IMMSI Società per Azioni

Share capital 178,464,000 euro fully paid up

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

Mantova register of companies – Tax code and VAT number 07918540019

Report of the Directors and Financial statements of Immsi Group at 31 December 2006

Index:

COMPANY BOARDS

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

BOARD OF DIRECTORS

Roberto Colaninno (1) - (2) - (6)	***Chairman***
Carlo d'Urso	***Deputy Chairman***
Luciano La Noce (1) - (4)	***Chief Executive Officer***
Matteo Colaninno	***Director***
Mauro Gambaro	***Director***
Giovanni Tamburi	***Director***
Marco Reboa	***Director***
Giorgio Cirla (3)	***Director***
Michele Colaninno (5)	***Director***

BOARD OF STATUTORY AUDITORS

Alessandro Lai	***Chairman***
Giovannimaria Seccamani Mazzoli	***Standing auditor***
Marco Spadacini	***Standing auditor***
Leonardo Losi	***Substitute auditor***
Giovanni Sala	***Substitute auditor***

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

(1) Legal representative in legal and third party dealings, with power of signature and powers to supervise corporate operations; to that end, he is authorised to carry out all acts and transactions of ordinary management, as well as implement the resolutions of shareholders' meetings and the Board of Directors.

(2) Legal representative in legal and third party dealings, with power of signature and powers to carry out all acts and transactions of extraordinary management, advising the Board of Directors thereof at the following meeting.

(3) Director co-opted by Board resolution on 11.09.2006, in replacement of Giorgio Magnoni. The shareholders' meeting on 18.01.2007 appointed Giorgio Cirla Director of the Company. He will remain in office until the end of the natural term of the current Board.

(4) Chief Executive Officer appointed by Board resolution on 13.11.2006 in replacement of Rocco Sabelli.

(5) Director co-opted by Board resolution of 13.11.2006, in replacement of Rocco Sabelli. The shareholders' meeting on 18.01.2007 appointed Michele Colaninno Director of the Company. He will remain in office until the end of the natural term of the current Board.

(6) On 12.12.2006, the Board of Directors, considering the non-definitive verdict handed down by the Court of Brescia on 7.12.2006 regarding the Bagaglino/Italcase case, which *inter alia* convicted Roberto Colaninno for one of the crimes envisaged by Article 4, paragraph 1 clause c) of Ministerial Decree no. 516/98, in accordance with the provisions of Article 5 of said Ministerial Decree, reiterated in article 109 of Legislative Decree 385/93, temporarily suspended Roberto Colaninno from his duties as Director. The shareholders' meeting of 18.01.2007, deeming that the outcome of the case regarding the insolvency of 'Gruppo Italcase' had no effect whatsoever on the relationship of trust with Roberto Colaninno, resolved not to remove the Director in question, reinstating him fully in his duties of Director and Chairman of the Board of Directors of the Company.

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

LEAD INDIPENDENT DIRECTOR

Marco Reboa

REMUNERATION COMMITTEE

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

INTERNAL AUDIT COMMITTEE

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

DIRECTOR APPOINTED

Luciano La Noce

PERSON IN CHARGE OF THE INTERNAL AUDIT

Pierantonio Piana

SUPERVISORY BOARD

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

INVESTOR RELATOR

Andrea Paroli

Directors' report on operations

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

In compliance with the provisions of IFRS 1, an appendix to the explanatory notes of Immsi S.p.A. contains a specific section on the parent company's transition to international accounting standards. This document illustrates and presents the main changes compared to the financial statements prepared in accordance with Italian accounting standards. The balances stated in the reconciliation schedules have been fully audited, in accordance with the provisions of Consob communications no. DEM/5025723 dated 15 April 2005 and no. DEM/6064313 dated 28 July 2006.

Information on operations

In 2006, Immsi Group's operating results improved substantially compared to the previous year both in financial and in revenue terms.
The above results present differing trends as regards the sectors that make up the Group as a consequence of the different business dynamics that characterized the period in question.

2006 saw a strengthening of the structure of the equity investments of the parent company Immsi S.p.A., whose main business is managing, coordinating and financing the activities of its subsidiaries, as well as managing and enhancing the value of such investments. In this regard, the professional competencies of its structure, including those technical skills relating to the property sector and those of an administrative, financial and corporate nature, have been made available to the Group companies, mainly the Piaggio group, through consultancy contracts.

As regards ventures of a financial nature carried out during the years, it is pointed out that on 24 March the Board of Directors of Immsi S.p.A. approved an increase in share capital worth 80.08 million euros, so as to have the necessary financial resources to consolidate its equity investment in Piaggio Holding Netherlands B.V. in view of the listing of Piaggio & C. S.p.A. in July 2006. To that end, on 10 July 2006, Immsi purchased 28,334 "C" shares of Piaggio Holding Netherlands B.V., held by Scooter Holding 3 B.V., for a total amount of 78.454 million euros.
The above increase in share capital was successfully accomplished on 30 October 2006 and involved the issue of 57.2 million new ordinary shares, at a unit price of 1.4 euros, of which 0.88 euros being the share premium. Pending the completion of this increase in share capital, in May 2006, the Company obtained a loan from Banca di Roma S.p.A. subordinated to the purchase of Piaggio Holding Netherlands B.V. shares, which was repaid by the funds deriving from the increase in share capital.
It is pointed out that the placement of 117,537,840 Piaggio & C. S.p.A. shares, equal to 30.31% of the share capital, raised 265.5 million euros, with a net gain of 136.1 million euros.
Still referring to Piaggio Holding Netherlands B.V., in implementing the agreements in place among shareholders, in August the company purchased 120,000 own "B" shares from PB S.r.l. for an overall amount of 159.8 million euros, of which 119.9 million euros as repayment of the share premium and the 39.9 millions euro difference for distribution of dividends. Such shares, that were subsequently cancelled in October following the completion of the above transactions, represented 37.5% of the share capital of Piaggio Holding Netherlands B.V.. As a result of such purchase, Immsi S.p.A.'s equity investment in Piaggio Holding Netherlands B.V. reached 78.33% of the share capital.
Subsequently, on 18 October, the shareholders meeting of Piaggio Holding Netherlands B.V.

approved the allocation of financial resources exceeding the company's operational requirement and of the Piaggio & C. S.p.A. ordinary shares held by the two shareholders Immsi S.p.A. and Scooter Holding 3 B.V., respectively, 198,307,659 shares to Immsi and 20,714,428 shares as well as 81.7 million euros in cash to Scooter Holding 3 B.V..
In particular, regarding the allocation of shares to Immsi, the book countervalue of 194,341 thousand euros, essentially corresponding to the original acquisition cost recognised in the financial statements by Piaggio Holding Netherlands B.V. (0.98 euros per share), was charged in part to repayment of the share premium reserve created for the original payments made by the shareholders (156,511 thousand euros), the difference going to the distribution of earnings (37,830 thousand euros). The latter amount was recognised in the financial statements of the parent company Immsi S.p.A. as a dividend in kind among the financial items of income for the period.
Finally, in December, Immsi sold its equity investment in Piaggio Holding Netherlands B.V. to Scooter Holding 3 B.V. for 1 euro. On 31 December 2006, the parent company therefore held a direct equity investment in Piaggio & C. S.p.A. of 55.77% of the share capital, for a total amount of 284.6 million euros with 217,907,659 shares.

