to implement Legislative Decree no. 58 of 24 February 1998 adopted with CONSOB regulation no. 11971/99:

FULL NAME	INVESTEE COMPANY	NUMBER OF SHARES HELD AT THE END OF 2004	NUMBER OF SHARES PURCHASED	NUMBER OF SHARES SOLD	NUMBER OF SHARES HELD AT THE END OF 2005
Colaninno Roberto *	IMMSI S.p.A.	156,739,162	-	-	156,739,162
Lai Alessandro **	IMMSI S.p.A.	-	30,300	-	30,300

* indirectly owned – through Omniaholding S.p.A., Omniainvest S.p.A. and Omniapartecipazioni S.p.A..
** directly and indirectly owned through wife.

OTHER INFORMATION

TREASURY SHARES

The Company does not hold nor did it buy or dispose of any treasury shares and/or parent company shares during 2005, either directly or through trust companies or through third parties.

AUDIT COSTS

The statutory financial statements and the consolidated financial statements for 2005 were audited by Deloitte & Touche S.p.A. on the basis of the engagement allocated by the Shareholders' Meeting of 5 May 2003 for the three-year period 2003 – 2004 – 2005, integrated on 10 December 2003 for the part relating to the audit of the consolidated financial statements.
Please note, in compliance with the CONSOB provisions in Communication no. 3558 of 18 April 1996, the fee for the audit company for the audit of the statutory financial statements for 2005 and the related hours worked as well as the fee for the audit of the consolidated financial statements for 2005 and the related hours worked:
the fee for the statutory financial statements is 30,400 euro for a total of 400 hours, while the fee for the consolidated financial statements is 10,780 euro for 120 hours overall, without prejudice to the ISTAT statistical office adjustments.

It is noted that in relation to the obligation for the Company to prepare, as from 2005, the consolidated financial statements in accordance with the IAS/IFRS, Deloitte & Touche S.p.A. was appointed on 11 May 2005 to undertake the audit of the preliminary opening consolidated balance sheet at the date of transition to the IFRS (1 January 2004) as well as of the consolidated financial statements at 31 December 2004 and the limited audit of the consolidated half year report at 30 June 2004 prepared for comparative purposes. The fee for this activity was set at 300,000 euro for the whole Immsi Group.

HANDLING OF PERSONAL DATA – Leg. Decree no. 196 of 30 JUNE 2003

In reference to the obligations provided by the "Single Act on Privacy" Legislative Decree of 30 June 2003, no. 196 – Annex B) Technical Specifications – Immsi S.p.A., since it is owner of the data handled, besides having adopted the various security measures listed therein, has drawn up a Security Document in accordance with the law.
The aforementioned document aims to:

1. define and describe the security policies adopted in relation to the handling of employees, support staff, customers and suppliers' personal data;
2. define and describe the organisational criteria followed by the Company for their implementation;
3. supply suitable information in this regard also to third parties;
4. provide formal evidence of the corporate adjustment implemented.

Immsi S.p.A. Annual report on Corporate Governance

Immsi S.p.A. provides annual information on its system of Corporate Governance as well as on compliance to the Code of Self-discipline for Italian listed companies issued by Borsa Italiana S.p.A., by preparing a report which shows the degree of adherence to the principles and recommendations contained in the Code of Self-discipline itself and to international best practice.
The annual report is sent to the market management company which makes it available to the public and is also made available by Immsi S.p.A. on its website "www.immsi.it".

Code of Ethics

The role covered by Immsi S.p.A. on the national and international market, and the importance of the business it conducts, presuppose the commitment by those who work in Immsi, or in any case and in whatever capacity on behalf of the company, to operate professionally and transparently as well as in strict observance of the laws and regulations of the market, in respect of the legitimate interests and expectations of customers, suppliers, shareholders and whoever comes into contact with the company's operations. This commitment justifies and requires also those with whom the Company has dealings of whatever kind to act towards it with rules and methods inspired by the same values.
For these reasons the Company has held it important to clearly define the collection of values which it recognises, accepts and shares, as well as the collection of rules and principles of behaviour which are a feature of the Company's business. These principles are contained in the Code of Ethics approved by the Company's Board of Directors on 13 September 2004.
In reference to the means of implementing the Code of Ethics, it is the Supervisory Body's responsibility, in accordance with Leg. Decree 231/2001, to monitor its correct application and, in the case of proven violations, to establish and govern the implementation of sanction provisions.
In order to promote respect of the values contained therein, it has been arranged to provide a copy of the Code of Ethics to all staff, support staff and all those who have dealings with Immsi S.p.A., as well as to publish the same document on the Company's website "www.immsi.it".

Corporate purpose

The Company's purpose is the taking of equity investments in other Italian and foreign companies in the sense of acquiring, holding and managing the rights, represented or otherwise by securities, over the share capital of other companies: the purchase, sale and management of bonds; the provision of loans, mortgages, and loan guarantees.
The Company, in addition, has as its purpose all types of activities and transactions in the property sector, in Italy and abroad, both on its own behalf and on behalf of third parties, including, by way of example, the purchase, sale, exchange, construction, restructuring, management, and administration of corporate property, the (non-financial) lease and maintenance of buildings and property generally for any use, as well as the establishment, acquisition, sale and exchange of rights relating to property, with the exclusion of estate agency and mediation activities. The Company can also provide technical, commercial and financial assistance in the preliminary and executive stage of property projects.
Immsi S.p.A. can organise their activities directly or indirectly on its own behalf or on behalf of third parties, also through the taking on and/or subcontracting of tenders or concessions and the development of initiatives in the property field.
In conclusion the Company can undertake, but not with the public, all the acts needed, in the judgment of the administrative body, to implement its corporate purpose.

Share capital and majority shareholders

Share capital

At 24 January 2005 Immsi S.p.A. announced the complete underwriting of the shares arising from the share capital increase resolved by the Board of Directors on 27 October 2004, in execution of the delegated power conferred by the extraordinary Shareholders' Meeting on 17 March 2003 in accordance with art. 2443 of the Italian Civil Code.

The new Share capital of Immsi S.p.A. at 31 December 2005, recorded in the Mantua Companies Register on 1 February 2005, is 148,720,000.00 euro and is divided into 286,000,000 ordinary shares, with regular dividend rights, of 0.52 euro nominal value each. The shares are indivisible and are issued in paperless form.

In reference to the aforementioned share capital increase, it should be noted that the extraordinary Shareholders' Meeting of 17 March 2003 resolved to attribute to the Board of Directors, in accordance with art. 2443 of the Italian Civil Code, the right to increase on one or more occasions, including in parts, for the period of 5 years from the date of the resolution, share capital for the maximum sum of 1 billion euro nominal value, on payment with or without a share premium, through the issue of ordinary shares with the same features of those in circulation, respectively to be allocated or offered as an option to right holders, with the option for Directors to establish, on each occasion, the issue price for these shares, their dividend rights, the timescales, the means, the conditions and the possible destination of the share capital increase to service the conversion of the bonds issued also by third parties, both in Italy and abroad, and/or warrants, and/or similar rights.
At the same extraordinary Shareholders' Meeting of 17 March 2003, in addition, it was resolved to attribute to the Directors, in accordance with art. 2420 ter of the Italian Civil Code, the right to issue on one or more occasions, including in parts, for the period of 5 years from the date of the resolution, bonds, including ones convertible into ordinary shares with the same features as those in circulation, with or without warrants, including in foreign currency, to be offered as an option to right holders, for a maximum amount of 1 billion euro, within the limits established by law, with a consequent increase in the share capital to service the conversion of obligations and/or the exercise of warrants, and/or similar rights, setting the means, terms, conditions and related regulation.

In accordance with article 7 of the By-laws, the share capital of Immsi S.p.A. can be increased, through contributions in cash, goods in kind and credits, on one or more occasions, with a resolution of the extraordinary Shareholders' Meeting, through the issue of ordinary shares or shares with different rights, or financial instruments with rights over assets or administrative rights, excluding the right to vote in the Shareholders' Meeting in accordance with the law. Payments on the shares are requested by the Board of Directors, on the terms and conditions which it considers fit.
Without prejudice to any other regulation regarding the share capital increase, this can be increased with exclusion of the option right up to 10% of the pre-existing share capital, and on the condition that the issue price corresponds to the market value of the shares and that this correspondence is confirmed by the audit company in a specific report.

The Shareholders' Meeting can resolve, in accordance with article 8 of the By-laws, to reduce the share capital within legal limits, through the allocation to individual shareholders or groups of shareholders, of particular corporate assets or shares or parts of other companies in which the Company has an equity investment.

Majority shareholders

The Company, in reference to 31 December 2005, is directly controlled by Omniapartecipazioni S.p.A., a company the control of which is, through Omniainvest S.p.A. and Omniaholding S.p.A., under Roberto Colaninno.
The percentage of Immsi S.p.A. shares held directly by Omniapartecipazioni S.p.A., 145,191,262 in number, is 50.766% of the share capital; while Omniainvest S.p.A., the company which directly controls Omniapartecipazioni S.p.A., holds 11,547,900 Immsi S.p.A. shares or 4.038% of the share capital.

In order to regulate relations among the shareholders of Omniainvest S.p.A., a shareholders' agreement is in force between Omniaholding S.p.A., B&L S.r.l., Ruggero Magnoni and Rocco Sabelli. This was signed by the parties on 6 November 2002 and subsequently modified with a first addendum on 13 March 2003 and a second signed on 9 November 2005. In particular the agreement, the bound shares of which represent 89.7% of the share capital of Omniainvest S.p.A., regulates the criteria for appointing members of the Board of Directors and of the Board of Statutory Auditors of the Company.

There is also a second shareholders' agreement in force which dates from 19 December 2003, between Omniainvest S.p.A., LM Real Estate S.p.A. and Omniapartecipazioni S.p.A., the latter to the extent of its responsibility, aimed at regulating their relationships as direct or indirect shareholders in Omniapartecipazioni S.p.A. and Immsi S.p.A. In particular the agreement, as modified in a first addendum of 21 April 2004 and a second signed on 10 November 2005, governs the criteria for appointing members of the Board of Directors and of the Board of Statutory Auditors of Omniapartecipazioni S.p.A. and Immsi S.p.A., as well as the means of transferring Omniapartecipazioni S.p.A. and Immsi S.p.A. shares. The shares bound to the agreement represent 100% of the share capital of Omniapartecipazioni S.p.A.

Management and coordination

The Board of Directors has assessed, in accordance with art. 2497 bis of the Italian Civil Code, that the Company does not meet the necessary requirements to be subject to management and coordination by the parent company.

In reference to Immsi Group it is noted that the subsidiaries have indicated, through their respective Directors, that they are subject to management and coordination by the Parent Company Immsi S.p.A.

Shareholders' Meeting

The Shareholders' Meeting represents all Shareholders and its resolutions, taken in compliance with the law and the By-laws, bind all Shareholders, even if they did not participate or voted against.
Both the Ordinary and Extraordinary Shareholders' Meetings are called by the Board of Directors in accordance with the law, including in locations other than the registered office, provided that they are in Italy, through a notice published in the *Gazzetta Ufficiale della Repubblica* or, at the choice of the administrative body, in at least one of the following newspapers: "Il Sole 24 Ore" or "MF" – "Milano Finanza".
The Ordinary Shareholders' Meeting must be called at least once a year, within one hundred and twenty days of the end of the accounting period, or within one hundred and eighty days in accordance with the legal terms and conditions. The notice may contain the same indications also for calls following the second call; the Shareholders' Meeting at third or subsequent call can be called within 30 days of the previous calls, with reduction of the term to 8 days.

The Company works to encourage the broadest possible involvement by shareholders at the Meetings and to use Shareholders' Meetings as an opportunity to allow discussion and contact between the Company and Investors.
In order to regulate the right to take part, it has been resolved that involvement at the Company's Shareholders' Meeting is open to those with voting rights provided that:
1) they show the certification issued by the intermediary in accordance with the provisions in force and communicated by them to the Company at its registered office;
2) the communication has been received by the Company at least two days before the date set for the meeting.

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors or their deputy or by any other person appointed by the Board itself; if these are not present, the Shareholders' Meeting appoints its own Chairman.
It is the Chairman of the Shareholders' Meeting's duty to confirm the regularity of the proxies and the right of those present to take part in the Shareholders' Meeting as well as to set the rules for its conduct including the duration of speeches.
Both the ordinary and extraordinary Shareholders' Meetings are set up and take resolutions in accordance with legal provisions and every share has right to a vote.
The Shareholders' Meeting of 5 May 2003, which was asked to adopt regulations for Shareholders'

Meetings, held that it was not necessary to adopt them.

During 2005 the Shareholders' Meeting met once on 11 May 2005, to pass resolutions on the financial statements at 31 December 2004 and to determine the compensation due to members of the Board of Directors for 2005, in accordance with the terms and conditions indicated in the related Directors' Reports.

Board of Directors

Role of the Board of Directors

The Board of Directors has a role of directing and managing the company's activities by taking to this end the decisions which are necessary and useful to implement the corporate objective.
The Board is invested with the broadest powers to establish the strategic direction and general policy of the Company; it can perform any act which it considers fit both in ordinary and extraordinary operations, without any exceptions, except for those matters which by law or in accordance with the By-laws are reserved for the competence of the Shareholders' Meeting.
The Board of Directors has oversight of the general trend in business, examines the strategic, industrial and financial plans of the Company and, on the basis of the information received, assesses the adequacy of the administrative and accounting organisational arrangements.
For the resolutions of the Board of Directors to be valid it is necessary for the majority of serving Directors to be present. Resolutions are passed on an absolute majority of those present.

The Board, besides the Chairman, Deputy Chairman and the Chief Executive Officer, can appoint managers and legal representatives, with individual or collective powers of signature, and establish their powers and rights, as well as proxies in general for particular acts or categories of acts. The Board can also confer, setting the limits, powers of representation and powers of signature to Directors, employees or third parties.

The Board of Directors through the Chairman or other managing directors, reports to the Board of Statutory Auditors on the business carried out and on the most important business, financial and asset transactions carried out by the Company and its subsidiaries. In particular they report on transactions in which Directors have an interest either directly or through a third party, or which are influenced by the person who exercises management and coordination. The communication must be made in good time and in any case at least on a quarterly basis during Board meetings, or through a written note addressed to the Chairman of the Board of Statutory Auditors.

Composition of the Board of Directors

Article 17 of the By-laws sets out that the Company be administered by a Board of Directors consisting of no fewer than 5 and no more than 13 members appointed by the Shareholders' Meeting.
Directors serve for the period determined by the Shareholders' Meeting, in any case no more than three years, and their term ends on the date of the Shareholders' Meeting called to approve the financial statements relating to the last year of their appointment. They may be re-elected.
Cessation, replacement, expiry and revocation of Directors' terms are regulated by the law.
Should owing to resignations or any other cause, the majority of Directors no longer exist, the whole Board is assumed to have resigned and its cessation will become effective as from when the Board of Directors is reconstituted following acceptance by at least half of the new Directors appointed by the Shareholders' Meeting which must be called urgently.
Unless there is a contrary resolution of the Shareholders' Meeting, Directors are not bound by the ban on competition as set out in art. 2390 of the Italian Civil Code.

The Board of Directors of Immsi S.p.A. has served since the Shareholders' Meeting of 31 January 2003, except for the Director Giovanni Tamburi who has served since 1 March 2003, until the date of the Shareholders' Meeting which will approve the financial statements at 31 December 2005. It consists of:

- Roberto Colaninno – Chairman – Executive
- Carlo d'Urso – Vice Chairman – Non executive
- Rocco Sabelli – Chief Executive Officer – Executive
- Luciano La Noce – Director – Non executive
- Matteo Colaninno – Director – Non executive
- Giorgio Magnoni – Director – Non executive
- Mauro Gambaro – Director – Non executive
- Marco Reboa – Director – Non executive – Independent
- Giovanni Tamburi – Director – Non executive – Independent

In particular reference to Independent Directors, the Board of Directors of Immsi S.p.A., taking into account the information provided by the individuals concerned, assesses, during the Board of Directors meeting which approves the financial statements, the possession of the requirements for independence of such Directors, as envisaged by art. 3.2 of the Code of Self-discipline for listed companies drawn up by Borsa Italiana S.p.A.

Compensation for the Board of Directors

The compensation due to members of the Board of Directors is established by the ordinary Shareholders' Meeting which can give them an annual payment which, once set, will remain unchanged until the Shareholders' Meeting resolves otherwise.
The division of compensation among the members of the Board of Directors can be established both by the Shareholders' Meeting and by the Board.

The Shareholders' Meeting, held on 11 May 2005, set at 30,000.00 euro the annual payment for 2005 due to each member of the Board of Directors, as well as repayment of expenses incurred for the exercise of their functions, in accordance with the provisions of article 19 of the By-laws.

Chairman of the Board of Directors

The Chairman of the Board of Directors, appointed at the Board meeting of 28 February 2003, can legally represent the Company with third parties and the courts, has powers of signature and the duty to oversee the management of the Company. To this end they may implement the resolutions of the Shareholders' Meeting and the Board of Directors and can undertake all the acts and operations of ordinary business, expect those which by law or by the By-laws are reserved for the collective body, informing the Board of such acts at the first possible meeting. The Chairman summons the Board of Directors, sets the agenda, coordinates its work and arranges, so that the Board can make sound pronouncements, to provide all the Directors with adequate information on the issues on the agenda. In substance they act as a guarantor of the correct application of the rules of Corporate Governance.
To exercise these powers the Chairman has delegated powers with separate signature rights for ordinary administration, can undertake purchase and sale transactions of majority equity investments or company branches for single sums which do not exceed 25 million euro as well as property transactions for single amounts not above 25 million euro.
The Chairman, for the exercise of these powers, can appoint proxies for particular acts or categories of acts.
The Chairman has the duty to verify that the organisational, administrative and accounting arrangements of the Company are adequate for the nature and size of the company, reporting to the Board of Directors and Board of Statutory Auditors, at least on a half yearly basis, on the general performance of the business and the outlook as well as the most important transactions in terms of size or nature, carried out by the Company and subsidiaries.

Deputy Chairman of the Board of Directors

Article 18 of the By-laws envisages that the Board of Directors may appoint a Deputy Chairman. The Deputy Chairman substitutes the Chairman in the latter's absence or unavailability. In the case of absence or unavailability of both the Chairman and the Deputy Chairman, chairing is taken over by another appointed by the Board.

The Board of Directors of the Company on 31 January 2003 appointed the Director Carlo d'Urso as non-executive Deputy Chairman of Immsi S.p.A.

Chief Executive Officer

In accordance with article 23 of the By-laws the Board of Directors has the power to delegate its own powers within particular limits, to an Executive Committee containing some of its members, as well as to one or more of its members, if necessary with the title of Managing directors.
The Board of Directors of the Company on 31 January 2003 appointed the Director Rocco Sabelli as Chief Executive Officer of Immsi S.p.A.
The Chief Executive Officer can legally represent the Company with third parties and the courts, has powers of signature and the duty to oversee the management of the Company. To this end they may implement the resolutions of the Shareholders' Meeting and the Board of Directors and can undertake all the acts and operations of ordinary business, expect those which by law or by the By-laws are reserved for the collective body, informing the Board of such acts at the first possible meeting.
To exercise these powers the Chief Executive Officer has delegated powers with separate signature rights for ordinary administration, can undertake property transactions for single amounts not above 25 million euro and can, for particular acts or categories of acts, appoint proxies.
The Chief Executive Officer has the duty to verify that the organisational, administrative and accounting arrangements of the Company are adequate for the nature and size of the company, reporting to the Board of Directors and Board of Statutory Auditors, at least on a half yearly basis, on the general performance of the business and the outlook as well as the most important transactions in terms of size or nature, carried out by the Company and its subsidiaries.

Frequency of meetings of the Board of Directors

The Board of Directors meets regularly, and organises itself and operates in such a way as to ensure effective carrying out of its functions.
The Chairman, or their substitute, summons the Board of Directors, to the registered office or elsewhere, whenever they consider it opportune in the corporate interest or at the request of at least three Directors.
The summons occurs with a written communication to be sent, including by fax or telegram or email, to the serving Directors and Auditors, at least five days before the date set for the meeting or, in urgent cases, in the same way with a period of notice of at least six hours.
Involvement and presence at meetings of the Board of Directors – should the Chairman or their substitute find it appropriate – can also take place by tele- and/or video-conference provided that all those with the due rights can take part and be present, can be identified and can follow the meeting and be involved in real time in dealing with the agenda items; satisfied about these requirements, the Board meeting is considered held in the place where the Chairman and the Secretary to the meeting are located, in order to allow the drawing up of the minutes which are signed by both of them.

During 2005 the Board of Directors held 8 meetings at which the Board of Statutory Auditors was present. The average overall involvement by Directors at meetings of the Board of Directors was 81%, while in reference to the involvement of Independent Directors the average was 50%.
The By-laws do not envisage a minimum number of Board meetings, nonetheless for 2006 it is expected that the Board of Directors will meet at least 8 times.
In compliance with the provisions of art. 2.6.2, paragraph 1 lett. c) of the Regulations for markets organised and managed by Borsa Italiana S.p.A., on 30 January 2006 Immsi S.p.A. arranged to inform the market management Company of its annual calendar of corporate events for 2006. This calendar was also published on the Company website "www.immsi.it".

Positions of Directors

In accordance with article 1.3 of the Code of Self-discipline note is made of the positions as Director or Auditor held by each Director of the Company in other companies listed in regulated markets, including foreign ones, in financial, banking, insurance or large companies generally.

ROBERTO COLANINNO

1.	Omniaholding S.p.A.	Chairman of Board
2.	Omniainvest S.p.A.	Chairman of Board
3.	Omniapartecipazioni S.p.A.	Chairman of Board
4.	Piaggio Holding Netherlands B.V.	Chairman of Supervisory Board
5.	Piaggio & C. S.p.A.	Chairman of Board
6.	Aprilia S.p.A.	Chairman of Board*
7.	RCN Finanziaria S.p.A.	Chairman Of Board
8.	Immobiliare Regis S.r.l.	Chairman of Board
9.	Rodriquez Cantieri Navali S.p.A.	Director
10.	Capitalia S.p.A.	Director
11.	Mediobanca S.p.A.	Director
12.	Efibanca S.p.A.	Director

CARLO d'URSO

1.	Fondiaria – SAI S.p.A.	Director
2.	Banca SAI S.p.A.	Director
3.	Premafin Finanziaria S.p.A.	Director
4.	Micos Banca S.p.A.	Director
5.	Banca BSI Italia S.p.A.	Director
6.	Piaggio Holding Netherlands B.V.	Member of Supervisory Board
7.	G.I.M. – Generale Industrie Metallurgiche S.p.A.	Director
8.	F.C. Internazionale Milano S.p.A.	Director
9.	Sisal S.p.A.	Director
10.	Gardaland S.p.A.	Director

ROCCO SABELLI

1.	Piaggio & C. S.p.A.	Chief Executive Officer
2.	Aprilia S.p.A.	Chief Executive Officer*
3.	Omniainvest S.p.A.	Director
4.	Omniapartecipazioni S.p.A.	Director
5.	RCN Finanziaria S.p.A.	Director
6.	Rodriquez Cantieri Navali S.p.A.	Director
7.	Fondazione Piaggio	Director
8.	Piaggio Vehicles PVT Ltd	Director
9.	Nacional Motor S.A.	Director
10.	Piaggio Holding Netherlands B.V.	Member of Supervisory Board
11.	Roncadin S.p.A.	Independent Director **

LUCIANO LA NOCE

1.	Rodriquez Cantieri Navali S.p.A.	Chairman Of Board
2.	Is Molas S.p.A.	Chairman Of Board
3.	Apuliae S.p.A.	Chairman Of Board
4.	Omniainvest S.p.A.	Chief Executive Officer
5.	Omniapartecipazioni S.p.A.	Chief Executive Officer
6.	B&L S.r.l.	Sole Director
7.	Piaggio & C. S.p.A.	Director
8.	Piaggio Holding Netherlands B.V.	Member of Supervisory Board
9.	Aprilia S.p.A.	Director*
10.	RCN Finanziaria S.p.A.	Director
11.	Gruppo Smile S.r.l.	Director

12.	LNB Partners S.r.l.	Director

MATTEO COLANINNO

1.	Giovani Imprenditori di Confindustria	National Chairman
2.	Confindustria	Deputy Chairman
3.	Omniaholding S.p.A.	Deputy Chairman-Chief Executive Officer
4.	Piaggio & C. S.p.A.	Deputy Chairman
5.	Banca Popolare di Mantova S.p.A.	Deputy Chairman
6.	Omniainvest S.p.A.	Director
7.	RCN Finanziaria S.p.A.	Director
8.	Immobiliare Regis S.r.l.	Director
9.	Risparmio & Previdenza S.p.A.	Director

GIORGIO MAGNONI

1.	Acqua Blu S.r.l.	Chairman Of Board
2.	SO.PA.F. S.p.A.	Deputy Chairman
3.	Meliorbanca S.p.A.	Director
4.	Omniapartecipazioni S.p.A.	Director
5.	Piaggio & C. S.p.A.	Director
6.	LM IS S.a.r.l.	Director
7.	Polis Provisions S.G.R.p.A.	Director

MAURO GAMBARO

1.	F.C. Internazionale Milano S.p.A.	Chief Executive Officer
2.	Marsilli & C. S.p.A.	Director
3.	Synergo S.G.R.p.A.	Director

MARCO REBOA

1.	Eni S.p.A.	Director
2.	Seat S.p.A.	Director
3.	Interpump Group S.p.A.	Director
4.	Intesa Lease Sec S.r.l.	Director
5.	Intesa Sec 2 S.r.l.	Director
6.	Intesa Private Banking	Director
7.	Intesa Sec NPL 2 S.r.l.	Director
8.	Autogrill S.p.A.	Standing auditor
9.	Galbani S.p.A.	Standing auditor
10.	BIG S.r.l.	Standing auditor

GIOVANNI TAMBURI

1.	Tamburi Investment Partners S.p.A.	Chairman and CEO
2.	Tamburi & Associati S.p.A.	Chairman and CEO
3.	Interpump Group S.p.A.	Director
4.	De Longhi S.p.A.	Director
5.	Also Enervit S.p.A.	Director
6.	E* Finance Consulting Reply S.p.A.	Director

(*) Appointment ended on 31.12.2005
(**) Appointment ended on 06.12.2005

Board of Statutory Auditors

Role of the Board of Statutory Auditors

Auditors have powers and duties as set out in the legal provisions in force and can be re-elected.

All Auditors must be recorded in the register of auditors and have exercised legal control of accounts for a period of at least three years.
Ineligible to be appointed as Auditors and if elected they cannot take up the appointment are those who are in situations of incompatibility as envisaged by the law and those who act as Standing auditor in more than five companies listed on regulated Italian markets. In this regard the parent company and its subsidiaries should not be considered.
Elected Auditors act independently in relation to those who elected them and use the procedures adopted by the Company for the external communication of confidential information.
By means of prior communication to the Chairman of Board of Directors, the Board of Statutory Auditors, or at least two members of the Board, can in accordance with the law summons the Shareholders' Meeting and the Board of Directors.

Composition of the Board of Statutory Auditors

The first Board of Statutory Auditors was appointed in the deed of incorporation of the Company. Subsequently the Shareholders' Meeting of 5 May 2003 elected the current Board of Statutory Auditors, consisting of three Standing Auditors and two Alternate auditors.
For the appointment of the Board of Statutory Auditors, the By-laws envisage the mechanism of a voting list, in order to guarantee within the control body the presence of representatives of the minority shareholders.
Every Shareholder can present or contribute to the presentation of a single list of five candidates, and each candidate may be written on just one list or they are ineligible. Lists can be presented by Shareholders who, by themselves or together with other Shareholders, overall hold shares representing at least 1% of the share capital, with voting rights at the ordinary Shareholders' Meeting.
The lists presented by Shareholders must be deposited at the Company's offices, at least ten days before the date set for the Shareholders' Meeting in first call. In order to prove the ownership of the number of shares needed to present lists, Shareholders must present and/or send to the Company offices, at least five days before the date set for the Shareholders' Meeting in first call, a copy of the documentation proving the right to take part in the Shareholders' Meeting. Together with each list must be deposited statements with which each candidate accepts their candidature and bears witness, at their own responsibility, to the inexistence of reasons for ineligibility or incompatibility.
Each Shareholder can vote for only one list.
Those elected are: from the list which has obtained the highest number of votes, in the order in which they are listed in the same, two Standing members and one alternate; from the second list which has obtained the highest number of votes, in the order in which they are listed in the same, one Standing member and one Alternate.
In the case of equal voting for the lists, there is a new round of voting by the whole Shareholders' Meeting and those elected are the candidates from the list which obtains the simple majority of votes.
The chairmanship of the Board of Statutory Auditors falls to the first candidate on the list which has obtained the highest number of votes.
For resolutions to appoint the Standing and Alternate Auditors needed to complete the Board of Statutory Auditors, as well as for the appointment of Auditors who for whatever reason were not nominated in accordance with the above provisions, the Shareholders' Meeting passes a resolution in accordance with legal provisions.

Frequency of the meetings of the Board of Statutory Auditors

Meetings of the Board of Statutory Auditors can also be held by tele- and/or video-conferencing, provided that all the Auditors can take part and be present, can be identified and can follow the meeting and be involved in real time in dealing with the agenda items; satisfied about these requirements. the Board meeting is considered held in the place where the Chairman is located.
The Board of Statutory Auditors, appointed on 5 May 2003 will serve until the date of the Shareholders' Meeting which will approve the financial statements at 31 December 2005. It does not contain Auditors voted by minority Shareholders since no lists were presented by them.

Positions of Auditors
Here below is the composition of the Board of Statutory Auditors of Immsi S.p.A. as well as the list of positions as Director or Auditor held by them in other listed companies:

ANGELO GIRELLI (Chairman of the Board of Statutory Auditors)

1.	Sogefi S.p.A.	Chairman, Board of Statutory Auditors
2.	Caleffi S.p.A.	Chairman, Board of Statutory Auditors

ALESSANDRO LAI (Standing auditor)

1.	Cattolica Assicurazione Soc.Coop.	Standing auditor

MARCO SPADACINI (Standing auditor)

1.	Sorin S.p.A.	Chairman, Board of Statutory Auditors
2.	SNIA S.p.A.	Standing auditor
3.	Fondiaria SAI S.p.A.	Standing auditor
4.	Autostrade S.p.A.	Standing auditor
5.	A. Mondadori Editore S.p.A.	Independent Director

MAURO GIRELLI (Alternate Auditor)

1.	Caleffi S.p.A.	Standing auditor
2.	Sogefi S.p.A.	Alternate Auditor

MARIA LUISA CASTELLINI (Alternate Auditor)
-

During 2005 the Board of Statutory Auditors held 12 meetings with average overall attendance of 92.59%.

Appointments Committee
The Company has not considered it necessary to set up an Appointments Committee for Directors, since so far there have been no difficulties for Shareholders in arranging appointment proposals.
The current Directors have been voted for by the ordinary Shareholders' Meeting of the Company, on the basis of the proposals put forward by the majority Shareholders.
It is the common practice of the Shareholders making the proposals to illustrate the personal and professional aspects of the candidates at the moment of their candidature.

Remuneration Committee
As envisaged by the Code of Self-discipline the Board of Directors of the Company, on 24 March 2005, set up the Remuneration Committee, giving it Regulations aimed at governing the functioning and identification of the powers, duties and responsibilities attributed to it.

The Committee is a collegiate body mainly consisting of non-executive Directors appointed by the Board of Directors of Immsi S.p.A. The Committee and the Directors appointed to be part of it, end their term together and at the same time as the expiry of the Board of Directors which set it up or by revocation by the Board itself.
The Committee may meet: 1) at the request of the Chairman of the Board of Directors; 2) whenever it is felt opportune by the Chairman of the Committee; 3) should the Chairman receive a written request from at least one of its members. The meetings of the Committee are valid with the presence of the majority of its members and the resolutions are taken by a majority of the members present; in the case of a split vote the vote of the Chairman has double weight. It is an obligation for each member of the Committee to abstain from voting should they find themselves in a situation of conflict of interest with the subject of the resolution. Should the obligation to abstain not be observed, the resolution is invalid whenever, without the vote of the member who should have abstained, the majority would not have been achieved.

The Committee, in exercising its functions, must act on the principles of autonomy and independence, reporting and replying exclusively and directly to the Board of Directors. The Committee make proposals and suggestions to the Board of Directors regarding the formulation of proposals for the remuneration of particular corporate figures. The body has the task of formulating, in the absence of those directly concerned, proposals to the Board for the remuneration of the Chief Executive Officer and those Directors who fill particular roles. The Committee in addition, has the duty of formulating proposals, on the indication of the Chief Executive Officer, for the establishment of the remuneration criteria for the senior management of the Company.

The Remuneration Committee of Immsi S.p.A. consists of three non-executive members, i.e. a Chairman, in the person of the Deputy Chairman of the Board of Directors of Immsi S.p.A., Carlo d'Urso, and two Directors, Mauro Gambaro and Giovanni Tamburi, the latter being independent.
On 5 May 2005 the Committee met, at the written request of the Chairman of the Board of Directors, and proposed to the Board, at the meeting of 11 May 2005, the amounts to be provided to the Chairman and Chief Executive Officer for their particular roles. The remuneration passed by resolution in accordance with art. 2389, paragraph 3 of the Italian Civil Code, was not tied to business results or the achievement of specific objectives.
Moreover, it should be noted that, in accordance with article 19 of the By-laws, the remuneration for the position of Director due to the members of the Board of Directors is set during the ordinary Shareholders' Meeting.

Internal Control Committee

The Code of Self-discipline instructs listed companies to establish a system which can prevent and manage business risks, by allocating the responsibility for their identification to the Board of Directors.
The Company, subsequent to the appointment of the new Board of Directors, will see to the establishment of the Internal Control Committee.

Internal control system

Internal Audit

The Code of Self-discipline establishes that the Board of Directors has responsibility for the internal control system, for which it sets the guidelines and periodically checks their adequacy and effective operation, ensuring that the main business risks are identified and managed adequately.
The Company has decided for the moment not to set up the Internal Control Committee considering it sufficient to appoint the Manager and the setting up, with the Board resolution of 29 July 2004, of the Internal Audit function.
The internal control system manager, who is identified in the person of the Internal Audit Manager, reports directly to the Chief Executive Officer and the Auditors and is equipped with the due means to carry out their functions independently.
In addition, the Company with a three year contract signed on 8 November 2004, has decided to make use of the collaboration of consultants for the supply of outsourced professional Internal Audit services.
The role of Internal Audit, in this context, is to support senior management and process managers in the stages of identifying and measuring risk, identifying the controls and the assessment of the risk of the processes. By analysing the risks Internal Audit: 1) ensures a complete mapping of the Company's processes; 2) carries out for each business process a Risk Assessment: by identifying the risks associated with each process and establishes the related controls and assesses the residual risk; 3) ensures adequate monitoring of the main business risks.
This consultant carries out their work on the basis of an annual Audit Plan (periodically updated in relation to the specific needs of Immsi S.p.A.), agreed with the Company management, discussed with the Board of Statutory Auditors, and reported to the Board of Directors.

Organisation, Management and Control Model in accordance with Leg. Decree 231/01

The Company, with a Board resolution of 13 September 2004, adopted an "Organisation, Management and Control Model" aimed at preventing, in accordance with Leg. Decree 231/01, illegal acts by subjects belonging to the Company organisation.

As is known, the Company's exemption from administrative responsibility envisages that the executive body has: 1) adopted and implemented a Model suitable for preventing the crimes identified by the aforementioned decree; 2) has set up a Supervisory Body equipped with autonomous powers of action and control with the duty of overseeing the operation, adequacy, and updating of the Model itself.

Immsi S.p.A., during 2005, finalised its own organisational and information systems aimed at ensuring monitoring of the administrative and accounting system, of the organisational structure, of the business and financial situation, and the oversight of the typical risks of the Company.

As for the Supervisory Body, the Company, with a Board resolution of 29 July 2004, arranged to appoint three members of the Body, i.e. an Independent Director, in the role of Chairman, a Standing auditor and an external collaborator of the Company. The members of the Body serve for three years and may always be re-elected.

The Body operates at a senior corporate level in accordance with the principles of independence, autonomy and impartiality as well as on the basis of a Regulation approved by the Board of Directors to which, together with the Board of Statutory Auditors, it periodically reports on the actions undertaken, the indications received and the sanctions applied. The Body is also equipped with financial and logistical means aimed at allowing it to perform its functions.

It is noted that, during 2005, the Supervisory Body of Immsi S.p.A. met 3 times with overall attendance of its members at these meetings of 100%.

The process of monitoring also envisages the cooperation of further people, i.e. the so-called Process Owners, i.e. the managers of the company processes which are considered sensitive in terms of possible illegal acts, and who report periodically to the Supervisory Body.

Again in order to prevent the committing of acts subject to sanction a series of operative instruments have been implemented such as:

a) Company Duties: in relation to the definition of the duties and responsibilities of some managerial positions;

b) Company Protocols: in relation to the establishment of processes for company activities which are considered most at risk by the legislator, which Immsi has identified in 13 specific activities. The protocols supplement the pre-existing internal regulations of the Company;

c) Process Reports: these are modules to be completed by the Process Owner and to be sent periodically to the Supervisory Body. They contain business risk indicators to be used as input for possible further checks;

d) Process Check lists: these are modules to be completed by members of the Supervisory Body, or delegated external structures, in order to verify the potential sources of crime and to check respect of the protocols;

e) the Report to the Board of Directors: this is a periodic report drawn up by the Supervisory Body, in order to provide half yearly information to the Board of Directors on the results of the work undertaken;

f) Monitoring Plan: this is the plan which the Supervisory Body puts each year to the Board of Directors with an indication of the processes which it is intended to verify over the coming year.

Significant income, financial and asset transactions

Aim of the procedure

In accordance with art. 150, paragraph 1, of Leg. Decree 58/98 and article 21 of the By-laws, Directors promptly report, in accordance with the methods established by the By-laws and on at least a quarterly basis, to the Board of Statutory Auditors on the work undertaken and on the main income, financial and asset transactions carried out by the Company and its subsidiaries; in particular, they report on transactions in which they have an interest, on their own account or for third parties, or which are influenced by the person who exercises management and coordination.

Immsi S.p.A., with the resolution of the Board of 16 December 2003, adopted a specific procedure aimed at defining, in implementation of the aforementioned regulation and in the light of CONSOB communications regarding corporate control, the subjects and type of transactions involved in the information flow aimed at the Auditors and Directors of Immsi S.p.A., as well as the phases and timescales which characterise this flow of information.
This procedure establishes the principles of behaviour and the regulations aimed at ensuring transparency and the substantial and procedural correctness of dealings with related parties, allowing each Director to be involved in their management with greater awareness and being better informed. In fact, through the procedure information flows are established between the managing directors and the Board of Directors as set out in art. 2381, paragraph 5, of the Italian Civil Code aimed at confirming the centrality of the Company's executive body and at enhancing the internal control functions.
The purpose of this procedure is, therefore, on the one hand, to provide the Board of Statutory Auditors with the information needed to perform its supervisory work which is given to it by the Single Finance Act, and, on the other, to implement the Corporate Governance tools with which to provide real implementation of the general principles indicated by CONSOB and by the Code of Self-discipline.