As regards the **property sector**, the group operates through Is Molas S.p.A., Apuliae S.p.A., Rodriquez Pietra Ligure S.r.l. (now Pietra S.r.l.) and the parent company Immsi S.p.A., which, following the completion of the property disposal plan carried out last year, to date owns one property in Rome, in via Abruzzi, rented out to third parties. Rental income for 2006 totalled around 2.1 million euros.
As regards further property initiatives of the parent company, of note is the acquisition in December of 77.78% of Rodriquez Pietra Ligure S.r.l., for an investment of 3.9 million euros, the rest of the shares being owned by Intesa San Paolo S.p.A..
The above company, established in December by Rodriquez Cantieri Navali S.p.A., was subsequently sold to the two current shareholders so as to be able to sign an agreement to sell the future receivable relating to the Pietra Ligure shipyard project with Rodriquez Cantieri Navali S.p.A. itself.
This project aims to reconvert 44,148 square meters of the publicly-owned Pietra Ligure shipyard under lease for shipyard activities.
This project began in 2005 and has two phases:

- The application to privatise 15,630 square meters of residential land,
- An urban variance of the whole complex and a change to the non-privatised area (44,148-15,630= 28,518) (Burlando decree).

In 2005, Rodriquez Cantieri Navali had signed a contract with a buyer for the sale of part of the privatised area and a construction contract for the redevelopment of the leased areas where the Pietra Ligure shipyard operates.
The contract envisaged payment of a fixed amount, with a possible adjustment in the event of changes in the volumes; Rodriquez agreed to sell to the buyer the shares of a new company being established that had carried out the privatisation of the area and signed the construction contract.
Following such sale, Rodriquez Cantieri Navali S.p.A. sold outright and without recourse to Rodriquez Pietra Ligure S.r.l. (which later became Pietra S.r.l), the receivable that will be due from the buyer for a Preliminary Contract amount, or at the different higher amount that will be agreed upon signing the Final Contract.
In addition to the above consideration, a further success fee is envisaged if certain parameters are met.
In the light of developments to date, the Company deems the completion of the project to be probable and, with reference to the contract with the buyer, it is reasonable to consider that there may be a major upgrade to the amount specified in the Preliminary Contract.

Regarding Is Molas S.p.A., the tourism sector property project has been completed and presented

to the authorities for the necessary permits. At the same time, marketing and promoting the complex itself has already begun throughout Europe.
From the financial viewpoint, it is pointed out that in order to support this development project, in May the company approved a 15 million euros increase in share capital which was underwritten and paid for by the shareholders, of whom the parent company Immsi S.p.A. for 9 million euros.

As for Apuliae S.p.A., it is pointed out that the property's restructuring has been suspended as of March 2005 following investigations by the legal authorities that are still ongoing.
These investigations regard in particular verification of Lecce Province's right of ownership of the building and the subsequent handling of the tender which Apuliae won. In a May 2006 ruling, the *Consiglio di Stato* (the judicial body that reviews administrative action) deemed that the destination of use as a tourist facility, as per the above tender, contradicts the lease granted by the *Demanio* (the authority governing the public domain) to the Province of Lecce. Even though Apuliae, in the knowledge of its full compliance with the provisions of the related concessions, has carried out the actions deemed necessary to protect its assets against the province, any confirmation of the above mentioned ruling by the *Consiglio di Stato* may compromise the outcome of such investment.
With a view to prudence and with it being unlikely that the investigations will finish soon, the company has written down the assets recognized in the financial statements regarding the project to date. Consistently with this decision, the parent company Immsi S.p.A. has written down the value of its equity investment proportionally to its holding, equal to 85% of the subsidiary. The impairment recognised in the financial statements of the parent company is 2.5 million euros.

Regarding the **industrial sector**, the Piaggio group was listed on the Italian stock exchange in July and substantially improved its economic and financial results compared to 2005.
In particular, net revenue totalled 1,607.4 million euros, a 10.7% increase on 2005, with improvements in both the 2-wheeler business (+8.7%) and the Light Commercial Vehicle business (+17.3%). Revenues relating to the Piaggio brands grew from 1,084.6 million euros in 2005 to 1,202.6 million euros (+10.9%) in 2006, while turnover for the Aprilia and Moto Guzzi brands rose from 348.9 million euros in 2005 to 404.8 million euros in 2006 (+16%).
Part of the growth in turnover is attributable to the income from the first quarter relating to the 36.5 million euros contract signed with the Italian Post Office (*Poste Italiane S.p.A.*) at the end of the previous year.
The 2006 operating profit grew both in absolute terms (20 million euros improvement to 114.2 million) and as a percentage of revenue (7.1% in 2006 compared to 6.5% in 2005), as well as the net profit for the period (70.3 million euros in 2006 against 38.1 million in 2005).
With particular reference to the non-recurring income and costs items included in the income statement, it is pointed out that the 2006 costs contain 10.2 million euros of charges relating to the stock exchange listing, while on the other hand, in 2005 there were 18.6 million euros of anti-pollution incentives provided by the Ministry for the Environment to Piaggio & C. S.p.A. and Aprilia S.p.A. for sales of environmentally friendly vehicles between June 2003 and July 2004, incentives that the company had already passed on to customers in previous years.
Net financial debt of 318 million euros at 31 December 2006 is 93.4 million euros less than at 31 December 2005, 16.8 million euros of which derives from the increase in share capital associated with the stock option plan.

As regards the **shipbuilding sector**, where Immsi operates through the group controlled by Rodriquez Cantieri Navali S.p.A., 2006 recorded an increase in net revenue from sales compared to the previous year of around 5.9%, reaching 95.9 million euros but still suffered from the negative effects deriving from the handling of contracts signed in previous years, which were difficult to complete and caused delays in delivery and in reaching acceptable levels of profitability. The 2006 turnover only marginally reflects the execution of contracts signed during the year which will be developed in 2007 and beyond.

Moreover, quantified contractual obligations arose regarding construction guarantees to be paid to customers for vessels already delivered, which in 2006 required repairs charged to the group without the possibility of additional revenue. These activities will continue in 2007 according to the schedules that have been drawn up and need to be completed. Finally, non-recurring charges have been recognised in relation to future non-recoverability of assets, inventories, receivables and capitalized development costs. The loss for the year was 25.1 million euros compared to a loss of 13.6 million euros in 2005.

So as to ensure a level of saturation of production capacity sufficient to fully cover overhead costs, management efforts have been targeted, on the one hand, on acquiring new contracts that can increase the company's production volumes and, on the other hand, on seeking organizational solutions that enable the company to meet the requirement to focus on the key markets and to improve the control and management of each business line.
Of particular note is the signing of a contract on 8 April 2006 for the delivery of five 52-metre catamarans to Oman for a total amount of some 90 million dollars, expected to be built and delivered within 2008, the contract for the construction of 3 minesweepers for the Finnish Navy for a total amount of 245 million euros, the contract for the construction of twenty-three 22-metre patrol boats for the Italian *Guardia di Finanza* for some 138 million euros and the master agreement for the construction of three light alloy 41-metre Mega Yachts for 25 million euros.

Net financial debt stood at 33.9 million euros, a substantial improvement on the 49.1 million euros at 31 December 2005, following the receipt of significant advance payments on signed delivery contracts.

Group activities

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

In thousands of euros	Property holding sector	in %	Industrial sector	in %	Naval sector	in %	Immsi Group	in %
Net revenues	5,439		1,607,412		95,926		1,708,777	
EBITDA	-7,075	-130.1%	204,006	12.7%	-16,165	-16.9%	180,766	10.6%
Operating earnings (EBIT)	-7,990	-146.9%	114,224	7.1%	-20,281	-21.1%	85,953	5.0%
Earnings before taxation	127,704	2347.9%	88,238	5.5%	-23,957	-25.0%	191,985	11.2%
Earnings for the period including minority interest	122,313	2248.8%	70,345	4.4%	-25,098	-26.2%	167,560	9.8%
Group earnings for the period (consolidated)	54,464	1001.4%	25,984	1.6%	-14,885	-15.5%	65,563	3.8%
Net financial position	-62,365		-318,006		-33,945		-414,316	
Personnel (number)	82		6,774		363		7,219	

The "property and holding company sector" consolidates the financial and balance sheet items of Immsi S.p.A., Is Molas S.p.A., Apuliae S.p.A., Rodriquez Pietra Ligure S.r.l., RCN Finanziaria S.p.A. and, for the income figures alone, Piaggio Holding Netherlands B.V..

The property and holding company sector

Regarding the property business, in 2005 Immsi S.p.A. completed the Disposals Plan started in July 2003 and at the year end owned only one property in via Abruzzi, 25 – Rome, the management of which is still being optimized. It is currently over 90% rented to third parties.
Through various consultancy contracts, Immsi S.p.A. makes available to the other Group companies its professional competencies, amongst which technical skills relating to the property sector so as to best enhance the opportunities associated with the property of the different companies in the area of consolidation. Overall consultancy provided by the parent company during 2006 amounted to 4.2 million euros, inclusive of the administrative and corporate activities mainly attributable to the listing of the subsidiary Piaggio & C. S.p.A..

The subsidiary Is Molas S.p.A., operates in the Municipality of Pula (Cagliari) through a tourist hotel complex with significant sports structures (international level golf courses) and a major residential property development project.
In order to implement the development plan of the entire residential and tourist hotel complex as well as construction of the golf courses, the company has turned to world renowned professionals of the calibre of architect Massimiliano Fuksas, Gary Player, Golf Vacanze and Ai Engineering who have prepared a detailed project. On 23 May 2006, the additional document was signed with the

Municipality of Pula regarding the Agreement that defines the distribution of the volumes and areas for each component of the entire zone, the planimetric and volumetric plans, the relative technical regulations and the urban planning works to be carried out.
During the year, brokerage agreements were signed with major real estate agents operating both in Italy and abroad, with the aim of creating an adequate and effective sales network that takes account of the intended target market.
As regards the hotel business, operating figures show a satisfactory increase in sales volumes and number of guests, in line with the aim of financial and operational reorganisation.

Apuliae S.p.A. acquired, by private bid, a building in S. Maria di Leuca (Lecce) to be used as a tourist hotel. All related activities are still suspended following the investigations carried out by the legal authorities; the *Consiglio di Stato* ruled against Apuliae, deeming the building's use to be in contrast with the lease of the *Demanio* to the Province of Lecce. Apuliae filed an appeal with the same competent body and, in the expectation of a substantial delay in resolving the dispute, wrote down the assets relating to the project. Consequently, the parent company Immsi S.p.A. made a 2.5 million euros write-down of its equity investment in the company, proportional to its holding.

Overall in 2006, the property and holding company sector, which also includes the financial activities of the parent company Immsi S.p.A., Piaggio Holding Netherlands B.V. and RCN Finanziaria S.p.A., produced net earning to be consolidated of 54.5 million euros deriving mainly from the positive financial items of Piaggio's listing, net of taxation and minority interest.

The industrial sector: Piaggio group

The 2-wheeler business
In 2006, the world market for motorised 2-wheelers contracted slightly compared to the previous year (-4% compared to 2005). Sales volumes remained over 40 million vehicles, however.
Asia remains the number one market: the People's Republic of China confirmed its position as the biggest world market, in spite of a 17% fall in volumes, with over 15 million vehicles sold. In second place was India with growth of 15% and more than 7.7 million vehicles sold.
South East Asia, with over 11 million vehicles, experienced a slowdown compared to 2005 (-2%): among countries in this area, Indonesia (-12% compared to 2005) accounts for 4.5 million vehicles sold, approximately 39% of sales, followed by Vietnam and Thailand with 2.2 million and 2.1 million vehicles sold, respectively.
The positive trend continued in North America (of which more than 90% is concentrated in the USA) which maintained growth of 2%, with over one million units sold. As for Latin America, Brazil (80% of the area) confirmed its rising trend with volumes at nearly 1.3 million units (+24% compared to 2005).
Europe, the main area for Piaggio group businesses, saw further growth with around 2.2 million vehicles sold (+10% compared to 2005, of which +12% came from the scooter business and +9% from motorbikes). This result depended once again on the solid performance of the over 50cc segment (+8%) combined with considerable growth in the 50cc segment (+14%); as for the over 50cc segment, scooters improved +11% and motorbikes were +6%.
Italy remains the main market for scooters (around 30% of European sales) with volumes of 398,000 vehicles, essentially stable compared to 2005; 50cc sales fell 6% while over 50cc sales increased 4%; among the other countries, Spain followed with 218,000 (+27%), France with 239,000 (+42%) and Germany with 84,000 (-16%). The substantial increase in the over 50cc segment in the German market was offset by an even more substantial fall in the larger 50cc segment; a sense of cautious optimism returns to the British market where 41,000 units were sold against 40,000 in 2005.
In 2006, the North American scooter market contracted 2%, falling from 65 thousand units in 2005 to 64 thousand units in 2006. The over 50cc scooter segment saw a positive growth trend (+25%), while the 50cc market which fell by 23%.

The motorbike market in Italy improved substantially in 2006, rising from 155,000 units in 2005 to 169,000 at 31 December 2006 (+9.5%), thanks to growth in the sub-segments of 51-125cc motorbikes, which rose 10,000 (+ 4.8%), and above all in the over 125cc motorbikes with 151,000 (+9%). In particular, 126-750cc motorbikes grew by 10.9% (96,000 vehicles in 2006), while sales of over 750cc motorbikes grew by 5.3% to more than 54,000 vehicles sold.
The motorbike market in Europe rose from 854,000 units in 2005 to 926,000 units in 2006 (+8.4%). Of particular note is the 6.6% growth in the 51-125cc segment which rose to 137,000 units and the 126-750cc segment increased to 390,000 units (+8.4%).
The main markets are France (177,000 units), Italy (169,000 units), Spain (162,000 units), Germany (133,000 units) and Great Britain (90,000 units).
In 2006 the motorbike market in the United States followed a general growth trend (+2.6%), due to the over 125cc segment (+12.1% overall), while the 51-125cc sub-segment fell (-19.6%).

Light Commercial Vehicle business

In 2006, the European market for light commercial vehicles (vehicles with a gross weight of up to 3.5 tons) saw further recovery, up 5.3% compared to 2005 (source: Acea December 2006).

On the domestic Italian market (source: ANFIA) for the period January-December 2006, growth was higher (+8.3%) in 2006, with 234,000 units sold compared to 216,000 in 2005.

The Indian market, where Piaggio Vehicle Private Limited, a subsidiary of Piaggio & C. S.p.A., successfully operates, continues to show good growth, +19.4% compared to 2005. During 2006, sales to end users in the 3-wheeler segment in which PVPL operates, reached 406,000 units compared to 340,000 units recorded in 2005. Within this market, the sub-segment for passenger vehicles was 236,000 units (+21.3%), while the cargo sub-segment also saw significant growth (+16.8%), rising to 169,000 units sold.

The regulatory framework

Italy

In 2006, the process to apply the regulations contained in the Legislative Decree on the New Highway Code continued. In particular, the new moped registration system that came into force on 14 July 2006 (new licence plates, new vehicle registration certificate, sale and exchange of title without the need for a notary public since mopeds are considered non-registered assets); as a consequence thereof, all new mopeds registered for the first time and, in the future and on an optional basis, those already in circulation, have a new licence plate and new vehicle registration documents which allow the transport of a passenger provided that the driver is an adult. However, the mandatory application of the regulation to all mopeds has still not been defined in terms of timing or method and will be subject to a further ministerial circular.
Finally, the *Motorizzazione Civile* (the Italian Department of Motor Vehicles) has officially recognised the right to circulate on motorways, ring-roads and assimilated roads for heavy quads for goods transport for example, the Quargo).