Content of the information
The Board of Directors, through the Chairman, reports on a quarterly basis to the Board of Statutory Auditors on the following matters:
1) Work undertaken: the information concerns the executive actions and the developments in operations which have already been approved by the Board of Directors as well as on the work of the Committees; in particular, a report is presented on the work undertaken by the managing directors – also through the structures of the Company and of its subsidiaries – in the exercise of the powers delegated to them, including initiatives undertaken and projects launched.
b) Main income, financial and asset transactions: the information deals with the main income, financial and asset transactions, and highlights in particular the strategic ends, coherence with the budget and the business plan, the executive methods used (including the economic terms and conditions for their realisation) and the developments as well as any conditions and implications brought by the Company/Group business.
c) Dealings with related parties, including infra-group dealings, with particular reference to dealings in which Directors have an interest, on their own account or for third parties, or which are influenced by the person who has management and coordination responsibility. For the purposes of this procedure related parties means those subjects defined as such by IAS 24 concerning disclosure of information on dealings with related parties, referred to by art. 2 lett. h of CONSOB regulation no. 11971 of 14 May 1999 and subsequent modifications.
c1) Infra-group dealings: the information sets out the underlying interest and logic in the Group context, as well as the means of carrying out the transactions (including the economic terms and conditions for their realisation) with particular reference to the evaluation procedures followed. In addition, specific evidence must be given of the transactions which have been concluded on atypical conditions or concluded on terms different from those applied by the Company to any subject.
c2) Dealings with related parties other than infra-group dealings: the information sets out the underlying interest and logic in the Group context, as well as the means of carrying out the transactions (including the economic terms and conditions for their realisation) with particular reference to the evaluation procedures followed. This information also covers dealings concluded at atypical conditions.
For the purposes of the procedure dealings with related parties other than infra-group dealings means those carried out by Immsi or its subsidiaries, with parties which are directly or indirectly related to Immsi.
d) Atypical, unusual transactions and any other activity or operations it is considered appropriate to report to the Board of Statutory Auditors: the information sets out the underlying interest and logic in the Group context, as well as the means of carrying out the transactions (including the economic terms and conditions for their realisation) with particular reference to the evaluation procedures followed. For the purposes of the procedure atypical or unusual transactions are those which for

their importance/size, nature of the counterparts, object of the transaction (also in relation to ordinary operations), means of establishing the transfer price, and timing may give rise to doubts about: the correctness/completeness of the information in the financial statements, the interest, safeguarding of company assets and protection of minority shareholders. Non-recurring operations (mergers, demergers, public tender offers, transfers, etc.) do not in themselves represent atypical operations

It is also made clear that the information also deals with transactions which, although individually under the various quantity thresholds indicated in the procedure or those which establish the exclusive competence of the Board of Directors, are connected within a shared strategic or executive structure and therefore, taken together exceed the size thresholds.

Communication of the information

The Board of Directors reports to the Board of Statutory Auditors through the Chairman. The communications to the Board of Statutory Auditors are provided in good time and in any case on at least a quarterly basis during Board meetings or through a written note addressed to the Chairman of the Board.
The information provided refers to the work undertaken and the transactions in the interval of time (at a maximum of three months) following that in the previous report (which is also no more than three months).
The minutes of the meeting or the report are given to all the Directors on the Board and to the Standing Auditors.

Management of confidential information and Shareholder relations

Treatment of confidential information

The Company, with the resolution of the Board of 3 March 2004, arranged and approved a procedure which, in compliance with the indications contained in art. 6 of the Code of Self-discipline, adopts the principles set out in the "Market information guide" published by Borsa Italiana S.p.A. This procedure has the aim of regulating the process of internal management and disclosure of important documents and information regarding Immsi S.p.A., with particular regard to price sensitive information, in order to avoid the communication taking place in a selective, incomplete or inadequate form.
Immsi S.p.A. and the subjects who control it inform the Market promptly of important information, respecting the criteria of correctness, clarity, transparency, continuity and impartiality of access to information, refraining from disseminating to the Market purely promotional information.
By "important information" is meant specific information with a particular content in relation to events that have happened in the sphere of Immsi S.p.A.'s business, of the subjects who control it and its subsidiaries, which is not in the public domain and which, if disclosed, could markedly influence the price of the listed derivatives.
The importance of a piece of information must be interpreted on the basis of the possibility of it causing a significant change in the price of the listed derivatives. The events must be considered important on the basis of their nature and size.
The Directors, Managers of the company divisions and all those who have access to news regarding the Company or the Group, acquired in the course of their duties, are required to keep such information confidential and to use it solely for the completion of their duties.
The Chairman, Chief Executive Officer and Administration manager ensure the correct management of market disclosure of important information, overseeing observance of this procedure.
The Administration manager and the Communications and External Relations Division, when informed by the senior management of the Group or in any case when in possession of important facts regarding the Company or its subsidiaries, work with the Finance Division, Legal and Corporate Services to verify the legal obligations and in particular to assess if the information must be considered important.
Should the information be considered important or the regulations in force require its disclosure, the Communications and External Relations Division organises a press release and, with the help of

the Legal and Corporate Services, ensures that it contains the requirements envisaged by the relevant legislation in force.
The text of the press release must be put to the Chairman and Chief Executive Officer and, if necessary to the Board of Directors, for their final approval before disclosure takes place.
The press release is issued to the NIS (Network Information System), also for the purposes of communication to the Stock Market and to CONSOB and, only subsequently, is it published on the Company website "www.immsi.it". The Company in fact also uses its own website, organised in such a way as to make it easy to access information, to release to the Market press releases, information on events, news, as well as the By-laws, financial statements, half yearly and quarterly reports, Corporate Governance and the documentation distributed to shareholders and market operators.

Code of conduct on Internal Dealing

The Board of Directors on 5 December 2002, in fulfilment of the provisions envisaged by Leg. Decree 58/98 and by the Regulation on Markets organised and managed by Borsa Italiana S.p.A, adopted the Code of conduct on Internal Dealing.
This Code was subsequently modified and disseminated with the Board meeting of 6 November 2003.
The Code, which envisages the obligation for the Company to inform the Market (through the NIS circuit) of transactions undertaken by Significant persons in relation to the shares of itself as Issuer and/or of its subsidiaries, is aimed at regulating, with due efficiency, the information and conduct requirements regarding transactions carried out on their own behalf by Significant persons and the related communications to the Market.

For the purposes of the Code of conduct, the following is meant by:

A. Significant persons: Directors (executive and non-executive), Standing Auditors, Chief executives, the Secretary to the Board of Directors, the Internal control manager and the managers of the core functions / Business Units / operative activities, assistants to the Chairman and managing directors of Immsi S.p.A., and the Investor Relations Manager.
B. Financial instruments: (i) the financial instruments permitted to be traded on regulated Italian and foreign markets issued by Immsi S.p.A., its subsidiaries and by the parent companies, excluding non-convertible bonds; (ii) financial instruments, including unlisted ones, which give the right to underwrite, buy or sell the instruments set out at point (i) as well as certificates representing the instruments set out at point (i); (iii) financial derivatives, as well as covered warrants, which have as their underlying asset the financial instruments as set out at point (i),
also when the exercise occurs through payment of a difference in cash.
C. Transaction: any type of act establishing, modifying or extinguishing rights on the Financial Instruments.
D. Significant Transaction: any Transaction the total of which, also accumulated with other transactions completed in the three months prior and not yet disclosed to the Company, exceeds 250,000.00 euro.
E. Compliance officer: the Secretary to the Board of Directors of Immsi S.p.A., recipient of the communication and management of the information in relation to the transactions completed by Significant persons, who handles the subsequent disclosure to the market in accordance with the means envisaged by the Code.

By the seventh calendar day following the end of each quarter, the Significant persons send the Compliance officer the list of the transactions carried out in the quarter on Financial Instruments, the overall total of which is equal to or over 50,000.00 euro.
Should a significant transaction have been undertaken, the Significant person must provide immediate communication to the Compliance officer together with the list of transactions completed in the three months prior and not yet communicated to the Company.
Transactions subject to the requirement to provide a statement include transactions undertaken by the spouse (unless legally separated) or by the children of the Significant person or organised through third parties, trusts or subsidiaries.

The carrying out – directly or through a third party – of transactions by Significant persons other than by non-executive Directors or Auditors is not allowed in the 15 calendar days preceding the Board of Directors meeting called to approve the economic and financial figures for the period, whether they be final or draft, in relation to each quarter, half or full year, until the day of their publication. Non-executive Directors and Auditors must refrain from carrying out transactions from the day when the Board meeting is called to examine the aforementioned economic and financial figures or, if the case, from the moment they become aware of these figures if prior to that date, until the day following their publication.
The Board of Directors has reserved the right to identify further periods or circumstances in which the carrying out of transactions is subject to limits and conditions, providing immediate communication to the Compliance officer and to the Significant persons.

The Compliance officer informs the Market of the information communicated by the Significant persons within the tenth day of the market opening following each calendar quarter through the despatch of a specific communication to the Italian Stock Market, in accordance with the means envisaged in the Regulations for Markets organised and managed by the Italian Stock Market and in the related instructions.
Immsi S.p.A. has adopted and disseminated the Code of conduct on Internal Dealing by also including it on the Company website "www.immsi.it".

Market Abuse

The discipline of companies with shares listed in regulated markets contained in Leg. Decree 58/1998 (Single Act) and in the CONSOB Regulation 11971/1999 (Regulation for Issuers), has recently been modified through the issue of Law 62/2005 – EU Law 2004, implementing Directive EC/2003/6 of 28 January 2003, in relation to the abuse of confidential information and market manipulation and Directive EC/2003/124 of 22 December 2003, setting out the means to apply Directive EC/2003/6 in relation to the definition and disclosure of confidential information and the definition of market manipulation (Level 2 Directive). The innovations introduced should be considered on the basis of the Single Act as last modified by Law 262/2005 (setting out provisions for the protection of savings and the discipline of financial markets published in the Gazzetta Ufficiale, ord. supp. no. 301 of 28 December 2005), and on the basis of the Regulation for Issuers, as last modified by CONSOB Regulation no. 15232 of 29 November 2005.
The main innovations introduced with the implementation of the new discipline on Market Abuse concern:

A. Communications to the market:

- definition of confidential information in place of that of price sensitive information;
- reassessment of the circumstances which require market disclosure;
- identification of the requirements which allow delays in market disclosure.

B. Internal Dealing:

- obligation to inform CONSOB and the market of purchases and sales the overall value of which is equal to or higher than 5,000 euro, of shares and financial instruments connected to them, of the listed issuer and its listed subsidiaries, by significant shareholders (equity investments equal to or higher than 10%), by members of the administration and control bodies, as well as subjects who have regular access to confidential information and have the power to take management decisions which can influence the development and outlook of the listed issuer.

C. Register of persons having access to confidential information:

- obligation to set up the register of persons having access to confidential information.

D. CONSOB powers and related sanctions:

- attribution to CONSOB of new and more effective investigative and executive powers;
- introduction of the crime of hindering CONSOB's oversight functions;
- importance of the penal crimes of abuse of confidential information and market manipulation as well as administrative crimes and related introduction of the same among the crimes which

determine the administrative responsibility of the Company in accordance with Leg. Decree 231/2001.
The Company, therefore, for the purposes of adjusting to the regulations in force, presented the Board of Directors of 24 March 2006 with the following new procedures for approval: (i) public disclosure of Confidential information; (ii) fulfilment of obligations relating to Internal Dealing; (iii) management and establishment of the Register of persons having access to Confidential information.
The Company, in addition, will arrange, during 2006, to adjust its governance system in accordance with the new Code of Self-discipline, published by Borsa Italiana S.p.A. on 14 March 2006.

Dealings with Institutional Investors, Analysts, and other Shareholders
The interest of the Company in establishing and maintaining constructive dialogue with Institutional Investors, Analysts and the Shareholders as a whole, has taken concrete form through the establishment, with a resolution of the Board on 15 October 2003, of the Investor Relations unit. This unit, which is personified in the Administration manager, carries out its function in harmony with the decisions of the company management, through the timely disclosure of the most important corporate events.
Immsi S.p.A., in order to ensure the widest possible dissemination of corporate information, uses the website “www.immsi.it” as a tool for everyday disclosure of news and economic/financial documents both of a regular and non-recurring nature.

Disputes

In reference to the industrial sector (Piaggio Group), note should be made of the case brought by Europe Assistance against Lease Plan S.p.A., Europcar Lease S.p.A. and Savarent/Leasys S.p.A., in which Piaggio & C. S.p.A. had been summonsed as a third party guarantor, was brought to the Court of Pisa by Savarent/Leasys S.p.A. at the start of the previous year, and at the date of closing 2005 was still in the preliminary phase.
On 5 January 2005 AON S.p.A. notified Piaggio by summons of their complaint regarding the illegitimate termination of the brokerage contract and sought 184,000 euro by way of compensation, as well as further damages to be established on an equitable basis. Piaggio appeared in court and contested the claims of the other party. At the year end the proceedings are still at a preliminary stage.
As for tax disputes, it should be noted that some companies owned by Piaggio & C. S.p.A., specifically P&D S.p.A. and Almec S.p.A., are still involved in tax disputes for which it is expected that there will not be expenses for the companies and the Group. As a consequence, for the disputes, no provisions have been made.
In reference to the dispute concerning the investigation notices sent to P&D S.p.A., for the years 1993 and 1994, the Avvocatura Generale dello Stato (*Attorney General*) on 26 January 2005 appealed to the Cassazione (*Supreme Court*) and the related counter-appeal was lodged. As for the years 1995, 1996 and 1997, the Tax Office in July 2005 challenged before the Regional Tax Commission of Tuscany the sentence given by the Provincial Tax Commission which had accepted the company's appeals.
As for the tax assessment against Almec S.p.A. and the related dispute, for which guarantees were taken on during the sale contract until 1999, it should be noted that the whole case is heading towards a positive outcome and the cessation of further action by the authorities.
Regarding the disputes concerning some foreign subsidiaries of the Group such as Piaggio Espana S.A. and Nacional Motor S.A., the companies have arranged to allocate the contested sums or have already provided for the payment of the contested amounts, albeit waiting for the final court decision.

In reference to naval shipyard sector (Rodriquez Group), note should be made of the arbitration proposed in May 2003, by the principal Sea Spin Shipping, in relation to the contract for the construction of a ship commissioned from Rodriquez Cantieri Navali S.p.A. in July 2001.
The value of the dispute, 6.2 million euro, corresponds to the amount paid overall by the principal to the shipyard during the progress of the work.
The arbitration body, after hearing testimony, has given the parties the terms for the deposit of new briefs in which to set out the legal questions of the dispute also in light of the evidence presented and on the basis of the progress of the case. Following the exchange of such briefs, the arbitration body has reserved the right to decide on the request for an expert witness put forward by Rodriquez, a request which was made also to show the extent of the changes requested (and in part carried out) during the works, besides the costs incurred by Rodriquez and the commercial value of the work. Currently, still not knowing how the arbitration body intends to proceed and what decision it might make, according to the Company's external lawyers it is not possible to express an opinion regarding the likely outcome of the case.
Rodriquez Cantieri Navali S.p.A. has presented the Court of Rome with an appeal in accordance with art. 700 of the Civil Penal Code to obtain an emergency order to prevent Assitalia S.p.A. paying the guarantees issued in favour of Sea Spin Shipping to guarantee the payments made to the shipyard. The Delegated Judge accepted the appeal and set the limit at the end of March for the production of documentation and the indication of new evidence. In this case too according to the Company's external lawyers it is not possible to express an opinion on the likely outcome of the case.
In addition, a dispute is ongoing with the local authority of Messina regarding the return demanded by the authority of the publicly owned area in the so-called "Zona Falcata", occupied by a warehouse of Rodriquez Cantieri Navali S.p.A., with the consequent request for payments of the related rent. The case, which brings together 3 joint judgments and sees around 20 local

companies involved, has often been interrupted since 2000. Lawyers have been instructed to reinstate the judgment with the consequent consolidation of the injunctions. For this issue, it is therefore not possible to determine liabilities, if any, for the company.

Lalgain Limited has requested and obtained from the Court of Messina a formal injunction for payment, for the sum of 523,700 euro, in relation to the fees arising from the intermediation activity performed on behalf of Rodriquez Cantieri Navali S.p.A., for the sale of a Motor Yacht. On 16 October 2004 Rodriquez Cantieri Navali notified the appellant of the summons against the injunction, arguing the lack of competence for the area of the Judge and arguing that the sum claimed was not due owing to the conditions contained in the brokerage contract. In June 2005 the parties reached a settlement which allowed Rodriquez to generate a windfall gain of approximately 200 thousand euro.

Nauta Ferrys has raised an objection with Rodriquez Cantieri Navali S.p.A. over the presence of hidden defects in the engines installed on board the ship called "Ramon Llull". The shipyard has sought the intervention of Paxman, the manufacturer of the engines, which has carried out numerous repairs under guarantee, nonetheless only managing to partially repair the defects found. The principal, therefore, has requested the replacement of the defective engines with those produced by M.T.U. Such a replacement would cost approximately 4 million euro of which Rodriquez has agreed to pay half with Nauta Ferrys, subsequently taking action against Paxman. On 14 February 2005 the parties reached a settlement on the basis of which Paxman agreed to undertake further repairs under guarantee, Rodriquez agreed to change the two central jets and Nauta Ferrys agreed to try the engines until 30 September 2005, and suspend the request for their substitution.

The company Balaju Overseas Ltd, at the moment of delivery, contested the work carried out on a yacht delivered in 2002 by Intermarine, as well as the presence of numerous defects which emerged subsequently. The examinations carried out by both parties did not manage to determine the defects for their subsequent possible quantification in terms of repair. In addition, Intermarine rejected the claims of the counterparty also in light of various repairs made by the merchant without any authorisation by Intermarine. In July 2004 Intermarine received a request for payment of 1.6 million euro in total to eliminate these defects, in relation to which, without further reply, it made a request in November 2005 to set out the specific details of the complaints made. According to the company's lawyers it is not currently possible to predict what might be the outcome of this dispute.

In reference to the property sector (Apuliae S.p.A.), the continuation of the suspension, ordered in March 2005, of the work to restructure the property following investigations made by the Judicial authorities, should be noted.

In particular these investigations concerned the right to ownership of the property by the Province of Lecce and the consequent management of the tender competition which Immsi, through the subsidiary Apuliae S.p.A., won as well as the observance of town planning obligations. The company has taken the initiatives considered necessary to be able to protect its asset rights with regard to the Province and in the awareness of full respecting the provisions of the outstanding concessions.

There are no particularly important disputes concerning the Parent Company Immsi S.p.A.

Significant events after the end of the year

In reference to events after 31 December 2005 and in particular to the industrial sector, it should be noted that in January 2006 Piaggio & C. S.p.A. appointed some leading Italian and foreign investment banks to assist it in the process of stock market listing which was formally approved by the Board of Directors on 15 December 2005. In reference to the phases relating to the listing process, on 10 March 2006 the request for admission to listing for Piaggio & C. S.p.A. ordinary shares on the Mercato Telematico Azionario of the Italian Stock Exchange was formally presented.

In reference to the naval shipyard sector, it should be noted that in February a contract was signed for the supply of 2 40-metre yachts (with an option for a third vessel) for an overall total of approximately 14 million euro.

Outlook

The Immsi Group in 2006 will continue with the objectives set at the level of the individual sectors in which it is present, i.e. in reference to the industrial sector with the consolidation of its leadership in the 2-wheel sector, completing the final turnaround of the Aprilia and Moto Guzzi brands, aiming at a diversification of the product portfolio and reaching optimal size for the achievement of connected efficiencies of scale. In the light vehicle production sector the efforts will be concentrated on enhancing the production capacity of the associated Indian company and broadening the offer with the introduction of new vehicles.
In reference to the naval shipyard sector (Rodriquez Group), as noted previously, the objective for the Group in 2006 is to recover income stability and overall growth in business volumes.

Immsi Group

at

31 December 2005

CONSOLIDATED BALANCE SHEET 31 DECEMBER 2005

Amounts in thousands of euro

ASSETS	*31 December 2005*	*31 December 2004*
NON-CURRENT ASSETS		
Intangible assets	737,429	687,579
Tangible assets	323,008	347,922
Property investment	506	121
Equity investments	717	1,612
Other financial assets	65,457	50,263
Receivables due from tax authorities	8,369	1,934
Deferred tax assets	42,269	47,232
Trade receivables and other receivables	8,027	16,336
TOTAL NON-CURRENT ASSETS	1,185,782	1,152,999
ASSETS DESTINED FOR SALE	55	626
CURRENT ASSETS		
Trade receivables and other receivables	235,038	307,185
Receivables due from tax authorities	15,411	25,645
Inventories	242,990	279,036
Contract work in progress	31,415	18,482
Other financial assets	1,260	1,151
Cash and cash equivalents	59,372	51,456
TOTAL CURRENT ASSETS	585,486	682,955
TOTAL ASSETS	1,771,323	1,836,580

SHAREHOLDERS’ EQUITY AND LIABILITIES	*31 December 2005*	*31 December 2004*
SHAREHOLDERS’ EQUITY		
Group consolidated shareholders’ equity	236,748	218,281
Capital and reserves attributable to minority shareholders	275,706	198,623
TOTAL SHAREHOLDERS’ EQUITY	512,454	416,904
NON-CURRENT LIABILITIES		
Financial liabilities	460,273	342,135
Trade payables and other payables	13,894	10,540
Reserves for pensions and staff benefits	83,781	84,331
Other long-term reserves	57,302	59,487
Deferred tax liabilities	55,772	58,756
TOTAL NON-CURRENT LIABILITIES	671,022	555,249
LIABILITIES LNIKED TO ASSETS DESTINED FOR DISPOSAL	0	0
CURRENT LIABILITIES		
Financial liabilities	122,057	354,213
Trade payables	355,316	385,582
Current taxes	17,511	23,646
Other payables	73,067	75,222
Current share of other long-term reserves	19,896	25,764
TOTAL CURRENT LIABILITIES	587,847	864,427
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	1,771,323	1,836,580

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2005

Amounts in thousands of euro

	2005	2004
Net sales	1,547,573	1,180,666
Costs for materials	883,405	650,075
Costs for services and use of third party assets	349,457	257,212
Staff costs	247,875	169,933
Depreciation of tangible assets	46,751	39,175
Amortisation of goodwill	0	0
Amortisation of intangible assets	48,655	27,086
Other operating income	155,289	76,983
Other operating costs	49,776	49,676
OPERATING INCOME	76,943	64,492
Income from equity investments	(10)	(1)
Financial income	17,952	9,265
Financial charges	52,799	36,284
INCOME BEFORE TAX	42,086	37,472
Tax	23,770	14,975
INCOME FROM FUNCTIONING ASSETS	18,316	22,497
Profit (loss) from assets destined for disposal	5,242	7,850
NET INCOME	23,558	30,347
Attributable to minority shareholders	15,193	18,841
GROUP NET INCOME	8,365	11,506

Income per share

Amounts in euro

From functioning and disposed assets:	2005	2004
Base	0.03	0.05
Diluted	0.03	0.05

From functioning assets:		
Base	0.01	0.01
Diluted	0.01	0.01

Average number of shares:	280,500,000	220,000,000

STATEMENT OF CASH FLOWS AT 31 DECEMBER 2005

Amounts in thousands of euro

	2005	2004
Operative assets		
Net income	8,365	11,506
Minority interest	15,193	18,841
Tax	23,770	14,975
Depreciation of property, plant and machinery	46,751	39,175
Amortisation of intangible assets	48,655	27,086
Allocation to provisions for risks and provisions for pensions and employee benefits	21,940	21,759
Writedowns / (Revaluations)	12,157	12,229
Capital loss / (gain) on disposal of property, plant and machinery	(1,340)	3
Capital gain / (loss) on disposal of intangible assets	0	0
Capital loss / (gain) for assessments at fair value of financial assets	0	(87)
Capital loss / (gain) on assets destined for disposal	(7,604)	(10,266)
Capital loss / (gain) on sale of securities	0	22
Interest income	(4,710)	(7,977)
Dividend income	(891)	(223)
Interest charges	37,033	35,160
Amortisation of public contributions	(27,058)	(6,085)
Share of net income from associated companies (and other companies valued at equity)	0	1
Change in current assets:		
(Increase) / Decrease in receivables due from customers	60,291	11,550
(Increase) / Decrease in other receivables	16,908	3,777
(Increase) / Decrease in inventories	36,046	(7,357)
Increase / (Decrease) in payables due to suppliers	(31,395)	(33,143)
Increase / (Decrease) in other payables	28,282	(10,725)
(Increase) / Decrease in contract work in progress	(12,933)	(18,482)
Increase / (Decrease) in current share of provisions for risks	(12,865)	(50,176)
Increase / (Decrease) in non-current share of provisions for risks	(16,710)	14,389
Increase / (Decrease) in provisions for pensions and employee benefits	(550)	4,309
Other changes	(22,411)	(5,485)
Liquid funds generated by operations	216,924	64,776
Interest paid	(52,181)	(29,592)
Tax paid	(22,407)	(2,501)
Cash flow from operations	142,336	32,683

	2005	2004
Investments		
Acquisition of subsidiaries, net of liquid funds	0	(151,894)
Sale price of subsidiaries, net of liquid funds	0	0
Investment in property, plant and machinery	(67,115)	(65,625)
Sale price, or redemption value, of property, plant and machinery	5,254	198
Investment in intangible assets	(39,419)	(34,209)
Sale price, or redemption value, of intangible assets	1,076	112
Purchase of unconsolidated equity investments	0	(1,443)
Sale price of unconsolidated equity investments	929	1,427
Loans supplied	(1,441)	(3,133)
Repayment of loans granted	3,761	241
Purchase of financial assets	0	(14,953)
Sale price of financial assets	1,152	15,611
Interest received	14,350	6,788
Sale price of assets destined for disposal or sale	53,160	88,841
Other flows on assets destined for disposal or sale	(55)	511
Income from public contributions	22,975	659
Dividends from equity investments	891	222
Cash flow from investments	(4,482)	(156,647)
Financing		
Increase in share capital by Group shareholders	807	78,392
Increase in share capital by minority interest	0	49,371
Purchase of treasury shares	0	0
Income linked to the issue of convertible bonds	0	0
Loans received	387,791	116,226
Outlay for repayment of loans	(440,244)	(178,914)
Loans received with leasing	12,202	722
Repayment of financial leasing	(13)	(323)
Outlay for dividends paid to parent company Shareholders	(8,580)	(6,591)
Outlay for dividends paid to minority shareholders	(220)	(346)
Cash flow from financing	(48,257)	58,537
Increase / (Decrease) in liquid funds	89,597	(65,427)
Opening balance	(46,991)	19,000
Translation difference	(1,617)	(564)
Closing balance	40,989	(46,991)

This table shows the reasons for the change in liquid funds, net of short-term bank overdrafts which at 31 December 2005 totalled 18.4 million euro.

In reference to the adjustment to the final purchase price of the Aprilia Group which was made during the year in accordance with the provisions of the contractual agreements relating to the financial instruments called “Piaggio 2004/2009 Warrants” and “EMH 2004/2009”, which are commented on in more detail in the Explanatory Notes to the financial statements, it should be noted that the price adjustment (estimated at 62,156 thousand euro) and the related counter entries made in the Reserves for minority interest (56,466 thousand euro) and the increase in medium/long-term financial payables (5,690 thousand euro) are not reflected in the cash flows shown in the above Statement of cash flows since they did not require the use of liquid funds or equivalents.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

In thousands of euro	Share capital	Retained earnings	Net income	Group shareholders' equity	Minority interest share capital and reserves	Group and minority interest shareholders' equity
Balances at 31 December 2003	***114,252***	***41,665***	***(32,138)***	***123,779***	***148,138***	***271,917***
Paid up share capital increases		78,392		78,392	31,985	110,377
Allocation of Group income to Legal Reserve		8	(8)	0		0
Allocation of Group income to dividends		(6,432)	(159)	(6,591)		(6,591)
Allocation of Group income to Retained earnings		(32,305)	32,305	0		0
Dividends to minority shareholders in subsidiaries					(343)	(343)
Assessment at fair value of financial assets		11,593		11,593		11,593
Tax on items charged to shareholders' equity		(191)		(191)		(191)
Notional cost of stock options		302		302	663	965
Translation differences		(307)		(307)	(661)	(968)
Other changes	148	(350)		(202)		(202)
Net income			11,506	11,506	18,841	30,347
Balances at 31 December 2004	***114,400***	***92,375***	***11,506***	***218,281***	***198,623***	***416,904***

In thousands of euro	Share capital	Retained earnings	Net income	Group shareholders' equity	Minority interest Share capital and reserves	Group and minority Interest shareholders' equity
Balances at 31 December 2004	***114,400***	***92,375***	***11,506***	***218,281***	***198,623***	***416,904***
Paid up share capital increases	34,320	(33,513)		807		807
Allocation of Group income to Legal Reserve		592	(592)	0		0
Allocation of Group income to dividends			(8,580)	(8,580)		(8,580)
Allocation of Group income to retained earnings		2,334	(2,334)	0		0
Dividends to minority shareholders in subsidiaries					(220)	(220)
Assessment at fair value of financial assets		1,074		17,074	261	17,335
Assessment of " 2004/2009 Warrants" and "EMH 2004/2009"				0	56,466	56,466
Tax on items charged to shareholders' equity		(279)		(279)		(279)
Notional cost of stock options		521		521	779	1,300
Translation differences		530		530	756	1,286
Other changes		29		29	3,848	3,877
Net income			8,365	8,365	15,193	23,558
Balances at 31 December 2005	***148,720***	***79,663***	***8,365***	***236,748***	***275,706***	***512,454***

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2005

- A - GENERAL ASPECTS

Immsi S.p.A. (the Company) is a limited Company, organised in accordance with the legal system of the Republic of Italy, with its registered office in Mantua - P.za Vilfredo Pareto, 3 Centro Direzionale Boma. The main activities of the Company and of its subsidiaries (the Group) are described in the Directors' report. Immsi S.p.A., in reference to 31 December 2005, is directly controlled by Omniapartecipazioni S.p.A., a company which, through Omniainvest S.p.A., is under Omniaholding S.p.A..

Following the coming into force of the European Regulation no. 1606 of July 2002, as from 1 January 2005 the Immsi Group has adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and approved by the European Commission, the updates of the pre-existing standards, as well as the documents of the International Financial Reporting Interpretations Committee (IFRIC) which are considered applicable to the transactions undertaken by the Group. In these Consolidated financial statements the comparative figures for 2004 have, therefore, been restated in accordance with these accounting standards.

As envisaged by IFRS 1, paragraph 39 and 40, these Explanatory notes include a reconciliation of shareholders' equity at 31 December 2003 and 2004 and the income statement in reference to 2004 determined by applying respectively the Italian accounting standards and the IAS/IFRS.
In drawing up the financial statements at 31 December 2005 the same principles and criteria applied in drawing up the reconciliation to the IFRS shown in the Appendix have been used.
The International Accounting Standards have been applied in the same way for all the companies in the Group.

The financial statements used for the consolidation are those provided by the Boards of Directors of the individual companies at 31 December 2005, duly adjusted where necessary in order to conform to the IAS/IFRS provisions above.

The Explanatory notes illustrate, analyse and, in some cases, integrate the figures from the financial statements and contain all the extra information considered necessary to provide a meaningful, reliable, comparable and understandable overview with a view to the ongoing nature of the company, the accruals principle, the coherence and appropriateness of the presentation of the balance sheet, financial and income statement situation of the Group in compliance with the information required by the individual IAS/IFRS.
These Notes include as an annex a table listing the companies included in the consolidation area at 31 December 2005.

The consolidated financial statements have been prepared by applying the line-by-line consolidation of the financial statements of Immsi S.p.A., the Parent Company, and of all the companies both in Italy and abroad which are directly or indirectly controlled or in which it is possible to exercise control over the operative and financial policies through the administrative bodies. The line-by-line consolidation does not include the companies held for sale in accordance with IFRS 5.

These financial statements are expressed in euro since this is the currency in which most of the Group's transactions are conducted.
The values indicated in the tables above and in the explanatory notes which follow are expressed in thousands of euro (unless otherwise stated).

These financial statements are subject to audit by the independent auditor Deloitte & Touche S.p.A. and will be published no later than 31 March 2006.

Presentation of the financial statements

The consolidated financial statements consist of the Balance sheet, Income statement, Table of Changes in shareholders' equity, Statement of cash flows and these Notes.
As part of the options envisaged by IAS 1 "Presentation of Financial statements", the Immsi Group has opted for the following types of accounting schedules:

- **Consolidated Balance sheet:** the consolidated balance sheet is presented in separate sections with indications of the Assets, Liabilities and Shareholders' equity. The Assets and the Liabilities are shown in the balance sheet on the basis of their classification as current and non-current.
- **Income statement:** the consolidated income statement is presented with costs classified by their nature. The aggregate operating income is shown and includes all the income and cost items, regardless of their repetitive nature or falling outside ordinary operations, except for the financial management items recorded under Operating income and Income before tax. In addition, the income and cost items arising from assets destined for disposal or sale, including any capital gains and losses net of tax, are recorded in a specific item before Group and minority interest net income.
- **Consolidated statement of cash flows:** the Consolidated Statement of cash flows is presented divided into areas forming cash flows as indicated by the international accounting standards. The statement of cash flows adopted by Immsi uses the indirect method.
- **Table of changes in Consolidated Shareholders' equity:** the Table of changes in consolidated Shareholders' equity is presented as required by international accounting standards, with separate indication of the net income and each sale, income, charge and cost item which has not been recorded on the income statement, but charged directly to consolidated shareholders' equity on the basis of specific IAS/IFRS.

-B -CHANGES TO THE CONSOLIDATION AREA

Compared to 31 December 2004 the consolidation area also includes the results for the Aprilia Group, acquired by Piaggio & C. S.p.A. on 29 December 2004. The Group was consolidated into the balance sheet at 31 December 2004 and into the income statement as from 1 January 2005.
In reference to the Rodriquez Group, it should be noted that 2004 saw the consolidation of the income statement and balance sheet figures as from 31 May, and therefore, while the balance sheet totals are on a comparable basis, the income statement items cannot be compared directly, being produced in 2005 and in 2004 for 12 and 7 months business respectively.

- C - CONSOLIDATION PRINCIPLES

For the purposes of the consolidation the financial statements of the companies included in the consolidation area at 31 December 2005 have been used, drawn up on the basis of the Group accounting standards, which are based on the IAS/IFRS. The consolidation area includes the companies in which the Parent Company possesses directly or indirectly through subsidiaries, more than half of the voting rights which may be exercised at the Shareholders' Meeting, has the power to control or direct voting rights through clauses in the By-laws or contracts or can nominate the majority of the members of the Boards of Directors. Subsidiaries which are non-operational or barely operational and therefore not significant have not been consolidated on a line-by-line basis. The list of companies included in the consolidation area is attached as an annex to these notes.

The separate financial statements of each company that belongs to the Group are drawn up in the currency of the main economic environment in which it operates (the operating currency). For the purposes of the consolidated financial statements, the financial statements of each foreign company are expressed in euro, which is the operating currency of the Group and the currency for

the presentation of the consolidated financial statements.
All the assets and liabilities of foreign companies in currency other than the euro and which fall within the consolidation area, are converted by using the exchange rates in force at the reference date for the financial statements (current exchange rate method). Income and charges are converted at the average rate for the period.
Exchange rate differences arising from the application of this method and the exchange rates at which they were converted at the initial recording, the differences between the conversion of the opening shareholders' equity at current rates at the end of the year and at historic rates and the difference between net income expressed at average rates and that expressed at current rates, are charged to a specific reserve under shareholders' equity. When a company with a different operating currency from the euro is disposed of, the existing translation differences in shareholders' equity are charged to the income statement.
During first-time adoption of the IFRS, the cumulative exchange rate differences generated by the consolidation of foreign companies outside the euro zone have been annulled, as allowed by IFRS 1; the capital gains or losses arising from the subsequent disposal of these businesses must include only the accumulated translation differences which arose after 1 January 2004.

The consolidation of the financial statements is carried out in accordance with the method of line-by-line consolidation taking the entire amount of the assets, liabilities, costs and income of the individual companies, regardless of the equity investment shares held and eliminating the book value of the consolidated equity investments held by the Parent Company and by other companies which are subject to consolidation against the related shareholders' equity, allocating on a proportional basis to the minority interest shareholders in specific headings the share of shareholders' equity and net income due to them.
In the preparation of the consolidated financial statements all the balances and significant transactions between Group companies are eliminated, as are the unrealised profit and loss on infragroup transactions. The unrealised profit and loss generated on transactions with associated or joint control companies are eliminated in relation to the value of the share of equity investment in those companies.

For the recording of the acquisitions of subsidiaries by the Group the cost method is used. The cost of an acquisition is understood as the fair value of the assets, liabilities or shareholders' equity instruments issued or to be issued at the date on which control is effectively transferred to the Group, with the addition of all the costs directly attributable to the acquisition. The cost also includes the variable cost components, since they are proportioned to the performance of the company, when they are considered likely and can be reasonably measured. The excess between the acquisition cost and the fair value of the net identifiable assets is recorded as goodwill. If the acquisition cost is lower than the net identifiable assets acquired, the difference is recorded on the income statement.

Equity investments in associated companies, in which a Group company has notable influence and therefore is involved in setting the financial and operational policies without however having control, and joint ventures, in which a Group company has an interest and control of which is contractually defined as jointly shared, are consolidated on an equity basis and consequently the income and any changes in shareholders' equity in the associated companies are respectively reflected in the consolidated income statement and in shareholders' equity. Should the Group share of the associated company's losses exceed the book value of the equity investment in the financial statements, then the value of the equity investment is annulled and the share of further losses is not recorded, except and to the extent that the Group is obliged to answer for them.

Equity investments in other companies are recorded at cost which is written down if necessary for impairment or assessed at fair value. The dividends received from such companies are included in the heading Profit (loss) from equity investments.

When necessary, adjustments are made to the financial statements of subsidiaries to align the accounting criteria used to those adopted by the Group.

The exchange rates used for the conversion into euro of the income statements and balance sheets of the companies included in the consolidation area are shown in the table below:

	31/12/2005	AVERAGE 2005	31/12/2004	AVERAGE 2004
US dollar	1.17970	1.24470	1.3621	1.2439
Pound sterling	0.68530	0.68386	0.70505	0.67867
Indian rupee	53.16790	54.85999	59.7404	56.3378
Singapore dollar	1.96280	2.07051	2.2262	2.10156
Croatian kuna	7.37150	7.40015	7.69424	7.4893
Chinese remimbi	9.52040	10.18438	11.2781	10.2992
Brazilian real	2.743183	3.03444	3.67282	3.6335
Swiss franc	1.55510	1.54831	1.54290	1.54382
Japanese yen	138.9	136.84570	139.65	134.4450

- D - ACCOUNTING STANDARDS AND EVALUATION CRITERIA

The financial statements have been prepared for the first time in compliance with the International Financial Reporting Standards (IFRS).

Here below are the main accounting standards adopted.

INTANGIBLE ASSETS

An intangible asset is recorded only if it is identifiable, verifiable and it is likely to generate future economic benefits and its costs can be reliably determined.
Intangible assets are recorded at purchase or production cost net of accumulated amortisation and impairment. Amortisation is equated to their expected useful life and starts when the asset is available for use.
The useful life is examined on an annual basis or more frequently if circumstances or events occur which make it necessary to update the assessment, and any changes are duly reported from then on.

Goodwill

Goodwill arising from the acquisition of subsidiaries, associated companies and joint ventures represents the excess of the purchase price compared to the fair value as referred to the net identifiable value of the assets, liabilities and potential liabilities of the company acquired, in relation to the parent company's due share. Any negative difference is recorded on the income statement at the moment of acquisition.
Goodwill is not amortised, but is subjected to checks to identify any reductions in value in accordance with the provisions of IAS 36. This assessment is carried out on an annual basis, or more frequently if specific events or changed circumstances indicate the possibility that there has been a loss in value. After the initial recording, goodwill is valued at cost net of any accumulated impairment.

On disposing of a subsidiary or joint control company, the residual value of goodwill attributable to it is included in determining the capital gain or loss on the disposal.
During first-time adoption of the IAS/IFRS, the goodwill generated on acquisitions prior to 1 January 2004 has been maintained (save for any impact arising from the application of the new standards) at the previous value determined in accordance with Italian accounting standards, subject to the verification and recording of any impairment. Subsequent to that date any goodwill arising has been restated and accounted for in accordance with IFRS 3.

Brands and patents

Brands and patents which, in compliance with IAS 38, are calculated as having a useful life, are subject to amortisation and are periodically subjected to an impairment test aimed as identifying facts and circumstances which have led to any value reductions, as established by IAS 36.
Costs connected to industrial patent rights and intellectual property rights are amortised over three to five years, while brands are amortised over a maximum period of 15 years from the acquisition date.

Development costs

Development costs on projects for the production of vehicles and engines are recorded under assets only if all the following conditions are respected: the technical feasibility of the product, the forecast volumes and prices indicate that the costs incurred in the development phase will generate future economic benefits and the costs attributable to the project, which must be clearly identified, may be reliably assessed. The capitalised development costs include only the expenses incurred which can be directly attributed to the development process.
The capitalised development costs are amortised on the basis of a straight-line criterion over 3 years, starting with the commencement of production and throughout the estimated life of the product.
All other development costs are recorded on the income statement when they are incurred.

Other intangible assets

Other intangible assets acquired or produced internally are recorded under assets, in accordance with the provisions of IAS 38 – Intangible assets, when the asset is clearly identifiable, it is likely that the use of the asset will generate future economic benefits and when the cost of the asset can be reliably determined.
These assets are evaluated at purchase or production cost and amortised on a straight-line basis over their estimated useful lives, generally 5 years, if they have a finite useful life. Intangible assets with an indefinite useful life are not amortised but are subjected to checks to identify any reductions in value annually, or more frequently, whenever there is an indication that the asset may have suffered impairment.
Other intangible assets recorded following the acquisition of a company are recorded separately from goodwill, if their current value can be determined reliably.

PROPERTY, PLANT AND MACHINERY

Property, plant and machinery

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

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

Tangible assets in process of formation are valued at cost and are depreciated as from the period in which they come into operation.

Depreciation is determined on a straight-line basis over the estimated useful life of the assets or, in the case of disposal, until the end of their effective use. The useful life is reviewed annually and any changes are applied from then on. Should the individual items of a tangible asset have different useful lives, they are recorded separately in order to be depreciated in keeping with their durations (component approach).

Land is not amortised.

Assets are depreciated using the following criteria and rates:

Industrial buildings	from 3% to 5%
Light construction	from 7% to 10%
Sports facilities-golf courses	5%
General/specific plant	from 7.5% to 17.5%
Electrolyte cells	20%
Moulds and sundry equipment	15%
Robotised work centres	22%
Control/testing equipment and alarms	30%
Miscellaneous equipment and other tangible assets	from 12% to 40%

Freely transferable assets are depreciated over 2 to 8 years.

The assets owned through financial leasing contracts, by means of which all the risks and benefits linked to ownership are largely transferred to the Group, are recognised as Group assets at their current value, or, if lower, at the current value of the minimum payments due for the leasing. The corresponding liability due to the lessor is represented in the financial statements under financial payables. The assets held through financial leasing contracts are depreciated over their estimated useful lives as for assets owned by the company or, if lower, on the basis of the terms of the expiry of the leasing contracts.

The leases in which the lessor largely keeps all the risks and benefits linked to ownership of the assets are classified as operational leases. The costs in relation to operational leases are recorded on a straight-line basis on the income statement over the duration of the leasing contract.

Impairment

Annually or more frequently when there is an indication that an asset may have suffered impairment, the Group carries out an assessment of the recoverability of the value of the tangible and intangible assets (mainly goodwill) by comparing the book value of the asset (or group of assets) with its recoverable value. The recoverable value of an asset is the higher between the current value net of sale costs and its value in use. The value in use is defined on the basis of the discounting of expected cash flows from the use of the asset, or from groups of assets (cash generating unit) as well as from the value which is expected from its disposal at the end of its useful life. The cash generating units have been identified in keeping with the organisational structure and business of the Group as similar groupings which generate autonomous inward cash flow arising from the continuous use of the asset and which are due to these groupings. Impairment is therefore recorded if the recoverable value is lower than the book value and is immediately charged to the income statement.
When subsequently there is no longer reason to maintain the writedown, the book value of the asset (or cash generating unit) is increased to the new value arising from the estimate of its recoverable value, but no higher than the net book value which the asset would have had if the writedown for impairment had not been made. The recovery of impairment is immediately recorded on the income statement.

Property investments

As allowed by IAS 40, property and buildings that are not for operations are recorded under Investment property and are assessed at cost net of accumulated amortisation and losses for impairment. Property investments are eliminated from the financial statements when they are sold or when the property investment is unusable in the long term and no future economic benefits are expected from its possible disposal.
Some land and buildings held by the Group fall into this category and generate cash flow largely independently from the other tangible assets held by the Group.

TREASURY SHARES

IAS 32 "Financial instruments: disclosure and presentation" requires that treasury shares are no longer classified under assets in the financial statements, but are set off against shareholders' equity.
The original cost of the treasury shares and the income from their possible subsequent sale are recorded as movements in shareholders' equity.

RECEIVABLES

Receivables are recorded at their nominal adjusted value, in order to align them to their presumed realisable value, through the recording of a bad debt provision. This provision is calculated on the basis of the recovery assessments carried out by analysis of the individual positions and of the overall risk of all the receivables, taking account of any guarantees.
When the payment of the sum due is postponed beyond normal credit terms offered to customers, it is necessary to discount the receivable. In order to determine the effect, estimates have been made of the time before payment by applying to the various forecast cash flows a discount rate that corresponds to the average cost of money for the Group.

Factoring

The Group disposes of a significant share of its trade receivables through factoring operations.

The disposals can be with or without the transfer of risks and benefits. Disposals which envisage the transfer of risks and benefits, in compliance with the provisions of IAS 39, lead to the cancellation of the corresponding amounts from the balance of receivables due from customers at the moment of payment by the factor. On the other hand, disposals which do not envisage such a transfer do not respect the requirements set out by the international standards for the elimination of assets from the balance sheet since the related risks and benefits are not in essence transferred.

Consequently all the receivables ceded through factoring operations which do not meet the requirements for the elimination established by IAS 39 are maintained on the Group's balance sheet until the receivable ceded is paid by the debtor; a financial liability of similar amount is recorded on the consolidated balance sheet. The profit and loss relating to the disposal of such assets is recorded only when the assets themselves are removed from the Group's balance sheet.

INVENTORIES

Inventories of raw materials, semi-finished and finished goods are recorded at the lower of cost and market value. The assessment of inventories includes the direct costs of the materials and labour as well as the share of indirect costs that may reasonably be ascribed to the use of productive assets under normal production capacity conditions.
The acquisition or production cost is determined in accordance with the average weighted cost method. For raw materials and products in the process of formation, the market value is represented by the presumed net sale value of the corresponding finished products after deducting finishing costs; as for finished goods it is determined by the presumed sale price (sale price lists).
The writedown reserve for materials and finished goods includes those assets, parts and other supplies which are considered obsolete or slow moving, taking account of their expected future use and their sale value. The lower value that may be determined on the basis of market trends is eliminated in subsequent periods if the reasons for that valuation cease to exist.

Work in progress on long-term orders is assessed on the basis of the contractual payments that have accrued with reasonable certainty in accordance with the criterion of the completion percentage, net of payments on account that have been invoiced to customers. The state of progress is measured by referring to the costs of the orders incurred up to the balance sheet date as a percentage of the estimated total costs for each order. Any losses on the contracts are recorded on the income statement in their entirety when they are known.
Contract work in progress is shown under assets net of the payments on account received from customers.

CASH AND CASH EQUIVALENTS

The heading relating to cash and cash equivalents includes cash, on demand deposit accounts and other short-term financial investments with high liquidity, which are readily cash convertible and have an insignificant risk of losing value.

NON-CURRENT ASSETS DESTINED FOR SALE

The item Assets destined for sale includes non-current assets (or groups of assets being disposed of) whose book value will largely be recovered through their sale rather than their continuous use. This condition is respected when the sale is highly likely, the asset (or group of assets) is available for immediate sale in its current condition, and management has made a commitment to sell it, which should happen within twelve months from the classification under this heading.

Assets destined for sale are valued at the lower of their net book value and their current value net of sale costs.

FINANCIAL LIABILITIES

Financial liabilities include financial payables, including payables for payments received in advance on the disposal of receivables, as well as other financial liabilities.
During the initial recording, loans are recognised at cost represented by the original value received net of accessory charges to secure the loan. Subsequently the financial liabilities are assessed with the amortised cost criterion using the real interest rate method.
The assessment of financial liabilities subject to fair value style hedging is adjusted to reflect the fair value changes associated with the risk covered. Profits and losses arising from the subsequent assessments at current value due to variations in interest rates are recorded on the income statement and are offset with the effective share of the loss and the profit arising from subsequent evaluations at current value of the instrument covered.

FINANCIAL INSTRUMENTS

Financial instruments include: equity investments in unconsolidated companies and equity investments other than those in associated companies and joint ventures, receivables and loans and other financial assets available for sale.

Equity investments in other companies, counting as Financial assets available for sale, are valued at fair value with charge of the impact to shareholders' equity or at cost adjusted for impairment, the effect of which is recognised on the income statement, when the fair value can no longer be reliably determined. Should in future years the reasons for which the writedowns were made no longer exist, then in those years a reinstatement will be made to the limits of the writedowns applied with a charge of the impact to the income statement.

Among the financial assets are included current securities (securities available for sale and securities held for trading), understood as short-term or negotiable securities which represent temporary cash investments and which do not meet the requirements to be classified as cash equivalents. Their initial assessment takes account of the transition costs which are directly attributable to the acquisition or issue.
Other financial assets, current and non-current, are recorded in accordance with the provisions of IAS 39 "Financial instruments: recognition and measurement".

Subsequent to the initial recording, financial instruments available for sale and those destined for trading are assessed at fair value. When the market price is not available, the current value of the financial instruments available for sale is measured with the most appropriate assessment techniques, for example the analysis of discounted cash flows, carried out with the market information available at the balance sheet date.

When the financial assets are held for trading, the profits and losses arising from the changes in the fair value are charged to the income statement in the year. When the financial assets are available for sale, the profits and losses arising from the changes in the fair value are charged directly to shareholders' equity until the financial asset is sold or written down; in that moment the

accumulated profits or losses, including those previously recorded under shareholders' equity, are included in the income statement for the year.
Loans and receivables which the Group does not hold for trading purposes (loans and receivables originating from ordinary operations) and all the financial assets for which no prices on an active market are available and the fair value of which cannot be determined reliably, are measure, if they have a preset expiry, at amortised cost, using the real interest rate method, net of writedowns made to reflect impairment. When the financial assets do not have a preset expiry, they are valued at purchase cost. Receivables falling due after more than one year, which are interest free or which accrue interest below the market rate, are discounted by using market rates.

Assessments are regularly made to verify if there is objective evidence that a financial asset or group of assets may have suffered impairment. If objective evidence does exist, then impairment is recorded as a cost on the income statement in the year.

DERIVATIVES

The Group's activities are mainly exposed to financial risks through changes in exchange and interest rates and market prices. The Group uses derivatives (mainly forward currency contracts) to cover the risks deriving from changes of foreign currencies in certain irrevocable commitments and in envisaged future transactions. The use of these derivatives is regulated by written procedures on the use of derivatives in line with the Group's risk management policies.
Derivatives are used solely with the intent of providing cover in order to reduce the risk from exchange and interest rate variations and changes in market prices.
The Group does not use derivatives for trading purposes.
The derivatives are initially recorded at cost and adjusted to fair value at subsequent year end dates, as established by IAS 39.
Derivatives can be recorded in accordance with the methods established for hedge accounting only when, at the start of the cover, there is the formal designation and documentation of the cover itself, when it is presumed that the cover is highly effective, when the effectiveness can be reliably measured and when the cover itself is highly effective during the various accounting periods for which it is designed.
If hedge accounting cannot be applied, the profits or losses arsing from the assessment to the current value of the derivative are immediately taken to the income statement.

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

- *Fair value hedge*: If one derivative is designated as cover for the exposure to variations in the current value of an asset or a liability, attributable to a particular risk which can have an impact on the income statement, the profit or loss arising from subsequent assessments of the current value of the hedging instrument is recorded on the income statement. The profit or loss on the item covered, attributable to the risk covered, changes the book value of that item and is recorded on the income statement.
- *Cash flow hedge*: If a derivative is designated as cover for the exposure to changes in the cash flows of an asset or liability recorded in the financial statements or of a transaction that is considered highly likely and which could have an impact on the income statement, the effective share of profits or losses for the derivative is recorded under shareholders' equity. The accumulated profit or loss are cancelled from shareholders' equity and recorded on the income statement in the same period in which the transaction subject to cover is recorded.

PAYABLES

Trade payables which expire in the normal commercial period are not discounted and are recorded at nominal value, which is considered representative of their extinguishment value. The share of interest included in their nominal value which is unaccrued at the end of the period is deferred to future periods.

EMPLOYEE BENEFITS

With the adoption of the IFRS, employee severance indemnity is considered a defined benefit obligation to be recorded in accordance with IAS 19- Employee Benefits, consequently, it must be recalculated using the "Projected Unit Credit Method", by undertaking actuarial evaluations at the end of each period.
Payments for defined benefit plans are charged to the income statement in the period in which they fall due.
The liabilities for benefits following the employment relationship recorded in the financial statements represent the current value of liabilities for defined benefit plans adjusted to take account of actuarial profits and losses and the unrecorded costs related to previous employment services, and reduced by the fair value of the programme assets. Any net assets resulting from this calculation are limited to the value of the actuarial losses and the cost in relation to unrecorded previous employment services, plus the current value of any repayments and reductions in future contributions to the plan.
The Group has decided not to use the so-called "corridor method", which would allow it not to record the cost component calculated in accordance with the method described represented by actuarial profits or losses, where it does not exceed 10 percent. Finally, it should be noted that the Group shows the interest element of the income/charge relating to employee plans under the financial charges heading.

STOCK OPTIONS

In accordance with the provisions of IFRS 2 – Share-based payments, the overall amount of the current value of the stock options at the date of allocation is recorded wholly on the income statement under staff costs with a counter entry recognised directly under shareholders' equity should the assignees of the instruments representing capital become right holders at the moment of allocation.
In the case in which a period of maturation is envisaged in which certain conditions must apply before the assignees can become right holders, the cost of compensation, determined on the basis of the current value of the portions at the allotment date, is recorded under staff costs on the basis of a criterion of constant shares over the period between the date of allotment and that of vesting, with a counter entry recognised directly under shareholders' equity.
The determination of fair value is made by using the Black Scholes method. Changes in the current value of the options subsequent to the allotment date have no impact on the initial evaluation.

PROVISIONS FOR RISKS AND CHARGES

The Group records provisions for risks and charges when there is an obligation, legal or implicit, with regard to a third party and it is likely that the use of Group resources will be necessary to fulfil the obligation and when a reliable estimate can be made of the amount of the obligation.

The allocations are recorded at the value which is representative of the best estimate of the total which the company would pay to extinguish the obligation or to transfer it to a third party at the year end date. Changes in the estimate are reflected in the income statement in the period in which the change takes place. If the effect is significant, the allocations are calculated by discounting the estimated future cash flows at an estimated discount rate gross of tax so as to reflect the current market assessment of the current value of money and the specific risks connected to the liability. The increase in the provision is recorded as a financial charge.
If the liability related to property, plant and machinery, the provision is recorded with a counter entry under the asset to which it refers; the recording of the charge on the income statement occurs through the process of amortising the tangible asset to which the charge itself refers.

COSTS AND NET SALES

These are shown in the financial statements in accordance with the principle of prudence and accruals, with the recording of the related prepayments and accruals. Net sales and income, costs and charges are recorded net of returns, discounts, rebates and allowances. Net sales and costs for services are recorded on an accruals basis at the moment when the service is provided or received.

Depending on the type of transaction, net sales are recorded on the basis of the following criteria:

- net sales of goods are recorded when the risks and benefits of ownership of the good are transferred to the purchaser;
- sales for services are recorded in reference to the degree of completion of the work, on the basis of the same criteria envisaged for contract work in progress;
- sales for contract work in progress are recorded, until the moment of delivery, by recognising the sales on the basis of the degree of completion at the end of the period, calculated on the basis of the costs effectively incurred on the basis of updated estimates.

Financial sales are recorded on the accruals basis.

CONTRIBUTIONS

Contributions for capitalised projects are recorded in the financial statements provided that the right to receive them is certain and they are charged to the income statement in relation to the useful life of the asset against which they are supplied.
Contributions to the operating account are recorded in financial statements provided that the right to receive them is certain and they are charged to the income statement in relation to the costs against which they are supplied.
Contributions to the shipyard are recorded on an accruals basis in proportion to the progress of the constructions referred to.

FINANCIAL INCOME

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

FINANCIAL CHARGES

Financial charges are recorded on an accruals basis. They include interest payable on financial payables calculated by using the real interest rate method, negative exchange rate differences, and losses on derivatives. The share of interest charges for financial lease payments is charged to the income statement using the real interest rate method.

DIVIDENDS

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

CURRENT TAX

The consolidated financial statements include the tax set aside in the financial statements of the individual companies that are part of the consolidation area on the basis of the estimate of the taxable income determined in conformity with the national legislation in force at the closing date of the financial statements, taking account of the exemptions applicable and the tax credits due. The

liability for income tax is calculated by using the tax rates in force at the balance sheet date. Income taxes are recorded in the income statement, except for those relating to items directly charged or accredited to shareholders' equity, in which case the tax effect is recognised directly under shareholders' equity. The provisions for taxes which could arise from the transfer of undistributed profits of the subsidiaries are only made where there is a real intention to transfer such profits. Other non-income taxes, such as property and capital taxes, are included under operating costs.
Income taxes are shown under the item "Payables due to tax authorities" net of payments on account and withholding taxes paid. The taxes due in the case of the distribution of reserves with tax withheld as shown in the financial statements of the individual Group companies are not set aside since their distribution is not expected.

DEFERRED AND PREPAID TAXES

Deferred taxes are set aside in accordance with the global liability provision method. They are determined on the basis of the temporary differences which emerge between the taxable basis for tax purposes of an asset or liability and the book value in the consolidated balance sheet, except for goodwill which is not tax deductible, and differences arising from investments in subsidiaries, cancellation of which is not expected in the foreseeable future. Deferred tax assets are accounted for only to the extent that the existence of adequate future taxable income against which they can be recovered is considered likely. The book value of deferred tax assets which may be recorded on the balance sheet is subject to annual review and is reduced to the extent to which the existence of sufficient taxable income to allow the whole or partial recovery of such assets is no longer probable.
Deferred tax assets and liabilities are offset when the income taxes are applied by the same tax authority, when there is a legal right to offset and when the Group intends to liquidate current tax assets and liabilities on a net basis.
Deferred tax assets and liabilities are determined on the basis of the tax rates which it is expected will be applied in the period in the respective jurisdictions of the counties where the Group operates and in the periods in which the temporary differences will be realised or extinguished.
They cannot be discounted and are classified under assets and non-current liabilities.

CONVERSION CRITERIA FOR FOREIGN CURRENCY ITEMS

Transactions originally in foreign currency, other than European monetary union currencies, are converted into euros at the historic exchange rates at the date of the related transactions. Exchange rate differences arising on the receipt of receivables and the settlement of payables in foreign currency or during their conversion at rates other than those at which they had been converted at the moment of their initial recording, are recorded on the income statement under financial income and charges.

INCOME PER SHARE

Income per share is calculated by dividing the Group's profit or loss by the weighted average of the shares in circulation during the period, excluding treasury shares. For the calculation of the diluted income per share, the weighted average for the shares in circulation is modified by assuming the conversion of all the potential shares with a dilating effect. The Group's net profit or loss is also adjusted to take into account the effects of the conversion, net of tax.

USE OF ESTIMATES

The preparation of the financial statements and the related notes in application of the IFRS requires on the part of management the making of estimates and assumptions that have an impact on the values of assets and liabilities in the financial statements and on the information in relation to potential assets and liabilities at the financial statement date. The results which will be achieved could be different from the estimates. The estimates are used to assess the tangible and intangible assets subject to impairment tests, besides recording provisions for risks on receivables, for obsolescence of stocks, amortisation, writedowns of assets, employee benefits, tax, restructuring provisions, and other allocations and provisions. These estimates and assumptions are periodically reviewed and the impact of each change is immediately reflected in the income statement.

NEW ACCOUNTING STANDARDS

There were no accounting standards or interpretations reviewed or issued, with effect from 1 January 2005, which had a significant impact on the Group's financial statements.
During December 2004 the IASB issued an amendment to IAS 19 – Employee benefits, allowing the option to recognise actuarial profits and losses as soon as they become evident, not directly on the income statement, but in a specific heading under shareholders' equity. The amendment also provides a guide to the allocation among the various companies falling within the consolidation area of a Group defined benefit plan. The amendment is effective as from 1 January 2006. The Group is considering the impact of the amendment, albeit the items are not significant.

In April 2005 the IASB issued an amendment to IAS 39 "Financial instruments: Recognition and measurement" which allows an infragroup transaction which is considered highly probable to be considered as a covered item in a cash flow hedge against exchange rate risks, should the transaction be carried out in a currency other than the trading currency of the business which carried out the transaction and the consolidated financial statements are exposed to exchange rate risk.
The amendment also specifies that if the cover of an expected infragroup transaction meets the requirements for hedge accounting, all profits or losses directly recorded under shareholders' equity in accordance with the rules of IAS 39 must be reclassified to the income statement in the period in which the exchange rate risk of the transaction covered has its impact on the consolidated income statement.
In June 2005 the IASB issued a final amendment to IAS 39 which limits the use of the option of designating every financial asset or liability as an item assessed at fair value directly on the income statement (the so-called "fair value option"). This revision of the standard limits the use of this option to those derivatives that meet the following conditions:

- the designation in accordance with the fair value option eliminates or significantly reduces a deficit in the accounting;
- a group of financial assets, financial liabilities or both is managed and their performance is assessed on the basis of the fair value in accordance with a documented risk and investment management strategy;
- an instrument contains an implicit derivative which satisfies particular conditions.

These amendments to IAS 39 take effect as from 1 January 2006. The Group is assessing any impact which these changes may have, even if these transactions are not among those that the Company normally adopts.

In August 2005 the IASB issued the new accounting standard IFRS 7 "Financial instruments: disclosures" and a complementary amendment to IAS 1 "Presentation of financial statements: capital disclosures". IFRS 7 requires additional information regarding the importance of the derivatives in terms of the financial performance and position of a company. This information includes some requirements which were previously included in accounting standard IAS 32 "Financial instruments: presentation". The new accounting standard also requires information relating to the level of exposure to risk arising from the use of derivatives, and a description of the objectives, policies and procedures put into place by management to manage such risks. The amendment to IAS 1 introduces requirements relating to information to be provided concerning a company's capital. IFRS 7 and the amendment to IAS 1 are effective as from 1 January 2007.

In August 2005 the IASB issued an amendment to IAS 39 and IFRS 4 dedicated to the accounting treatment of guarantees issued. On the basis of this amendment the liability arising from financial guarantee contracts must be recorded on the balance sheet of the guarantor and assessed initially at fair value and subsequently, at the higher of the best estimate of the cost required to meet the obligation at the period end date, on the basis of the provisions of IAS 37 "Provisions, contingent

liabilities and contingent assets", and the initially recorded total less any accumulated amortisation recorded in accordance with the requirements of IAS 18 "Revenue".
These amendments will be effective as from 1 January 2006. The Group is assessing any impact which these changes might have.

- E – INFORMATION BY SECTOR

In accordance with the provisions of IAS 34, here below is the information by business area (primary sector) and by geographic area (secondary sector).

Primary sector: business area

Here below is the consolidated income statement which analyses the accounting entries for the business sectors and the reclassified balance sheet which shows the accounting balances. The tables are the same as the information by sector indicated by Immsi S.p.A. in the Directors' reports in previous years.

Income statement for 2005

In thousands of euro	*Property sector*	*Industrial sector*	*Naval sector*	*Other companies and adjustments*	*Immsi Group*
Sales to third parties	5,271	1,451,781	90,595	-74	1,547,573
Intercompany sales					0
NET SALES	**5,271**	**1,451,781**	**90,595**	**-74**	**1,547,573**
OPERATING INCOME	**-7,045**	**94,260**	**-9,081**	**-1,191**	**76,943**
Income from equity investments	0	-10	0	0	-10
Financial income					17,952
Financial charges					52,799
INCOME BEFORE TAX					**42,086**
Tax					23,770
NET INCOME FROM FUNCTIONING ASSETS					**18,316**
Profit (loss) from assets destined for disposal or sale					5,242
NET INCOME					**23,558**
Minority interest					15,193
GROUP NET INCOME					**8,365**

The property sector consolidates the income statement and balance sheet results of Immsi S.p.A., Is Molas S.p.A. and Apuliae S.p.A., the industrial sector includes the Piaggio Group, the naval sector includes the Group controlled by Rodriquez Cantieri Navali S.p.A., while among 'Other companies and adjustments' are included, in addition to consolidation entries, the results of Piaggio Holding Netherlands B.V. and RCN Finanziaria S.p.A.

Balance sheet at 31 December 2005

In thousands of euro	*Property sector*	*Industrial sector*	*Naval sector*	*Other com-panies and adjustments*	*Immsi Group*
Sector assets	339,031	1,368,872	179,866	-117,068	1,770,701
Equity investments in associated companies	0	609	13	0	622
TOTAL ASSETS	**339,031**	**1,369,481**	**179,879**	**-117,068**	**1,771,323**
TOTAL LIABILITIES	**91,138**	**1,021,014**	**152,912**	**-6,195**	**1,258,869**

Other information at 31 December 2005

In thousands of euro	*Property sector*	*Industrial sector*	*Naval sector*	*Other com-panies and adjustments*	*Immsi Group*
Increases to tangible and intangible assets	**2,182**	**99,862**	**4,490**	**0**	**106,534**
Amortisation, depreciation and writedowns	**1,609**	**101,436**	**5,095**	**-577**	**107,563**
Cash flows from operative assets	**-20,540**	**234,028**	**-13,506**	**-57,646**	**142,336**
Cash flows from investments	**40,023**	**-118,904**	**-604**	**75,003**	**-4,482**
Cash flows from financing	**-26,498**	**-19,541**	**14,943**	**-17,161**	**-48,257**

Secondary sector: geographic areas

The following table shows the income statement and balance sheet figures for the Group in relation to the geographic areas "of origin" for 2005, i.e. by referring to the country of the company which made the sales or holds the assets.
The division of net sales by geographic area of "destination", i.e. in reference to the nationality of the customer, is analysed in the comments of this Note to the income statement headings.

Net sales for 2005

In thousands of euro	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the world*	*Immsi Group*
Sales to third parties	670,430	612,607	157,182	50,346	57,008	1,547,573
Intercompany sales	0	0	0	0	0	0
NET SALES	**670,430**	**612,607**	**157,182**	**50,346**	**57,008**	**1,547,573**

Balance sheet at 31 December 2005

In thousands of euro	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the world*	*Immsi Group*
Sector assets	1,405,432	243,900	59,600	22,300	39,469	1,770,701
Equity investments in associated companies	576				46	622
TOTAL ASSETS	**1,406,008**	**243,900**	**59,600**	**22,300**	**39,515**	**1,771,323**

In thousands of euro	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the world*	*Immsi Group*
Total receivables	**126,412**	**116,787**	**5,720**	**4,169**	**13,757**	**266,845**
Total payables	**774,189**	**197,276**	**54,130**	**4,857**	**11,666**	**1,042,118**

Other information at 31 December 2005

In thousands of euro	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the world*	*Immsi Group*
Increases to tangible and intangible assets	**88,719**	**6,558**	**10,840**	**396**	**21**	**106,534**
Amortisation, depreciation and writedowns	**99,902**	**5,326**	**2,239**	**85**	**11**	**107,563**

- F - COMMENT ON THE MAIN ASSET HEADINGS

The amounts are shown in thousands of euro unless stated otherwise.

- F1 - INTANGIBLE ASSETS 737,429

Intangible assets at 31 December 2005 totalled 737,429 thousand euro, compared to 687,579 thousand euro at 31 December 2004, as follows:

In thousands of euro	Gross values				
	Balance at 31.12.2004	*Additions*	*Change in consolidation area*	*Other movements*	*Balance at 31.12.2005*
Development costs	213,240	30,831	0	(8,604)	235,467
Concessions, industrial patent rights and intellectual property rights	70,604	7,193	0	(3,057)	74,740
Licences and trademarks	155,668	795	0	6,602	163,065
Software	401	17	0	339	757
Goodwill	467,077	66,266	0	0	533,343
Other intangible assets	34,189	583	0	(11,140)	23,632
TOTAL	941,179	105,685	0	(15,860)	1,031,004

The following table shows the movement in the accumulated amortisation for the above financial statements items:

In thousands of euro	Accumulated amortisation					Net values
	Balance at 31.12.2004	*Amortisation*	*Change in consolidation area*	*Other movements*	*Balance at 31.12.2005*	*Balance at 31.12.2005*
Development costs	127,553	33,139	0	(6,411)	154,281	81,186
Concessions, industrial patent rights and intellectual property rights	64,464	6,256	0	(4,559)	66,161	8,579
Licences and trademarks	30,170	8,499	0	9,566	48,235	114,830
Software	233	199	0	0	432	325
Goodwill	3,433	0	0	0	3,433	529,910
Other intangible assets	27,747	562	0	(7,276)	21,033	2,599
TOTAL	253,600	48,655	0	(8,680)	293,575	737,429

Note: The item 'Other movements' includes the reductions for intangible assets which have been completely amortised, translation differences from the conversion of financial statements in currency, reclassifications and writedowns.

Development costs

The item Development costs, 81,186 thousand euro, includes costs for projects for products and engines for which, over the useful life of the asset, sales are expected such as to allow the recovery of the costs incurred.

In relation to development expenses, in the period the main projects capitalised by the Piaggio Group referred to the new Vespa Lx and GTS250, the new Guzzi models (Nevada, Breva 750, Breva 1100 and Griso 1100), new engines from 50 cc to 750 cc for all the vehicles under the Piaggio and Aprilia brands, new Euro3 engines and new versions and/or restyling of vehicles which are already in production. The Rodriquez Group also capitalised approximately 9,453 thousand euro in relation to research projects for fully submerged hydrofoils, Enviroaliswath and a new concept in bow thrusters.

It also includes assets under construction for 40,802 thousand euro which represent the costs relating to products which will go into production in future years.

A writedown was recorded for 3,140 thousand euro largely in reference to Piaggio & C. S.p.A. for some projects capitalised in previous years which no longer have a future use on the basis of the new strategic guidelines.

The development costs recorded under the heading are amortised on a straight-line basis over 3 years, in consideration of their residual use.

This heading includes development costs (with a definite useful life) generated internally for a gross value of 140,192 thousand euro, amortised for 86,208 thousand euro.

Concessions, industrial patent rights and intellectual property rights
The heading Concessions, industrial patent rights and intellectual property rights of 8,579 thousand euro, refers mainly to software for administration, quality assurance, marketing, human resources and systems. In addition, it includes 605 thousand euro incurred by Piaggio & C. S.p.A. for the purchase of SAP licences at the end of 2004 with a financial leasing contract and approximately 226 thousand euro recorded by the Rodriquez Group for the purchase of tailored software for ship design. The heading includes assets under construction for 864 thousand euro. The costs for industrial patent rights and intellectual property rights are amortised over 3 to 5 years. The Group has already completely amortised the assets which were generated internally for an overall gross value of 1,565 thousand euro.

Licences and trademarks
The heading Licences and trademarks of 114,830 thousand euro mainly consists of the allocation to the trademark of the value of goodwill determined during the acquisition of the Aprilia Group, for a value, gross of tax, of 89,803 thousand euro. The net book value at 31 December 2005 refers to Moto Guzzi for 30,253 thousand euro, Moto Laverda for 620 thousand euro, Aprilia for 83,816 thousand euro and lesser brands for 141 thousand euro. The values attributed to Moto Guzzi and Aprilia are based on the investigation prepared by an independent third party. These brands are amortised over a maximum period of 15 years.
For the acquisition of the Aprilia Group some financial instruments were issued and reference should be made to the comment at the end of Financial liabilities.

Goodwill
The composition of the heading Goodwill is broken down in the following table:

In thousands of euro	Net balance at 31.12.2004	Additions	Amortisation	Net balance at 31.12.2005
Acquisition of 100% of Piaggio & C. S.p.A. (by Piaggio Holding N. BV)	405,985			405,985
Acquisition of 31.25% of Piaggio Holding Netherlands B.V. (by Immsi)	3,480			3,480
Acquisition of 5.23% of Piaggio & C. S.p.A. (by Immsi)	6,866			6,866
Acquisition of 8.85% of Piaggio Holding Netherlands B.V. (by Immsi)	16,974			16,974
Acquisition of 100% of Aprilia S.p.A. (by Piaggio & C. S.p.A.)		62,156		62,156
Acquisition of 66.49% of Rodriquez S.p.A. (by RCN Finanziaria S.p.A.)	30,337			30,337
Acquisition of 33.51% of Rodriquez S.p.A. (by RCN Finanziaria S.p.A.)		3,951		3,951
Other acquisitions / changes	2	159		161
TOTAL	**463,644**	**66,266**	**0**	**529,910**

Goodwill derives from the greater value paid compared to the corresponding share of the investee companies' shareholders' equity at the time of the purchase, reduced by the related accumulated amortisation until 31 December 2003. During first-time adoption of the IFRS, in fact, the Group chose not to apply IFRS 3 "Business combinations" retroactively to purchases of companies prior to 1 January 2004; consequently, the goodwill generated on acquisitions prior to the IFRS transition date was maintained at the previous value calculated in accordance with Italian accounting standards, subject to verification and recording of any impairment.
As noted previously, from 1 January 2004 goodwill is no longer amortised, but is annually, or more frequently if specific events or changed circumstances require it, subjected to tests to identify any impairment, in accordance with the provisions of IAS 36 "Reduction in assets values (impairment test)".

The recoverable value of the cash-generating units, to which the individual goodwill amounts have been attributed, is verified through the determination of the value in use.
The main assumptions used in determining the value in use of the cash-generating units are related to the discount rate and the growth rate.
In particular, the Piaggio Group has adopted a discount rate which reflects the current market assessments for the cost of money and takes account of the specific risk attributable to the Group: this rate, gross of tax, is 7%. The forecasts for the cash-generating units derive from those in the most recent budgets and plans prepared by the Group for the next three years, extrapolated for the

following years on the basis of medium/long-term growth rates of 1.5%. The impairment test carried out at 31 December 2005 confirmed that for the values expressed in the balance sheet there was no need to make changes. The business plan prepared by the Group, which predicts a positive performance for the Group over the next three years, provides reassurance on the appropriateness of the figures used.

In relation to the Rodriquez Group, it should be noted that a discount rate has been adopted which reflects the current market assessments of the cost of money and takes account of the specific risk attributable to the Group. This rate, net of tax, is 6.7%. The forecasts for cash flows from operations derive from those included in the most recent budgets and plans prepared by the Rodriquez Group for the next three years.
The impairment test carried out at 31 December 2005 confirmed that for the values expressed in the balance sheet there was no need to make changes. The business plan prepared by the Rodriquez Group, which predicts a positive performance for the Group over the next three years, provides reassurance on the appropriateness of the figures used.

The increase recorded in the year of 66,266 thousand euro is mainly due to the assessment of the financial instruments linked to the acquisition of the Aprilia Group, whose forward commitments are summarised here:

- Piaggio 2004/2009 Warrants for the overall issue price of 5,350.5 thousand euro which envisages a sale price that can never by more than twelve times the total issue price. Therefore, the maximum final commitment can never be more than 64,206 thousand euro;
- EMH 2004/2009 Financial instruments for a total nominal value of 10,000 thousand euro, which give the right to deferred payment of a minimum guaranteed sum of 3,500 thousand euro which is commented on under Financial liabilities, besides a maximum sale value which can never exceed 6,500 thousand euro;
- 2004/2009 Financial instruments for Aprilia shareholders which envisage a sale price which can never exceed 10,000 thousand euro.

In compliance with the main contents of the above contractual agreements, by virtue of which, among other things, the purchase cost of the Aprilia Group includes a variable share dependent on the achievement of specific income statement and balance sheet parameters, in the light of the consolidated income of the Piaggio Group in 2005 and the forecasts resulting from the Business Plan 2006-2008 which is being approved by the Board of Directors of Piaggio & C. S.p.A., the adjustment of the initial purchases cost was considered probable in relation to the first two financial instruments and was estimated at 62,156 thousand euro. At the moment, however, it is not considered that the financial instruments of the Aprilia shareholders will give rise to an increase of the purchase value of the Aprilia Group. The verification of the conditions envisaged for the exercise of the warrants represents for Piaggio the achievement of economic and financial objectives such that the asset value of the Group will be an expression of the completion of the relaunch process started with the acquisition by Immsi S.p.A.
Since this amount is deferred the cost is represented by the current value of the same determined in accordance with the following parameters:

In thousands of euro	*Amount*	*Current value*	*Time*	*Discount rate*
Warrant	64,206	56,466	2.33	5.66%
EMH instrument	6,500	5,690	2.42	5.66%
Aprilia Shareholders instrument	10,000			
Total	80,706	62,156		

The counterpart of the adjustment of the purchase cost, taking account of the particular nature of the underlying financial instruments, was recorded for 56,466 thousand euro in the Minority interest

Financial instrument fair value reserve and for 5,690 thousand euro under Long/medium-term financial payables.

Other intangible assets
The heading Other intangible assets, of 2,599 thousand euro, includes almost exclusively assets with a definite useful life acquired by third parties, including assets in process of formation and payments on account for 2,343 thousand euro. Other intangible assets are amortised over 5 years and are entirely acquired by third parties.

- F2 - PROPERTY, PLANT AND MACHINERY 323,008

Property, plant and machinery at 31 December 2005 totalled 323,008 thousand euro, compared to 347,922 thousand euro at 31 December 2004, and consisted of assets owned by Immsi S.p.A. for 11,832 thousand euro, the Piaggio Group for 259,591 thousand euro, the Rodriquez Group for 31,219 thousand euro and Is Molas S.p.A. for 20,365 thousand euro overall. Here below is a breakdown of the heading in question:

In thousands euro	Gross values					
	Balance at 31.12.2004	*Additions*	*Disposals*	*Change in con-solidation area*	*Other movements*	*Balance at 31.12.2005*
Land	77,158	7,669	(19,149)	0	0	65,678
Buildings	160,984	13,607	(37,315)	0	2,079	139,355
Plant and machinery	311,890	18,858	(19,293)	0	5,464	316,919
Industrial and commercial equipment	456,646	21,787	(6,667)	0	(54,121)	417,645
Freely transferable assets	17,776	1,096	0	0	395	19,267
Other assets	61,260	3,592	(7,757)	0	339	57,434
TOTAL	1,085,714	66,609	(90,181)	0	(45,844)	1,016,298

The following table shows the change in the accumulated depreciation corresponding to the above balance sheet items:

In thousands of euro	Accumulated depreciation						Net values
	Balance at 31.12.2004	*Depreciation*	*Applications*	*Change in con-Solidation area*	*Other movements*	*Balance at 31.12.2005*	*Balance at 31.12.2005*
Land	116	0	0	0	0	116	65,562
Buildings	46,381	4,158	(11,617)	0	(81)	38,841	100,514
Plant and machinery	238,419	14,106	(18,506)	0	278	234,297	82,622
Industrial and commercial equipment	396,442	23,075	(6,397)	0	(50,495)	362,625	55,020
Freely transferable assets	9,377	1,216	0	0	380	10,973	8,294
Other assets	47,057	4,196	(181)	0	(4,634)	46,438	10,996
TOTAL	737,792	46,751	(36,701)	0	(54,552)	693,290	323,008

Note: The heading ‘Other movements’ includes translation differences from the conversion of financial statements in currency, reclassifications and writedowns.