Europe

In compliance with EU directives 2002/51/CE and 2003/77/CE, on 1 January 2006 the Euro3 phase came into force for newly registered motorcycles over 50cc. These rules will be extended to all new registrations for motorcycles over 50cc and/or with a top speed of more than 45 kph as from 1 January 2007.

In the second half of 2006, European institutions defined new restrictions regarding 2- and 3-wheel motor vehicles so as to lessen their environmental impact, in addition to the aforementioned directives, in relation to pollution limits for 2- and 3-wheeler motorised vehicles, with limits on:

- The first document (EU Directive 2006/72/CE dated 18 August 2006, published in the G.U.C.E. (Italian Official Gazette of EU Affairs) no. L 227 dated 19/08/2006) provides that the new testing cycle harmonised at a global level (the World Motorcycle Test Cycle - WMTC) to measure the pollution from motorcycles come into non-binding force as from 1 July 2007, at the request of the manufacturer of the vehicle to be approved. The new testing cycle includes limits for emissions which are equivalent to those already familiar for the classic testing procedure with the ECE 40 cycle.

- The second document, which is currently being finalised, should establish the new Euro3 limits for mopeds, 3-wheelers and quads, and contain a package of additional measures for all 2- and 3-wheeler motor vehicles (measurement of fuel consumption, CO2 emissions, durability, evaporative emissions, etc.).

It should be remembered that, in the vehicles segment (commercial vehicles N1 Porter), as from 1 January 2006 the obligation to meet the Euro4 parameters has been extended to all first-time registrations. This has led to the withdrawal of the diesel version engine of the Porter, favouring the idea of developing a new technically up-to-date version, while the supplier Daihatsu has adapted the petrol version to the new parameters and guaranteed supply until 2008-2009.
Overall, the products of the Piaggio group conform both to the strictest European regulations and, with specific adaptations, to the regulations in North America and other non-EU countries (China, India, etc.).

The 2-wheeler business unit

In 2006 the Piaggio group, taking into consideration all the brands managed, Piaggio, Gilera, Vespa, Derbi, Aprilia and Guzzi, sold a total of 520,500 units (+6.3% compared to 2005) in the 2-wheeler sector, with net sales of 1,236.8 million euros (+8.7%) including spare parts and accessories. The Group's brands maintained their leadership of the European scooter market with a 30.8% share.
Looking at the individual brands, 2006 saw strong growth for Vespa which sold over 100,000 units (+15.0%) thanks to the launch of the GTV and the confirmation of the LX and GTS models. Note should be taken of the excellent performance by Vespa in the USA where it recorded an increase in sales of over 40% compared to 2005. Piaggio volumes rose by 12.0%, also due to the positive contribution from the Italian Post Office contract for 24,300 vehicles. The launch of the new Beverly S, Liberty S and X8 families fitted with the new 400cc engine, the arrival of new vehicles manufactured by the Chinese joint venture (Fly 50 and 100cc), but above all the entry of the innovative MP3 ensure margins for improvement this year as well.

Gilera ended 2006 at the same levels as 2005, with 35,000 units sold, thanks to the launch of the new Nexus 500 and the new 250cc version introduced in mid-2006.
As for Derbi, some negative factors led to a sharp fall in sales and the number of units sold in 2006; these include the termination of the collaboration agreement to distribute Kawasaki motorbikes on the Spanish market. Against this background, business performance in 2006 recorded an overall 22.2% fall in volumes and a 24.7% reduction in net sales.
As for Aprilia, the results for 2006 are essentially in line with the previous year as regards volumes (114,600 vehicles sold against 113,700 in 2005, +0.8%) and an improvement in net sales, which rose from 264.2 million euros at 31 December 2005 to 285.1 million euros at 31 December 2006. More in detail, the 2006 results derive from a contraction in volumes and sales in the scooter sub-segment, offset by a strong improvement in the motorbike sub-segment, due mainly to the 126-750cc and 51-125cc sub-segments. While the result for scooters reflects a product range which is being renewed and technologically updated, the positive result for motorbikes was due to the good performance in Italy of the new RS 125, the entry into the 126cc – 1000cc sub-segment of the new Pegaso 650 Strada and Trail and Tuono Factory models and the positive contribution from off-road motorbikes.
In 2006, Moto Guzzi recorded sales of 10,200 motorbikes compared to 7,000 in 2005 (+46.4%) and turnover of 75.0 million euros compared to 43.8 million euros in 2005 (+71.2%), thanks to a more favourable product mix with larger engine sizes.

THE 2-WHEELER PRODUCT RANGE

The two best-selling models in 2006 were the Piaggio Liberty and the Vespa LX, followed by the Zip in third place and the Beverly in fourth; the Vespa GT/GTS range improved, as well as the "vintage" GTV, built in limited edition mark the 60th year.
During 2006, Piaggio launched the updated Beverly and X8 with new 400cc engines; similarly, the 50cc versions of Zip and Fly were joined by a 100cc version, while the second half of 2006 saw the introduction of the MP3, the first 3-wheeler scooter, already successful in Italy and throughout Europe.
Gilera introduced an updated version of the Nexus 500, then a 250cc version that more than doubled the 2005 sales volumes. At the end of 2006, two veritable novelties that will be launched in 2007 were unveiled for the first time at EICMA: Fuoco 500, a sporty 3-wheeler scooter and the GP 800, the most powerful twin-cylinder scooter ever produced.
The range of Aprilia products is formed by a diverse series of scooters and motorbikes with various engine sizes. During 2006, note should be made of the introduction of the new scooter models, Scarabeo 250/400/500 i.e., Sport City 250 i.e., and the new Euro3 engines for the Sport City 125/200 and Atlantic 125/250/400 and 500, as well as the Scarabeo 125/200 Street. As for motorbikes, the 50cc range has been completely renewed thanks to the new RS 50, RX 50 and SX 50 models. In February, there was also the launch of the new sporting RS 125, which immediately positioned itself as a leader in the 125cc supersport segment. Among the mid-range bikes of note is the new Pegaso Trail, while among the maxi bikes note should be taken of the introduction of the new Tuono Factory and the 2006 model of the RSV 1000 in the standard and Factory versions
During 2006, Moto Guzzi continued to renew its range of vehicles, with the launch of the Breva 750 and Nevada 750 series in the touring versions, and their engines were adapted to the Euro3 regulation. The engines were updated for the California series as well and new versions were launched in various sub-segments including custom, touring and vintage. In addition, the company introduced the new 850cc version of the Breva and Griso models and presented the Norge 1200, which marked Moto Guzzi's return to the touring segment.

The LCV business unit

The Light Commercial Vehicles (LCV) division ended 2006 with 160,300 units sold, 32% up compared to the 2005 volumes, while net sales rose from 304.2 million euros in 2005 to 356.6 million euros in 2006 (+17.2%). The net sales generated in Europe totalled 150.2 million euros, while India, following strong growth in volumes and including net sales for spare parts and accessories, reached 206.4 million euros of net sales.
Thus the positive trend in European sales continued with about 21,000 units sold, +4.6% compared to about 20,000 in 2005, and Piaggio consolidated its role as the key player in the niche of "compact" commercial vehicles.
The growth in volumes and net sales achieved by Piaggio Vehicles in India again in 2006 further strengthened the presence of our subsidiary on the Indian market, where it improved its market share (33.9%) compared to the 29.1% of the previous year and confirmed its position as the second operator on the local market. Sales rose from 100,600 units in 2005 to 137,600 units in 2006 (+36.7%), consolidating its role as market leader in the cargo segment and as the key follower in terms of dynamism and innovation in the passenger segment.