Under property, plant and machinery on hand at 31 December 2005 is included 8,294 thousand euro for freely transferable assets entirely owned by the Rodriquez Group; 2,207 thousand euro of which was completely amortised.

Land and buildings
Land and buildings mainly refer to the production facilities of the Piaggio Group located in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain) and Baramati (India), the property owned by the Parent Company and located in Rome, the industrial complex of the Rodriquez Group, and the structure managed by Is Molas at Pula (Cagliari).
This heading decreased due to the property sales carried out by Immsi S.p.A. which involved the properties located in Milan – via Pirelli, Cassina de’ Pecchi (MI) – via Fermi and Rome – via del

Maggiolino for a net book value for just the land and buildings of 44,549 thousand euro and for the sale of the plant located in Arcore (Milan) completed by Piaggio, partly offset by the recording under the assets of the property lease contract regarding the industrial facility at Mandello del Lario between Moto Guzzi and Locat for 14,825 thousand euro.
Buildings are depreciated in accordance with a straight-line depreciation plan on the basis of the rates considered suitable to represent their useful lives.
The depreciation of the buildings constructed on state land owned by the Rodriquez Group is done in relation to the duration of the concession, while the other operative buildings are amortised at rates between 3% and 5%, while light construction is amortised at rates between 7% and 10%.
The heading include assets under construction for 7,877 thousand euro.
Land is not amortised.

Plant and machinery

The heading Plant and machinery refers mainly to the production facilities of the Piaggio Group located in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain) and Baramati (India), as well as the structures owned by the Rodriquez Group and the plant located in the hotel complex managed by Is Molas S.p.A., for an overall net value (excluding the assets under financial leasing) of 82,024 thousand euro including assets under construction and payments on account for 14,370 thousand euro. The Group in its entirety uses fully depreciated plant and machinery for a gross value of approximately 20,110 thousand euro.
The Rodriquez Group also has on hand plant and machinery subject to financial leasing for a net book value of 598 thousand euro.
The other movements mainly include the investments in plant and machinery in the workshops at Pontedera (Pisa) and the investments by Piaggio Vehicles Pvt. Ltd aimed at increasing its production capacity.

Plant and machinery are depreciated on the basis of the following rates:

- non-specific plant: from 7.5 % to 10%;
- specific plant and non-automatic machines: from 10% to 12.5%;
- specific plant and automatic machines: 17.5%;
- sports plant – golf courses: 5%
- electrolytic cells: 20%;
- moulds and sundry equipment: 15%;
- robotic work centres: 22%;
- testing equipment: 30%;
- miscellaneous equipment: from 12% to 40%.

Industrial and commercial equipment

The value of the heading Industrial and commercial equipment, 55,020 thousand euro, largely consists of the production equipment of Piaggio & C. S.p.A., Moto Guzzi S.p.A., Nacional Motor S.A., Piaggio Vehicles Pvt. Ltd and of Rodriquez Group which is currently being depreciated. The balance includes assets in process of formation for 7,768 thousand euro. The Group also has on hand equipment for 8,629 thousand euro which has already been fully depreciated.
The main investments in equipment involved moulds for new vehicles launched in 2005 or whose launch is expected by the end of the first half of 2006, moulds for new engines and specific equipment for assembly lines.
Other movements include the transfers from assets in process in formation mainly to costs capitalised in previous years by Piaggio & C. S.p.A.
Industrial and commercial equipment is depreciated on the basis of the rates considered suitable by the Group companies to represent their useful lives and in particular:

- testing equipment: 30%;
- miscellaneous equipment: from 12% to 40%.

Other assets

The heading Other assets consists of vehicles, cars, furniture and furnishings and EDP systems and, net of the related depreciation, has an overall net value of 10,996 thousand euro including

assets in the process of formation and payments on account for 213 thousand euro. The Rodriquez Group also has on hand completely depreciated assets for a gross value of 3,282 thousand euro and which are still in use.
The heading includes 212 thousand euro for financial leasing by companies in the Piaggio Group and by Is Molas S.p.A.
Other tangible assets are depreciated at rates which range from 12% to 25%.

Guarantees
At 31 December 2005 the Group had land and buildings encumbered by mortgage liens or privileges to lending institutions to guarantee loans, some of which, solely in reference to the Piaggio Group, were in the process of being extinguished following their early repayment. This is described in more detail in the note on financial liabilities and indicated under the heading Commitments and risks.

- F3 - PROPERTY INVESTMENTS 506

At 31 December 2005 property investments, valued at cost, were recorded for a reassessed value of 506 thousand euro and refer to the premises at Via Trebazio, 1 - Milan held by Piaggio & C. S.p.A. and leased to the Parent Company.

- F4 - EQUITY INVESTMENTS 717

The heading Equity investments at 31 December 2005 totalled 717 thousand euro, as follows:

In thousands of euro	*Balance at 31.12.2004*	*Additions*	*Disposals*	*Revaluations / Writedowns*	*Reclassifications*	*Balance at 31.12.2005*
Equity investments in subsidiaries	981	0	(929)	34	9	95
Equity investments in associated companies and joint ventures	631	6,459	0	(6,459)	(9)	622
TOTAL	**1,612**					**717**

Here below are the equity investments at 31 December 2005:

Equity investments	% stake of Group	Book value at 31 December 2005
Valued on an equity basis:		
Piaggio China Co. Ltd	99.99%	0
Aprilia World Service do Brasil	99.99%	0
Rodriquez Logtec S.r.l.	55%	43
Valued at cost:		
Piaggio Argentina S.A. ***	99.99%	41
Rodriquez Marine System USA ***	95%	0
Rodriquez Charter & Broker S.r.l. ***	100%	10
Rodriquez USA ***	100%	1
Total of subsidiaries		**95**
Valued on an equity basis:		
Piaggio Foshan Motorcycle Co. Ltd	45%	0
Total joint ventures		**0**
Valued on an equity basis:		
Mitsuba F.N. Europe S.p.A.	10%	0
Valued at cost:		
S.A.T. S.A.	20%	45
Motoride S.p.A. ***	28.29%	518
Pontech Soc. Cons. a.r.l.	20%	21
D.E.V. Diffusione Europea Veicoli S.r.l. ***	20%	5
Marker S.r.l.	49%	20
Armas Ocean Jet S.A.	10%	0
Rodriquez Mexico ***	50%	1
Italsistemi S.r.l. ***	24%	12
Total associated companies		**622**
TOTAL		**717**

*** Companies which are not active or are in liquidation

The decrease recorded in equity investments in subsidiaries for 886 thousand euro is mainly related to the liquidation of Custom Insurance Company Ltd.
Piaggio Argentina S.A., liquidated in January 2006, was valued at cost since it was not operative. Also non-operative was the subsidiary Rodriquez Marine System USA set up in 1998.
It should be noted that Aprilia World Service do Brasil Ltd, at the end of 2005 had negative shareholders' equity of 301 thousand euro, against which a risk reserve of a similar amount has been recorded.
The equity investment by Piaggio & C. S.p.A. in Piaggio Foshan Motorcycles Co. Ltd of 45%, of which 12.5% is held through the direct subsidiary Piaggio China Company Ltd, has been classified under the heading Joint ventures on the basis of the provisions of the contract signed on 15 April 2004 between Piaggio & C. S.p.A. and the partner Foshan Motorcycle Plant, on the one hand, and the Chinese company Zongshen Industrial Group Company Limited, on the other.
The value of the equity investment is unchanged, since the increase of 6,459 thousand euro, recorded in the period, was offset by a writedown of the same amount. In particular the increase of the equity investment in Piaggio Foshan Motorcycles Co. Ltd recorded in the period refers to the value of the cancellation of payables (2nd share) in favour of Piaggio Foshan in accordance with the provisions of the above contract.
In relation to the writedown of the equity investment in Piaggio Foshan Motorcycles Co. Ltd carried out in the period, considering the likely business performance of the company in the near future, it was decided not to adjust its book value to the cost incurred for the cancellation of payables (2nd share), but to keep the value at zero, using for the writedown of 6,459 thousand euro, the reserve for risks set aside in previous years.
Piaggio & C. S.p.A. issued bank guarantees for the loans provided by lenders to the subsidiary Piaggio Foshan Motorcycle Co. Ltd,.

The following table summarises the main figures regarding the joint ventures:

Piaggio Foshan Motorcycle Co.	31 December 2005
(in thousands of euro)	
NET TRADE RECEIVABLES	34
INVENTORIES	758
TRADE PAYABLES	(1,765)
PAYABLES DUE TO P&C	(1,839)
OTHER RECEIVABLES	1,093
OTHER PAYABLES	(517)
WORKING CAPITAL	(2,236)
PLANT, PROPERTY AND MACHINERY	7,725
INTANGIBLE ASSETS	1
TOTAL ASSETS	7,726
NET INVESTED CAPITAL	5,491
RESERVES	33
FINANCIAL PAYABLES	7,773
SHORT-TERM FINANCIAL RECEIVABLES AND CASH	(204)
FINANCIAL POSITION	7,569
SHARE CAPITAL	12,098
OTHER RESERVES	16,169
PROFIT/ LOSS IN PREVIOUS YEARS	(29,278)
NET INCOME	(1,099)
SHAREHOLDERS' EQUITY	(2,111)
TOTAL SOURCES OF FINANCING	5,491

- F5 - OTHERFINANCIAL ASSETS 66,717

- Non-current share

Among non-current financial assets are recorded other equity investments for 54,652 thousand euro, entirely consisting of financial assets available for sale, the nominal value of which totalled 22,787 thousand euro, and financial receivables for 10,805 thousand euro, as shown in the following table:

In thousands of euro	*Balance at 31.12.2005*	*Balance at 31.12.2004*
Financial assets	54,652	37,801
Receivables due to banks after more than 12 months	0	0
Financial receivables	10,805	12,462
TOTAL	**65,457**	**50,263**

Financial assets available for sale consist of the equity investment by Immsi S.p.A. in Capitalia S.p.A. for approximately 0.43% of the share capital. This asset was assessed at fair value of 54,469 thousand euro and recorded directly under the shareholders' equity reserve for changes in

value. The financial assets available for sale recorded by the Piaggio Group refer mainly to the equity investments held in Consorzio Pisa Ricerche, E.CO.FOR. S.p.A. and S.C.P.S.T.V.
Financial receivables recorded under the heading Other non-current financial assets refer to receivables claimed by Piaggio & C. S.p.A. from Scooter Holding 1 S.p.A., formerly Piaggio Holding S.p.A., for 9,790 thousand euro, in relation to the loan provided to the latter, by virtue of the contractual agreements for the acquisition of the Piaggio Group. This loan, in relation to the MV Agusta operation, is for 5 years (expiring on 23 September 2008) at a fixed rate (2.5%) with annual capitalisation. Financial receivables also include the receivable claimed by Rodriquez from Ustica Lines for 1,015 thousand euro, of which approximately 0.5 million euro is due by 2007 and approximately 0.5 million euro by 2008.
Management consider that the book value of these receivables is close to their fair value.

- Current share

Other current financial assets totalled 1,260 thousand euro at the end of the year, an increase compared to 31 December 2004 of 109 thousand euro, as per the following table:

In thousands of euro	*Balance at 31.12.2005*	*Balance at 31.12.2004*
Financial assets	51	1,151
Receivables due from banks falling due within 12 months, but over 90 days	0	0
Financial receivables	1,209	0
TOTAL	**1,260**	**1,151**

The heading Financial receivables records various receivables falling due within 3 to 12 months, including 1,015 thousand euro in relation to a receivable claimed by Rodriquez Cantieri Navali S.p.A. from Ustica Lines.

- F6 - RECEIVABLES DUE FROM TAX AUTHORITIES 23,780

Receivables due from Tax authorities, current and non-current, totalled 23,780 thousand euro, as follows:

- Non-current share

In thousands of euro	*Balance at 31.12.2005*	*Balance at 31.12.2004*
Receivables due from Tax authorities for sales tax	399	734
Receivables due from Tax authorities for income tax	631	621
Other receivables due from Tax authorities	7,339	579
TOTAL	**8,369**	**1,934**

- Current share

In thousands of euro	Balance at 31.12.2005	Balance at 31.12.2004
Receivables due from Tax authorities for sales tax	14,849	12,042
Receivables due from Tax authorities for income tax	504	13,539
Other receivables due from Tax authorities	58	64
TOTAL	**15,411**	**25,645**

Receivables due from Tax authorities falling with 12 months, which at 31 December 2005 totalled 15,411 thousand euro, are almost exclusively represented by receivables claimed by the Piaggio Group for sales and income tax.

- F7 - DEFERRED TAX ASSETS 42,269

At 31 December 2005 deferred tax assets due within 12 months totalled 5,888 thousand euro, while those due after 12 months totalled 36,381 thousand euro, of which 14,952 thousand euro due over more than 5 years. This heading refers mainly to the deferred tax assets accrued by the Rodriquez Group for 5,728 thousand euro, by Is Molas S.p.A. for 1,388 thousand euro and by the Piaggio Group for 35,135 thousand euro, as follows:

- deferred tax assets refer mainly to the cancellation of unrealised intercompany capital gains with third parties by the Piaggio Group for 3,566 thousand euro;
- deferred tax assets in relation to the tax impact of other adjustments to the consolidated figures for 2,339 thousand euro and prudently recorded for the amount considered reasonably recoverable today on the basis of the business and income plans of the companies in the Piaggio Group;
- deferred tax assets at Nacional Motor S.A. for 11,419 thousand euro overall. On the basis of existing legislation in Spain, these assets can be used to cover taxes for the 15 years following the date of recording. The first part of these assets, for an amount of approximately 3,571 thousand euro will mature during 2008.
- deferred tax assets at Piaggio & C. S.p.A. for 17,811 thousand euro overall in relation to the establishment of taxed provisions of 14,351 thousand euro and to the benefit obtainable from the recovery of tax losses that may be carried forward for future years to reduce the future taxable income for 3,460 thousand euro;
- deferred tax assets recorded by the Rodriquez Group in relation to the temporary tax differences which will be deductible in the future and which it is considered reasonably likely to be able to recover in future years and taxes recorded for the tax losses in 2003 and 2004 for a total of 5,728 thousand euro;
- deferred tax assets recorded by Is Molas S.p.A. for 1,388 thousand euro, arising above all from tax losses that may be carried forward from 2005 and previous years.

As part of the assessments made to define the deferred tax assets the Group mainly took into account the following considerations:
1. the tax regulations of the various countries in which it is present, their impact in terms of the emergence of temporary differences and possible tax benefits arising from the use of past tax losses, taking their expiry date into account
2. the economic results forecast over the medium term for each company and the economic and tax impacts arising from the implementation of the organisational rearrangement.

In the light of these considerations, and from a viewpoint of prudence, it was not considered necessary to fully recognise the tax benefits arising from the losses that may be carried forward. In particular the Piaggio Group did not record deferred tax assets for 107.0 million euro against previous losses (88.0 million euro) and other temporary differences (19.0 million euro), while the

Rodriquez Group did not record deferred tax assets on past losses (9.9 million euro) and other temporary differences (8.9 million euro) for 18.8 million euro overall.

- F8 - TRADE RECEIVABLES AND OTHER RECEIVABLES 243,065

- Non-current share

Trade receivables and other receivables included in non-current assets totalled 8,027 thousand euro compared to 16,336 thousand euro at 31 December 2004, as follows:

In thousands of euro	*Balance at 31.12.2005*	*Balance at 31.12.2004*
Trade receivables	2,133	5,890
Receivables due from subsidiaries	381	124
Receivables due from joint ventures	3,776	3,301
Other receivables	1,737	7,021
TOTAL	**8,027**	**16,336**

The heading includes mainly trade receivables falling due after 12 months, net of the related writedown provisions, for 2,133 thousand euro and other receivables claimed by Piaggio & C. S.p.A. from Piaggio Foshan Motorcycles for 3,776 thousand euro. The amount is correlated 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 under certain conditions, Piaggio Foshan may pay 4.5 million USD as soon as possible, including in more than one instalment, by 15/04/2007 and in any case no later than 15/04/2009. In relation to the risks which may arise from the aforementioned agreements, a specific allocation is recorded under liabilities which is considered sufficient on the basis of the information available.

- Current share

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

In thousands of euro	*Balance at 31.12.2005*	*Balance at 31.12.2004*
Trade receivables	191,661	245,901
Receivables due from associated companies	2,896	862
Receivables due from parent companies	584	0
Receivables due from joint ventures	874	6,518
Other receivables	39,023	53,904
TOTAL	**235,038**	**307,185**

The heading Trade receivables, current and non-current, is shown net of the writedown provision for receivables of 32,754 thousand euro. Under Other receivables are included accrued income and deferred charges for 7,882 thousand euro.
The disposals of receivables completed by Piaggio & C. S.p.A. which do not envisage the transfer of the risks and benefits at 31 December 2005 totalled 32,158 thousand euro and there was a counter entry under current liabilities, while receivables sold through transactions which envisage such a transfer totalled 37,673 thousand euro.

Among current receivables are recorded also payments in advance to suppliers for 4,696 thousand euro and 7,285 thousand euro relating to government contributions received by the Rodriquez Group.

- F9 - ASSETS DESTINED FOR DISPOSAL 55

Assets destined for disposal totalled 55 thousand euro at the end of the year. This mainly records equity investments owned by the Piaggio Group.

- F10 - INVENTORIES 242,990

Inventories, valued at the lower of cost and market value, at the end of the year totalled 242,990 thousand euro compared to 279,036 thousand euro at 31 December 2004, as follows:

In thousands of euro	*Balance at 31.12.2005*			*Balance at 31.12.2004*		
	Cost	*Writedown*	*Net*	*Cost*	*Writedown*	*Net*
Goods	0	0	0	0	0	0
Consumables	0	0	0	0	0	0
Raw materials	97,291	(15,325)	81,966	115,477	(25,706)	89,771
Semi-finished goods and products in process of formation	55,836	(2,187)	53,649	73,436	(4,116)	69,320
Finished products	124,545	(17,170)	107,375	143,740	(23,795)	119,945
TOTAL	**277,672**	**(34,682)**	**242,990**	**332,653**	**(53,617)**	**279,036**

The above writedowns were necessary in relation to stocks of raw materials which can no longer be used for production and obsolete or slow-moving finished products and goods.
The decrease in the heading in question is mainly due, in terms of finished products, to the Piaggio Group following a policy to keep stocks low, while in relation to semi-finished products and products in the process of formation the decrease is mainly due to the Rodriquez Group.

- F11 - CONTRACT WORK IN PROGRESS 31,415

Contract work in progress, shown net of the payments on account received from customers for 96,794 thousand euro and wholly due to the Rodriquez Group, at 31 December 2005 totalled 31,415 thousand euro, up compared to 31 December 2004 by 12,933 thousand euro.
Here below is a breakdown of the heading Contract work in progress:

In thousands of euro	*Balance at 31.12.2004*	*Additions*	*Decreases*	*Balance at 31.12.2005*
Contract work in progress gross of payments on account	**191,171**	112,974	(175,936)	**128,209**
Payments on account received from customers as per contract	172,689			96,794
Contract work in progress net of payments on account	**18,482**			**31,415**
Costs incurred	134,051			95,409
Recorded margins (net of losses)	57,120			32,800

- F12 - CASH AND CASH EQUIVALENTS 59,372

Cash and cash equivalents at the end of the year totalled 59,372 thousand euro compared to 51,456 thousand euro at 31 December 2004, as follows:

In thousands of euro	*Balance at 31.12.2005*	*Balance at 31.12.2004*
Cheques net of writedown	212	290
Cash and cash equivalents	106	208
Receivables due from banks falling due within fewer than 90 days	59,054	50,958
TOTAL	**59,372**	**51,456**

The bank deposits recorded by the Piaggio Group are subject to an average real interest rate of 1.94%, those recorded by the Rodriquez Group are subject to 0.5%, while those of the Parent Company are at 1.7%.

- G - COMMENT ON THE MAIN LIABILITY ITEMS

The amounts are shown in thousands of euro unless otherwise stated.

- G1 - SHAREHOLDERS' EQUITY 512,454

Shareholders' equity at 31 December 2005 totalled 512,454 thousand euro, of which 236,748 thousand euro referred the Group consolidated shareholders' equity and 275,706 thousand euro to minority interest.
Here below is the reconciliation of shareholders' equity and net income of the Parent Company and of the consolidation.

In thousands of euro	*Shareholders' equity*	*Net income*
Shareholders' equity/net income recorded in financial statements of the parent company Immsi S.p.A.	219,519	9,589
Adjustments to align to IAS/IFRS in relation to Immsi S.p.A.	35,333	(6,765)
Share of the results of the investee companies	5,541	5,541
Differences between the book values and the share of shareholders' equity	(24,175)	
Translation differences	530	
TOTAL	**236,748**	**8,365**

Share capital

At 31 December 2005 the fully subscribed and paid up share capital of Immsi S.p.A. consisted of 286 million ordinary shares with a nominal value of 0.52 euro each, for a total of 148,720,000 euro.
The majority shareholder is Omniapartecipazioni S.p.A.
It should be noted that in the first few months of 2005 the share capital increase in Immsi S.p.A. was completed. This involved the possibility for shareholders to underwrite 66 million shares at a value of 1.2 euro each, of which 0.68 euro was a share premium. The deposit of the new share capital of Immsi took place in February 2005 at the Companies Register of Mantua.

Legal reserve

The legal reserve consists of allocations voted on following the division of net income from 2000 to 2004 in compliance with the legal provisions and totalled 809 thousand euro.

Other reserves

This heading totalled 102,445 thousand euro. The heading Share premium reserve includes the payment for the underwritten shares following the share capital increase of Immsi S.p.A., described under the heading Share capital. Among the other reserves was recorded the reserve generated by the transition to international accounting standards and effected by the Group as from 1 January 2004, as described in more detail in the last point of these Notes.

In thousands of euro

	Extraordinary reserve	Share premium Reserve/ Account increase reserve	IAS reserves	Legal reserves	Translation reserves	Total other reserves
Balances at 31 December 2004	***7,102***	***78,393***	***31,638***	***1,153***	***(203)***	***118,083***
Paid up share capital increases		457				457
Allocation of Group net income to the Legal Reserve						0
Allocation of Group net income to dividends						0
Allocation of Group net income to retained earnings						0
Fair value assessment of financial assets			17,074			17,074
Tax on items charged to shareholders' equity			(279)			(279)
Notional cost of stock options			521			521
Translation differences					530	530
Transfer to share capital		(33,970)				(33,970)
Other changes			29			29
Net income						0
Balances at 31 December 2005	***7,102***	***44,880***	***48,983***	***1,153***	***327***	***102,445***

Retained earnings

The loss carried forward totalled 23,591 thousand euro and represents the accumulated losses of the Group.

Minority interest – capital and reserves

At 31 December 2005 the balance on minority interest - capital and reserves totalled 275,706 thousand euro, up compared to 31 December 2004 by 77,083 thousand euro, mainly following the share of profits for the year due to minority interest of 15,193 thousand euro and owing to the allocation to minority interest of the higher value recorded for the financial instrument Piaggio 2004/2009 Warrants among Piaggio's equity investments in relation to the contractual agreements linked to the acquisition of Aprilia (for 56,466 thousand euro).

- G2 - FINANCIAL LIABILITES 582,330

Financial liabilities at 31 December 2005 totalled 582,330 thousand euro. The share recorded under non-current liabilities totalled 460,273 thousand euro, compared to 342,135 at 31 December 2004, while the share included under current liabilities totalled 122,057 thousand euro, down compared to the end of 2004 by 232,156 thousand euro.
The following tables show, by the type of financial debt, the breakdown of financial liabilities:

- Non-current share

In thousands of euro

	Balance at 31.12.2005	***Balance at 31.12.2004***
Debentures	143,951	0
Payables due to banks	260,141	313,696
Payables for financial leasing	11,724	548
Payables due to parent companies	55	0
Payables due to other lenders	44,402	27,891
TOTAL	**460,273**	**342,135**

- Current share

In thousands of euro	Balance at 31.12.2005	Balance at 31.12.2004
Debentures	0	100,000
Payables due to banks	75,726	168,645
Payables for financial leasing	914	594
Payables due to other lenders	45,417	84,974
TOTAL	**122,057**	**354,213**

Below is a breakdown of the financial payables recorded by the Piaggio Group at 31 December 2005, totalling 464,084 thousand euro:
The heading Payables due to banks includes in 2005 18,383 thousand euro for current account overdrafts compared to 98,447 thousand euro in 2004.
In April Piaggio & C. S.p.A. issued through a wholly owned vehicle, Piaggio Finance S.A. (Luxembourg), a bonded loan for institutional investors in the High Yield Bond market for a nominal amount of 150,000 thousand euro, falling due on 30 April 2012 and with a half yearly coupon with a fixed annual nominal rate of 10%. The issue, which was assessed by Standard & Poor's with a B rating and by Moody's with B2, enabled the necessary funds to be found on the market to repay the bonded loan of 100,000 thousand issued by Aprilia in 2002 and falling due on 2 May 2005. With the excess funds Piaggio repaid some current financial payables.
The bonded loan was valued using the amortised cost method. Management feel that this value is close to the fair value of the aforementioned financial liability.

December 2005 saw the voluntary early complete repayment of the syndicated loan of 165,295 thousand euro and the opening of the credit facility of 27,005 thousand euro made available by Banca Intesa Mediocredito, both conceded to Piaggio & C. S.p.A. for a total of 192,300 thousand euro. The loan provided by Banca Intesa Mediocredito included guarantees which currently are being eliminated.
In addition, Piaggio & C. S.p.A. arranged early termination of the framework agreement for the concession of operational credit lines for 125,000 thousand euro overall signed with a pool of banks. The repayment was made through the opening of a new loan provided by Mediobanca – Banca di Credito Finanziario S.p.A., as a bank agent, in a pool with Banca Intesa S.p.A. each for 50% for a nominal overall amount of 250,000 thousand euro, broken down into a tranche of nominal payments of 150,000 thousand euro for the loan and 100,000 thousand euro for the credit line. The economic terms 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 an initial margin of 1.30% is added. This is variable up to a maximum of 2.10% and a minimum of 0.65% depending on the Financial Debt/ EBITDA ratio. 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 the meeting of some financial parameters.
Other medium and long-term loans, considering the current share, of 103,674 thousand euro are mainly made up as follows:

- finance leasing for 12,288 thousand euro of which 11,722 thousand euro conceded by Locat S.p.A. to Moto Guzzi S.p.A. and 566 thousand euro conceded by Italease Factoring S.p.A. to Piaggio & C. S.p.A.
- 5 mortgages supplied without any guarantee, with 1,452 thousand euro from Unicredito Italiano with EIB funds at a variable rate and falling due on 1 July 2007 (non-current part of 968 thousand euro); 1,937 thousand euro from the European Investment Bank with a guarantee from Banca Toscana at a variable rate falling due on 30 June 2007 (non-current part of 1,291 thousand euro); 1,130 thousand euro from Mediocredito Centrale at a discounted rate in accordance with Law 49 art. 7 on international cooperation falling due on 16 June 2008 (non-current part 452 thousand euro); 4,119 thousand euro from Efibanca at a variable rate falling

due on 28 December 2009 (non-current part 1,030 thousand euro); and finally 29,000 thousand euro from a pool of 14 banks which, during the Aprilia closing, for 34 million euro sold Piaggio & C. S.p.A. non self-liquidating financial receivables claimed by the same lenders from Aprilia S.p.A. for a nominal value of 98.1 million euro (the conditions for this latter loan envisage 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 warrants issued and signed by the same lenders during the Aprilia closing);

- a loan of 1,045 thousand euro provided by Interbanca in accordance with Law 346/88 and guaranteed by a lien on property;
- beneficial loans for 13,763 thousand euro 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 13,357 thousand euro);
- loans for 16,027 thousand euro agreed by the Catalan Institute of Finance in favour of Nacional Motor S.A. of which 3,400 thousand euro was encumbered by a lien (non-current part 5,089 thousand euro).
- 3,806 thousand euro supplied by other banks involved in the syndicated loan for 16,428 thousand euro overall (of which 12,621 thousand euro is included in the loans from the Catalan Institute of Finance above);
- 9,190 thousand euro refers to the sums owed to Interbanca as provider of the EMH derivatives.

In relation to the Parent Company Immsi S.p.A. it should be noted that among the medium-term loans is included the outstanding payable due to Efibanca for the new loan, of 46 million euro in total, agreed at an average rate at the end of December of 3.9% with expiry in 2010, and which was obtained following the extinguishment of the loan provided by the pool consisting of Efibanca, Interbanca and Banca Agricola Mantovana during 2003 for 150 million euro in total. The loan is guaranteed by a lien on the property located in Via Abruzzi, 25 – Roma for 92 million euro.

In reference to the Rodriquez Group the balance of the non-current financial liabilities includes payables due to banks for a total of 26,572 thousand euro (of which 25,611 thousand euro falling due within 1 to 2 years), obtained at an effective average rate at the end of December of 4.2% and backed by collateral for 13,961 thousand euro. Rodriquez has also recorded payables regarding financial leasing contracts for 325 thousand euro.
The Rodriquez Group has, in addition, recorded among current financial liabilities payables due to banks due within 12 months for 19,639 thousand euro at an effective average rate of 8.5% and payables due to other lenders for 7,651 thousand euro at an effective average rate of 5.1%.

Is Molas S.p.A. has recorded non-current payables due to other lenders in relation to loans received from minority shareholders for 6 million euro at a rate of 4.2% and payables for current account overdrafts of 6,268 thousand euro at an effective average rate at December 2005 of 3.7%.

Medium/long-term financial liabilities reflect their market value, also in light of the refinancing undertaken by various Group companies in the final part of the year.

Financial instruments

For the acquisition of the Aprilia Group the following financial instruments were issued:
- Piaggio 2004/2009 Warrants;
- EMH 2004/2009 Financial instruments;
- Aprilia shareholders 2004/2009 Financial instruments.

For more information see the note on Goodwill.

Derivatives

Interest rate risk

The Piaggio Group at 31 December 2005 had the interest rate swap contract outstanding with a maturity date of 29 June 2006 "3.5 years Eur quanto basis collar swap – new trade", for a notional amount of 180,760 thousand euro, with the following features:

Charged to the Piaggio Group	***Charged to the counterpart***
1.7 * US LIBOR 12 months set in arrears < with the following features: floor: 3% Cap: 5.20% European knock out barrier: 5.50% from 29.12.02 to 28.06.04; 5.75% from 29.06.04 to 28.06.05; 6.10% from 29.06.05 to 28.06 06 Option: At each expiry date from 30.06.04 onwards, the bank has the right to change the rate paid by Piaggio from a variable to a fixed rate at 4.40% for the residual life of the swap.	6-month Euribor with maximum increase of 0.30% compared to the previous coupon

This hedging operation has as its benchmark the medium-term financial payables granted to Piaggio & C. S.p.A. and Nacional Motor S.A. In detail the benchmark is with the loan contract of 150 million euro provided by Banca Intesa and Mediobanca to Piaggio & C. S.p.A., falling due in 2012 and with amortisation as from 2007, compared to the medium/long-term loans of Nacional Motor S.A. which have a residual debt of 19.8 million euro and fall due in 2013, and to other medium/long-term loans at a variable rate for an overall amount of 16.9 million euro. The companies generally pay interest on these loans on a half-yearly basis with a spread above the Euribor rate for the period, thus creating exposure to the risk of fluctuation in this financial parameter. The outstanding derivative has a lower nominal value than the aforementioned outstanding loans and has a time horizon which is shorter than that of the underlying financial payables as well as mirror coupon flows in terms of date and reference parameter (Euribor). Consequently, by not formally respecting the hedge accounting rules, it was not classified as cover.
The fair value of these financial instruments, recorded in a shareholders' equity reserve, totalled 2.5 million euro with a counter entry under financial payables.

In reference to the Rodriquez Group, at 31 December 2005 there were outstanding derivatives for interest rate risks with Unicredit Banca for approximately 10.5 million euro falling due from 2006 to 2014, with Sanpaolo IMI for 14.7 million euro falling due from 2006 to 2008, and with Banca Intesa in reference to the loan contract of 25 million euro falling due in 2007.
The fair value of these financial instruments totalled a negative figure of 1.0 million euro.

Exchange rate risk

During 2005 Piaggio adopted a new exchange rate risk management policy 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 31 December 2005 for Piaggio & C. S.p.A. there are forward purchases of JPY/000 172,000 equivalent to 1,230 thousand euro (valued at the forward exchange rate) and forward sales transactions for a value of USD/000 9,580 and CHF/000 2,300 corresponding overall to 9,549 thousand euro (valued at forward exchange rates); as for the companies in the former Aprilia Group, at 31 December 2005 there were outstanding forward sales transactions for a value of USD/000 6,110, GBP/000 3,700 and JPY/000 371,000 corresponding overall to 13,218 thousand euro.
In reference to the contracts in place for the cover of exchange rate risk on forecast transactions (business risk), at 31 December 2005 in Piaggio & C. S.p.A. there were forward purchase transactions of JPY/000 1,770,000 corresponding to 12,712 thousand euro and forward sales transactions for a value of USD/000 11,800, GBP/000 10,775 and CHF/000 7,825 corresponding overall to 31,037 thousand euro (valued at forward exchange rates); as for the companies in the former Aprilia Group, at 31 December 2005 there were outstanding forward sales transactions for a value of GBP/000 10,920 corresponding to 15,914 thousand euro.
The fair value of these derivatives totalled 0.4 million euro with a counter entry in a shareholders' equity reserve.

- G3 - TRADE PAYABLES AND OTHER PAYABLES 442,277

Trade payables and other payables totalled 442,277 thousand euro, of which 428,383 thousand euro falling due within 12 months. Here below is the breakdown of the heading by current and non-current share.

- Non-current share

In thousands of euro	*Balance at 31.12.2005*	*Balance at 31.12.2004*
Trade payables	223	1,352
Other payables	13,671	9,188
TOTAL	**13,894**	**10,540**

- Current share

In thousands of euro	*Balance at 31.12.2005*	*Balance at 31.12.2004*
Trade payables	352,665	382,457
Payables due to associated companies	2,649	3,125
Payables due to parent companies	2	0
Other payables	73,067	75,222
TOTAL	**428,383**	**460,804**

In particular the following is a breakdown of the heading Other current payables:

In thousands of euro	Balance at 31.12.2005	Balance at 31.12.2004
Liabilities in relation to staff	31,748	27,846
Payments on account from customers	2,089	1,379
Liabilities for guarantee deposits	2,028	2,013
Liabilities in relation to company boards	256	568
Liabilities in relation to Social security institutions	10,498	12,842
Other liabilities in relation to third parties	1,458	1,281
Accrued liabilities	8,841	9,521
Deferred income	11,844	13,858
Other payables	4,305	5,914
TOTAL	**73,067**	**75,222**

Under other current payables are those due to employees for accrued unused holidays and other emoluments to be paid recorded by the Piaggio Group for 29,547 thousand euro, while the share recorded by the Rodriquez Group totalled 1,852 thousand euro.

The 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 employee severance indemnity accrued by employees in the part of the company branch which was sold in relation to the business of receiving, packaging, warehousing and distributing parts and accessories. At the end of the period this deposit totalled 1,457 thousand euro.

Other payables include payables due to Social security institutions for 10,498 thousand euro. This heading refers to the amount due at 31 December 2005 to these institutes for shares due from the companies and due from employees for salaries and wages for the month of December 2005 calculated on the basis of the national laws applicable to the individual companies which are part of the consolidation area.

Other payables also includes 283 thousand euro due to the payable which Is Molas has outstanding in relation to the local authority of Pula (Cagliari), as well as 8,841 thousand euro for accrued liabilities relating to interest paid on loans and insurance costs and deferred income referred mainly to the amount of 4,280 thousand euro recorded by Piaggio & C. S.p.A. in relation to the Piaggio 2004/2009 Warrants underwritten by the banks as part of the acquisition of Aprilia S.p.A., the rights arising from which are listed under Risks and Commitments, and 5,383 thousand euro recorded by the Rodriquez Group mainly for contributions for shipyard restructuring (Law 488/92).

- G4 - PROVISIONS FOR PENSIONS AND EMPLOYEE BENEFITS 83,781

The provision for pensions and employee benefits at 31 December 2005 totalled 83,781 thousand euro. Here below is a breakdown of the provision:

In thousands of euro	Balance at 31.12.2004	Provisions	Applications	Other movements	Balance at 31.12.2005
Provisions for employee severance indemnity	83,439	11,481	(11,573)	0	83,347
Other provisions	892	8	(466)	0	434
TOTAL	**84,331**	**11,489**	**(12,039)**	**0**	**83,781**

The new IFRS accounting treatment identifies the liability in relation to the employee severance indemnity with the actuarial assessment method: for every employee an assessment is made of their likely service at the company, on the basis of the length of their employment contract, the historical trend in employment termination in the company, their date of birth, their date of employment, sex, qualification, years worked at other companies, demographic statistics on mortality supplied by ISTAT and on the basis of the legal terms envisaged for pension age. For this period the annual salary is increased by an annual rate between 2.5 and 3 %, is reassessed on the basis of an inflation rate of 1.6%, and a part (the legal share) is set aside for employee severance indemnity. The calculation takes account also of any advance payments of employee severance indemnity requested by employees and any percentages of employee severance indemnity which are put to the accumulation of a complementary social security provision.
The share of employee severance indemnity already accrued, and that which will accrue up to the likely date of termination of the employment relationship, is reassessed on the basis of a rate of 2.95%, and then discounted at a rate divided into four time intervals (of five year each) in order to consider a more reliable development of rates for all the employee's years of service (3.05% from 1 to 5 years, 3.42% from 6 to 10 years, 3.7% from 11 to 15 years and 3.92% for a period over 15 years). The sum of the employee severance indemnity accrued by all the employees and discounted represents the total value of the provision.
In reference to the cost set aide in the year relating to the provision for employee severance indemnity, of 11,481 thousand euro, it should be noted that the service cost element totalled 12,817 thousand euro, while the financial/actuarial element totalled a positive balance of 1,336 thousand euro.

- G5 - OTHER LONG-TERM RESERVES 77,198

The balance of other long-term reserves, including the share falling within 12 months, at the end of December was 77,198 thousand euro, down compared to 31 December 2004 by 8,053 thousand euro.
Here below is a breakdown of the other provisions recorded in the financial statements:

- Non-current share

In thousands of euro	Balance at 31.12.2004	Provisions	Applications	Other movements	Balance at 31.12.2005
Provision for product liability	12,943	1,463	(1,127)	145	13,424
Provision for risks on equity investments	5,593	0	(1)	356	5,948
Provision for contractual risks	8,875	6,780	0	1,700	17,355
Provision for promotional costs	0	0	0	0	0
Provisions for restructuring	0	0	0	0	0
Provision for pension funds	500	0	0	0	500
Other provisions for risks and charges	31,576	6,700	(16,415)	(1,786)	20,075
TOTAL	**59,487**	**14,943**	**(17,543)**	**415**	**57,302**

- Current share

In thousands of euro	Balance at 31.12.2004	Provisions	Applications	Other movements	Balance at 31.12.2005
Provision for product liability	10,422	5,761	(6,758)	43	9,468
Provision for risks on equity investments	1,383	0	(1,027)	(356)	0
Provision for promotional costs	4,064	0	0	0	4,064
Provisions for restructuring	9,895	1,044	(4,767)	0	6,172
Other provisions for risks and charges	0	192	0	0	192
TOTAL	**25,764**	**6,997**	**(12,552)**	**(313)**	**19,896**

The product liability provision recorded by companies in the Piaggio Group 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 ranges depending on the type of asset sold and the sales market, and is also determined by customer take-up to commit to planned maintenance. Rodriquez Cantieri Navali has set aside a provision relating to the maintenance under guarantee of vessels under construction or delivered during the year for 1,537 thousand euro.
Provision for promotional expenses recorded by the Piaggio Group includes the charges which it is expected to incur in relation to the campaigns already defined aimed at reducing the sales network's stock of products.
The provision for risks on equity investments is mainly recorded by the Piaggio Group and includes the share of negative shareholders' equity in the Piaggio Foshan joint venture, the charges which it envisages can derive from the same as well as an allocation of 621 thousand euro equal to the negative shareholders' equity at 31 December 2005 of the subsidiaries Piaggio China Co. ltd and AWS do Brasil.

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 for contractual risks consists of provisions recorded by the Rodriquez Group, for 4,011 thousand euro, in particular in reference to euro/dollar exchange rate risk cover arising from the commercial dealings undertaken with Rodriquez Cantieri Navali do Brasil and to cover any losses arising from the failure to recover receivables outstanding with this subsidiary, and by the companies in the Piaggio Group, for 13,344 thousand euro, in relation in particular to charges which may arise from the ongoing negotiation of a supply contract.

"Other provisions" mainly relate to Piaggio & C. S.p.A. and Aprilia for:
- Provision for risks and charges in relation to legal risks for an amount 7,203 thousand euro;
- Provision for risks and charges for planned maintenance of 3,122 thousand euro;
- Provision for risks and charges for taxes of 1,000 thousand euro.

Among other provisions there is also recorded a provision for staff risks of 1,092 thousand euro set aside by the subsidiary Intermarine S.p.A. to face the estimated cost of the redundancy plan developed and approved by the competent Ministry in July 2003. It is considered a matter of reasonable prudence to maintain this provision since not all of the staff concerned have agreed their departure with the company and therefore accepted the redundancy scheme. This provision includes the estimate of costs to be incurred for the payment of social security costs both for short and long term redundancy. The estimate is based on obviously subjective assessments but which are based on prudent criteria, in relation to the requests for compensation which seem based on reasonable suppositions.
In addition note should be taken of the establishment by the Rodriquez Group of a provision for penal risks from customers for 1,250 thousand euro, recorded under other provisions, against possible withholdings for delayed delivery in relation to the contract to supply 28 patrol boats to the port authorities.

The residual part relates to allocations made by foreign associated companies.

- G6 - DEFERRED TAX LIABILITIES 55,772

The heading Deferred tax liabilities, in relation to tax payables set aside for tax charges affecting the individual companies on the basis of the national laws applicable, fell compared to 31 December 2004 by 2,984 thousand euro. The balance was offset for 3,403 thousand euro with deferred tax assets, which were similar in terms of expiry and nature, and the share falling due within 12 months totalled 2,618 thousand euro. The deferred tax liabilities were mainly recorded by the Piaggio Group, in particular by Piaggio & C. S.p.A. owing to the tax on the recording of Aprilia, and by the Parent Company Immsi S.p.A., which, above all owing to the property sales completed over the last 2 years, had accumulated at 31 December 2005 approximately 14.8 million in deferred tax liabilities.

- G7 - CURRENT TAX 17,511

The heading Current tax, which brings together the tax payables set aside in relation to the tax charges affecting the individual companies on the basis of the national laws applicable, fell compared to the end of 2004 by 6,135 thousand euro, as follows:

In thousands of euro	*Balance at 31.12.2005*	*Balance at 31.12.2004*
Payables for income tax	5,638	4,141
Payables for sales tax	2,560	10,381
Payables for withholding tax	8,466	6,288
Payables for local tax	0	0
Other payables	847	2,836
TOTAL	**17,511**	**23,646**

- H - COMMENT ON THE MAIN INCOME STATEMENT ITEMS

The amounts are shown in thousands of euro unless otherwise stated.

Before analysing the individual items, it should be noted that comments on the general trend in costs and expenses are shown in accordance with paragraph 1 of art. 2428 of the Civil Code, as part of the Directors' Report on Operations.
The acquisition of the Aprilia Group was completed in December 2004 and therefore the income statement entries for 2004 used for the comparison do not include the figures for this Group. This is the main reason for the increase in the income statement items.

- H1- NET SALES 1,547,573

Group net sales at 31 December 2005, up compared to 2004 by 366,907 thousand euro mainly owing to the impact of the consolidation of the Aprilia Group, totalled 1,547,573 thousand euro.
This heading does not include transport costs which are recharged to customers and advertising cost recoveries invoiced, which are shown under other income from operations. In addition net sales do not include recharges for building management costs which are offset with the related costs incurred by the Parent Company.
In compliance with IFRS 5 net sales generated from assets destined for disposal are shown separately, in correspondence to the related costs.
Hereafter is a breakdown of net sales, net of premiums recognised to customers, by categories of business and by geographic area of destination, i.e. in reference to the nationality of the customer.

By business sector

In thousands of euro	2005		2004	
	Amount	*%*	*Amount*	*%*
Property sector	5,197	0.3%	8,674	0.7%
Industrial sector (Piaggio Group)	1,451,781	93.8%	1,084,229	91.8%
of which 2 wheel sector	1,130,600	73.1%	808,400	68.5%
of which Light Commercial Vehicle sector	303,900	19.6%	237,800	20.1%
engines etc.	17,281	1.1%	38,029	3.2%
Naval construction sector (Rodriquez Group)	90,595	5.9%	87,763	7.4%
TOTAL	**1,547,573**	**100.0%**	**1,180,666**	**100.0%**

By geographic area

In thousands of euro	2005		2004	
	Amount	*%*	*Amount*	*%*
Italy	670,889	43.4%	549,670	46.6%
Other European countries	612,307	39.6%	461,814	39.1%
Rest of the world	264,377	17.1%	169,182	14.3%
TOTAL	**1,547,573**	**100.0%**	**1,180,666**	**100.0%**

The increase in net sales is due for approximately 66.3 million euro to the sales of Light Commercial Vehicles completed by the subsidiary Piaggio Vehicles which enhanced its presence on the Indian market, with a 45.3% increase in net sales. In addition, it is worth noting that net sales for 2004 include approximately 29.9 million euro for engine sales to the Aprilia Group.
Net sales, before changes to work in progress arising from construction contracts, arising from the sale of goods totalled 1,619 million euro, while net sales from services totalled 15.7 million euro.
The type of products marketed and the sectors in which the Group operates result in net sales following a seasonal trend over the year, by which the first half of the year is more favourable the second.

- H2 - COSTS FOR MATERIALS 883,405

Costs for materials totalled 883,405 thousand euro, compared to 650,075 thousand euro at 31 December 2004. This heading does not include the recharged costs for similar amounts to customers and tenants and the costs related to assets destined for disposal, which are shown separately in the specific heading on the income statement. The following table shows the breakdown of the heading on the financial statements:

In thousands of euro	*2005*	*2004*
Change in inventories of finished and semi-finished products and products in the process of formation	19,084	6,198
Change in works capitalised on the income statement	(2,566)	(1,984)
Purchase of raw materials and consumables	871,340	647,481
Change in raw materials and consumables	(4,453)	(1,620)
TOTAL	**883,405**	**650,075**

- H3 - COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS 349,457

Costs for services and use of third party assets, net of recharged costs and the costs indicated under the heading Profit/(loss) of assets destined for disposal, totalled 349,457 thousand euro, as follows:

In thousands of euro	2005	2004
Transport costs	44,467	31,212
Product liability expenses	14,886	20,733
Advertising and promotion	45,103	32,115
Third party work	54,061	56,900
Cleaning and maintenance	6,611	7,735
Staff costs	11,919	8,236
Technical, legal, tax, administrative consultancy etc.	75,722	44,053
Promotional material and activities	44	20
Other commercial expenses	11,982	9,715
Energy, telephone, postal and other expenses	16,877	11,597
Miscellaneous business services	328	35
Insurance	6,040	3,370
Company boards operating costs	4,325	4,152
Sales commissions	3,003	2,374
Temporary work and seconded staff costs	1,940	1,396
Additional acquisition costs	603	3,348
Other	36,486	12,228
TOTAL COSTS FOR SERVICES	**334,397**	**249,219**
Rental payments for production property assets	3,738	3,431
Lease payments for vehicles, office equipment, etc.	240	265
Other rent/lease payments	11,082	4,297
TOTAL COSTS FOR USE OF THIRD PARTY ASSETS	**15,060**	**7,993**
TOTAL COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	**349,457**	**257,212**

The initial income statement consolidation of the figures for the Aprilia Group led to the recording of 87,261 thousand euro for costs for services and use of third party assets.
The residual heading Other expenses mainly includes costs incurred by the Group for bank fees, sales commissions and reimbursement of expenses.

- H4 - STAFF COSTS 247,875

The breakdown of staff costs was as follows:

In thousands of euro	2005	2004
Salaries and wages	180,951	120,084
Social security costs	50,848	38,671
Employee severance indemnity	11,335	7,877
Stock options	1,300	966
Other	3,441	2,335
TOTAL	**247,875**	**169,933**

Hereafter is a breakdown of employees in the workforce by position. For an analysis of the workforce refer to the paragraph in the Directors' Report.

	2005	2004
Directors	136	101
Senior managers/employees	2,308	1,630
Technical staff and workers	4,680	3,775
TOTAL	**7,124**	**5,506**

The overall increase of 77,942 thousand euro, compared to the values recorded in 2004 was due for 60,356 thousand euro to the initial income statement consolidation of the Aprilia Group, as well as the increase in the average number of employees during 2005 compared to 2004.
Piaggio & C. S.p.A. allocated 21,372,771 options out of a total of 24,401,084, with a price of 0.98 euro per share which may be exercised on 18,504,771 options and a price of 1.72 euro per share which may be exercised on 2,868,000 options.
As previously indicated in the paragraph on the consolidation principles, the cost for remuneration corresponds to the current value of the options determined by applying the *Black Scholes* assessment model, using the average volatility of a basket of securities comparable to the company security and an interest rate obtained as an average of the interest rate swap for a multi-currency loan with a similar duration to that of the contract. The value determined is recognised under staff costs on the basis of a straight line criterion over the period between the date of allocation and that of vesting, with a counter entry recognised directly against shareholders' equity.
In accordance with CONSOB Regulation no. 11971/99 and subsequent modifications, the following table shows the options assigned to the Directors of the Piaggio Group:

		Options held at the start of the year			Options assigned at the start of the year			Options exercised during the year			Options expired in 2005	Options held at the end of the year		
Full name	Position	No. options	Average exercise price	Average expiry	No. options	Average exercise price	Average expiry	No. options	Average exercise price	Average expiry	No. options	No. options	Average exercise price	Average expiry
Rocco Sabelli	Chief Exec. Off.	5,490,244	0.983	31/12/07	-	-	-	-	-	-	-	5,490,244	0.983	31/12/07

- H5 - DEPRECIATION OF PROPERTY, PLANT AND MACHINERY 46,751

The following provides a summary of the depreciation recorded at 31 December 2005 for property, plant and machinery:

In thousands of euro

	2005	2004
Depreciation of buildings	4,158	4,532
Depreciation of plant and machinery	14,106	11,163
Depreciation of industrial and commercial equipment	23,075	19,834
Depreciation of freely transferable assets	1,216	580
Depreciation of other assets	4,196	3,066
DEPRECIATION OF PROPERTY, PLANT AND MACHINERY	**46,751**	**39,175**

Depreciation of property, plant and machinery includes depreciation in reference to the Aprilia Group for 11,251 thousand euro.
The rates of depreciation used are indicated in the comment on Tangible assets.

- H6 - AMORTISATION OF INTANGIBLE ASSETS 48,655

The amortisation of intangible assets recorded in 2005 totalled 48,655 thousand euro and includes, under the heading Trademarks and licences, 5,987 thousand euro for the amortisation of Aprilia, as follows:

In thousands of euro	2005	2004
Amortisation of development costs	32,898	21,268
Amortisation of concessions, industrial patent rights and intellectual property rights	3,836	4,148
Amortisation of trademarks and licences	11,160	333
Amortisation of software	199	54
Amortisation of other intangible assets	562	1,283
AMORTISATION OF INTANGIBLE ASSETS	**48,655**	**27,086**

As set out in more detail in the paragraph on intangible assets 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.
Total amortisation of intangible assets includes amortisation in reference to the Aprilia Group for 20,699 thousand euro.

- H7 - OTHER INCOME FROM OPERATIONS 155,289

Other income from operations, shown below, increased compared to 2004 by 78,306 thousand euro, due for approximately 45,832 thousand euro to the consolidation of the Aprilia Group, as follows:

In thousands of euro	2005	2004
Capital gains on the disposal of tangible assets	1,582	185
Capital gains on the disposal of intangible assets	0	0
Contributions	27,058	6,085
Recovery of other costs	64,558	35,046
Licence rights	2,122	1,351
Sale of miscellaneous materials	2,965	677
Compensation	296	1,217
Increases in assets from internal work	22,584	17,337
Cancellation of the writedown of tangible assets	0	0
Cancellation of the writedown of intangible assets	0	0
Cancellation of the provisions for risks and other provisions	584	97
Other income from operations	33,540	14,988
TOTAL	**155,289**	**76,983**

The item contributions to the operating account refers for 18,624 thousand euro to the eco-incentives supplied by the Ministry of the Environment in June 2005 in conformity with the programme agreement signed on 12 February 2002 and the supplementary act signed on 18 April 2005, relating to sales of environmentally friendly vehicles between June 2003 and July 2004 (11,246 thousand euro Piaggio, 7,378 thousand euro Aprilia). The Rodriquez Group recorded accrued contributions in relation to specific research projects of 3,562 thousand euro.

The heading Recovery of other costs mainly includes the recovery of transport costs and other expenses recharged to customers/dealers, the charges for which are classified under Services, for 35,296 thousand euro and the recovery of advertising expenses for 5,501 thousand euro incurred by the Piaggio Group.
The heading Other income from operations includes rental receipts, licence rights and know how, windfall gains, capital gains and other income.

- H8 - OTHER OPERATING COSTS 49,776

The heading Other operating costs at 31 December 2005 totalled 49,776 thousand euro, as follows:

In thousands of euro	2005	2004
Capital losses from disposal of assets	242	104
Non-income tax and duties	6,644	3,288
Impairment of tangible assets	2,649	934
Impairment of intangible assets	3,607	2,301
Provisions for product liability	7,184	7,914
Provisions for restructuring (excluding staff costs)	1,044	550
Provisions for disputes	170	0
Provisions for future risks and other risks	13,542	14,145
Writedown of trade receivables (including accumulated provisions)	6,519	8,834
Other operating costs	8,175	11,606
TOTAL	**49,776**	**49,676**

The initial income statement consolidation of the Aprilia Group led to the recording of operating costs for 17,782 thousand euro.
The item Non-income tax and duties includes the overall cost of 2,445 thousand euro incurred by the Piaggio Group’s Italian companies for the issue of conformity certificates as from 1 January 2005. This cost was charged to dealers and the recovery is shown under other income from operations. The provisions for future risks and other risks refer to provisions made mainly by the Piaggio Group for contractual risks arising from ongoing supply contracts and legal risks. During 2005 there was a writedown of development costs and tangible assets by the Piaggio Group for which there was no further useful life, of 5,956 thousand euro.

- H9 - FINANCIAL INCOME 17,952

Financial income was as follows:

In thousands of euro	2005	2004
Interest on bank loans	757	298
Interest on loans to third parties	2,440	355
Other interest income	376	246
Income from the revaluation of tradable securities	0	87
Profit on exchange rates	8,741	6,124
Income on interest rate sawps	2,695	1,024
Dividends	891	223
Income from the revaluation of equity investments	34	0
Other income	2,018	908
TOTAL	**17,952**	**9,265**

- H10 - FINANCIAL CHARGES 52,799

Financial charges were as follows:

In thousands of euro	2005	2004
Interest on bank loans	20,450	18,252
Interest on loans from third parties	2,778	2,571
Interest on bonded loans	13,725	0
Other interest charges	80	68
Commissions	2,122	4,207
Charges for discounts and/or amortisation on loans	293	535
Capital losses on disposal of securities	0	22
Losses on exchange rates	7,084	6,315
Charges on interest rate hedging	2,695	1,024
Other	3,572	3,290
TOTAL	**52,799**	**36,284**

The increase was mainly due to the interest calculated on the bonded loan, 13,725 thousand euro, issued by Piaggio & C. S.p.A. in order to repay the previous loan issued by Aprilia Finance.
The net impact on financial income and charges arising from the consolidation of the Aprilia Group income statement was 4,841 thousand euro.

- H11 - TAXES 23.770

The tax charge is calculated on the incomes of the companies consolidated on a line-by-line basis recorded in the financial statements at 31 December 2005, excluding the share calculated on assets destined for disposal, and totalled 23,770 thousand euro, as follows:

In thousands of euro	2005	2004
Current taxes	19,825	17,271
Prepaid taxes	(2,028)	(2,801)
Deferred taxes	5,973	505
TOTAL	**23,770**	**14,975**

- H12 - PROFIT/(LOSS) FROM DISPOSED ASSETS 5,242

The income deriving from assets disposed of during 2005, net of current and deferred tax calculated on the income from those assets, totalled 5,242 thousand euro and refers solely to the sales made by the Parent Company Immsi S.p.A. in particular of the properties in Milan – Via Pirelli, Cassina de' Pecchi (MI) – Via Fermi and Rome – via del Maggiolino.

- H13 - NET INCOME 23,558

The net income of the Immsi Group totalled 23,558 thousand euro, of which 15,193 was for minority interest.

- I - COMMITMENTS AND RISKS

The amounts are shown in thousands of euro unless otherwise stated.

- I1 - OPERATING LEASES – GROUP AS LESSEE

Commitments for outstanding lease payments

The commitments for operating lease payments, in reference to plant and equipment with an overall value of 1,378 thousand euro and used by the companies in the Piaggio Group, totalled 916 thousand euro, equal to the overall total of the payments still to be made to the lessor companies. The division of the outstanding instalments is 225 thousand euro by 2006, 682 thousand euro within 5 years and 9 thousand euro after more than 5 years.

The Rodriquez Group underwrote operative leasing contracts mainly in connection to production plant, for a total of 325 thousand euro represented by the overall value of the payments still to be made to the companies, of which 136 thousand euro within a year, and operative leasing contracts for Think 3 software, the remaining instalments for which totalled 343 thousand euro, of which 129 thousand within the year.

- I2- COMMITMENTS

Commitments for the issue of "Operation Aprilia" financial instruments

In relation to the acquisition of the Aprilia Group in 2004, 2004/2009 Aprilia Shareholders financial instruments were issued whose forward commitments envisage a sale price which may not exceed 10,000 thousand euro.

- I3 GUARANTEES PROVIDED

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

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 La Spezia Customs Authority	200
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
Stand by letter of credit issued by BNL in favour of DAIHATSU MOTOR CO. for JPY 300,000,000 with counter value of 2,160 thousand euro – used for 1,296 thousand euro	864
Stand by letter of credit issued by MPS in favour of DAIHATSU MOTOR CO. for JPY 180,000,000 with counter value of 1,296 thousand euro – used for 778 thousand euro	518
MPS bank guarantee issued in favour of Cheng Shin Rubber for 600 thousand euro - used for 448 thousand euro	152
Bank guarantee for the credit line of USD 8,100,000 agreed with the Banca di Roma for the associated company Piaggio Foshan	6,866

BNL bank guarantee issued in favour of PPTT - Rome to guarantee contractual obligations for the supply of vehicles	2,040
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	158
Bank guarantee to guarantee the credit line agreed with Banca Intesa BCI to the subsidiary Piaggio Vespa BV for USD 20,000,000	16,953
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 Piaggio 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

The main guarantees issued by lending institutions on behalf of the Aprilia Group in favour of the third parties were:

BNL bank guarantee issued in favour of Venice Customs Authority	206
Banca Intesa bank guarantees issued in favour of Venice Customs Authority	165
Banca Intesa bank guarantee issued in favour of SIMEST S.p.A. – Rome	1,576
Banco di Brescia bank guarantee issued in favour of Scorzé local authority to guarantee payment of town planning charges	166
Veneto Banca bank guarantee issued in favour of SIMEST S.p.A. – Rome	443
CA.RI.VE. S.p.A. bank guarantee issued in favour of BMW – Munich	204

The Parent Company Immsi S.p.A. has outstanding collateral guarantees (on the property located in Via Abruzzi – Rome) for 92 million euro, to guarantee the loan obtained from Efibanca for 46 million euro.
Banca Popolare di Mantova issued, on behalf of Immsi S.p.A., a guarantee in favour of Imvifer S.r.l. for 34 thousand euro against a property located in San Lorenzo in Lucina – Rome leased to the Parent Company, while Banca Intesa issued Angioina S.r.l. with a guarantee for 200 thousand euro in total in relation to the property located in Via Valtorta – Milan.

As for Is Molas S.p.A. note should be taken of the value of the commitment taken on with the local authority of Pula for the realisation of the primary and secondary town planning works in relation to the division into lots of Is Molas and arising from the agreement signed on 28 January 2005 for 5,733 thousand euro; in relation to this commitment a guarantee was issued by Industria e Finanza S.p.A. in favour of the local authority of Pula.

The situation at the end of the year for the main guarantees issued by Piaggio & C. S.p.A. in favour of third parties on behalf of the companies in the Piaggio Group which are not consolidated on a line-by-line basis or limited to the amount not used by consolidated companies was as follows (thousands of euro):

Guarantees in favour of Banca di Roma for credit lines provided by the bank to Piaggio Foshan Motorcycle Co. Ltd	6,866
Guarantee in favour of Banca Intesa for credit lines provided by the bank to the subsidiary Piaggio Vespa BV (limited to the amount not yet used by the company)	5,247
Guarantee issued by Unicredit on behalf of Piaggio in favour of LOCAT S.p.A. to guarantee the obligations entered into by the subsidiary Moto Guzzi S.p.A. regarding a financial leasing contract	5,548

The main guarantees issued by banks (in particular BBVA) in favour of third parties on behalf of

Piaggio España S.A. are as follows:

- 116 thousand euro, in favour of public bodies for guarantees against vehicle sales;
- 1,661 thousand euro for tax disputes.

The guarantees for obligations under the Rodriquez Group totalled 96,221 thousand euro, of which 79,669 thousand euro for indirect Group guarantees in favour of third parties and 15,309 for direct Group guarantees in favour of third parties, while other risks totalled 1,243 thousand euro. Shares of subsidiaries, for a total of 7,961 thousand euro, are subject to collateral security.

- L - DEALINGS WITH RELATED PARTIES

As for the main economic and financial dealings that Group companies had with related parties, refer to the specific paragraph in the Directors' Report.

- M - DIVIDENDS PAID

The dividends paid by Immsi S.p.A. in 2005 (in relation to the distribution of the net income for 2004, as per the resolution of the Shareholders' Meeting of 11 May 2005) totalled 8,580 thousand euro, or 0.03 euro per ordinary share.
The Parent Company has not issued shares other than ordinary ones.
In 2004 the dividends paid, in relation to 2003 and voted on 14 May 2004, totalled 6,591 thousand euro, or 0.03 euro per ordinary share.

- N - INCOME PER SHARE

Income per share

Income per share is calculated by dividing the profit or loss attributable to parent company shareholders by the weighted average of the ordinary shares in circulation during the year, excluding any treasury shares held. The weighted average of shares in circulation is calculated by using the retrospective application principle for changes in the number of shares in circulation. It should be recalled that Immsi S.p.A. in the first few months of 2005 completed the operation for a paid up share capital increase, a change which was deposited at the Companies Register of Mantua in February 2005, and which brought the ordinary shares in circulation and fully paid up to 286 from 220 million.
The income per ordinary share for 2005 is indicated at the end of the Group income statement.

Diluted income per share

The diluted income per share is calculated by dividing the profit or loss for the year attributable to parent company ordinary shareholders by the weighted average for the shares in circulation during the year, adjusted for the effects of the potential shares with a dilating effect. Any treasury shares held are excluded from the calculation of the shares in circulation. In determining the average number of potential shares in circulation the average fair value of the shares in relation to each period in question is used.
The Company had no category of potential ordinary shares and treasury shares at 31 December 2005, therefore the diluted income per share coincides with the above income per share.

- O - TRANSITION TO IAS / IFRS ACCOUNTING STANDARDS

In compliance with the provisions of the CONSOB consultation document of 17 February 2005 and following the coming into force of the European Regulation no. 1606 of July 2002, as from 1 January 2005, the Immsi Group has adopted the international accounting standards issued by the International Accounting Standards Board. By IFRS is meant all the revised international accounting standards (IAS) and all the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC).
These standards have been applied retroactively as from the transition date of 1 January 2004.

DEVELOPMENT OF THE LEGISLATION

The EU Regulation no. 1606/2002 of the European Parliament and of the European Council of 19 July 2002 requires European companies listed on any regulated European Union market to draw up their consolidated financial statements using the international accounting standards (IAS/IFRS), issued by the International Accounting Standard Board (IASB) and approved by the European Union. The obligation starts for every financial year starting from 1 January 2005, or subsequently.
The Italian Government with Legislative Decree no. 38 of 28 February 2005 extended the scope of application of the international accounting standards also to the statutory financial statements of listed companies, banks, and other supervised financial bodies and to the consolidated financial statements of banks and supervised financial bodies and unlisted insurance companies, optionally for the accounting periods which will start in 2005 and obligatorily for those which will start in 2006.
Immsi S.p.A., as noted previously in the Report, made use of the option to draw up its own statutory financial statements for 2005 in compliance with Italian accounting standards.

The international accounting standards applied to the financial statements for 2005 saw their first time adoption by the European Commission in 2003 with EU Regulation no. 1725 of 29 September 2003 which approved, by incorporating them into European law, some of the international accounting standards issued by the IASB, in compliance with EU Regulation no. 1606/2002. The approval process was completed in December 2004, by partially modifying some of the standards accepted in 2003.
In 2005 the IASB issued new accounting standards and amendments, which will become effective as from 1 January 2006. The Group is assessing their impact.

In accordance with CONSOB DEM/5025723 of 15 April 2005 the audit company Deloitte & Touche S.p.A. was engaged to audit the figures resulting from the transition process to the international accounting standards.

As required by IFRS 1 and by article 82 bis of the Regulation for Issuers 11971/1999 adopted by CONSOB with regulation 14990 of 14 April 2005, hereafter is given:

- a description of the accounting standards adopted by the Group as from 1 January 2005;
- the balance sheet at 1 January and 31 December 2004, the IAS/IFRS statement of cash flows and the income statement at 31 December 2004, together with notes describing the main reconciliation items;
- the reconciliations between net income for the year and shareholders' equity in accordance with Italian accounting standards and the net income for the year and shareholders' equity in accordance with the IAS/IFRS for the prior periods presented for comparative purposes as required by IFRS 1 "First time adoption of the IFRS", as well as the related explanatory notes.

ACCOUNTING TREATMENT CHOSEN BY THE GROUP AND EXEMPTIONS FROM THE OPTIONS ENVISAGED BY THE IAS / IFRS

Here below are shown the main areas which have undergone changes following the introduction of the new IAS/IFRS principles on the Group's consolidated financial statements.

Presentation of the financial statements: the current sections of Income statement, Balance sheet, Table of changes in Shareholders' equity and Statement of cash flows reflect the changes made necessary to incorporate the changes in the financial statement headings envisaged by IAS 1 "Presentation of the Financial statements".

As part of the options envisaged by this standard, Immsi made the following choices:

- **Consolidated Balance sheet:** the Consolidated Balance sheet is presented in contrasting sections with separate indication of Assets, Liabilities and Shareholders' equity. Assets and Liabilities are shown in the financial statements on the basis of their classification as current and non-current.

- **Income statement:** the consolidated income statement is presented with costs classified by their nature. The aggregate operating income is shown and includes all the income and cost items, regardless of their repetitive nature or if they fall outside the ordinary operations, except for the financial management items recorded under Operating income and Income before tax. In addition, the income and cost items arising from assets destined for disposal or sale, including any capital gains and losses net of tax, are recorded in a specific item before Group and minority interest net income.

- **Consolidated statement of cash flows:** the Consolidated Statement of cash flows is presented divided into areas forming cash flows as indicated by the international accounting standards. The statement of cash flows adopted by Immsi uses the indirect method.

- **Table of changes in Consolidated Shareholders' equity:** the Table of changes in consolidated Shareholders' equity is presented as required by international accounting standards, with separate indication of the net income and each sale, income, charge and cost item which has not been recorded on the income statement, but charged directly to consolidated shareholders' equity on the basis of specific IAS/IFRS

Sector information: the Immsi Group, on the basis of the provisions of IAS 14 "Segment reporting", in keeping with its organisational structure and on the basis of the source and nature of the risks and benefits of the business, has identified as its primary system that by business activity and secondarily that by geography, on the basis of the location of its customers.

Intangible assets: on the basis of the accounting treatment of intangible assets envisaged by IAS 38, start-up and expansion costs and some long-term charges which were previously capitalised have, in some circumstances, been cancelled.

Tangible assets: the Group has adopted the criterion of the historic amortised cost for the purposes of the evaluation and in accordance with the accounting treatment envisaged by IAS 16 "Property, plant and equipment" has recalculated the value of properties in relation to the need to determine the value of the land underlying the buildings and to consider the possible recovery value at the end of the asset's useful life. Some properties, which have been revalued in prior periods, have been recorded on the basis of the reassessed value at the date of the reassessment, considering that as a value to substitute cost.

Property investments: in accordance with IAS 40 a property held as an investment must initially be recorded at cost, including directly attributable accessory costs. Following the purchase it is allowed to assess these properties at fair value or at cost. The Group has chosen to adopt the cost criterion.

Treasury shares: IAS 32 “Financial instruments: Presentation” requires treasury shares to no longer be classified as an asset on the financial statements, but set against shareholders’ equity.

Financial assets: in relation to available for sale financial assets, the profits and losses arising from the changes in fair value are charged directly to shareholders’ equity until the assets are sold or have suffered impairment, only then are the total profits and losses which were recorded previously charged to the income statement for the period.

Financial liabilities: on the basis of the provisions of IAS 39 “Financial instruments: recognition and measurement”, the so-called amortised cost method is applied to financial liabilities, using the real interest rate method.

Employee severance indemnity: on the basis of the provisions of IAS 19 “Employee benefits”, the value of employee severance indemnity and of other deferred retribution has been adjusted, through the application of actuarial methods.

EXEMPTIONS:

- **Business combinations**: the Immsi Group has decided to take advantage of the exemption allowed by IFRS 1 “First time adoption of the IFRS” which allows the non-application retroactively of the International Accounting Standards for business combinations which occurred before the transition to IFRS. The Group has therefore not applied IFRS 3 ”Business combinations” retroactively to mergers that took place before 1 January 2004: as a consequence, the goodwill generated on acquisitions before the transition date to IFRS has been kept at the previous value determined in accordance with Italian accounting standards, by means of the verification and recording of any impairment and without prejudice to the attribution to goodwill of intangible costs which previously were capitalised. In addition, this led to the interruption of the process to amortise goodwill and the consolidation differences recorded at 1 January 2004;
- **Employee benefits:** the Group has decided to account for all the accumulated actuarial profits and losses existing at the transition date;
- **Accumulated translation differences:** as allowed by IFRS 1, the accumulated translation differences arising from the consolidation of the foreign subsidiaries were cancelled at 1 January 2004, and therefore the disposals of foreign subsidiaries which take place after that date will only include the translation differences accumulated from 1 January 2004 onwards;
- **Financial assets:** the Immsi Group has chosen to adopt IAS 32 and 39 in advance as from 1 January 2004, instead of from the financial statements for the periods starting from 1 January 2005 as allowed by those standards;
- **Stock options*:*** the Immsi Group has chosen to record on the income statement, with a counter entry in a shareholders’ equity reserve, the total sum of the current value of the stock options as from the year which starts on 1 January 2004 and not from the following year as allowed by IFRS 2 “Share based payments”.

RECONCILIATION FROM ITALIAN ACCOUNTING STANDARDS TO THE IAS/IFRS FOR THE CONSOLIDATED ASSET, INCOME AND FINANCIAL FIGURES

As required by IFRS 1, this note describes the principles adopted in preparing the Consolidated Balance sheet in accordance with the IFRS as from the opening at 1 January 2004, the main differences compared to the Italian accounting standards used previously, as well as the consequent reconciliations between the values published at the time, drawn up in accordance with Italian accounting standards, and the corresponding values restated on the basis of the IFRS.

The individual adjustment items are shown gross of tax and minority interest, while the related tax effects and those on minority interest are shown cumulatively in separate adjustment headings.

The balance sheet and income statement situations for 2004 have been drawn up in accordance with the methods indicated by IFRS 1 "First time adoption of the IFRS". In particular, the IFRS which are already applicable as from 1 January 2005 have been used. The effects of the transition to the IAS/IFRS have been reflected in opening shareholders' equity at the transition date, 1 January 2004.

Reconciliation of the Consolidated Balance sheet at 01.01.2004

Amounts in €/000	*Italian Accounting standards*	*Reclass-fications*	*Adjustments*	*IAS / IFRS*	
ASSETS					**ASSETS**
NON-CURRENT ASSETS					**NON-CURRENT ASSETS**
Intangible assets	464,309	-5,246	-1,610	457,453	***Intangible assets***
Tangible assets	286,063	-6,680	24,879	304,262	***Tangible assets***
	0	125	0	125	***Property investments***
Equity investments (1)	19,195	-18,562	0	633	***Equity investments***
Medium/long-term financial assets	0	28,092	8,136	36,228	***Other financial assets***
Receivables due from Tax authorities (1)	5,657	10	0	5,667	***Receivables due from Tax authorities***
Deferred tax assets (1)	30,095	386	470	30,951	***Deferred tax assets***
Trade receivables and other receivables (1)	3,442	225	305	3,972	***Trade receivables and other receivables***
TOTAL NON-CURRENT ASSETS	**808,761**	**-1,650**	**32,180**	**839,291**	**TOTAL NON-CURRENT ASSETS**
	0	**6,551**	**247**	**6,798**	**ASSETS DESTINED FOR DISPOSAL**
CURRENT ASSETS					**CURRENT ASSETS**
Trade receivables and other receivables (2)	111,845	4,388	75,131	191,364	***Trade receivables and other receivables***
Receivables due from Tax authorities (2)	9,656	-346	0	9,310	***Receivables due from Tax authorities***
Deferred tax assets (2)	389	-389	0	0	
Inventories (2)	132,022	0	0	132,022	***Inventories***
Contract work in progress (2)	0	0	0	0	***Contract work in progress***
Accrued income and prepaid expenses (2)	2,567	-2,567	0	0	
Treasury shares (2)	197	0	-197	0	
Other financial assets (3)	9,530	-9,530	0	0	***Other financial assets***
Cash and cash equivalents (3)	23,855	0	0	23,855	***Cash and cash equivalents***
TOTAL CURRENT ASSETS	**290,061**	**-8,444**	**74,934**	**356,551**	**TOTAL CURRENT ASSETS**
TOTAL ASSETS	**1,098,822**	**-3,543**	**107,361**	**1,202,640**	**TOTAL ASSETS**

(1) Previously included in the item "Other assets"
(2) Previously included in the item "Operative assets"
(3) Previously included in the item "Short-term financial assets"

LIABILITIES					**LIABILITIES**
SHAREHOLDERS' EQUITY					**SHAREHOLDERS' EQUITY**
Group shareholders' equity	101,859	0	21,920	123,779	***Consolidated Group shareholders' equity***
Minority interest	150,520	0	-2,382	148,138	***Minority interest – capital and reserves***
TOTAL SHAREHOLDERS' EQUITY	**252,379**	**0**	**19,538**	**271,917**	**TOTAL SHAREHOLDERS' EQUITY**
NON-CURRENT LIABILITIES					**NON-CURRENT LIABILITIES**
Financial payables	332,167	-3,425	541	329,283	***Financial liabilities***
Trade payables and other payables (4)	19,005	0	0	19,005	***Trade payables and other payables***
Provisions for pensions and similar obligations (4)	55,452	0	2,282	57,734	***Provisions for pensions and similar obligations***
Other long-term provisions (4)	61,431	-34,442	0	26,989	***Other long-term provisions***
Deferred tax liabilities (4)	2,754	0	9,672	12,426	***Deferred tax liabilities***
TOTAL NON-CURRENT LIABILITIES	**470,809**	**-37,867**	**12,495**	**445,437**	**TOTAL NON-CURRENT LIABILITIES**
	0	**0**	**0**	**0**	**LIABILITIES LINKED TO ASSETS DESTINED FOR DISPOSAL**
CURRENT LIABILITIES					**CURRENT LIABILITIES**
Financial payables	69,295	0	75,192	144,487	***Financial liabilities***
Trade payables (5)	251,819	0	0	251,819	***Trade payables***
Current tax (5)	14,405	0	0	14,405	***Current tax***
Other payables (5)	33,130	6,986	136	40,252	***Other payables***
Accrued expenses and deferred income (5)	6,985	-6,985	0	0	
	0	34,323	0	34,323	***Current share of other long-term provisions***
TOTAL CURRENT LIABILITIES	**375,634**	**34,324**	**75,328**	**485,286**	**TOTAL CURRENT LIABILITIES**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,098,822**	**-3,543**	**107,361**	**1,202.640**	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**

(4) Previously included in the item "Other medium/long-term liabilities"
(5) Previously included in the item "Operative liabilities"

Reconciliation of the Consolidated Balance sheet at 31.12.2004

Amounts in €/000	*Italian Accounting standards*	*Reclassifications*	*Adjustments*	*IAS / IFRS*	
ASSETS					**ASSETS**
NON-CURRENT ASSETS					**NON-CURRENT ASSETS**
Intangible assets	647,164	-3,918	44,333	687,579	***Intangible assets***
Tangible assets	324,013	-238	24,147	347,922	***Tangible assets***
	0	121	0	121	***Property investments***
Equity investments (1)	20,238	-18,626	0	1,612	***Equity investments***
Long/medium-term financial assets	0	27,853	22,410	50,263	***Other financial assets***
Receivables due from Tax authorities (1)	1,926	8	0	1,934	***Receivables due from Tax authorities***
Deferred tax assets (1)	40,779	5,285	1,168	47,232	***Deferred tax assets***
Trade receivables and other receivables (1)	15,978	-156	514	16,336	***Trade receivables and other receivables***
TOTAL NON-CURRENT ASSETS	**1,050,098**	**10,329**	**92,572**	**1,152,999**	**TOTAL NON-CURRENT ASSETS**
	0	**626**	**0**	**626**	**ASSETS DESTINED FOR DISPOSAL**
CURRENT ASSETS					**CURRENT ASSETS**
Trade receivables and other receivables (2)	233,164	16,210	57,811	307,185	***Trade receivables and other receivables***
Receivables due from Tax authorities (2)	25,575	70	0	25,645	***Receivables due from Tax authorities***
Deferred tax assets (2)	5,285	-5,285	0	0	
Inventories (2)	263,717	15,324	-5	279,036	***Inventories***
Contract work in progress (2)	211,626	-193,144	0	18,482	***Contract work in progress***
Accrued income and prepaid expenses (2)	9,528	-9,528	0	0	
Treasury shares (2)	0	0	0	0	
Other financial assets (3)	10,933	-9,782	0	1,151	***Other financial assets***
Cash and cash equivalents (3)	51,456	0	0	51,456	***Cash and cash equivalents***
TOTAL CURRENT ASSETS	**811,284**	**-186,135**	**57,806**	**682,955**	**TOTAL CURRENT ASSETS**
TOTAL ASSETS	**1,861,382**	**-175,180**	**150,378**	**1,836,580**	**TOTAL ASSETS**

(1) Previously included in the item "Other assets"
(2) Previously included in the item "Operative assets"
(3) Previously included in the item "Short-term financial assets"