In the cargo sub-segment (0.5 tons and 0.75 tons), thanks in particular to the "Piaggio Ape 501" and its numerous personalisation possibilities, the market share of Piaggio Vehicles stood at 38.7%, making it the market leader.
In addition, the rapid growth of Piaggio Vehicles in the passenger sub-segment continued, with a significant increase in market share (30.4%).
As for the product range, 2006 saw the introduction of the Euro4 engines on the Porter range.

The shipbuilding sector: Rodriquez group

In 2006, the Rodriquez group slightly improved net revenues, 95.9 million euros compared to 90.6 million euros the previous year (+5.9%), but still suffered the negative effects deriving from the handling of contracts signed in previous years, which were difficult to complete and created delays in delivery and in reaching acceptable returns.

Some important negotiations were completed in 2006 which led to the signing of significant construction contracts: in particular, the Fast Ferries contract for the building of five 52-metre aluminium catamarans for the Sultanate of Oman for around 90 million dollars, the contract for the construction of 3 minesweepers for the Finnish Navy for an overall amount of 245 million euros, the contract for the construction of twenty-three 22-metre patrol boats for the Italian *Guardia di Finanza* for around 138 million euros and the master agreement for the construction of three 41-metre light alloy Mega Yachts for 25 million euros.
At the end of 2006, the overall order book stood at some 500 million euros of which about 400 million being military (the construction of the previously mentioned minesweepers and patrol boats), 60 million from Fast Ferries (mainly the Sultanate of Oman contract mentioned above) and the rest being yachts of various sizes.

Beyond organising the business by divisions (Fast Ferries, Yachts and Military), which will generate efficiencies and improved penetration in the specific reference market, measures are being taken to contain general expenses, to increase profitability and to reorganise the production and planning functions.

Furthermore, in 2007, two hi-tech research projects will be completed: two “fully submerged hydrofoils“ and an “Enviroaliswath” vessel for passengers and cars.

As regards non-core shipbuilding activities, last year Rodriquez Cantieri Navali S.p.A. sold outright and without recourse to Rodriquez Pietra Ligure S.r.l. (a company owned by Immsi S.p.A. and Intesa San Paolo, later transformed into Pietra S.r.l.) the receivable that will be due at the end of the ongoing privatisation process from the buyer of the area in Pietra Ligure, where the group’s shipbuilding activities will be carried out. Regarding the consolidated financial statements, the income and balance sheet effects deriving from the above sale have been reversed in that they are intragroup.

Human resources

At 31 December 2006, Immsi Group employed 7,219 staff, of which 82 in the property/holding company sector, 6,774 in the industrial sector (Piaggio group) and 363 in shipbuilding (Rodriquez group).

The following tables divide resources by category and geographical area:

Human resources by category

numbers	31/12/2006			
	Property sector	**Industrial sector**	**Naval sector**	**Immsi Group**
Senior managers	7	113	17	137
Middle managers and clerical staff	33	2,187	146	2,366
Manual workers	42	4,474	200	4,716
TOTAL	**82**	**6,774**	**363**	**7,219**

Human resources by geographical area

numbers	31/12/2006			
	Property sector	**Industrial sector**	**Naval sector**	**Immsi Group**
Italy	82	4,308	358	4,748
Rest of Europe	0	591	0	591
Rest of the World	0	1,875	5	1,880
TOTAL	**82**	**6,774**	**363**	**7,219**

Below is a comparison between 31 December 2006 and 31 December 2005, divided by category and geographical area.

numbers	31/12/2006	31/12/2005	Change
Senior managers	137	139	-2
Middle managers and clerical staff	2,366	2,304	62
Manual workers	4,716	4,377	339
TOTAL	**7,219**	**6,820**	**399**

numbers	31/12/2006	31/12/2005	Change
Italy	4,748	4,721	27
Rest of Europe	591	611	-20
Rest of the World	1,880	1,488	392
TOTAL	**7,219**	**6,820**	**399**

Group staff at 31 December 2006 include seasonal workers (term contracts), mainly the Piaggio group with 1,171 people.

Financial situation and financial performance

The Group

In 2006, the Group substantially improved its economic, balance sheet and financial results compared to the previous year, which is essentially consistent in terms of consolidation area.

Overall net revenues rose by more than 161.2 million euros (+10.4%), reaching 1,708.8 million euros, largely from the industrial sector, which improved 155.6 million euros (+10.7%) to 1,607.4 million euros.

Operating earnings before amortisation and depreciation at 31 December 2006 was 180.8 million euros, 10.6% of revenues, while operating earnings were 86 million euros, 5% of revenues.
This is an increase of 8.4 million euros (+4.9%) and 9 million euros (+11.7%), respectively, compared to the previous year.
Moreover, it is pointed out that operating earnings do not include goodwill in that, on the basis of the results expected in the multi-year development plans prepared by the Group companies and used by third-party independent experts for testing for impairment, no write-downs were deemed to be necessary in that such goodwill is considered to be recoverable with future cash flows.

At 31 December 2006, net earnings for the period, including Group minority interest, stand at 167.6 million euros, 9.8% of revenues against 23.6 million euros (1.5% of revenues) at 31 December 2005. A significant contribution to this result is given by the gains (136.1 million euros of financial income) made by Piaggio Holding Netherlands B.V. at the listing on the MTA *Mercato Telematico Azionario* (part of the Italian stock exchange) of 117,537,840 Piaggio & C. S.p.A. shares at a unit price of 2.3 euros, for an overall countervalue of 265.5 million euros, net of accessory selling costs.

Group earnings for the period stand at 65.6 million euros (3.8% of revenues) compared to 8.4 million euros (0.5% of revenues) at 31 December 2005.

Group net financial debt at 31 December 2006 totals 414.3 million euros, a 96.6 million euros reduction compared to 510.9 million euros at 31 December 2005, mainly due to Group cash flow of 158.7 million euros and the 23.6 million euros increase in net working capital.

Group gross investments in the year totalled 200.3 million euros, divided as follows:

- 49.9 million euros in intangible assets, of which 48.6 million euros referring to the Piaggio group;
- 46.6 million euros in tangible assets (excluding property disposals of 1.9 million euros), of which 41.6 million euros referring to the Piaggio group, 3.3 million euros to the Rodriquez group and the rest to the property/holding company sector;
- 103.8 million euros in equity investments in subsidiaries, of which about 78.5 million euros relating to the purchase by Immsi S.p.A. of 28,334 Piaggio Holding Netherlands B.V. shares and some 24.6 million euros for the purchase by said Dutch company of Piaggio & C. S.p.A. shares.

As regards disposals of consolidated equity investments, it is pointed out that 265.5 million euros were received by Piaggio Holding Netherlands B.V. for the Piaggio & C. S.p.A. shares placed at the IPO.
Total Immsi Group shareholders' equity at 31 December 2006 stand at 645.6 million euros; excluding minority interest, Group shareholders' equity is 401.8 million euros.

Financial performance of the Group

The Group prepares reclassified figures as well as the financial statement schedules required by law. These reclassifications are not audited.
A short description of the main balance sheet and income statement items is provided below the reclassified schedules. Further information on these items may be found in the explanatory and additional notes to the financial statements. Specific notes referring to the mandatory schedule items are omitted since the sums coincide.
The reclassified consolidated income statement of Immsi Group shown below is classified by the nature of the income components and is in line with the IAS/IFRS guidelines which consider them entirely arising from ordinary activities, except for those of a financial nature.