LIABILITIES					**LIABILITIES**
SHAREHOLDERS' EQUITY					**SHAREHOLDERS' EQUITY**
Group shareholders' equity	186,643	0	31,638	218,281	***Group consolidated shareholders' equity***
Minority interest	186,899	0	11,724	198,623	***Minority interest – capital and reserves***
TOTAL SHAREHOLDERS' EQUITY	**373,542**	**0**	**43,362**	**416,904**	**TOTAL SHAREHOLDERS' EQUITY**
NON-CURRENT LIABILITIES					**NON-CURRENT LIABILITIES**
Financial payables	336,085	2,304	3,746	342,135	***Financial liabilities***
Trade payables and other payables (4)	10,540	0	0	10,540	***Trade payables and other payables***
Provisions for pensions and similar obligations (4)	78,971	0	5,360	84,331	***Provisions for pensions and similar obligations***
Other long-term provisions (4)	98,174	-38,687	0	59,487	***Other long-term provisions***
Deferred tax liabilities (4)	15,049	5,208	38,499	58,756	***Deferred tax liabilities***
TOTAL NON-CURRENT LIABILITIES	**538,819**	**-31,175**	**47,605**	**555,249**	**TOTAL NON-CURRENT ASSETS**
	0	**0**	**0**	**0**	**LIABILITIES LINKED TO ASSETS DESTINED FOR DISPOSAL**
CURRENT LIABILITIES					**CURRENT LIABILITIES**
Financial payables	291,990	2,924	59,299	354,213	***Financial liabilities***
Trade payables (5)	385,580	2	0	385,582	***Trade payables***
Current tax (5)	23,624	0	22	23,646	***Current tax***
Other payables (5)	224,542	-149,410	90	75,222	***Other payables***
Accrued expenses and deferred income (5)	23,285	-23,285	0	0	
	0	25,764	0	25,764	***Current share of other long-term provisions***
TOTAL CURRENT LIABILITIES	**949,021**	**-144,005**	**59,411**	**864,427**	**TOTAL CURRENT LIABILITIES**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,861,382**	**-175,180**	**150,378**	**1,836,580**	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**

(4) Previously included in the item "Other medium/long-term liabilities"
(5) Previously included in the item "Operative liabilities"

Reconciliation of Consolidated Financial Position

(in thousands of euro)	01/01/2004 *Italian Accounting standards*	01/01/2004 *IAS/IFRS reclass-fications and adjustments*	01/01/2004 *IAS/IFRS*	31/12/2004 *Italian Accounting standards*	31/12/2004 *IAS/IFRS reclass-fications and adjustments*	31/12/2004 *IAS/IFRS*
Short-term liquid funds						
Cash and cash equivalents	-23,855	0	-23,855	-51,456	0	-51,456
Financial assets	-9,530	9,530	0	-10,933	9,782	-1,151
Total short-term liquid funds	**-33,385**	**9,530**	**-23,855**	**-62,389**	**9,782**	**-52,607**
Short-term financial payables						
Debentures	0	0	0	100,000	0	100,000
Payables due to banks	56,766	0	56,766	167,701	944	168,645
Payables for financial leasing	0	64	64	0	594	594
Payables due to other lenders	12,529	75,128	87,657	24,289	60,685	84,974
Total short-term financial payables	**69,295**	**75,192**	**144,487**	**291,990**	**62,223**	**354,213**
Total short-term financial debt	**35,910**	**84,722**	**120,632**	**229,601**	**72,005**	**301,606**
Medium/long-term financial assets						
Receivables for loans	0	-9.530	-9.530	0	-12.462	-12,462
Other financial assets	0	0	0	0	0	0
Total medium/long-term financial assets	**0**	**-9,530**	**-9,530**	**0**	**-12,462**	**-12,462**
Medium/long-term financial payables						
Debentures	0	0	0	0	0	0
Payables due to banks	318,059	-3,418	314,641	316,170	-2,474	313,696
Payables for financial leasing	0	18	18	0	548	548
Payables due to other lenders	14,108	516	14,624	19,915	7,976	27,891
Total medium/long-term financial payables	**332,167**	**-2,884**	**329,283**	**336,085**	**6,050**	**342,135**
Total medium/long-term financial debt	**332,167**	**-12,414**	**319,753**	**336,085**	**-6,412**	**329,673**
Net financial debt	**368,077**	**72,308**	**440,385**	**565,686**	**65,593**	**631,279**

Reconciliation of Consolidated Statement of cash flows

(in thousands of euro)	31/12/2004 Italian Accounting standards	IAS/IFRS reclassifications and adjustments	IAS/IFRS
Self-financing	*123,288*	*(1,779)*	*121,509*
Change in working capital	*(84,091)*	*(13,290)*	*(97,381)*
Cash flow generated from operations	***39,197***	***(15,069)***	***24,128***
Payment of dividends by Parent company	*(6,591)*	*0*	*(6,591)*
Payment of dividends to third parties by Group companies	*(346)*	*0*	*(346)*
Share capital increase of Parent company	*78,392*	*0*	*78,392*
Increases in share capital of subsidiaries underwritten by third parties	*49,371*	*0*	*49,371*
Acquisition of intangible assets	*(33,745)*	*171*	*(33,574)*
Acquisition of tangible assets	*(65,861)*	*236*	*(65,625)*
Decrease from property disposals	*75,035*	*3,106*	*78,141*
Acquisition of equity investments	*(72,950)*	*0*	*(72,950)*
Net financial position of companies acquired	*(175,450)*	*0*	*(175,450)*
Other net movements	*(84,661)*	*18,271*	*(66,390)*
Change in net financial position	***(197,609)***	***6,715***	***(190,894)***
Opening net financial position	***(368,077)***	***(72,308)***	***(440,385)***
Closing net financial position	***(565,686)***	***(65,593)***	***(631,279)***

Reconciliation of Consolidated Shareholders' equity

(in thousands of euro)		***01/01/04***	***31/12/04***
Shareholders' equity according to Italian accounting standards		***101,859***	***186,643***
Business combinations	*A*	*928*	*26,984*
Cancellation of capitalised costs	*B*	*(3,073)*	*(1,643)*
Property, plant and machinery	*C*	*25,503*	*14,007*
Financial leasing	*D*	*75*	*339*
Equity investments and shares	*E*	*8,129*	*19,719*
Recording and assessment of derivatives	*F*	*0*	*(1,200)*
Treasury shares	*G*	*(197)*	*0*
Disposal of receivables	*H*	*2*	*0*
Employee benefits	*I*	*(2,282)*	*(5,360)*
Other adjustments	*L*	*(346)*	*(116)*
Accounting of deferred tax liabilities	*M*	*(9,202)*	*(9,367)*
Adjustment for minority interest		*2,383*	*(11,725)*
Shareholders' equity IAS / IFRS		***123,779***	***218,281***

DETAILS OF THE EFFECTS OF THE TRANSITION TO IFRS ON THE BALANCE SHEET

The following pages show and comment on the main items reconciling Italian standards and the IFRS. The details are shown in a table for each balance sheet heading which is subject to reclassification and/or adjustment, referring specifically by the given letter to the explanatory notes to the adjustments.

NON-CURRENT ASSETS

Intangible assets

Reclassifications

(in thousands of euro)	*01/01/2004*	*31/12/2004*
To "trade receivables and other receivables" owing to change in layout of balance sheet	*(1,712)*	*(2,104)*
To reduce "other long-term provisions" owing to change in layout of balance sheet	*(119)*	*0*
To reduce "financial liabilities" owing to change in layout of balance sheet	*(3,425)*	*(1,814)*
Other	*10*	*0*
	(5,246)	***(3,918)***

Adjustments

(in thousands of euro)		*01/01/2004*	*31/12/2004*
Recalculation of goodwill	*A*	*928*	*(50,720)*
Cancellation of amortisation on goodwill	*A*	*0*	*21,578*
Cancellation of other long-term charges	*B*	*(1,382)*	*(1,194)*
Cancellation of start-up and expansion costs	*B*	*(1,099)*	*(1,119)*
Recording of assets under financial leasing	*D*	*0*	*757*
Adjustments to improvements to third party assets	*B*	*(54)*	*(434)*
Allocation of goodwill to "intangible assets"	*A*	*0*	*75,466*
Other		*(3)*	*(1)*
		(1,610)	***44,333***

Tangible assets

Reclassifications

(in thousands of euro)	*01/01/2004*	*31/12/2004*
To "property investments" owing to change in layout of balance sheet	*(125)*	*(121)*
To "assets destined for disposal" owing to change in layout of balance sheet	*(6,551)*	*(117)*
Other	*(4)*	*0*
	(6,680)	***(238)***

Adjustments

(in thousands of euro)		*01/01/2004*	*31/12/2004*
Cancellation of depreciation on land and scrap value of buildings	*C*	*25,256*	*14,007*
Adjustments to improvements to third party assets	*B*	*(538)*	*1,104*
Recording of assets held under financial leasing	*D*	*155*	*410*
Allocation of goodwill to "tangible assets"	*A*	*0*	*8,624*
Other		*6*	*2*
		24,879	***24,147***

Property investments

Reclassifications

(in thousands of euro)		*01/01/2004*	*31/12/2004*
From "tangible assets" owing to change in layout of balance sheet		*125*	*121*
		125	***121***

Equity investments

Reclassifications

(in thousands of euro)		*01/01/2004*	*31/12/2004*
To "other financial assets" owing to change in layout of balance sheet		*(18,562)*	*(18,073)*
To "assets destined for disposal" owing to change in layout of balance sheet		*0*	*(509)*
To "trade receivables and other receivables" owing to change in layout of balance sheet		*0*	*(44)*
		(18,562)	***(18,626)***

Other financial assets

Reclassifications

(in thousands of euro)		*01/01/2004*	*31/12/2004*
From "equity investments" owing to change in layout of balance sheet		*18,562*	*18,071*
From current "other financial assets" owing to change in layout of balance sheet		*9,530*	*9,782*
		28,092	***27,853***

Adjustments

(in thousands of euro)		*01/01/2004*	*31/12/2004*
Valuation at fair value of securities and equity investments	*E*	*8,137*	*19,730*
For valuation at fair value of derivatives	*F*	*0*	*2,680*
Other		*(1)*	*0*
		8,136	***22,410***

Receivables due from Tax authorities

Reclassifications

(in thousands of euro)		*01/01/2004*	*31/12/2004*
From "trade receivables and other receivables" owing to change in layout of balance sheet		*10*	*8*
		10	***8***

Deferred tax assets

Reclassifications

(in thousands of euro)		*01/01/2004*	*31/12/2004*
From "deferred tax assets" under "current assets" owing to change in layout of balance sheet		*386*	*5,285*
		386	***5,285***

Adjustments

(in thousands of euro)		*01/01/2004*	*31/12/2004*
Accounting of deferred tax assets on IAS/IFRS adjustments	*M*	*470*	*1,168*
		470	***1,168***

Trade receivables and other receivables

Reclassifications

(in thousands of euro)	*01/01/2004*	*31/12/2004*
From "accrued income and deferred charges" owing to change in layout of balance sheet	*236*	*148*
From current "trade receivables and other receivables" owing to change in layout of balance sheet	*0*	*3*
To "Receivables due from Tax authorities" owing to change in layout of balance sheet	*(10)*	*(8)*
From "equity investments" owing to change in layout of balance sheet	*0*	*44*
To reduce current "financial liabilities" owing to change in layout of balance sheet	*0*	*(342)*
Other	*(1)*	*(1)*
	225	***(156)***

Adjustments

(in thousands of euro		*01/01/2004*	*31/12/2004*
For sale of receivables with recourse to factoring companies	*H*	*516*	*516*
For reduction in minority interest for receivables due from shareholders for unpaid contributions	*L*	*(210)*	*0*
Other		*(1)*	*(2)*
		305	***514***

ASSETS DESTINED FOR DISPOSAL

Reclassifications

(in thousands of euro)	*01/01/2004*	*31/12/2004*
From "tangible assets" owing to change in layout of balance sheet	*6,551*	*626*
	6,551	***626***

Adjustments

(in thousands of euro)		*01/01/2004*	*31/12/2004*
Cancellation of amortisation on assets destined for disposal	*C*	*247*	*0*
		247	***0***

CURRENT ASSETS

Trade receivables and other receivables

Reclassifications

(in thousands of euro)	*01/01/2004*	*31/12/2004*
From "accrued income and deferred charges" owing to change in layout of balance sheet	*2,331*	*9,310*
From "intangible assets" owing to change in layout of balance sheet	*1,712*	*2,104*
From "receivables due from Tax authorities" owing to change in layout of balance sheet	*347*	*0*
From "inventories" owing to change in layout of balance sheet	*0*	*5,131*
To non-current "trade receivables and other receivables" owing to change in layout of balance sheet	*0*	*(3)*
To reduce current "financial liabilities" owing to change in layout of balance sheet	*0*	*(333)*
Other	*(2)*	*1*
	4,388	***16,210***

Adjustments

(in thousands of euro)		*01/01/2004*	*31/12/2004*
For sale of receivables with recourse to factoring companies	*H*	*75,131*	*57,832*
Recording of assets held under financial leasing	*D*	*0*	*(22)*
Other		*0*	*1*
		75,131	***57,811***

Receivables due from Tax authorities

Reclassifications

(in thousands of euro)	*01/01/2004*	*31/12/2004*
To "trade receivables and other receivables" owing to change in layout of balance sheet	*(347)*	*0*
From "accrued income and deferred charges" owing to change in layout of balance sheet	*0*	*70*
Other	*1*	*0*
	(346)	***70***

Deferred tax assets

Reclassifications

(in thousands of euro)	*01/01/2004*	*31/12/2004*
To "deferred tax assets" under "non-current assets" owing to change in layout of balance sheet	*(386)*	*(5,285)*
Other	*(3)*	*0*
	(389)	***(5,285)***

Inventories

Reclassifications

(in thousands of euro)	*01/01/2004*	*31/12/2004*
From "contract wok in progress" owing to change in layout of balance sheet	*0*	*20,455*
To "trade receivables and other receivables" owing to change in layout of balance sheet	*0*	*(5,131)*
	0	***15,324***

Adjustments

(in thousands of euro)	*01/01/2004*	*31/12/2004*
Other	*0*	*(5)*
	0	***(5)***

Contract work in progress

Reclassifications

(in thousands of euro)	*01/01/2004*	*31/12/2004*
To "inventories" owing to change in layout of balance sheet	*0*	*(20,455)*
To offset "trade payables and other payables" owing to change in layout of balance sheet	*0*	*(172,689)*
	0	***(193,144)***

Accrued income and deferred charges

Reclassifications

(in thousands of euro)	*01/01/2004*	*31/12/2004*
To "trade receivables and other receivables" owing to change in layout of balance sheet	*(2,567)*	*(9,459)*
To "receivables due form Tax authorities" owing to change in layout of balance sheet	*0*	*(69)*
	(2,567)	***(9,528)***

Treasury shares

Adjustments

(in thousands of euro)		*01/01/2004*	*31/12/2004*
To shareholders' equity against treasury shares held	*G*	*(197)*	*0*
		(197)	***0***

Other financial assets

Reclassifications

(in thousands of euro)	*01/01/2004*	*31/12/2004*
To non-current "other financial assets" owing to change in layout of balance sheet	*(9,530)*	*(9,782)*
	(9,530)	***(9,782)***

NON-CURRENT LIABILITIES

Financial liabilities

Reclassifications

(in thousands of euro)	*01/01/2004*	*31/12/2004*
From "intangible assets" owing to change in layout of balance sheet	*(3,425)*	*(1,814)*
From "other long-term provisions" owing to change in layout of balance sheet	*0*	*4,118*
	(3,425)	***2,304***

Adjustments

(in thousands of euro)		*01/01/2004*	*31/12/2004*
Assessment of loans at amortised cost	*E*	*8*	*11*
Recording of current financial payables on assets held under financial leasing	*D*	*17*	*539*
For fair value assessment of derivatives	*F*	*0*	*2,680*
For sale of receivables with recourse to factoring companies	*H*	*516*	*516*
		541	***3,746***

Provisions for pensions and similar obligations

Adjustments

(in thousands of euro)		*01/01/2004*	*31/12/2004*
Employee benefits	*I*	*2,282*	*5,360*
		2,282	***5,360***

Other long-term provisions

Reclassifications

(in thousands of euro)	*01/01/2004*	*31/12/2004*
To "current share of other long-term provisions" owing to change in layout of balance sheet	*(34,323)*	*(25,764)*
To reduce "intangible assets" owing to change in layout of balance sheet	*(119)*	*0*
To "financial liabilities" owing to change in layout of balance sheet	*0*	*(7,715)*
To "deferred tax assets" owing to change in layout of balance sheet	*0*	*(5,208)*
	(34,442)	***(38,687)***

Deferred tax liabilities

Reclassifications

(in thousands of euro)		*01/01/2004*	*31/12/2004*
From "other long-term provisions" owing to change in layout of balance sheet		*0*	*5,208*
		0	***5,208***

Adjustments

(in thousands of euro)		*01/01/2004*	*31/12/2004*
Accounting of deferred tax liabilities on IAS/IFRS adjustments	*M*	*9,672*	*10,535*
Accounting of deferred tax liabilities on allocation of goodwill to "intangible assets"	*A*	*0*	*27,964*
		9,672	***38,499***

CURRENT LIABILITIES

Financial liabilities

Reclassifications

(in thousands of euro)		*01/01/2004*	*31/12/2004*
From "other long-term provisions" owing to change in layout of balance sheet		*0*	*3,599*
To offset "trade receivables and other receivables" owing to change in layout of balance sheet		*0*	*(675)*
		0	***2,924***

Adjustments

(in thousands of euro)		*01/01/2004*	*31/12/2004*
For sale of receivables with recourse to factoring companies	*H*	*75,129*	*57,832*
For fair value assessment of derivatives	*F*	*0*	*1,200*
Recording of current financial payables on assets held under financial leasing	*D*	*63*	*267*
		75,192	***59,299***

Trade payables

Reclassifications

(in thousands of euro)		*01/01/2004*	*31/12/2004*
From "accrued income and deferred charges" owing to change in layout of balance sheet		*0*	*2*
		0	***2***

Current tax

Adjustments

(in thousands of euro)		*01/01/2004*	*31/12/2004*
Other		*0*	*22*
		0	***22***

Other payables

Reclassifications

(in thousands of euro)		*01/01/2004*	*31/12/2004*
From "accrued liabilities and deferred income" owing to change in layout of balance sheet		*6,985*	*18,465*
To offset "contract work in progress" owing to change in layout of balance sheet		*0*	*(167,874)*
Other		*1*	*(1)*
		6,986	***(149,410)***

Adjustments

(in thousands of euro		*01/01/2004*	*31/12/2004*
Deferred income for discounting of "trade receivables and other receivables"	*L*	*136*	*70*
Other		*0*	*20*
		136	***90***

Accrued liabilities and deferred income

Reclassifications

(in thousands of euro)	*01/01/2004*	*31/12/2004*
To "other payables" owing to change in layout of balance sheet	*(6,985)*	*(23,285)*
	(6,985)	***(23,285)***

Current share of other long-term provisions

Reclassifications

(in thousands of euro)	*01/01/2004*	*31/12/2004*
From "other long-term provisions" owing to change in layout of balance sheet	*34,323*	*25,764*
	34,323	***25,764***

Reconciliation of Consolidated Net income

(in thousands of euro)		31/12/04
Net income using Italian accounting standards		***13,284***
Business combinations (cancellation of goodwill amortisation)	*A*	*21,572*
Cancellation of capitalised costs	*B*	*673*
Property, plant and machinery	*C*	*(10,671)*
Financial leasing	*D*	*62*
Equity investments and securities	*E*	*161*
Recording and assessment of derivatives	*F*	*(52)*
Treasury shares	*G*	*(240)*
Employee benefits	*I*	*(343)*
Other adjustments	*L*	*(882)*
Accounting of deferred tax assets and liabilities	*M*	*1,480*
Adjustment for minority interest		*(13,538)*
Net income using IAS / IFRS		***11,506***

Reconciliation of Consolidated Income statement 2004

INCOME STATEMENT					INCOME STATEMENT
Net sales	1,184,747	-4,071	-10	1,180,666	***Net sales***
Costs for materials (1)	631,834	18,249	-8	650,075	***Costs for materials***
Costs for services and use of third party assets (1)	259,742	-3,027	497	257,212	***Costs for services and use of third party assets***
Labour costs	168,183	786	964	169,933	***Staff costs***
Depreciation of tangible assets	39,841	0	-666	39,175	***Depreciation of tangible assets***
Amortisation of intangible assets (consolidation difference)	21,572	0	-21,572	0	***Amortisation of goodwill***
Amortisation of intangible assets (other)	30,544	-2,419	-1,039	27,086	***Amortisation of intangible assets***
Contributions	6,085	-6,085	0	0	
Adjustments and allocations to the provision for risks and charges	29,884	-29,884	0	0	
Other income (2)	44,114	32,869	0	76,983	***Other income from operations***
Other costs (2)	6,234	43,408	34	49,676	***Other costs from operations***
Capital and windfall gains	45,058	-45,058	0	0	
Capital losses and other charges	25,482	-25,482	0	0	
Operating profit (EBIT)	**66,688**	**-23,976**	**21,780**	**64,492**	***Operating profit***
Net income from equity investments	465	-226	-240	-1	***Profit on equity investments***
Financial income (3)	8,284	233	748	9,265	***Financial income***
Financial charges (3)	34,308	1,111	865	36,284	***Financial charges***
Value adjustments to financial assets	-197	197	0	0	
Income before tax	**40,932**	**-24,883**	**21,423**	**37,472**	***Income before tax***
Tax	22,345	-5,890	-1,480	14,975	***Tax***
Net income	**18,587**	**-18,993**	**22,903**	**22,497**	***Net income from assets in use***
	0	18,994	-11,144	7,850	***Profit (loss) from assets destined for disposal or disuse***
Total net income	**18,587**	**1**	**11,759**	**30,347**	***Total net income***
Minority interest	5,303	0	13,538	18,841	***Minority interest***
Group net income	**13,284**	**1**	**-1,779**	**11,506**	***Group net income***

(1) Previously included in the item "Materials and services"

(2) Previously included in the item "Other (costs) income, net"

(3) Previously included in the item "Financial income and charges, net"

DETAILS OF THE EFFECTS OF THE TRANSITION TO IFRS ON THE INCOME STATEMENT

The following pages show and comment on the main items reconciling Italian standards and the IFRS. The details are shown in a table for each income statement heading which is subject to reclassification and/or adjustment, referring specifically by the given letter to the explanatory notes to the adjustments.

Net sales

Reclassifications

(in thousands of euro)		*31/12/2004*
To "profit (loss) on assets destined for disposal" owing to change in layout of Income statement		*(1,377)*
To "costs for services and use of third party assets" to offset recharged expenses		*(2,269)*
To "costs for materials" to offset recharged expenses		*(425)*
		(4,071)

Adjustments

(in thousands of euro)		*31/12/2004*
Discounting of "trade receivables and other receivables"	*L*	*(10)*
		(10)

Costs for materials

Reclassifications

(in thousands of euro)		*31/12/2004*
From "net sales" to offset recharged expenses		*(425)*
From "amortisation of intangible assets" on contributions to suppliers		*1,345*
To "profit (loss) on assets destined for disposal" owing to change in layout of Income statement		*(8)*
To "other income" owing to change in layout of Income statement		*17,337*
		18,249

Adjustments

(in thousands of euro)		*31/12/2004*
Other		*(8)*
		(8)

Costs for services and use of third party assets

Reclassifications

(in thousands of euro)	31/12/2004
From “net sales" to offset recharged expenses	(2,269)
To "profit (loss) on assets destined for disposal" owing to change in layout of Income statement	(42)
From "other income from operations" to offset recharged expenses	(716)
	(3,027)

Adjustments

(in thousands of euro)		31/12/2004
For recording of costs for improvements to third party assets	B	542
For cancellation of costs on leased assets	D	(86)
For recording of costs previously included under start-up and expansion costs	B	48
Other		(7)
		497

Staff costs

Reclassifications

(in thousands of euro)	31/12/2004
From "capital losses and other charges" owing to a change in the layout of the Income statement	786
	786

Adjustments

(in thousands of euro)		31/12/2004
For valorisation of Stock options	L	966
Other		(2)
		964

Depreciation of tangible assets

Adjustments

(in thousands of euro)		31/12/2004
Cancellation of depreciation on land and scrap value of buildings	C	(1,516)
Cancellation of depreciation on improvements to third party assets	B	(224)
Depreciation on assets destined for sale	C	1,050
Depreciation on assets held under leasing	D	24
		(666)

Amortisation of goodwill

Adjustments

(in thousands of euro)		31/12/2004
Cancellation of amortisation on goodwill	A	(21,572)
		(21,572)

Amortisation of intangible assets

Reclassifications

(in thousands of euro)	*31/12/2004*
To "financial payables" owing to change in layout of Income statement	(1,103)
To "costs for materials"	(1,316)
	(2,419)

Adjustments

(in thousands of euro)		*31/12/2004*
Cancellation of amortisation on start-up and expansion costs	B	(924)
Cancellation of amortisation on improvements to third party assets	B	(114)
Cancellation of amortisation on website	B	(1)
		(1,039)

Contributions

Reclassifications

(in thousands of euro)	*31/12/2004*
To "other income" owing to change in layout of Income statement	(6,085)
	(6,085)

Adjustments and allocations to the provision for risks and charges

Reclassifications

(in thousands of euro)	*31/12/2004*
To "other costs from operations" owing to change in layout of Income statement	(29,884)
	(29,884)

Other income from operations

Reclassifications

(in thousands of euro)	*31/12/2004*
From "capital and windfall gains" owing to a change in the layout of the Income statement	10,163
From "Contributions" owing to a change in the layout of the Income statement	6,085
To "costs for services and use of third party assets" owing to change in layout of Income statement	(716)
From "costs for materials" owing to change in layout of Income statement	17,337
	32,869

Other costs from operations

Reclassifications

(in thousands of euro)		31/12/2004
From "capital losses and other charges" owing to a change in the layout of the Income statement		11,485
From “adjustments and allocations" owing to a change in the layout of the Income statement		29,884
From "Value adjustments to financial assets" owing to a change in the layout of the Income statement		197
To "profit (loss) on assets destined for disposal" owing to change in layout of Income statement		(100)
From "tax" owing to a change in the layout of the Income statement		1,942
		43,408

Adjustments

(in thousands of euro)		31/12/2004
For fair value assessment of derivatives	F	52
Other		(18)
		34

Capital and windfall gains

Reclassifications

(in thousands of euro)	31/12/2004
To "profit on assets destined for disposal" owing to a change in the layout of the Income statement	(34,895)
To "other income from operations" owing to a change in the layout of the Income statement	(10,163)
	(45,058)

Capital losses and other charges

Reclassifications

(in thousands of euro)	31/12/2004
To "other costs from operations" owing to a change in the layout of the Income statement	(11,506)
To "profit (loss) on assets destined for disposal" owing to change in layout of Income statement	(12,700)
To "staff costs" owing to a change in the layout of the Income statement	(786)
To "tax" owing to a change in the layout of the Income statement	(490)
	(25,482)

Profit on equity investments

Reclassifications

(in thousands of euro)	31/12/2004
To "financial income" owing to a change in the layout of the Income statement	(222)
From "value adjustments to financial assets" owing to change in layout of Income statement	(3)
Other	(1)
	(226)

Adjustments

(in thousands of euro)		31/12/2004
Cancellation of income from sale of treasury shares	G	(240)
		(240)

Financial income

Reclassifications

(in thousands of euro)		*31/12/2004*
From “income from equity investments" owing to change in layout of Income statement		*222*
Other		*11*
		233

Adjustments

(in thousands of euro)		*31/12/2004*
Interest income on discounting of receivables	*L*	*76*
Employee benefits on actuarial assessment of employee severance indemnity	*I*	*672*
		748

Financial charges

Reclassifications

(in thousands of euro)		*31/12/2004*
From "amortisation on intangible assets" owing to change in layout of Income statement		*1,103*
Other		*8*
		1,111

Adjustments

(in thousands of euro)		*31/12/2004*
Amortised cost assessment of loans	*E*	*(161)*
Employee benefits on actuarial assessment of employee severance indemnity	*I*	*1,015*
Other		*11*
		865

Value adjustments to financial assets

Reclassifications

(in thousands of euro)		*31/12/2004*
To "other costs from operations" owing to a change in the layout		*197*
		197

Tax

Reclassification

(in thousands of euro)		31/12/2004
To "profit (loss) on assets destined for disposal" owing to change in layout of Income statement		(4,436)
To "other costs from operations" owing to change in layout of Income statement		(1,944)
From "capital losses and other charges" owing to change in layout of Income statement		490
		(5,890)

Adjustments

(in thousands of euro)		31/12/2004
For change in taxable income	M	(1,480)
		(1,480)

Profit (loss) from assets destined for disposal or disuse

Reclassifications

(in thousands of euro)		31/12/2004
From "net sales" owing to change in layout of Income statement		1,377
From "capital and windfall gains" owing to a change in the layout of the Income statement		34,055
From "costs for materials" owing to change in layout of Income statement		(8)
From "costs for services and use of third party assets" owing to change in layout of Income statement		(42)
From "other costs from operations" owing to change in layout of Income statement		(100)
From "tax" owing to change in layout of Income statement		(4,436)
From "capital losses and other charges" owing to change in layout of Income statement		(11,852)
		18,994

Adjustments

(in thousands of euro)		31/12/2004
Adjustment of capital gain on property disposals	C	(10,093)
Adjustment of capital loss on property disposals	C	(1,044)
Other		(7)
		(11,144)

DESCRIPTION OF THE MAIN ITEMS IN THE RECONCILIATION BETWEEN ITALIAN ACCOUNTING STANDARDS AND THE IFRS

The following paragraph provides a description of the main differences between Italian and IFRS accounting standards which have had an impact on the Immsi Group's consolidated financial statements. The values indicated are shown gross of the related tax effect, which is summarized separately under "Accounting of deferred tax assets/ liabilities".

A - *Business combinations*

As mentioned previously, the Group decided not to apply IFRS 3 "Business combinations" retroactively to the mergers that occurred before the date of transition to the IFRS.

A check was carried out of any impairment to goodwill, following the procedure required by IAS 36. The check carried out on the current value of the expected cash flows justifies the goodwill recorded in the financial statements, so no writedown was made.

The previous accounting standards envisaged the amortisation of goodwill. In accordance with the IAS/IFRS standards goodwill has been considered an intangible asset with an indefinite useful life and therefore is not amortised, but is subject to periodic verification of any impairment in its value. In the consolidated financial statements at 1 January 2004 the overall net value of goodwill was 408.5 million euro, and at 31 December 2004 was 493.3 million euro. In the income statement at 31 December 2004 in accordance with the previous accounting standards amortisation of goodwill was recorded of 21.6 million euro, which was then cancelled in the income statement prepared in accordance with international accounting standards.

In application of the provisions of the international accounting standards costs which had previously been capitalised under intangible assets were attributed to goodwill where the bases for their capitalisation no longer existed. These costs, relating to Piaggio, totalled 928 thousand euro at 1 January 2004.

In reference to the transactions as from 1 January 2004 (thus after the transition date to IAS/IFRS), it was decided to attribute part of the value of the consolidation difference caused by the acquisition of the RCN Group to specific headings under assets (to land and buildings for 8.6 million euro at 31 December 2004) and in the same way, in reference to the acquisition of the Aprilia Group, at 31 December 2004 part of the value of previously recorded goodwill was attributed to the heading 'trademarks and licences' for an amount of 75.5 million euro, gross of the tax effect. The latter was simultaneously recorded as a charge for 28 million euro. The above value allocations were generated and backed by expert investigations and studies carried out on the individual headings of the assets.

B - *Cancellation of capitalised costs*

On the basis of Italian accounting standards the Group used to capitalise some costs (mainly start-up and expansion costs, improvements to third party assets and charges on loans received) for which the IFRS require recognition on the income statement when they are incurred.

In particular, the share capital increase costs which, in accordance with Italian accounting standards, are capitalised and amortised, in accordance with the IFRS have been directly set against the shareholders' equity reserves at the date of the transactions, while the other start-up and expansion costs have been charged to the income statement, since they do not have the prerequisites for recording under intangible assets.

The overall impact of these cancellations was 3.1 million euro at 1 January 2004, and 1.6 million euro at 31 December 2004.

C - *Property, plant and machinery*

The main difference between the old and the new accounting standards relates to land and buildings. The Italian standards which were previously adopted allowed the recording of such items without distinction between them with consequent amortisation of the land. In accordance with international standards land must always be separated from buildings and thus not amortised.
In addition the value to be amortised is given by the book value, gross of amortisation and writedowns applied, reduced by the presumed residual value at the end of the asset's useful life.
The adjustments are largely due to the Parent Company Immsi S.p.A. in relation to the significant property portfolio it possesses and the ratio of the value of the land compared to that of the buildings.
The revision of the useful life of assets in accordance with IAS 16 has not had a significant effect given that the previous accounting standards already included amortisation rates that were largely in line with the useful life of the assets.

Assets destined for disposal and related liabilities

In accordance with the provisions of IFRS 5, the Group has reclassified the assets which were originally recorded under tangible assets and for which the book value is considered recoverable mainly through their sale rather than through its continued use, under the heading 'assets held for sale', and if necessary under the related liability heading.
The depreciation of the assets held for sale ends when the requirements for this change of treatment are seen to exist.

Following the above adjustments, the balance sheet saw respective increases at 1 January 2004 of 25.5 million euro and at 31 December 2004 of 14 million euro, while at the income statement level at the end of 2004 there was an overall decrease of 11.6 million euro.

D - *Financial leasing*

The Immsi Group, which already in previous financial statements used the international accounting standard no. 17 regarding financial leasing contracts, to the exclusion of some contractual operations which were not considered significant, has, in relation to the transition to the IAS/IFRS, reviewed and adjusted these contractual operations to this standard. The value of the financial payables thus recorded, divided between current and non-current, totalled respectively 0.1 million euro at 1 January and 0.8 million euro at 31 December in 2004.
Leased assets recorded under intangible assets totalled 0.8 million euro at 31 December 2004, while those under property, plant and machinery totalled 0.2 million euro at 1 January 2004 and 0.4 million euro at 31 December 2004.

E - *Equity investments and securities*

In accordance with the provisions of IAS 39 the Group classifies equity investments in listed companies other than subsidiaries and associated companies, among assets available for sale or among assets held for trading and assessed in the financial statements at fair value with the related value adjustments recorded in a specific shareholders' equity reserve until they are sold, in the case of assets available for sale, and directly on the income statement in the case of assets held for trading. In particular the fair value assessment of the Capitalia S.p.A. shares held by the Parent Company Immsi S.p.A. caused an increase in financial assets and in a specific shareholders' equity reserve of 8.1 million euro and 19.7 million euro respectively at 1 January and 31 December 2004.

F - *Recording and assessment of derivatives*

The main differences between the treatment under Italian accounting standards and under the IFRS can be summarised as follows:

- Financial instruments designated as hedging instruments. In accordance with Italian accounting standards, the instrument is assessed symmetrically with the item being covered. Therefore, when the underlying cover is not sufficient for the fair value in the financial statements, so too the derivative cannot be adequate. Likewise, should the item covered not be recorded in the financial statements (hedging of future cash flows), the assessment of the derivative at fair value is postponed.

In accordance with the IFRS:

- In the case of *fair value hedges*, the profits or losses arising from the assessment of the derivative at its current value must recognised on the income statement and the profits or losses on the item covered, attributable to the risk covered, must adjust the book value of the item itself and be recognised on the income statement. Consequently, there is no effect on the net income (except for any ineffective portion of the hedge) nor on shareholders' equity, while adjustments are recorded to the book values of the derivatives and the items covered;
- In the case of *cash flow hedges* (cover of future cash flows), the share of profits or losses on the derivative which is considered effective must be recorded directly under shareholders' equity; the ineffective part of the profits or losses must be recorded on the income statement; consequently, between the Italian accounting standards and the IFRS there is only a difference on shareholders' equity in relation to the effective part of hedging instruments.

- Instruments designated as non-hedge derivatives (except for exchange rate derivatives). In accordance with Italian accounting standards, these instruments are assessed at current value and the difference, if negative compared to the contractual value, is recorded on the income statement, in keeping with the prudence principle. In accordance with IAS 39, the positive difference must also be recorded. As for exchange rate derivatives, the accounting treatment adopted in accordance with Italian accounting standards is in line with IAS 39.

G - *Treasury shares*

In accordance with Italian accounting standards, the Group records treasury shares as assets and records the related value adjustments and the profits and losses arising from their sale on the income statement.
For the IFRS treasury shares must be recorded against shareholders' equity and all movements on treasury shares must be recorded under shareholders' equity, rather than on the income statement.

H - *Disposal of receivables*

The Immsi Group cedes a significant part of its trade receivables through factoring operations.

In accordance with Italian accounting standards all the receivables disposed of through factoring with or without recourse have been eliminated from the balance sheet. The adoption of IAS 39, in particular the provisions envisaged for the cancellation of financial assets, has led to a more restrictive interpretation of the necessary requirements for the definitive recognition of the disposal of receivables.

In particular, since there is no disposal of the risks of insolvency in the case of operations which do not envisage the transfer of the risks and benefits, the receivables ceded are restored to the financial statement and the payment received is recorded as an advance payment received. In particular, owing to these reinstatements trade receivables and financial payables rose, in terms of their current and non-current shares taken together, by 75.6 million euro and 58.3 million euro in the respective periods 1 January and 31 December 2004.

I - *Employee benefits*

The Group recognises various forms of benefits for employees, which may be classified as defined benefit pension plans, as are other long-term benefits.

In accordance with Italian accounting standards these benefits, except for the provision for employee severance indemnity which is recorded in accordance with specific Italian legal regulations, had largely already been assessed in accordance with the requirements of IAS 19 "Employee benefits", by applying the corridor approach, which consists of amortising over the remaining average working life of employees only the part of the accumulated net value of the actuarial profits and losses which exceeds the greater of 10% of the current value of the defined benefit obligation and 10% of the current value of the assets to service the plan; the part included in the corridor, however, is not recorded.

With the adoption of the IFRS, employee severance indemnity is considered a defined benefit obligation to be accounted for in accordance with IAS 19 and, consequently, must be recalculated by applying the projected unit credit method.

In addition, the Group has decided to recognise all the accumulated actuarial profits and losses as at 1 January 2004 by charging them directly to the reserve for shareholders' equity. The Group has decided not to use the so-called "corridor method", which would enable the cost element calculated with the method described, and which represents the actuarial profits and losses, not to be recorded, provided it does not exceed the 10% limit. It follows that the costs relating to pension plans and for other benefits to be paid at the end of the employment relationship, and recorded in the 2004 IFRS income statement, do not include any amortisation of actuarial profits and losses which had not previously been recorded in the financial statements.

Finally, it should be noted that the Group shows the financial element relating to defined benefit plans for employees under the heading 'financial income/ charges', since there are no assets to serve these plans.

The provision for pension funds and similar rights at 1 January 2004 rose by 2.3 million euro and at 31 December 2004 by 5.4 million euro.

L - *Other adjustments*

Discounting receivables/payables

In accordance with the provisions of the international accounting standards, it was arranged to discount assets and liabilities which are recorded under non-current items, for which there was included a financial element linked to the agreed reductions, thus reducing the income/cost element from operations against the financial interest / charges element.

Capital account payments still due

As required by the international standards, the receivables due for payments to the capital account from minority shareholders in Apuliae S.p.A. were cancelled against a corresponding share of shareholders' equity for approximately 0.2 million euro at 1 January 2004.

Stock options

In accordance with the provisions of IFRS 2 "Share based payments", the total current value of the stock options, approximately 1 million euro at 31 December 2004, has been entirely recorded on the income statement under staff costs with a counter entry in the shareholders' equity reserve at the moment of the allocation, the moment in which the recipients of the instruments which represent share capital will become the right holders.

M - *Recording of deferred tax assets and liabilities*

This item includes the net effect of the deferred tax assets and liabilities calculated on the aforementioned IFRS adjustments and on other minor differences between the Italian and IFRS accounting standards relating to the recognition in the financial statements of deferred tax assets and liabilities. On the income statement the taxes at 31 December 2004 fell by 1.5 million euro. The overall adjustments to deferred tax liabilities, net of deferred tax assets, recorded on the balance sheet totalled 9.2 million euro and 9.4 million euro, respectively at 1 January and 31 December 2004.