In thousands of euros	*2006*		*2005*	
Net revenues	**1,708,777**	**100%**	**1,547,573**	**100%**
Costs for materials	980,388	57.4%	883,405	57.1%
Costs for services and the use of third party assets	381,845	22.3%	349,457	22.6%
Employee costs	259,133	15.2%	247,875	16.0%
Other operating income	138,896	8.1%	155,289	10.0%
Other operating costs	45,541	2.7%	49,776	3.2%
OPERATING EARNINGS BEFORE AMORTIZATION /DEPRECIATION	**180,766**	**10.6%**	**172,349**	**11.1%**
Depreciation of tangible assets	44,626	2.6%	46,751	3.0%
Amortization of goodwill	0	-	0	-
Amortization of finite life intangible assets	50,187	2.9%	48,655	3.1%
OPERATING EARNINGS	**85,953**	**5.0%**	**76,943**	**5.0%**
Loss on equity investments	-17	0.0%	-10	0.0%
Financial income	156,955	9.2%	17,952	1.2%
Financial charges	50,906	3.0%	52,799	3.4%
EARNINGS BEFORE TAXATION	**191,985**	**11.2%**	**42,086**	**2.7%**
Taxation	24,425	1.4%	23,770	1.5%
EARNINGS AFTER TAXATION FROM CONTINUING ASSETS	**167,560**	**9.8%**	**18,316**	**1.2%**
Profit (loss) from assets intended for disposal or sale	0	-	5,242	0.3%
EARNINGS FOR THE PERIOD INCLUDING MINORITY INTEREST	**167,560**	**9.8%**	**23,558**	**1.5%**
Minority interest	101,997	6.0%	15,193	1.0%
GROUP EARNINGS FOR THE PERIOD	**65,563**	**3.8%**	**8,365**	**0.5%**

Consolidated 2006 Group turnover is 1,708.8 million euros, of which 1,607.4 million euros from the Piaggio group, 5.4 million euros from the property/holding company sector and 95.9 million euros from the Rodriquez group.

The industrial sector shows an increase of 155.6 million euros compared to 2005 (10.7%), with

growth in both the 2-wheeler business (+8.7%) and the Light Commercial Vehicle business (+17.2%). Piaggio brand revenues rise from 1,084.6 million euros in 2005 to 1,202.6 million euros (+10.9%) in 2006, while turnover relating to the Aprilia and Moto Guzzi brands improve overall from 348.9 million euros in 2005 to 404.8 million euros in 2006 (+16%).
Part of the growth in turnover is attributable to first quarter income relating to the 36.5 million euros contract with *Poste Italiane S.p.A.* (the Italian Post Office) signed at the end of the previous year.
2006 consolidated revenues from the shipbuilding sector total 95.9 million euros, a 5.9% improvement compared to 90.6 million euros in 2005.
Finally, revenues for the period of the property/holding company sector are essentially in line with the 2005 figures.

Operating costs and other consolidated Group net costs in 2006 total 1,528 million euros (89.4% of revenues), of which 1,403.4 million euros (87.3% of revenues) relating to the Piaggio group.

Costs for materials total 980.4 million euros, 57.4% of revenues. The part relating to the industrial sector amounts to 946.5 million euros, 58.9% of revenues.

Personnel costs total 259.1 million euros, or 15.2% of revenues. The largest part, 236.2 million euros (14.7%), refers to the Piaggio group.

Operating earnings before depreciation and amortisation (EBITDA) total 180.8 million euros, 10.6% of turnover, of which 204 million euros from the industrial sector. In 2006, Piaggio group recorded non-recurring costs associated with the *Borsa Italiana* stock exchange listing (10.2 million euros), while in 2005 there was significant income from the receipt of anti-pollution incentives (18.6 million euros) relating to sales from previous years.

Depreciation and amortisation for the period stand at 94.8 million euros (of which 89.8 million euros in the industrial sector), 5.5% of turnover. Depreciation of tangible assets accounts for 44.6 million euros, while amortised intangibles excluding goodwill total 50.2 million euros.

EBIT showed a profit of 86 million euros, 5% of turnover, of which 114.2 million euros referring to the industrial sector.

The positive net financial balance totals 106 million euros, 6.2% of turnover, the result of a net negative balance of 26 million euros relating to the industrial sector and 3.7 million euros from the shipbuilding sector and positive components associated with the 136.1 million euros gains realized by Piaggio Holding Netherlands B.V. regarding the listing of Piaggio & C. S.p.A. on the *Mercato Telematico Azionario*.

Profit before taxation stands at 192 million euros, or 11.2% of turnover, of which 88.2 million euros from the industrial sector, Piaggio Holding Netherlands B.V. contributes 136.6 million euros, while the shipbuilding sector shows a loss of 24 million euros.

Net earnings for the period, after taxation and net of minority interest, totals 65.6 million euros (3.8% of revenues).

Group financial situation

In thousands of euros	*31.12.2006*	*in %*	*31.12.2005*	*in %*
Current assets:				
Cash and cash equivalents	101,941	5.2%	59,372	3.4%
Financial assets	12,594	0.6%	1,260	0.1%
Operating assets	565,250	28.9%	524,854	29.6%
Total current assets	**679,785**	**34.8%**	**585,486**	**33.1%**
Non-current assets:				
Financial assets	1,015	0.1%	10,805	0.6%
Intangible assets	802,112	41.1%	737,429	41.6%
Tangible assets	318,135	16.3%	323,008	18.2%
Other assets	151,752	7.8%	114,595	6.5%
Total non-current assets	**1,273,014**	**65.2%**	**1,185,837**	**66.9%**
TOTAL ASSETS	**1,952,799**	**100.0%**	**1,771,323**	**100.0%**
Current liabilities:				
Financial liabilities	120,039	6.1%	122,057	6.9%
Operating liabilities	591,558	30.3%	465,790	26.3%
Total current liabilities	**711,597**	**36.4%**	**587,847**	**33.2%**
Non-current liabilities:				
Financial liabilities	409,827	21.0%	460,273	26.0%
Other non-current liabilities	185,772	9.5%	210,749	11.9%
Total non-current liabilities	**595,599**	**30.5%**	**671,022**	**37.9%**
TOTAL LIABILITIES	**1,307,196**	**66.9%**	**1,258,869**	**71.1%**
TOTAL SHAREHOLDERS' EQUITY	**645,603**	**33.1%**	**512,454**	**28.9%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,952,799**	**100.0%**	**1,771,323**	**100.0%**

Current assets at 31 December 2006 total 679.8 million euros, a 94.3 million euros increase compared to 31 December 2005. This increase is largely attributable to more cash and cash equivalents, and higher inventories at Piaggio.

Non-current assets at 31 December 2006 stand at 1,273 million euros against 1,185.8 million at 31 December 2005, an 87.2 million euros increase, mainly a result of recognising among the intangible assets goodwill (72.9 million euros overall) generated upon acquisitions during the year by Immsi of 28,334 Piaggio Holding Netherlands B.V. shares, of 10,891,789 Piaggio & C. S.p.A. shares by Piaggio Holding Netherlands B.V. and recognition of a further 11.9 million euros of Piaggio goodwill relating to enhancement in the value of the “Aprilia shareholders’ financial instruments”, and the adjustment in the present value of the “Warrant Piaggio 2004/2009” and “EMH 2004/2009” instruments, issued upon acquiring Aprilia.
In particular, an upward adjustment was made to the acquisition cost of Aprilia in the light of the positive income results for the period and in consideration of the contractual agreements underpinning said acquisition, which alter the final purchase price according to the achievement of specific income and balance sheet parameters.
Specifically, among the non-current assets, intangible assets total 802.1 million euros, a 64.7 million

euros increase compared to 31 December 2005, tangible assets stand at 318.1 million euros (323 at the end of 2005) and other assets of 151.8 million euros (against 114.6 million at the end of 2005).
Among other non-current assets, of note is the 25.4 million euros increase in value of the Capitalia securities held by the parent company Immsi S.p.A., adjusted to the market value at 31 December 2006.

Current liabilities at 31 December 2006 total 711.6 million euros, a 123.8 million euros increase compared to 31 December 2005, due mainly to the increase in trade payables of the Piaggio group as a result of increased volumes and different seasonal purchases, and of the Rodriquez group.

Non-current liabilities at 31 December 2006 stand at 595.6 million euros compared to 671 million euros at 31 December 2005. The decrease is attributable to 50.4 million euros of financial liabilities relating to the reduction in Group net debt.

Consolidated Group and minority interest shareholders' equity at 31 December 2006 is 645.6 million euros, of which 243.8 million euros attributable to minority interest.

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

In thousands of euros	***31.12.2006***	***in %***	***31.12.2005***	***in %***
Current operating assets	565,250	45.4%	524,854	42.5%
Current operating liabilities	-591,558	-47.5%	-465,790	-37.7%
Net operating working capital	**-26,308**	**-2.1%**	**59,064**	**4.8%**
Intangible assets	802,112	64.4%	737,429	59.8%
Tangible assets	318,135	25.5%	323,008	26.2%
Other assets	151,752	12.2%	114,595	9.3%
Capital employed	**1,245,691**	**100.0%**	**1,234,096**	**100.0%**
Non-current non-financial liabilities	185,772	14.9%	210,749	17.1%
Minority interest capital and reserves	243,784	19.6%	275,706	22.3%
Consolidated Group shareholders' equity	401,819	32.3%	236,748	19.2%
Total non-financial sources	**831,375**	**66.7%**	**723,203**	**58.6%**
Net financial debt	**414,316**	**33.3%**	**510,893**	**41.4%**

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

In thousands of euros	***31.12.2006***	***31.12.2005***
Cash generated internally	158,651	137,229
Change in net working capital	23,573	40,277
Cash flow generated from operations	**182,224**	**177,506**
Payment of dividends by parent company	-8,580	-8,580
Payment of dividends and repayment of reserves to third parties by Group companies	-241,491	-220
Increase in parent company share capital	80,080	807
Increase in share capital of subsidiaries underwritten by third parties	23,915	0
Purchase of intangible assets	-49,926	-39,419
Purchase of tangible assets	-46,617	-67,115
Net decrease from property disposals	1,867	57,074
Acquisition of non-controlling equity investments, net of disposals	-101	929
Flows from disposals of consolidated equity investments, net of the investments made	161,765	0
Other net movements	-6,559	-596
Change in net financial position	**96,577**	**120,386**
Initial net financial position	**-510,893**	**-631,279**
Closing net financial position	**-414,316**	**-510,893**

As shown above, net cash flow generated from operations totalling 182.2 million euros for 2006, together with the increase in parent company share capital (80.1 million euros), amounts paid by minority interest (23.9 million euros) as well as the receipts of the Piaggio & C. S.p.A. IPO (265.5 million euros), finance the gross investments for the period (200.3 million euros), the amounts paid to minority interest as dividends and repaid reserves (241.5 million euros) and the dividends paid by the parent company (8.6 million euros), giving rise to a positive change in the net financial position of 96.6 million euros. Net financial debt at 31 December 2006 therefore stands at 414.3 million euros.

The net **financial debt** of 414.3 million euro is analysed below and compared with the figure at 31 December 2005:

In thousands of euros	***31.12.2006***	***31.12.2005***
Short-term liquidity		
Cash and cash equivalents	-101,941	-59,372
Financial assets	-12,594	-1,260
Total short-term financial assets	**-114,535**	**-60,632**
Short-term financial payables		
Bonds	0	0
Amounts due to banks	98,228	75,726
Amounts due under finance leases	963	914
Amounts due to other lenders	20,848	45,417
Total short-term financial payables	**120,039**	**122,057**
Total short-term financial debt	**5,504**	**61,425**
Medium/long-term financial assets		
Receivables for loans	-1,015	-10,805
Other financial assets	0	0
Total medium/long-term financial assets	**-1,015**	**-10,805**
Medium/long-term financial payables		
Bonds	144,628	143,951
Amounts due to banks	217,305	260,141
Amounts due under finance leases	10,757	11,724
Amounts due to other lenders	37,137	44,457
Total medium/long-term financial payables	**409,827**	**460,273**
Total medium/long-term financial debt	**408,812**	**449,468**
Net financial debt	**414,316**	**510,893**

Financial situation and financial performance

The parent company

The company prepares not only the financial statements schedules required by law, but specific reclassifications as well. These schedules are not audited.
A short description of the main balance sheet and income statement items is provided below the reclassified schedules. Further information on these items may be found in the explanatory and additional notes to the financial statements. Specific notes referring to the mandatory schedule items are omitted since the sums coincide.

Reclassified income statement

In thousands of euros	***2006***		***2005***	
Net revenues *	**6,305**	**100%**	**6,296**	**100%**
Costs for materials	98	1.6%	73	1.2%
Costs for services and the use of third party assets	5,011	79.5%	5,858	93.0%
Employee costs	1,762	27.9%	1,707	27.1%
Other operating income	740	11.7%	783	12.4%
Other operating costs	698	11.1%	2,373	37.7%
OPERATING EARNINGS BEFORE AMORTIZATION /DEPRECIATION	**-524**	**-8.3%**	**-2,932**	**-46.6%**
Depreciation of tangible assets	421	6.7%	578	9.2%
Amortization of goodwill	0	-	0	-
Amortization of finite life intangible assets	29	0.5%	28	0.4%
OPERATING EARNINGS	**-974**	**-15.4%**	**-3,538**	**-56.2%**
Loss on equity investments	0	-	0	-
Financial income	41,504	658.3%	2,095	33.3%
Financial charges	5,911	93.8%	2,609	41.4%
EARNINGS BEFORE TAXATION	**34,619**	**549.1%**	**-4,052**	**-64.4%**
Taxation	6,647	105.4%	-1,634	-26.0%
EARNINGS AFTER TAXATION FROM CONTINUING ASSETS	**27,972**	**443.6%**	**-2,418**	**-38.4%**
Profit (loss) from assets intended for disposal or sale	0	-	5,242	83.3%
EARNINGS FOR THE PERIOD INCLUDING MINORITY INTEREST	**27,972**	**443.6%**	**2,824**	**44.9%**
Minority interest	0	-	0	-
GROUP EARNINGS FOR THE PERIOD	**27,972**	**443.6%**	**2,824**	**44.9%**

* Income from service contracts with subsidiaries, previously included under “Other net income”, has been reclassified for comparative consistency under “Net revenues”.

Net earnings for 2006 of 27,972 thousand euros is an improvement on the 25,148 thousand euros in 2005, due mainly to the contribution to 2006 earnings of the dividends in kind paid by Piaggio Holding Netherlands B.V. of 37,830 thousand euros (gross of the tax component).

Specifically:

- *Net revenues* total 6,305 thousand euros in 2006, essentially in line with 2005 (6,296 thousand euros). This item includes income from the services provided to subsidiaries (equal to 4,200 thousand euros), an increase of some 300 thousand euros compared to 2005. This income item is recognised as of the year 2006 under the "Net revenues" item, in that it is deemed to be typical income, by virtue of the changed income structure of the parent company Immsi S.p.A., and was consequently reclassified in the previous year for consistency in the comparison. The increase in this income partially offsets the decrease in unrealised rental income in 2006, referring to property rented in 2005 and disposed of in the same year;
- *Costs for services and the use of third party assets* total 5,011 thousand euros, a reduction of 847 thousand euros compared to 2005, mainly as a result of lower property and rental management costs following the completion of the property disposal plan in 2005;
- *Employee costs* stand at 1,762 thousand euros in 2006, essentially the same as 2005 (1,707 thousand euros) and refers to an average workforce of 20 (unchanged compared to 2005), of whom 4 managers and 16 clerical staff;
- The 42 thousand euros positive net balance of *operating income and costs* compares with a negative balance of 1,590 thousand euros at 31 December 2005, mainly as a result of higher provisions recognised for prudence in the bad debt reserve the previous year; total or partial recovery of some of those receivables in the first half of 2006 enabled the release of part of the provisions made;
- The *operating loss* stands at 974 thousand euros in 2006, a 2,564 thousand euros improvement compared to 31 December 2005 (a loss of 3,538 thousand euros);
- The positive net balance of *financial income and charges* totals 35,593 thousand euros at 31 December 2006, a 36,107 thousand euros improvement compared to 31 December 2005 (a 514 thousand euros negative balance), as a result of the distribution in October by Piaggio Holding Netherlands B.V. of dividends in Piaggio & C. S.p.A. shares for 37,830 thousand euros. Moreover, dividends received from the equity investment in Capitalia increased (2,228 thousand euros compared to 891 thousand euros in 2005) and interest payable fell in 2006 due to lower average borrowing during the period;
- *Income tax* of 6,647 thousand euros is a small percentage of the profit for the year by effect of the low tax bracket applied to the financial income from dividends, which is a major component of the earnings for the period of the parent company;
- There are no *gains or losses from disposed assets* in 2006, while net income for 2005 was 5,242 thousand euros, following the sale of three properties.