LIST OF THE COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND THE EQUITY INVESTMENTS AT 31 DECEMBER 2005 IN ACCORDANCE WITH ART. 38 AND 39 OF Leg. Decree no. 127/1991

Company	Curr-ency	Share capital	% of equity held in the Share capital	% of voting rights (if different)
COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS ON A GLOBAL LINE-BY-LINE BASIS				
Piaggio Holding Netherlands B.V. Prof. J H Bavincklaan 7, 1183 AT Amstelveen, Amsterdam - Holland Immsi S.p.A. equity investment 40.10%	Euro	320,000.00	40.10%	75%*
Apuliae S.p.A. p.zzetta Riccardi, 11 - 73100 Lecce Immsi S.p.A. equity investment 85%	Euro	2,000,000.00	85.00%	
Is Molas S.p.A. Piazza Vilfredo Pareto, 3 - 46038 Mantua Immsi S.p.A. equity investment 60%	Euro	3,760,000.00	60.00%	
RCN Finanziaria S.p.A. Piazza Vilfredo Pareto, 3 - 46038 Mantua Immsi S.p.A. equity investment 60.81%	Euro	27,135,988.00	60.81%	
Piaggio & C. S.p.A. v.le Rinaldo Piaggio,25 - 56025 Pontedera (Pisa) Immsi S.p.A. equity investment 5.23% Piaggio Holding Netherlands B.V. equity investment 86.92%	Euro	194,827,431.24	92.15%	
Derbi Italia S.r.l. v.le Rinaldo Piaggio,25 - 56025 Pontedera (Pisa) National Motor S.A. equity investment 100%	Euro	21,000.00	100.00%	
Derbi Racing S.L. Calle La Barca. 5-7 - 08107 Martorelles Barcelona - Spain National Motor S.A. equity investment 100%	Euro	1,263,000.00	100.00%	
Derbi Retail Madrid S.L. Gran Via de las Cortes Catalanas, 411 - 08015 Barcelona - Spain National Motor S.A. equity investment 100%	Euro	603,000.00	100.00%	
Nacional Motor S.A. Calle Barcelona, 19 - 08107 Martorelles Barcelona - Spain Piaggio & C. S.p.A. equity investment 100%	Euro	9,182,190.00	100.00%	
P & D S.p.A. *** v.le Rinaldo Piaggio, 25 - 56025 Pontedera (Pisa) Piaggio & C. S.p.A. equity investment 100%	Euro	416,000.00	100.00%	
Piaggio Asia Pacific PTE Ltd. 19 Genting Road - 349478 Singapore Piaggio Vespa B.V. equity investment 100%	SGD	100,000.00	100.00%	
Piaggio Benelux B.V. Hoevestein, 48 - 4903 SC Oosterhout - Holland Piaggio Vespa B.V. equity investment 100%	Euro	45,378.00	100.00%	
Piaggio Deutschland Gmbh Marie-Curie Strasse 8 - 50170 Kerpen - Germany Piaggio Vespa B.V. equity investment 70% Piaggio Espana S.A. equity investment 30%	Euro	5,113,500.00	100.00%	
Piaggio Espana S.A. Calle Rosario Pino, 14-16, 4ª Planta (Edificio Rioja) 28020 Madrid - Spain Piaggio Vespa B.V. equity investment 100%	Euro	2,898,000.00	100.00%	
Piaggio Finance S.A. 10-21, Boulevard du Prince Henri L-1724 - Luxembourg RCS Luxembourg B 107.430 - c/o SEB Societé Europeenne de Banque Piaggio & C. S.p.A. equity investment 99.99%	Euro	31,000.00	99.99%	
Piaggio France S.A.S. 32, Rue d'Armaillé, 75017 Paris - France Piaggio Vespa B.V. equity investment 100%	Euro	1,209,900.00	100.00%	
Piaggio Hellas EPE 259, Imitu Street - 11631 Athens - Greece Piaggio Vespa B.V. equity investment 99.99%	Euro	7,080,000.00	99.99%	
Piaggio Hrvatska D.o.o. Put Brodarice 6 - 21000 Spalato - Croatia Piaggio Vespa B.V. equity investment 75%	HRK	400,000.00	75.00%	
Piaggio Indochina PTE Ltd. 19, Genting Road - 349478 Singapore Piaggio Asia Pacific PTE Ltd equity investment 100%	SGD	100,000.00	100.00%	
Piaggio Limited 1 Boundary Row - London SE1 8HP – United Kingdom Piaggio Vespa B.V. equity investment 99.99% Piaggio & C. S.p.A. equity investment 0.01%	GBP	250,000.00	100.00%	

Company	Curr-ency	Share capital	% of equity in the share capital	% of voting rights (if different)
Piaggio Portugal Limitada Campo Grande n. 35 - 5° B Lisbon 16003100 - Portugal Piaggio Vespa B.V. equity investment 100%	Euro	5,000.00	100.00%	
Piaggio USA Inc. 140 East 45th Street, 17th Floor New York, NY 10017 - U.S.A. Piaggio Vespa B.V. equity investment 100%	USD	13,082,977.00	100.00%	
Piaggio Vehicles Private Limited E-2, MIDC Area Baramati 413-133 Dist. Pune, Maharashtra - India Piaggio & C. S.p.A. equity investment 97.49% Piaggio Vespa B.V. equity investment 0.01%	INR	340,000,000.00	97.50%	
Piaggio Vespa B.V. c/o MeesPierson Intertrust Rokin 55, 012KK Amsterdam - Holland Piaggio & C. S.p.A. equity investment 100%	Euro	91,000.00	100.00%	
Moto Guzzi S.p.A. v. E.V. Parodi , 57 - 23826 Mandello del Lario (Lecco) Piaggio & C. S.p.A. equity investment 100%	Euro	2,500,000.00	100.00%	
Moto Laverda S.r.l. *** v. Galileo Galilei, 15 - 30033 Noale (Venice) Piaggio & C. S.p.A. equity investment 100%	Euro	80,000.00	100.00%	
Motocross Company S.r.l. *** v. Sempione, 26 - 21029 Vergiate (Varese) Piaggio & C. S.p.A. equity investment 100%	Euro	10,000.00	100.00%	
Aprilia World Service USA, inc. 109 Smokehill Lane, Suite 190, Woodstock, GA 30188 - U.S.A. Piaggio Vespa B.V. equity investment 100%	USD	10,000.00	100.00%	
Aprilia World Service B.V. Koperstraat 4 - 4823 AE Breda - Holland Piaggio & C. S.p.A. equity investment 100%	Euro	30,000,000.00	100.00%	
Aprilia Research & Development S.A. *** v. Vitalis di Giovanni n° 28/G, 47891 Galazzano – Republic of San Marino Aprilia World Service B.V. equity investment 100%	Euro	260,000.00	100.00%	
Aprilia Hellas S.A. 4, Rizariou Street & 3-5 Aghiou Ioannou Street 152 33 Chalandri - Greece Aprilia World Service B.V. equity investment 99.86% Piaggio Vespa B.V. equity investment 0.14%	Euro	420,000.00	100.00%	
Aprilia Motorrad GmbH Am Seestern 3 - 40547 Dusseldorf - Germany Aprilia World Service B.V. equity investment 100%	Euro	2,125,000.00	100.00%	
Aprilia Moto UK Limited *** 15, Gregory Way - SK5 7ST Stockport - Cheshire – United Kingdom Aprilia World Service B.V. equity investment 100%	GBP	2,555,325.00	100.00%	
Aprilia Japan Corporation 3-22-5-402 Shinyokohama Kouhoku-ku Yokohama shi - Kanagawa 222-0033 - Japan Aprilia World Service B.V. equity investment 100%	YEN	3,000,000.00	100.00%	
Rodriquez Cantieri Navali S.p.A. v. S. Raineri, 22 - 98122 Messina RCN Finanziaria S.p.A. equity investment 100%	Euro	13,000,000.00	100.00%	
Rodriquez Engineering Srl Via S. Raineri, 22 - 98122 Messina Rodriquez Cantieri Navali S.p.A. equity investment 98.74%	Euro	119,756.00	98.74%	
Intermarine S.p.A. Via Alta - 19038 Sarzana (La Spezia) Rodriquez Cantieri Navali S.p.A. equity investment 100%	Euro	10,000,000.00	100.00%	
Conam S.p.A. Via Provinciale Pianura - Loc. S. Martino, 15 80078 Pozzuoli (Naples) Rodriquez Cantieri Navali S.p.A. equity investment 60%	Euro	1,012,000.00	60.00%	
Rodriquez Cantieri Navali do Brasil Ltda. Rua da Assembléia n.11/5° andar - CEP 20.011-001 Rio de Janeiro - Brazil Rodriquez Cantieri Navali S.p.A. equity investment 95%	R$	1,068,150.00	95.00%	
Rodriquez Yachts Srl Via S. Raineri, 22 - 98122 Messina Rodriquez Cantieri Navali S.p.A. equity investment 95% Rodriquez Marine System S.r.l. equity investment 5%	Euro	49,572.00	100.00%	
Rodriquez Marine System Srl Via S. Raineri, 22 - 98122 Messina Rodriquez Engineering S.r.l. equity investment 90%	Euro	46,800.00	90.00%	
Progetto Smeb Srl *** Via S. Raineri, 2 - 98122 Messina Rodriquez Cantieri Navali S.p.A. equity investment 75%	Euro	10,000.00	75.00%	

* In reference to Piaggio Holding Netherlands B.V., with 75% of voting rights for all items for which a higher quorum is not required for voting purposes, Immsi has a sufficient majority to approve the financial statements, appoint 5 of the 9 members of the Supervisory Board and appoint the Managing Director.

Company	Curr -ency	Share capital	% of equity held in the share capital	% of voting rights (if different)
EQUITY INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES VALUED AT EQUITY				
Piaggio China Co. LTD Suite 1901, 19/F, Cheung Kong Center, 2 Queen's Road Central - Hong Kong Piaggio & C. S.p.A. equity investment 99.99%	USD	12,500,000.00	99.99%	
Zongshen Piaggio Foshan Motorcycle Co. LTD. Zhenxing Road, Chengxi Industrial Zone, Zhangcha, Foshan City Guangdong Province - 52800 China Piaggio & C. S.p.A. equity investment 32.5% Piaggio China Co. LTD equity investment at 12.5%	USD	29,800,000.00	45.00%	
Mitsuba F.N. Europe S.p.A. Loc. Mortellini V. Aurelia Sud - Pisa Piaggio & C. S.p.A. equity investment 10%	Euro	1,000,000.00	10.00%	
Aprilia World Service Holding do Brasil Ltda. Rua Professor Alceu Maynard de Araujo, 121, Térreo, San Paolo - Brazil Aprilia World Service BV equity investment 99.99%	R$	2,028,780.00	99.99%	
Aprilia Brasil S.A. *** Av.da Carvalho Leal n° 1336, 2° andar, Manaus - Brazil Aprilia World Service Holding do Brasil Ltda equity investment 51%	R$	2,020,000.00	51.00%	
Rodriquez Logtec Srl Via Mercadante, 4C 89026 S. Ferdinando (Reggio Calabria) Rodriquez Cantieri Navali S.p.A. equity investment 55%	Euro	60,000.00	55.00%	
EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES VALUED AT COST				
Motoride S.p.A. *** v. Monte Napoleone, 21 - Milan Piaggio & C. S.p.A. equity investment 28.29%	Euro	1,989,973.00	28.29%	
Marker S.r.l. v. Nirone n° 19 - 20121 Milan Aprilia World Service B.V. equity investment 49%	Euro	10,400.00	49.00%	
Pont - Tech , Pontedera & Tecnologia S.c.r.l. v.le Rinaldo Piaggio,32 - 56025 Pontedera (Pisa) Piaggio & C. S.p.A. equity investment 20%	Euro	104,000.00	20.00%	
S.A.T. Societé d'Automobiles et Triporteurs S.A. 128 Avenue Jugurtha, Mutueville, 1082 Tunisi - Tunisia Piaggio Vespa B.V. equity investment 20%	TND	210,000.00	20.00%	
Acciones Depuradora Soc. Coop. Catalana Limitada Agrupacio d'Industrials del Baix Valles Doctor Lluis duran, 76 2° 08100 Mollet del Valles Barcelona - Spain National Motor S.A. equity investment 22%	Euro	60,101.00	22.00%	
Piaggio Argentina S.A. *** Calle Lavalle, 715 piso 4 - 1047 Buenos Aires - Argentina Piaggio Vespa B.V. equity investment 99.99%	ARS	100,000.00	99.99%	
D.E.V. - Diffusione Europea Veicoli S.r.l. *** v. della Bova, 33/3 - 30033 Noale (Venice) Piaggio & C. S.p.A. equity investment 20%	Euro	100,000.00	20.00%	
Rodriquez Mexico *** Altamirano 750 Col El Esterito La Paz, BCS CP 23020 - Mexico Rodriquez Cantieri Navali S.p.A. equity investment 50%	Pesos	50,000.00	50.00%	
Rodriquez USA LLC *** 7270 NW 12th Street - 33126 Miami (Florida) - U.S.A. Rodriquez Cantieri Navali S.p.A. equity investment 100%	USD	1,681.02	100.00%	
Rodriquez Marine System U.S.A. INC. *** 16 Centre Street - Concord - New Hampshire - U.S.A. Rodriquez Marine System S.r.l. equity investment 95%	USD	500.00	95.00%	
Rodriquez Charter & Broker Srl *** Via S. Raineri, 22 - 98122 Messina Rodriquez Yachts S.r.l. equity investment 100%	Euro	10,000.00	100.00%	
Consorzio CTMI - Messina Via S. Raineri, 22 - 98122 Messina Rodriquez Cantieri Navali S.p.A. equity investment 41.54%	Euro	53,040.00	41.54%	
Armas Ocean Jet SA - Spain Calle Juan Rejon, 32 - Las Palmas de Gran Canaria Rodriquez Cantieri Navali S.p.A. equity investment 10%	Euro	7,488,711.53	10.00%	
Italsistemi S.r.L. *** Via Brodolini zona ind.le Battipaglia (Salerno) Rodriquez Marine System S.r.l. equity investment 24%	Euro	50,000.00	24.00%	
Fondazione Piaggio Onlus v.le Rinaldo Piaggio, 7 - 56025 Pontedera (Pisa) Piaggio & C. S.p.A. equity investment 50%	Euro	103,291.38	50.00%	

*** Companies which are not active or in liquidation

IMMSI S.p.A.

Reclassified schedules and
Statutory Financial statements
at 31 December 2005

- Prepared in accordance with Italian Accounting standards -

Reclassified Income statement of Immsi S.p.A.

in thousands of euro	2005		2004	
Net sales	**3,881**	**100.0%**	**12.478**	**100.0%**
Operating costs				
Labour costs	-1,707	-44.0%	-1,428	-11.4%
Materials and services	-7,847	-202.2%	-8,906	-71.4%
Adjustments and allocations to the provision for risks and charges	-1,317	-33.9%	-546	-4.4%
Other (costs) income, net	5,180	133.5%	1,556	12.5%
EBITDA (before non-recurring income/charges)	**-1,810**	**-46.6%**	**3,154**	**25.3%**
Non-recurring income				
Capital and windfall gains	18,418	474.6%	33,895	271.6%
Non-recurring charges				
Capital losses and other charges	-577	-14.9%	-13,202	-105.8%
EBITDA	**16,031**	**413.1%**	**23,847**	**191.1%**
Depreciation of tangible assets	-527	-13.6%	-2,346	-18.8%
Amortisation of intangible assets	-579	-14.9%	-1,002	-8.0%
EBIT	**14,925**	**384.6%**	**20,499**	**164.3%**
Income from equity investments	891	23.0%	462	3.7%
Financial charges and income, net	-1,070	-27.6%	-3,750	-30.1%
Income before tax	**14,746**	**380.0%**	**17,211**	**137.9%**
Tax	-5,157	-132.9%	-5,375	-43.1%
Net income for the year	**9,589**	**247.1%**	**11,836**	**94.9%**

Comments on the income statement

Net income for 2005 of 9,589 thousand euro, was down compared to 2004 by 2,247 thousand euro. This decrease should be related to the different weight of net capital gains generated by property disposals over the two periods being compared and by the progressive reduction in the income related to the leasing business. At 31 December there was one property still held, located in Rome – via Abruzzi, following the substantial completion of the Disposals Plan.

In detail:

- *net sales* stood at 3,881 thousand euro in the year, down by 8,597 thousand euro compared to net sales in 2004 (12,478 thousand euro), caused, as already noted, mainly by the disposals undertaken;

- *operating costs* and *other net charges* in the year totalled 5,691 thousand euro, down by 3,633 thousand euro compared to the value recorded at 31 December 2004;

- *labour costs* totalled 1,707 thousand euro, up compared to 1,428 thousand euro at 31 December 2004. The average paid workforce in the period was 20 units, compared to 18 units in the previous year;

- *costs for materials and services* totalled 7,847 thousand euro and fell compared to the value of 8,906 thousand euro recorded at 31 December 2004 mainly owing to the reduction in costs linked to property and despite higher expenses incurred directly by the Parent Company on behalf of its subsidiaries and subsequently recharged to them (1,709 thousand euro in 2005 compared to 621 thousand euro in 2004);

- *adjustments* totalled 1,317 thousand euro and refer to the allocation to the provision for the writedown of receivables (1,196 thousand euro) and the provision for risks (120 thousand euro) for receivables which are considered difficult to recover and risks connected to receipts which are potentially subject to reclaim;

- the balance of *other costs and income* was positive at 5,180 thousand euro, compared to 1,556 thousand euro at 31 December 2004. The balance for the year consists, in reference to costs, of 304 thousand euro from Italian property tax (809 thousand in 2004) and other net charges of 277 thousand euro, while in reference to income the most important element (5,600 thousand euro) consisted of recharges to Group companies for services performed or expenses incurred on their behalf;

- *EBITDA*, before non-recurring income and charges, stood at a loss of 1,810 thousand euro compared to a profit of 3,154 thousand euro at 31 December 2004;

- *Non-recurring income*, of 18,418 thousand euro, mainly consisted of capital gains on property sales for 17,020 thousand euro, compared to a corresponding value of 27,487 thousand euro at 31 December 2004 and 818 thousand euro from non-recurring income due to the release of deferred tax liabilities recorded in the previous year against the cancellation of the balance of the provision for accelerated amortisation recorded at 31 December 2003 in accordance with the provisions of Leg. Decree no. 6 of 17/01/03 regarding "reversal of tax-related entries in the financial statements";

- Among *non-recurring charges*, of 577 thousand euro, were mainly included windfall losses relating to costs linked to the tax assessment made in 2005 for 72 thousand euro and invoices unrelated to 2005 for 499 thousand euro;

- *EBITDA* totalled 16,031 thousand euro compared to 23,847 thousand euro at 31 December 2004, down by 7,816 thousand euro compared to 2004;

- the value of *amortisation* totalled 1,106 thousand euro, down overall by 2,242 thousand euro compared to 2004 largely owing to the lower value of assets following the disposals made in the year. The amount concerns intangible assets for 579 thousand euro and tangible for 527 thousand euro;

- *EBIT* totalled 14,925 thousand euro at 31 December 2005 compared to 20,499 thousand euro in 2004;

- The balance of *financial charges and income* was negative at 179 thousand euro and includes among the charges mainly the interest paid on loans backed by property assets for 1,798 thousand euro, down compared to 2004 following the repayment of the loan of 150 million euro and the opening of a new loan of 46 million euro overall, financial charges relating to the discounting of deeds for properties sold in the year for 342 thousand euro and other interest paid for 134 thousand euro. In reference to income the main elements refer to interest received on loans supplied to Group companies for 733 thousand euro overall, dividends on Capitalia shares (891 thousand euro), capital gains on the disposal of option rights (283 thousand euro), and current account interest (188 thousand euro);

- *Income before tax* totalled 14,746 thousand euro compared with 17,211 thousand euro at 31 December 2004;

- *Income tax* was 5,157 thousand euro, of which 4,901 thousand euro for deferred tax liabilities, 480 thousand euro for deferred tax assets and 736 thousand euro for tax relating to the year. The incidence of tax on pre-tax income was 35% compared to 31.2% in 2004.

Balance sheet of Immsi S.p.A.

in thousands of euro	31.12.2005	in %	31.12.2004	in %
Short-term assets				
Cash and cash equivalents	14,280	5.1%	11,491	3.8%
Operative assets	4,611	1.6%	7,141	2.3%
TOTAL SHORT-TERM ASSETS	18,891	6.7%	18,632	6.1%
Medium/long-term assets				
Medium/long-term financial assets	21,121	7.5%	9,000	3.0%
Intangible assets	1,173	0.4%	1,125	0.4%
Tangible assets	8,210	2.9%	43,357	14.3%
Other assets	232,073	82.5%	232,091	76.3%
TOTAL MEDIUM/LONG-TERM ASSETS	262,577	93.3%	285,573	93.9%
TOTAL ASSETS	**281,468**	**100.0%**	**304,205**	**100.0%**
Short-term liabilities				
Financial payables	900	0.3%	2,000	0.7%
Operative liabilities	3,201	1.1%	10,925	3.6%
TOTAL SHORT-TERM LIABILITIES	4,101	1.5%	12,925	4.2%
Medium/long-term liabilities				
Financial payables	46,000	16.3%	63,650	20.9%
Other medium/long-term liabilities	11,848	4.2%	9,927	3.3%
MEDIUM/LONG-TERM LIABILITIES	57,848	20.6%	73,577	24.2%
TOTAL LIABILITIES	**61,949**	**22.0%**	**86,502**	**28.4%**
TOTAL SHAREHOLDERS' EQUITY	**219,519**	**78.0%**	**217,703**	**71.6%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**281,468**	**100.0%**	**304,205**	**100.0%**

Comment on balance sheet and financial figures

- *short-term assets* at 31 December 2005 totalled 18,891 thousand euro compared to 18,632 thousand euro at 31 December 2004.
  In particular net trade receivables due from third parties (1,072 thousand euro) fell by 959 thousand euro compared to 31 December 2004, while trade receivables due from Group companies totalled 2,759 thousand euro, up by 1,619 thousand euro compared to 31 December 2004. Other assets, consisting of other receivables for 723 thousand euro and accrued income and deferred charges for 57 thousand euro, fell by 3,191 thousand euro; under other receivables the main item was deferred tax assets calculated at 659 thousand euro.
  Cash and cash equivalents stood at 14,280 thousand euro at 31 December 2005, an increase of 2,789 thousand euro compared to 2004 and consisted mainly of holdings in bank current accounts for 13,374 thousand euro and short-term loans to Group companies for 900 thousand euro;

- *medium/long-term assets* totalled 262,577 thousand euro, down by 22,996 thousand euro compared to 285,573 thousand euro at 31 December 2004. In particular the change in tangible assets (35,147 thousand euro) was the consequence of the net asset disposals made in the period of 35,516 thousand euro and the amortisation applied for 527 thousand euro;

- *short-term liabilities* at 31 December 2005 totalled 4,101 thousand euro compared to 12,925 thousand euro at 31 December 2004, down by 8,824 thousand euro. In particular trade payables due to third parties at 31 December 2005 stood at 1,448 thousand euro showing a fall compared to 31 December 2004 of 1,498 thousand euro. The balance also includes tax payables of 1,197 thousand euro, payables due to staff and to social security institutions of 244 thousand euro, other liabilities of 16 thousand euro and 900 thousand euro for a financial payable due to Apuliae S.p.A. Accrued liabilities totalled 285 thousand euro, mainly for interest paid on the mortgage loan;

- *medium/long-term liabilities* totalled 57,848 thousand euro, down by 15,729 thousand euro compared to 73,577 thousand euro at 31 December 2004. In particular medium/long-term financial payables totalled 46,000 thousand euro at 31 December 2005 and related to a mortgage loan obtained from Efibanca in June. Among medium/long-term non-financial liabilities is included the provision for deferred tax liabilities, of 11,426 thousand euro, up by 1,707 thousand euro compared to 31 December 2004 and the provision for risks of 120 thousand euro. The provision for deferred tax liabilities mainly increased following the provisions made for deferred tax liabilities on the capital gains arising from the property disposals undertaken in the period;

- *total shareholders' equity* was 219,519 thousand euro, up by 1,816 thousand euro compared to 31 December 2004 following the receipt of the residual share of the share capital increase for 807 thousand euro, and of net income (9,589 thousand euro) and following the distribution of dividends for 8,580 thousand euro.

Analysis of the invested capital of Immsi S.p.A.

in thousands of euro	31.12.2005	in %	31.12.2004	in %
Short-term operative assets	4,611	1.9%	7,141	2.6%
Short-term operative liabilities	-3,201	-1.3%	-10,925	-4.0%
Operative working capital	1,410	0.6%	-3,784	-1.4%
Intangible assets	1,173	0.5%	1,125	0.4%
Tangible assets	8,210	3.4%	43,357	15.9%
Other assets	232,073	95.6%	232,091	85.1%
Invested capital	**242,866**	**100.0%**	**272,789**	**100.0%**
Medium/long-term non-financial liabilities	11,848	4.9%	9,927	3.6%
Group shareholders' equity	219,519	90.4%	217,703	79.8%
Total non-financial sources	**231,367**	**95.3%**	**227,630**	**83.4%**
Net debt (net liquidity)	**11,499**	**4.7%**	**45,159**	**16.6%**

- *invested capital,* as shown, fell compared to 31 December 2004 by 29,923 thousand euro falling from 272,789 thousand euro to 242,866 thousand euro at 31 December 2005. Coverage was 95.3% provided by non-financial sources, i.e. by shareholders' equity for 90.4% and by other medium/long-term liabilities for 4.9%;

- *net debt*, for which there follows a detailed analysis of its trend over the year, at 31 December 2005 stood at 11,499 thousand euro, an improvement of 33,660 thousand euro compared to the balance of 45,159 thousand euro at 31 December 2004.

Statement of cash flows of Immsi S.p.A.

	in thousands of euro	2005	2004
A.	**Opening net debt**	**-45,159**	**-87,412**
B.	**Cash flow generated (absorbed) from operations**		
	Net income for the year	9,589	11,836
	Amortisation, depreciation and writedowns	1,106	3,348
	Capital (gains) or losses on the disposal of assets	-17,013	-15,627
	Writedowns of assets, net	0	0
	Change in operative working capital	-5,194	-1,677
	Net change in "Provision for employee severance indemnity”	20	44
	Other changes	1,920	2,690
		-9,572	614
C.	**Net cash flow generated (absorbed) by investment activities**		
	Investments in assets		
	- intangible	-627	-1,049
	- tangible	-897	-2,234
	- financial	0	-109,014
	Sale price, or repayment value, of assets	52,529	82,135
		51,005	-30,162
D.	**Cash flow generated (absorbed) by financing activities**		
	Share capital increases	807	78,392
	Capital account contributions	0	0
		807	78,392
E.	**Distribution of profits**	-8,580	-6,591
F.	**Net cash flow in the year (B+C+D+E)**	**33,660**	**42,253**
G.	**Closing net debt (A+F)**	**-11,499**	**-45,159**

Investments in intangible assets of 627 thousand euro refer to expenses incurred for the taking out of the mortgage loan of 46 million euro, improvements to third party assets and costs linked to the share capital increase. Investments in tangible assets refer mainly to restructuring and adjustment work carried out on the property in Rome - Via Abruzzi.

The total sale price of the assets sold in the period totalled 52,529 thousand euro against net capital gains of 17,013 thousand euro.

The cash flow generated from asset disposals, together with that relating to the share capital increase (807 thousand euro) enabled the financing of investments in the year (equal overall to 1,524 thousand euro) and flows absorbed by working assets (9,572 thousand euro) and the distribution of dividends for 8,580 thousand euro, generating positive cash flow for the year of 33,660 thousand euro which enabled a reduction in opening net debt (45,159 thousand euro) to 11,499 thousand euro at 31 December 2005.

BALANCE SHEET

Amounts in euro

ASSETS	31/12/2005	31/12/2004
A) RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CONTRIBUTIONS	-	-
B) FIXED ASSETS:		
I Intangible assets		
Start-up and expansion costs	601,532	710,125
Industrial patent rights and intellectual property rights	28,894	56,214
Other	542,237	358,812
TOTAL I (INTANGIBLE ASSETS)	**1,172,663**	**1,125,151**
II Tangible assets:		
Land and buildings	7,143,652	42,303,686
Plant and machinery	319,579	610,359
Other assets	713,693	443,279
Assets in process of formation and payments on account	33,375	-
TOTAL II (TANGIBLE ASSETS)	**8,210,299**	**43,357,324**
III Financial assets:		
Equity investments	232,057,599	232,057,599
Subsidiaries	214,222,081	214,222,081
Other companies	17,835,518	17,835,518
Receivables	21,135,496	9,033,336
Subsidiaries	21,120,714	9,000,000
Due from others	14,782	33,336
TOTAL III (FINANCIAL ASSETS)	**253,193,095**	**241,090,935**
TOTAL FIXED ASSETS B)	**262,576,057**	**285,573,410**
C) WORKING CAPITAL		
I Inventories	-	-
II Receivables		
Due from customers	1,072,116	2,031,304
Due from subsidiaries	2,174,763	1,139,749
Due from parent companies	583,975	-
Due from tax authorities	50,618	1,085,761
Deferred tax assets	658,974	2,653,190
Due from others	13,380	51,742
TOTAL II (RECEIVABLES)	**4,553,826**	**6,961,746**
III Financial assets not held as fixed assets:		
Treasury shares	-	-
Financial receivables due from subsidiaries	900,278	-
TOTAL III (Fin. assets not held as fixed assets)	**900,278**	**-**
IV Cash and cash equivalents		
Bank and postal deposits	13,373,756	11,480,908
Cash and cash in hand	6,921	9,977
TOTAL IV (CASH AND CASH EQUIVALENTS)	**13,380,677**	**11,490,885**
TOTAL WORKING CAPITAL C)	**18,834,781**	**18,452,631**
D) ACCRUED INCOME AND DEFERRED CHARGES	**57,128**	**179,936**
TOTAL ASSETS A + B + C + D)	**281,467,966**	**304,205,977**

BALANCE SHEET

Amounts in euro

LIABILITIES			31/12/2005	31/12/2004	
A)	SHAREHOLDERS' EQUITY				
	I	Share capital	**148,720,000**	**114,400,000**	
	III	Revaluation reserves	**4,602,247**	**4,602,247**	
	IV	Legal reserves	**809,093**	**217,295**	
	VI	Reserve for treasury shares held	**-**	**-**	
	VII	Other reserves:	**53,134,717**	**86,648,174**	
		Extraordinary reserves	7,101,690	7,101,690	
		Reserve for capital account contributions	525,844	525,844	
		Provision in acc. with art. 74 TUIR	369,244	369,244	
		Provision in acc. with art. 15 of Law 429/82	139,281	139,281	
		Provision in acc. with art. 18 of Law 675/77	118,658	118,658	
		Share premium reserve	44,880,000	44,422,958	
		Payment to share capital increase account	-	33,970,498	
	VIII	Retained earnings	**2,664,175**	**-**	
	IX	Net income for the year	**9,589,005**	**11,835,973**	
		TOTAL SHAREHOLDERS' EQUITY A)	**219,519,237**	**217,703,689**	
B)	PROVISIONS FOR RISKS AND CHARGES				
		For tax, inc. deferred tax	11,498,310	9,718,906	
		Other provisions for risks and charges	120,458	-	
		TOTAL PROVISIONS FOR RISKS AND CHARGES B)	**11,618,768**	**9,718,906**	
C)	EMPLOYEE SEVERANCE INDEMNITY		**228,719**	**208,531**	
D)	PAYABLES				
		Payables due to banks	46,000,000	63,650,187	(1)
		Payables due to suppliers	1,448,242	2,945,755	
		Payables due to subsidiaries	908,755	2,000,000	
		Payables due to parent companies	1,787	-	
		Tax payables	1,197,026	6,658,193	
		Payables due to social security institutions	92,575	64,817	
		Other payables	167,587	177,929	
		Due to employees	151,245	88,534	
		Due to others	16,342	89,395	
		TOTAL PAYABLES D)	**49,815,972**	**75,496,881**	
E)	ACCRUED LIABILITIES AND DEFERRED INCOME		**285,270**	**1,077,970**	
	TOTAL LIABILITIES (A + B + C + D + E)		**281,467,966**	**304,205,977**	
	(1)	Of which due after more than 12 months	46,000,000	63,650,187	

MEMORANDUM AND CONTINGENCY ACCOUNTS

Amounts in euro

	31/12/2005	31/12/2004
Guarantees in favour of:		
- subsidiaries	25,000,000	0

INCOME STATEMENT

Amounts in euro

		2005	2004
A)	VALUE OF PRODUCTION		
	Net sales	**3,880,954**	**12.478.074**
	Changes in inventories of work in progress, semi-finished and finished goods	**-**	**-**
	Change in contract work in progress	**-**	**-**
	Increase on internal work capitalised under fixed assets	**-**	**-**
	Other operating income:	**22,780,055**	**30,223,168**
	Other income	5,760,282	2,736,517
	Capital gains on fixed asset disposals	17,019,773	27,486,651
	TOTAL VALUE OF PRODUCTION A)	**26,661,009**	**42,701,242**
B)	COSTS OF PRODUCTION		
	Raw, ancillary and consumable materials and supplies	**176,415**	**485,642**
	Services	**6,865,244**	**7,911,374**
	Use of third party assets	**805,593**	**509,130**
	Personnel expenses	**1,707,317**	**1,427,747**
	Wages and salaries	1,230,515	1,049,292
	Social security contributions	397,562	308,251
	Employee severance indemnity	79,240	70,204
	Amortisation, depreciation and writedowns	**2,302,269**	**3,893,978**
	Amortisation of intangible assets	579,383	1,002,430
	Depreciation of tangible assets	527,280	2,345,425
	Writedown of receivables included in current assets	1,195,606	546,123
	Change in raw, ancillary and consumable materials and supplies	**-**	**-**
	Provisions for risks	**120,458**	**-**
	Other provisions	**-**	**-**
	Other operating costs	**586,757**	**13,040,210**
	TOTAL COSTS OF PRODUCTION B)	**12,564,053**	**27,268,081**
	DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A - B)	**14,096,956**	**15,433,161**
C)	FINANCIAL INCOME AND CHARGES		
	Income from equity investments	**891,103**	**461,846**
	Other financial income:	**1,203,756**	**635,417**
	Receivables classified as fixed assets	138	205
	Securities classified as fixed assets which are not equity investments	-	-
	Securities classified as current assets which are not equity investments	-	87,400
	Interest and commissions from subsidiaries	733,025	406,080
	Interest and commissions from others and other income	470,593	141,732
	Interest and other financial charges:	**2,273,629**	**4,385,181**
	Interest and commissions paid to subsidiaries	29,461	51,762
	Interest and commissions paid to parent companies	26,772	-
	Interest and commissions paid to others and financial charges	2,217,396	4,333,419
	TOTAL FINANCIAL INCOME AND CHARGES (15 + 16 - 17)	**(178,770)**	**(3,287,918)**
D)	ADJUSTMENTS TO FINANCIAL ASSET VALUES		
	revaluations	**-**	**-**
	writedowns	**-**	**-**
	TOTAL ADJUSTMENTS TO FINANCIAL ASSET VALUES (18 - 19)	**-**	**-**
E)	NON-RECURRING INCOME AND CHARGES		
	Non-recurring income	**1,398,746**	**6,408,180**
	Non-recurring charges	**570,992**	**1,342,600**
	TOTAL NON-RECURRING ITEMS (20 - 21)	**827,754**	**5,065,580**
	INCOME BEFORE TAX (A - B +/- C +/- D +/- E)	**14,745,940**	**17,210,823**
22)	**Income tax**	**5,156,936**	**5,374,850**
	Current tax	735,985	(385,480)
	Deferred tax	4,901,139	8,410,915
	Prepaid tax	(480,188)	(2,650,585)
26)	**Net income for the year**	**9,589,005**	**11,835,973**

Explanatory notes and related annexes

Dear Shareholders,

Before setting out and commenting on the individual balance sheet and income statement items from the statutory financial statements of Immsi S.p.A. at 31 December 2005, which we present for your approval, may we inform you that the financial statements have been prepared in compliance with the provisions of the current Italian Civil Code and CONSOB Regulation no.11971 of 14 May 1999 and subsequent modifications.
Immsi S.p.A., in keeping with the provisions of Legislative Decree no. 38 of 28 February 2005, has taken advantage of the option of preparing its own statutory financial statements in compliance with Italian accounting standards.
The criteria applied in the assessment of the headings on the financial statements and the value adjustments conform to the provisions of art. 2426 of the Italian Civil Code. The accounting standards and the evaluation criteria which are set out below have not been changed compared to those used to prepare the financial statements for 2004 except for the comment under the heading 'tangible assets'. No exceptional events occurred making necessary use of the derogations set out in art. 2423 of the Italian Civil Code. In addition, the comparisons envisaged by art. 2423-ter of the Italian Civil Code have been prepared. The assessment of the financial statement headings was undertaken using the general criteria of prudence and accruals, treating the company as a going concern, as well as taking account of the economic function of the assets and liabilities considered (art. 2423-bis Italian Civil Code).

The annexes to the Explanatory Notes relate to:

- the change in shareholders' equity;
- receivables, accrued income and deferred charges by expiry and types;
- payables, accrued liabilities and deferred income by expiry and type;
- table giving the remuneration of Directors, Auditors and Chief Executives (CONSOB regulation no. 11971/99).

Accounting standards and evaluation criteria

The evaluation criteria adopted by the Company to draw up the financial statements at 31 December 2005 follow the Italian accounting standards in force and may be summarised thus:

Intangible assets:

Intangible assets are recorded at purchase cost and amortised on a straight line basis in relation to their future use. In general the amortisation period, which is unchanged compared to 2004, is 3 years for industrial patent rights and intellectual property rights, and 5 years for start-up and expansion costs. The amortisation of costs for improvements to third party assets is related to the length of the contract, while the amortisation of costs incurred for the opening of loans is related to the length of the loans.

Tangible assets:

Tangible assets acquired by Sirti following the division of 7 February 2000 are recorded at the historic value reported in the acknowledgement deed of 28 April 2000, while those newly acquired are recorded at purchase cost including directly chargeable accessory costs. Tangible assets take into account legal revaluations and are shown net of the respective accumulated depreciation.
Ordinary maintenance and repair costs are charged to the income statement in the period in which they are incurred. Depreciation rates for tangible assets have been set by taking into account the normal useful life of the assets and the residual possibility of using the assets.

Financial assets:

Equity investments are valued at cost including accessory charges (by which is meant banking and financial fees, commissions and expenses, tax duties and all those charges which the Company has had to incur for the purchase of the equity investment), except for adjustments made in relation to lasting reductions in value. Should the reasons for the writedown no longer exist, then the value is restated up to the historic cost.

Receivables and payables:

Receivables are recorded in accordance with the likely sale price which corresponds to the nominal value adjusted for the bad debt provision.
Payables are recorded at nominal value.

Accruals and deferrals:

Accruals and deferrals are determined on the basis of the accrual/deferral of the costs and sales to which they refer.

Provision for risks and charges:

The provision for risks and charges for deferred tax liabilities concerns provisions made for direct tax in relation to the income items subject to deferred taxation.
The provision for other risks and charges is destined to cover losses or payables of a particular nature and likely existence, whose timing is undetermined at the end of the period.

Employee severance indemnity:

Employee severance indemnity consists of the payable accrued for employees at the closing date of the financial statements. Provisions are made in compliance with the laws and employment contracts in force. The share for the period was charged to the income statement.

Memorandum and contingency accounts:

In keeping with accounting standard 22 of the Italian National Board of Qualified Accountants (*Commercialisti*) and the National Board of Accountants (*Ragionieri*), the memorandum and contingency accounts no longer contain the long-term purchase and sale commitments entered into by the company, company assets held by third parties, guarantees provided by third parties on behalf of the Company, as well as collateral and personal guarantees received. This information is shown in the Explanatory Notes.

Net sales and costs:

Net sales and costs are recorded on the accruals basis.

Income tax:

Income tax for the year is estimated on the basis of the legislation in force and recorded under tax payables net of any tax credits, withholding tax and payments on account already paid to the Tax authorities.
In addition, on the basis of accounting standard 25 in relation to the accounting treatment of income tax, it has been arranged to systematically adjust the amount of deferred tax liabilities recorded in previous years.

BALANCE SHEET

Values expressed in thousands of euro (unless otherwise stated)

FIXED ASSETS

Intangible assets 1,173

Movements in intangible assets were as follows:

	Start-up and expansion costs	Industrial patent rights and int. property rights	Other fixed assets	Assets in process of formation	Total
Value at 31.12.04	**710**	**56**	**359**	**0**	**1,125**
Cost	1,993	94	980	0	3,067
- Accumulated amortisation	(1,283)	(38)	(621)	0	(1,942)
Increases through investment	**92**	**1**	**534**	**0**	**627**
Decreases through amortisation	**(200)**	**(28)**	**(351)**	**0**	**(579)**
Reclassifications	**0**	**0**	**0**	**0**	**0**
Decreases for disposals	**0**	**0**	**0**	**0**	**0**
- Cost	0	0	0	0	0
- Accumulated amortisation	0	0	0	0	0
Value at 31.12.05	**602**	**29**	**542**	**0**	**1,173**
- Cost	**2,085**	**95**	**1,514**	**0**	**3,694**
- Accumulated amortisation	**(1,483)**	**(66)**	**(972)**	**0**	**(2,521)**

The residual value of start-up and expansion costs includes the accessory expenses for the share capital increase operation voted on by the Board of Directors on 27 October 2004 in execution of the delegated power conferred in accordance with art. 2443 of the Italian Civil Code by the extraordinary Shareholders' Meeting held on 17 March 2003.

Industrial patent rights and intellectual property rights are inherent in the acquisition of permanent software licences.

Other fixed assets includes charges on the loan provided by Efibanca in June 2005 for a net accounting value of approximately 216 thousand euro and for the remainder of costs for improvements to third party assets.

Tangible assets 8,210

The movements in tangible assets were as follows:

	Land and buildings	Plant and machinery	Other assets	Assets in process of formation/ payments on account	Total
Value at 31.12.04	**42,304**	**610**	**443**	**0**	**43,357**
- Capital value	**49,637**	**12,272**	**886**	**0**	62,795
- Revaluations	**22,829**	**0**	**0**	**0**	22,829
- (Accumulated depreciation, exc. tech.)	**(30,162)**	**(11,662)**	**(443)**	**0**	(42,267)
Increases through investments	**359**	**93**	**411**	**33**	**896**
Reclassifications-Cancellation of accumulated accelerated depreciation*	**0**	**0**	**0**	**0**	**0**
Decreases through depreciation	**(387)**	**(40)**	**(100)**	**0**	**(527)**
Decreases through disposals	**(35,132)**	**(345)**	**(39)**	**0**	**(35,516)**
- (Capital value)	(47,496)	(11,081)	(386)	0	(58,963)
- (Revaluations)	(12,872)	0	0	0	(12,872)
- Accumulated depreciation exc. tech.	25,236	10,736	347	0	36,319
Value at 31.12.05	**7,144**	**318**	**715**	**33**	**8,210**
- Capital value	2,500	1,284	911	33	4,728
- Revaluations	9,957	0	0	0	9,957
- Accumulated depreciation exc. tech.	(5,313)	(966)	(196)	0	(6,475)

Investments in industrial buildings of 359 thousand euro, and investments in plant and machinery, for 93 thousand euro, refer mainly to restructuring, adjustment and extraordinary maintenance work carried out on the property in Rome – Via Abruzzi.

Investments in other assets, for 411 thousand euro, mainly concerns furniture, furnishings, electronic office equipment and computers for the office in Mantua – piazza Pareto and the new premises in Milan – Via Trebazio and Via Vivaio.

Assets in process of formation refers solely to the payments on account made by the Company for ongoing works on the building and plant relating to the property in Rome – Via Abruzzi.

Following the sale of 3 properties during 2005, the value of the revaluations received from Sirti regarding the heading Land and buildings fell from 22,829 thousand euro to 9,957 thousand euro, as follows:

	31.12.2005	31.12.2004
Economic revaluation made in 1970	258	258
Entries as set out in Law 823 of 19-12-1973	97	175
Revaluation Law 576 of 2-12-1975	-	1,674
Revaluation Law 72 of 19-3-1983	-	6,457
Revaluation Law 413 of 30-12-1991	9,602	14,265
Total	**9,957**	**22,829**

Financial assets 253,193

Financial assets consist of equity investments in subsidiaries for 214,222 thousand euro, equity investments in Capitalia S.p.A. for 17,836 thousand euro, loans of 9 million euro and 12,120 thousand euro provided respectively to Is Molas S.p.A. and RCN Finanziaria S.p.A. and finally other receivables held as fixed assets for 15 thousand euro.

Detail of the equity investments in subsidiaries

Values in euro

Name and location	Share capital	Shareholders' equity*	Net income*	Share directly held	Pro quota share-holders' equity	Difference in Pro quota share-holders' equity and book value*	No. shares	Book value*
Apuliae S.p.A. Lecce	2,000,000	3,707,000	-165,000	85%	3,450,950	-249,050	2,000,000	3,700,000
Piaggio Holding Netherlands B.V. Amsterdam - (Holland)	320,000	291,666,626	32,987,570	40.1%	116,971,077	-31,552,077	320,000	148,523,154
Is Molas S.p.A. Pula (Cagliari)	3,760,000	11,940,000	-2,722,000	60%	7,164,000	-1,842,000	3,760,000	9,006,000
Piaggio & C. S.p.A. Pontedera (Pisa)	194,827,431	291,747,000	37,883,000	5.23%	15,262,357	-4,729,643	374,668,137	19,992,000
RCN Finanziaria S.p.A. Mantua	27,135,988	38,875,276	-11,997,000	60.81%	23,641,631	-9,359,296	54,271,976	33,000,927

* Determined in accordance with IFRS.

APULIAE S.p.A.

The equity investment in Apuliae S.p.A., 85% of the share capital, is recorded in the financial statements at the value underwritten in setting up the company in December 2003, increased by the amount paid into the future share capital increase account in January 2004. The company won the tender competition organised by the province of Lecce for the concession of the executive planning, construction and management of the property “ex Colonia Scarciglia” located in Santa Maria di Leuca (Lecce) to be prepared as tourist accommodation. The property restructuring work is temporarily suspended following investigations by the judicial authorities. The Directors, while awaiting the conclusion of these investigations, believe that the value of the investment is recoverable.

PIAGGIO HOLDING NETHERLANDS B.V.

The recorded value of the equity investment, 148,523 thousand euro, is 31,552 thousand euro higher than the assessment from application of the equity method (116,971 thousand euro) determined by applying international standards. The Directors believe this difference in value is recoverable in relation to the industrial relaunch of Piaggio & C. S.p.A. as envisaged by the Plan for 2004-2007; consequently losses in value compared to the assessment at cost are not recognised.

PIAGGIO & C. S.p.A.

The equity investment, 5.23% of the share capital, is recorded on the financial statements at 19,992 thousand euro, corresponding to the sum paid following the underwriting of the share capital increase approved by Piaggio & C. S.p.A. in December 2004 in relation to the operation to acquire the Aprilia Group. The recorded value of the equity investment at the end of the period, is 4,730 thousand euro higher than the assessment arising from the application of the equity method (15,262 thousand euro). The Directors have felt this difference in value to be recoverable in relation to the industrial relaunch of Piaggio & C. S.p.A. as envisaged by the Plan for 2004-2007.

RCN Finanziaria S.p.A.

The equity investment, 60.814% of the share capital, is recorded in the financial statements at the end of the year at 33,001 thousand euro. The recorded value of the equity investment at the end of period, is 9,359 thousand euro higher than the assessment from the application of the equity method (23,642 thousand euro). In relation to the objectives to relaunch the Rodriquez Group as set out in the Industrial Plan for 2006-2008, the Directors believe that this difference is recoverable.

IS MOLAS S.p.A.

On 29 October 2004 Immsi, through the subsidiary Is Molas S.r.l., at a bankruptcy auction won control of a business complex in the local authority of Pula and Villa San Pietro (Cagliari) including a hotel and sporting complex and associated plant. The equity investment, 60% of the share capital, is recorded in the financial statements at 31 December 2005 at 9,006 thousand euro, corresponding to the sum paid during the purchase of Is Molas S.r.l. and including subsequent share capital increases linked to the transformation into Is Molas S.p.A. and its capitalisation. Their Directors, in relation to the objectives set out by the company's Investment Plan, consider the value of the investment to be recoverable.

Detail of the equity investments in other companies

Values in euro

The heading includes 11,138,789 shares of Capitalia S.p.A. acquired in 2003 at an average value per share of 1.60 euro, for 17,835,518 euro overall, corresponding to an equity investment share of approximately 0.43% of the Company.
The equity investment is bound by a shareholders' agreement set up within the Company itself.
During 2005 there were no changes compared to the end of the previous year.

In the following table there is a comparison between the value in the financial statements and the market price recorded in reference to the average over the last six months of 2005.

	Fin. statement value		Market value	
	Average per share	**Overall**	**Average per share**	**Overall**
Capitalia S.p.A.	1.6	17,835,518	4.64	51,697,904

Detail of receivables due from subsidiaries

In 2004 Immsi provided a loan expiring in 2009 of 9 million euro to Is Molas S.p.A. The Parent Company, in addition, underwrote at the end of September 2005 a convertible bonded loan for RCN Finanziaria, using the conversion rate of 1 conversion share with a nominal value of 0.50 euro for every 1 euro of loan, for 12 million euro expiring in 2008.

Detail of other receivables

	31.12.2005	31.12.2004
Tax prepayment on emp. severance indemnity	4	8
Guarantee deposits	2	2
Prepayments on utility consumption	9	20
Other items due from third parties	-	3
Total	**15**	**33**

CURRENT ASSETS

Receivables due from customers 1,072

Trade receivables due from customers, net of the related writedown provision, fell compared to 31 December 2004 by 959 thousand euro. The heading mainly involves receivables for leasing instalments and building expenses recharged to tenants and the related receivable in relation to the consultancy and assistance contract outstanding with the Company acquiring the property located in Cusano Milanino (Milan) which was sold by Immsi at the end of 2004.
The Company has no outstanding receivables due from foreign companies.
The provision for the writedown of receivables, 1,740 thousand euro, has been prudently calculated on those amounts for which credit recovery has been difficult and/or uncertain.
Immsi received guarantees for 169 thousand euro to guarantee leasing contracts which were outstanding at the end of the year.

Receivables due from subsidiaries 2,175

Receivables due from subsidiaries refer to receivables claimed by the Parent Company from:

- Piaggio Group, for 1,671 thousand euro, for the outstanding business and financial services contract with Piaggio & C. S.p.A. as well as for expenses incurred by Immsi on behalf of the Piaggio Group;
- Rodriquez Cantieri Navali S.p.A. and Intermarine S.p.A., for 398 thousand euro, for the services contract and the expenses incurred by Immsi on behalf of the Rodriquez Group;
- Is Molas S.p.A., for 71 thousand euro, for expenses incurred on behalf of the subsidiary and for the services contract signed with it;
- RCN Finanziaria S.p.A., for 12 thousand euro, for expenses incurred on behalf of the subsidiary;
- Piaggio Holding Netherlands B.V., for 16 thousand euro, for expenses incurred by Immsi on behalf of the Dutch company;
- Apuliae S.p.A., for 7 thousand euro, for expenses incurred by Immsi on behalf of Apuliae.

Receivables due from parent companies 584

Receivables due from parent companies refer mainly to receivables claimed by Immsi from Omniapartecipazioni S.p.A. following adhesion as from 2004, to the tax consolidation.

Receivables due from Tax authorities 51

The heading Receivables due from Tax authorities includes receivables for withholding tax on bank interest income.
The balance compared to 31 December 2004 fell by 1,035 thousand euro following the failure to make income (IRES) and local manufacturing (IRAP) tax payments on account during 2005 against the tax loss recorded in 2004.

Deferred tax assets 659

The decrease in deferred tax assets compared to 31 December 2004 was approximately 2 million euro and was mainly due to the offset of deferred tax assets calculated on the tax loss accrued in 2004 with the income tax charge for 2005.

Amounts in euro	31.12.2004	Increases	Decreases	31.12.2005	Rate
Representation expenses	6,135	734	(4,463)	2,406	37.25%
Risks on receivables	177,039	386,367	-	563,406	33.00%
Certification expenses	23,566	41,285	(23,566)	41,285	37.25%
Misc. deductible costs in 2005	13,716	51,877	(13,716)	51,877	37.25%
Tax loss in 2004	2,432,734	-	(2,432,734)	-	33.00%
Total	**2,653,190**	**480,263**	**(2,474,479)**	**658,974**	

Receivables due from others 13

The heading Other short-term receivables at the end of year consisted essentially of the payments in advance to suppliers by Immsi S.p.A.

Financial assets which do not represent fixed assets 900

This heading includes two short-term loans provided to Rodriquez Cantieri Navali S.p.A. and RCN Finanziaria S.p.A. respectively of 400 thousand euro and 500 thousand euro.

Cash and cash equivalents 13,381

Cash and cash equivalents at 31 December 2005 increased compared to the balance at 31 December 2004 by 1,890 thousand euro and consisted of cash and cash on hand for 7 thousand euro and holdings in bank current accounts for 13,374 thousand euro.

Accrued income and deferred charges 57

The balance on this heading includes deferred charges for 15 thousand euro, mainly consisting of hire charges and other charges relating to 2006, while the residual 42 thousand euro refers to accrued income relating to outstanding services contracts with the Piaggio Group and Rodriquez Cantieri Navali S.p.A.

SHAREHOLDERS' EQUITY

Share capital 148,720

The share capital of Immsi S.p.A. at 31 December 2005 consisted of 286 million ordinary shares with a nominal value of 0.52 euro each, for a total of 148,720,000 euro and was entirely underwritten and paid up.
The majority shareholder is Omniapartecipazioni S.p.A.
It should be noted that in the first few months of 2005 the share capital increase of Immsi S.p.A. was completed and this gave shareholders the option to underwrite 66 million shares at a value of 1.2 euro, of which 0.68 euro was for the share premium. The deposit of the new share capital of Immsi took place in February 2005 at the Companies Register of Mantua.

Revaluation reserve 4,602

This includes the share of revaluations of tangible assets, carried out on the basis of Law 413/91 by Sirti, which were transferred to Immsi following the division. The balance was unchanged compared to 31 December 2004.

Legal reserve 809

This reserve consists of the provisions voted on following the distribution of net income from 2000 to 2004 in compliance with the legal regulations.

Other reserves 53,135

As indicated at the heading Share capital, in the first few months of the year the share capital increase of Immsi S.p.A. was completed. This gave shareholders the option to underwrite the new shares of the Company at a value of 1.2 euro, of which 0.52 euro was for the share capital increase and 0.68 euro the share premium. The heading Share premium reserve includes the payments for the shares underwritten.
Compared to the balance shown at 31 December 2004 the decrease of 33,513 thousand euro was due to the payments to the share capital increase account recorded at the end of 2004 and cancelled in February 2005 following the completion of the share capital increase operation of 33,970 thousand euro, partly offset by the payment of the share premium amount by the purchasers of the new Immsi share issue in 2005, the total of which was 457 thousand euro.

Net income 9,589

Provision for risks and charges 11,619

The provision for risks and charges consists of:

- provision for taxes for 72 thousand euro relating to the estimate of the risk arising from the formal notice of assessment issued by the Mantua tax office following the tax investigation finished in July 2005;
- provision for deferred tax liabilities for 11,426 thousand euro. Compared to 31 December 2004 the balance increased by 1,707 thousand euro following the recording of the tax calculated on the capital gains generated by the property disposals which took place in 2005 and were divided into instalments for tax purposes, net of applications for the year;
- provision for other risks and charges for 120 thousand euro, the recording of which was due to the recording at the end of the year of the risk arising following the presentation, by the receiver of the Volare Group, of a letter of revocation regarding the income earned by Immsi since March 2004, the date in which the companies signed the repayment plan.

Amounts in euro	31.12.2004	Increases	Decreases	31.12.2005	Tax rate
Tax provision for Tax office investigation in 2003	-	72,415	-	72,415	
Deferred tax prov. on cancellation of tax losses (Leg. Dec. 6 of 17/1/03)	840,365	-	(818,177)	22,188	37.25%
Deferred tax prov. on capital gains on disposal of property	8,878,541	5,071,721	(2,546,555)	11,403,707	37.25%
Other provisions for risks and charges	-	120,458	-	120,458	
Total	**9,718,906**	**5,264,594**	**(3,364,732)**	**11,618,768**	

Employee severance indemnity 229

The heading Employee severance indemnity saw the following changes in the year:

Balance at 31.12.2004		**209**
Provisions in the year		68
Application for termination of employment	-	12
Payment of social security contributions	-	19
Advances to employees	-	17
Balance at 31.12.2005		**229**

Payables due to banks 46,000

The heading includes the outstanding payable due to Efibanca for the loan of 46 million euro received in June, and guaranteed by the lien on the property located in Via Abruzzi, 25 – Rome.
The loan envisaged respect of two covenants, to be calculated in relation to net financial payables and shareholders' equity and in relation to the ratio between rental fees and interest on the loan.
The balance compared to 31 December 2004 fell following the restitution of the residual value and therefore the extinction of the loan provided by the pool consisting of Efibanca, Interbanca and Banca Agricola Mantovana during 2003 for 150 million euro.

Payables due to suppliers 1,448

Payables due to suppliers refer to invoices received but not yet paid and invoices to be received and confirmed in accordance with the accruals principle. The balance fell by 1,498 thousand euro compared to 31 December 2004 mainly following the reduction in maintenance and management work in reference to the properties sold.
At the end of December there were no recorded payables in relation to foreign companies.
Banca Popolare di Mantova issued bank guarantees to guarantee rental contracts of Immsi S.p.A. for 238 thousand euro, of which approximately 38 thousand euro was issued to Piaggio & C. S.p.A.

Payables due to company subsidiaries 909

The heading refers mainly to the interest bearing deposit contract between Immsi S.p.A. and Apuliae S.p.A., for 900 thousand euro, and the remainder to invoices to be received by Group companies.

Payables due to parent companies 2

Payables due to parent companies refer mainly to trade payables due to Omniainvest S.p.A.

Tax payables 1,197

Here below is a breakdown of the outstanding payables at the end of the year due to the Tax authorities and the comparison with the balance at 31 December 2004:

	31.12.2005	31.12.2004
Local manufacturing tax IRAP	474	-
Income tax IRES	166	-
Sales tax IVA	59	6,256
Tax on employee income	460	338
Miscellaneous tax	38	64
Total	**1,197**	**6,658**

The payable for income tax (IRAP and IRES) rose compared to 31 December 2004 by 640 thousand euro following the realisation in 2004 of a tax loss. Deferred tax assets calculated on this loss and accounted for at the end of 2004, 2,433 thousand euro, were entirely used at 31 December 2005 thus reducing the payable for IRES due to the Tax authorities to 166 thousand euro.
The decrease in the payable due to the Tax authorities for sales tax is due to the recording at 31 December 2004 of sales tax on the sales of the properties concluded at the end of the year

Payables due to social security institutions 93

Payables due to social security institutions rose by approximately 28 thousand euro compared to 31 December 2004 and refer to contributions accrued at 31 December 2005 to be paid both by the Company and by employees.

Payables due to others 168

The heading consists of payables due to employees for 151 thousand euro and other payables of 17 thousand euro.

Accrued liabilities and deferred income 285

This heading consists of deferred income for 14 thousand euro in relation to rental fees for 2006 and accrued liabilities for the remaining 271 thousand euro in relation to rent and other charges which have not yet been accounted for, but which accrue to 2005 and interest which has not yet been paid calculated on the loan of 46 million euro provided by Efibanca.

Memorandum and contingency accounts

It should be noted that the Company has outstanding guarantees (mortgages) for 92 million euro recorded on the property it owns in Via Abruzzi, 25 Rome, to guarantee the loan obtained by Efibanca of 46 million euro.
Immsi S.p.A. has also underwritten a guarantee in favour of Banca Intesa in the interest of Rodriquez Cantieri Navali S.p.A., to guarantee the latter’s payment obligation as per the loan contract signed at the end of 2005 for 25 million euro. It should be noted that the guarantee issued by the Parent Company is counter guaranteed by the irrevocable commitment to channel income arising from the sale by the subsidiary of the Pietra Ligure area in favour of Banca Intesa, until the full repayment of the loan, interest and expenses is completed.

INCOME STATEMENT

Values expressed in thousands of euro (unless otherwise stated)

In the analysis of the individual headings on the Income statement account has been taken of the comments already given in the explanatory notes to the Balance sheet, which allows the analysis to be limited to just the main headings.

Value of production 26,661

The heading includes the following net sales from ordinary activities:

	31.12.2005	31.12.2004
Net sales	**3,881**	**12,478**
- Sales from rentals	3,361	9,784
- Sales from recharged expenses	520	2,694
Other sales	**22,780**	**30,223**
- Capital gains from disposals	17,020	27,487
- Income from subsidiaries	5,600	2,621
- Other sales	160	115
Total	**26,661**	**42,701**

Net sales from rentals and recharges of building expenses to tenants fell markedly compared to 2004 following the property sales completed in 2004 and in the first half of 2005.

The heading Other sales mainly includes capital gains on the sale of the properties of Cassina de' Pecchi (Milan), Via Fermi n.2 - Milan, Via Pirelli no.20 and Rome, Via del Maggiolino no.151, income from subsidiaries referred to assistance and consultancy provided by the Parent Company and to the recharge of expenses incurred by Immsi on behalf of the Group companies, and income from consultancy and assistance contracts outstanding with some companies acquiring the properties sold in 2004 and 2005.

Costs of production (12,564)

The breakdown of the heading Costs of production is as follows:

	31.12.2005	31.12.2004
- costs for raw materials and ancillary goods	177	486
- costs for services	6,865	7,911
- costs for use of third party assets	806	509
- personnel costs	1,707	1,428
- amortisation, depreciation and writedowns	2,302	3,894
- provisions for risks	120	-
- other operating charges	587	13,040
Total	**12,564**	**27,268**

The decrease in the heading Costs of production is mainly due to the property sales described above.

Costs for raw materials and ancillary goods

Costs for raw materials and ancillary goods includes costs for heating fuel for 110 thousand euro, mostly recharged to tenants, while the remaining 67 thousand euro represents costs for fuel and lubricants, stationery, printed and miscellaneous material.

Costs for services

Costs for services incurred during 2005 were as follows:

	31.12.2005	31.12.2004
- maintenance and repair costs	852	1,298
- miscellaneous utilities	203	803
- building costs, cleaning, guarding, and porterage	457	703
- miscellaneous personnel expenses	28	54
- listing rights, certification, misc. administrative costs	534	184
- professional and legal consultancy	2,767	2,670
- fees and payments to directors and auditors	1,207	1,366
- communication, publishing, advertising	364	542
- misc. insurance, transport and travel costs	453	291
Total	**6,865**	**7,911**

The decrease in the cost of expenses for maintenance, repairs, utilities, and building expenses was caused by the property sales completed over the two years in question.
The costs incurred in 2005 for accounting certification rose by approximately 350 thousand euro mainly following the engagement of Deloitte & Touche S.p.A. to audit the figures resulting from the process of transition to the international accounting standards, in accordance with CONSOB Communication DEM/5025723 of 15 April 2005.
Expenses for engagements conferred on professionals and legal expenses were necessary mainly for intermediation in the sale of properties and the consultancy which Immsi used during the process of transition to IAS/IFRS accounting standards.
Insurance premiums accounted for in the year rose mainly following the signing by Immsi S.p.A. of insurance cover for the civil liability of Directors, Auditors and managers in favour of the whole Group. The cost directly due to subsidiaries was recharged to them and therefore is recorded among other sales and income.

Costs for use of third party assets

Costs for the use of third party assets totalled 806 thousand euro and include: 574 thousand euro referred to rent paid for the lease of property, 181 thousand euro for hire fees for hardware, software and parking facilities, 51 thousand euro for mobile phones, company cars and miscellaneous services.
These costs rose compared to 2004 by 296 thousand euro mainly against the logistical reorganisation finalised at the end of 2005 and made necessary following the process to dispose of property, owing to which Immsi moved operating units into offices which it does not own.

Personnel expenses

Personnel expenses totalled 1,707 thousand euro, up compared to 2004 by 279 thousand euro following the employment of skilled personnel.
In 2005 the average number of employees was 4 directors, 4 managers and12 employees.

Costs for amortisation, depreciation and writedowns

The heading Amortisation, depreciation and writedowns was as follows:

	31.12.2005	31.12.2004
- intangible assets	579	1,002
- tangible assets	527	2,346
- writedown of receivables	1,196	546
Total	**2,302**	**3,894**

The amortisation of intangible assets fell sharply following the non-amortisation, finalised in 2004, of the expenses of the Sponsor connected to the stock market listing and the residual amortisation of the charges on the loan of 150 million euro provided by the pool of banks in 2003 and completely repaid in June 2005.

The depreciation of tangible assets was lower than that recorded in 2004 following the property sales in 2004 and the first months of 2005.
For investments made during the year of 897 thousand euro, it was considered necessary to apply the depreciation rates shown by category of asset reduced by half, since they were considered representative of the limited use of the asset during the year. The Company also fully depreciated those assets of marginal value whose usefulness was largely expended during the year.
The depreciation of tangible assets was as follows:

	31.12.2005	31.12.2004	Annual rate
Buildings	387	2,171	*
Plant and machinery	30	76	9%
Lifting systems	4	4	8%
Alarm systems	6	26	30%
Computers and printers	5	10	20%
Miscellaneous equipment	2	2	15%
Vehicles	24	10	25%
Furniture, furnishings and electronic equipment	69	46	12%
Total	**527**	**2,345**	

* In relation solely to buildings, in relation to the property at Via Abruzzi, 25 – Rome, Immsi considered it necessary to adjust the deprecation plan to the new residual useful life, whose duration, assessed internally by a recent expert study at 19 years, is different to that considered up to 31 December 2004.

The Company considered it necessary to prudently write down trade receivables for 1,196 thousand euro, following difficulties in recovering the sums.

Provision for risks

The Company has considered it necessary to allocate 120 thousand euro following the presentation, by the receiver of the Volare Group, of a letter of revocation regarding the income earned by Immsi since March 2004, the date on which the companies signed the repayment plan.

Other operating charges

Other operating charges were as follows:

	31.12.2005	31.12.2004
- capital losses on disposals	6	11,860
- Italian property tax	304	809
- losses on receivables	70	108
- other tax and duties	26	39
- other operating charges	181	224
Total	**587**	**13,040**

The decrease was mainly due to the recording during 2004 of capital losses on property sales and the lower impact in 2005 of the local Italian property tax (ICI).
Other operating charges include subscriptions, book and newspapers subscriptions, fines and penalties.

Income and financial charges (179)

Financial income

	31.12.2005	31.12.2004
Income from equity investments	891	462
Income from government securities	-	87
Interest from subsidiaries	733	406
Interest on current accounts	188	126
Other income	283	15
Total	**2,095**	**1,096**

Income from equity investments for 891 thousand euro included dividends for 2004 paid by Capitalia S.p.A. Interest from subsidiaries for 733 thousand euro concerns loans agreed during the year by Immsi for Is Molas S.p.A. for 378 thousand euro, RCN Finanziaria S.p.A. for 137 thousand euro and Rodriquez Cantieri Navali S.p.A. for the remaining 218 thousand euro. Interest on positive current account balances totalled 188 thousand euro. Other financial income, 283 thousand euro, refers mainly to the sale of unused rights to the share capital increase which Immsi finalised in the first months of 2005.

Financial charges

	31.12.2005	31.12.2004
Interest on current accounts	77	68
Interest paid to subsidiaries	29	52
Interest paid and commissions on loan	1,798	4,114
Other financial charges	370	150
Total	**2,274**	**4,384**

Interest paid on bank current accounts includes interest paid to Banca Intesa, of approximately 53 thousand euro, for the opening of short-term credit lines and the interest paid to Banca Agricola Mantovana for the opening of a short-term credit line for approximately 24 thousand euro.
Interest paid to subsidiaries is represented by the interest accrued on the interest bearing deposit granted by Apuliae S.p.A. to Immsi for 29 thousand euro.
Financial charges include interest accrued in the year in relation to the 46 million euro loan provided to Immsi by Efibanca S.p.A., of 893 thousand euro, and the interest in relation to the 150 million euro loan provided to Immsi by a pool consisting of Interbanca S.p.A., Efibanca S.p.A. and Banca Agricola Mantovana S.p.A. which was extinguished in June 2005, for 905 thousand euro. Other financial charges refer mainly to interest of 27 thousand euro accrued on the loan granted by Omniapartecipazioni S.p.A. to Immsi, extinguished in June 2005, and to financial charges of 342 thousand euro, in relation to the discounting of deeds of the properties sold in the first half of 2005.

Non-recurring income and charges 828

The heading Non-recurring Income totalled approximately 1,399 thousand euro and included 818 thousand euro as the counter entry of the use of the provision for deferred tax liabilities, in relation to the sale of properties during 2005, calculated in accordance with the provisions of Leg. Decree 6 of 17 January 2003 aimed at the elimination of the tax loss. Among non-recurring income is included also the payment of the invoices issued by the Company for final settlements of building expenses for 2004 which had not been set aside in the year they were accrued and credit notes received from suppliers for costs recorded at 31 December 2004 but not included in the final accounts for that year.

Non-recurring income was partly offset by the non-recurring charges relating to debit notes received and credit notes issued for 2004 which were accounted for following the approval of the related financial statements, of 499 thousand euro and charges due to higher taxes, sanctions and related interest communicated during the formal notice of assessment from the Mantua Tax office following the tax assessment of 2003 which started on 31 May and ended in July 2005, for 72 thousand euro.

Income tax (5,157)

The balance for income tax includes:

- Current tax for 736 thousand euro, consisting of income tax for 3,072 thousand euro and deferred tax assets and liabilities in relation to the income elements for the prior years of 2,336 thousand euro;
- Deferred tax liabilities for 4,901 thousand euro in relation to the tax charge, which was turned into instalments, on the capital gains arising from the property sales in the year;
- Deferred tax assets for 480 thousand euro in relation to the taxes for future years relating to charges incurred in 2005.

Reconciliation of the theoretical tax charge and the tax charge from the financial statements

IRES income tax	Income		Tax	
	Income	Temporary components	Current	Deferred
Income before tax	14,746			
Theoretical tax charge (benefit)			4,866	
Temporary taxable differences in subsequent years	-13,615	13,615	-4,493	4,493
Temporary deductible differences in subsequent years	1,425	-1,425	470	-470
Cancellation of temporary differences arising in previous years	0	0	-2,015	0
Permanent differences which will not be cancelled in subsequent years	5,319	0	1,755	0
Total differences	-6,871	12,190	-4,282	4,023
Taxable income	7,875			
Total tax charge (benefit) on income			584	4,023

IRAP local manufacturing tax	Income		Tax	
	Income	Temporary components	Current	Deferred
Gross production value	26,661			
Theoretical tax charge (benefit)			1,133	
Temporary taxable differences in subsequent years	-13,615	13,615	-579	409
Temporary deductible differences in subsequent years	252	-252	11	-11
Cancellation of temporary differences arising in previous years	0	0	-321	0
Permanent differences which will not be cancelled in subsequent years	-2,155	0	-92	0
Total differences	-15,518	13,363	-981	398
Taxable income	11,143			
Total tax charge (benefit) on income			153	398

Income per share

Income per share is determined in accordance with the accounting standard of the Board of Qualified Accountants (PCDC) no. 28, which recalls International Accounting Standard no. 33 and is calculated by dividing the income of Immsi S.p.A. by the number of shares in circulation during the year. There were no treasury shares held and there were no issues of preferential shares during 2005. The diluted income per share corresponds to the income per share since there were no potential shares having a dilatory effect.
The income per ordinary share for 2005 was as follows:

Income for the year attributable to ordinary shares	9,589,005
Average number of shares in 2005	280,500,000
Income per share	0.0342
Number of shares at 31.12.2005	286,000,000
Income per share	0.0335

Annexes to the Notes:

- Table of changes in Shareholders’ equity;
- Receivables, accrued income and deferred charges by expiry and nature;
- Payables, accrued liabilities and deferred income by expiry and nature;
- Table of remuneration for Directors, Auditors and Chief Executives.

SHAREHOLDERS' EQUITY

Amounts in thousands of euro	31.12.02	Var.	31.12.03	Var.	31.12.04	Under-writing by s/holders	Division of income	Dividends	Income for the period	31.12.05	
Share Capital (1)	**114,400**		**114,400**		**114,400**	**34,320**				**148,720**	
Revaluation reserve	**4,602**		**4,602**		**4,602**					**4,602**	**
Legal reserve	**140**	**69**	**209**	**8**	**217**		**592**			**809**	*
Reserve for treasury shares held	**0**	**197**	**197**	**(197)**	**0**					**0**	
Other reserves	**19,972**	**(5,482)**	**14,491**	**72,158**	**86,649**	**(33,513)**	**0**	**0**	**0**	**53,136**	
- Extraordinary reserve(2)	18,819	(5,482)	13,338	(6,235)	7,103					7,103	***
- Prov. in acc. with art. 74 Tuir	369		369		369					369	**
- Prov. in acc. art. 18 L. 675/77	119		119		119					119	**
- Prov for cap. account contrib.	526		526		526					526	**
- Prov. in acc. with art. 15 Leg. Dec. 429 /82	139		139		139					139	**
- Share premium reserve	0		0	44,423	44,423	457				44,880	*
-Payment for share capital increase account	0		0	33,970	33,970	(33,970)				0	
Retained earnings	**0**		**0**		**0**		**2,664**			**2,664**	
Net income for the period	**1,376**		**167**	**11,669**	**11,836**		**(3,256)**	**(8,580)**	**9,589**	**9,589**	
TOTAL	**140,490**	**(5,216)**	**134,066**	**83,638**	**217,704**	**807**	**-**	**(8,580)**	**9,589**	**219,520**	

(1) Share capital at 31 December consisted of 286,000,000 ordinary shares with a nominal value of € 0.52 each
(2) e.g. 2003 = (5,285) euro Distribution of dividends
(197) euro Charge to treasury shares reserve
e.g. 2004 = (6,432) euro Distribution of dividends
197 euro Cancellation of treasury share reserve

* Unavailable
** Distributable subject to tax deferral
*** Distributable

RECEIVABLES – ACCRUED INCOME AND DEFERRED CHARGES BY EXPIRY AND NATURE

Amounts in thousands of euro	31.12.2004 Amounts expiring				31.12.2005 Amounts expiring			
	Within 12 months	Within 2 to 5 years	After over 5 years	Total	Within 12 months	Within 2 to 5 years	After over 5 years	Total
FINANCIAL ASSET RECEIVABLES	**-**	**9,000**	**33**	**9,033**	**-**	**21,135**	**-**	**21,135**
- due from subsidiaries		9,000	-	9,000		21,120		21,120
- due from others			33	33		15		15
CURRENT ASSET RECEIVABLES	**6,962**	**-**	**-**	**6,962**	**5,454**	**-**	**-**	**5,454**
Other financial receivables	**-**	**-**	**-**	**-**	**900**	**-**	**-**	**900**
- due from subsidiaries				-	900			900
Trade receivables	**3,171**	**-**	**-**	**3,171**	**3,262**	**-**	**-**	**3,262**
- due from customers	2,031			2,031	1,072			1,072
- due from subsidiaries	1,140			1,140	2,175			2,175
- due from parent companies	-			-	15			15
Other receivables	**3,791**	**-**	**-**	**3,791**	**1,292**	**-**	**-**	**1,292**
- due from parent companies	-			-	569			569
- due from others:								
. Tax authorities	1,086			1,086	51			51
. deferred tax assets	2,653			2,653	659			659
. other	52			52	13			13
ACCRUED INCOME AND DEFERRED CHARGES	**180**			**180**	**57**			**57**
TOTAL	**7,142**	**9,000**	**33**	**16,175**	**5,511**	**21,135**	**-**	**26,646**

PAYABLES – ACCRUED LIABILITIES AND DEFERRED INCOME BY EXPIRY AND NATURE

Amounts in thousands of euro	31.12.2004 Amounts expiring				31.12.2005 Amounts expiring			
	Within 12 months	Within 2 to 5 years	After over 5 years	Total	Within 12 months	Within 2 to 5 years	After over 5 years	Total
MEDIUM/LONG-TERM FINANCIAL PAYABLES	**-**	**63,650**	**-**	**63,650**	**-**	**46,000**	**-**	**46,000**
- due to banks		63,650		63,650		46,000		46,000
- due to others				-				-
PAYABLES	**11,847**	**-**	**-**	**11,847**	**3,816**	**-**	**-**	**3,816**
Trade payables	**2,946**	**-**	**-**	**2,946**	**1,459**	**-**	**-**	**1,459**
- due to suppliers	2,946			2,946	1,448			1,448
- due to subsidiaries	-			-	9			9
- due to parent companies	-			-	2			2
Misc. payables	**8,901**	**-**	**-**	**8,901**	**2,357**	**-**	**-**	**2,357**
- due to subsidiaries	2,000			2,000	900			900
- tax payables	6,658			6,658	1,197			1,197
- due to social security institutions	65			65	93			93
- due to others								
. employees	89			89	151			151
. other	89			89	16			16
ACCRUED LIABILITIES AND DEFERRED INCOME	**1,078**	**-**	**-**	**1,078**	**285**	**-**	**-**	**285**
TOTAL	**12,925**	**63,650**	**-**	**76,575**	**4,101**	**46,000**	**-**	**50,101**

REMUNERATION PAID TO DIRECTORS AND AUDITORS
(CONSOB regulation no. 11971/99)

PERSON	DESCRIPTION OF POSITION		REMUNERATION				
Full name	Position held	Length of appointment	Emoluments for position	Non-monetary benefits	Bonuses and other incentives	Other remuner-ation	
BOARD OF DIRECTORS (from 01.01.2005 to 31.12.2005)							
Rocco Sabelli	Chief Executive	01/02/03 – until fin.state. 2005 approved	30,000		350,000	1,240,000	2
Roberto Colaninno	Chairman of Board	01/02/03 - until fin.state. 2005 approved	30,000		450,000	540,000	2
Matteo Colaninno	Director	01/02/03 - until fin.state. 2005 approved	30,000			20,000	2
Luciano La Noce	Director	01/02/03 - until fin.state. 2005 approved	30,000			92,000	1 2
Giorgio Magnoni	Director	01/02/03 - until fin.state. 2005 approved	30,000			20,000	2
Mauro Gambaro	Director	01/02/03 - until fin.state. 2005 approved	30,000				
Carlo d' Urso	Board Dep. Chairman	01/02/03 - until fin.state. 2005 approved	30,000			0	1
Marco Reboa	Director	01/02/03 - until fin.state. 2005 approved	30,000			5,000	3
Giovanni Tamburi	Director	01/03/03 - until fin.state. 2005 approved	30,000				
BOARD OF STATUTORY AUDITORS (from 01.01.2005 to 31.12.2005)							
Angelo Girelli	Chairman	06/05/03 - until fin.state. 2005 approved	31,225			83,715	1 2
Alessandro Lai	Standing auditor	06/05/03 - until fin.state. 2005 approved	22,479			49,469	2 3
Marco Spadacini	Standing auditor	06/05/03 - until fin.state. 2005 approved	24,929				
Mauro Girelli	Alternate auditor	06/05/03 - until fin.state. 2005 approved				7,996	2

1: Refer to note on Dealings with related parties

2: Emolument for position held in subsidiary

3: Compensation for position as member of Supervisory Body