Reclassified balance sheet

In thousands of euros	*31.12.2006*	*in %*	*31.12.2005*	*in %*
Current assets:				
Cash and cash equivalents	4,444	1.0%	13,381	4.2%
Financial assets	1,100	0.2%	900	0.3%
Operating assets	1,205	0.3%	3,952	1.2%
Total current assets	**6,749**	**1.5%**	**18,233**	**5.7%**
Non-current assets:				
Financial assets	12,000	2.7%	21,000	6.6%
Intangible assets	0	0.0%	29	0.0%
Tangible assets	11,599	2.6%	11,832	3.7%
Other assets	421,351	93.3%	268,827	84.0%
Total non-current assets	**444,950**	**98.5%**	**301,688**	**94.3%**
TOTAL ASSETS	**451,699**	**100.0%**	**319,921**	**100.0%**
Current liabilities:				
Financial liabilities	4,608	1.0%	900	0.3%
Operating liabilities	12,487	2.8%	3,393	1.1%
Total current liabilities	**17,095**	**3.8%**	**4,293**	**1.3%**
Non-current liabilities:				
Financial liabilities	45,814	10.1%	45,766	14.3%
Other non-current liabilities	12,659	2.8%	15,010	4.7%
Total non-current liabilities	**58,473**	**12.9%**	**60,776**	**19.0%**
TOTAL LIABILITIES	**75,568**	**16.7%**	**65,069**	**20.3%**
TOTAL SHAREHOLDERS' EQUITY	**376,131**	**83.3%**	**254,852**	**79.7%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**451,699**	**100.0%**	**319,921**	**100.0%**

- *Current assets* total 6,749 thousand euros at 31 December 2006, an 11,484 thousand euros decrease compared to 31 December 2005.
  In particular, cash and cash equivalents stand at 4,444 thousand euros at 31 December 2006, an 8,937 thousand euros decrease mainly due to the acquisition at the end of the year of the equity investment in Rodriquez Pietra Ligure S.r.l. and the repayment at the end of 2005 of a 5 million euros loan by the subsidiary Rodriquez Cantieri Navali S.p.A.;
- *Non-current assets* total 444,950 thousand euros at 31 December 2006, a 143,262 thousand euros increase compared to 31 December 2005, due mainly to the increase in the fair value of the equity investment in Capitalia S.p.A. for 25,396 thousand euros, the purchase of the equity investment in Rodriquez Pietra Ligure S.r.l. for 3,905 thousand euros and the purchase in July of 28,334 Piaggio Holding Netherlands B.V. "C" shares for 78,454 thousand euros. At the end of October, this last equity investment was converted into Piaggio & C. S.p.A. shares and 37,830 thousand euros of dividends in kind paid by Piaggio Holding Netherlands B.V.. During the year, the parent company deemed it prudent to impair part of the equity investment Apuliae S.p.A. by 2,453 thousand euros, since activities at 31 December 2006 were still suspended following inspections carried out by the legal

authorities;

- *Current liabilities* total 17,095 thousand euros at 31 December 2006, a 12,802 thousand euros increase compared to 31 December 2005, mainly as a result of a 5 million euros credit line granted by Intesa San Paolo S.p.A., drawn down for about 3.9 million euros at the year end, and around 9.2 million euros of current taxation falling due;
- *Non-current liabilities* stand at 58,473 thousand euros at 31 December 2006, down by 2,303 thousand euros compared to 31 December 2005 and include 45,814 thousand euros of amortised cost of the payable due to Efibanca S.p.A. (nominal value of 46 million euros) relating to the loan due in 2010, the difference being a reserve for deferred taxation (12,470 thousand euros) and the employee leaving indemnity reserve (188 thousand euros);
- *Shareholders' equity* totals 376,131 thousand euros, up 121,279 thousand euros compared to 31 December 2005, mainly as a result of the 80,080 thousand euros increase in share capital carried out in November 2006, the re-measurement to fair value of financial assets net of the corresponding tax component (22,725 thousand euros), the 27,972 thousand euros profit for the period and after the distribution of 8,580 thousand euros in dividends.

Cash flow statement

In thousands of euros	***31.12.2006***	***31.12.2005***
Cash generated internally	96	-4,226
Change in net working capital	-1,698	-6,145
Cash flow generated from operations	**-1,602**	**-10,371**
Payment of dividends by parent company	-8,580	-8,580
Increase in parent company share capital	80,080	807
Purchase of tangible assets	-240	-895
Net decrease from property disposals	53	52,534
Flows from disposals of consolidated equity investments, net of the investments made	-91,202	0
Other net movements	-2	0
Change in net financial position	**-21,493**	**33,495**
Initial net financial position	**-11,385**	**-44,880**
Closing net financial position	**-32,878**	**-11,385**

Analysis of invested capital

In thousands of euros	*31.12.2006*	*in %*	*31.12.2005*	*in %*
Current operating assets	1,205	0.3%	3,952	1.4%
Current operating liabilities	-12,487	-3.0%	-3,393	-1.2%
Net operating working capital	**-11,282**	**-2.7%**	**559**	**0.2%**
Intangible assets	0	0.0%	29	0.0%
Tangible assets	11,599	2.8%	11,832	4.2%
Other assets	421,351	99.9%	268,827	95.6%
Capital employed	**421,668**	**100.0%**	**281,247**	**100.0%**
Non-current non-financial liabilities	12,659	3.0%	15,010	5.3%
Minority interest capital and reserves	0	0.0%	0	0.0%
Consolidated Group shareholders' equity	376,131	89.2%	254,852	90.6%
Total non-financial sources	**388,790**	**92.2%**	**269,862**	**96.0%**
Net financial debt	**32,878**	**7.8%**	**11,385**	**4.0%**

- *Net operating working capital* at 31 December 2006 shows an 11,282 thousand euros negative balance compared to the 559 thousand euros positive balance at 31 December 2005, mainly due to the recognition of current tax payables totalling 9,279 thousand euros falling due in the year and the 2,794 thousand euros reduction in trade receivables and other current receivables;
- *Capital employed* totals 421,668 thousand euros, a 140,421 thousand euros increase compared to 31 December 2005, mainly as a result of the 25,396 thousand euros revaluation of the equity investment in Capitalia S.p.A., the purchase of the equity investment in Rodriquez Pietra Ligure S.r.l. for 3.905 thousand euros and the purchase in July of 28,334 Piaggio Holding Netherlands B.V. "C" shares for 78,454 thousand euros, converted into Piaggio & C. S.p.A. shares in October, together with 37,830 thousand euros of dividends in kind paid by Piaggio Holding Netherlands B.V.;
- *Non-financial sources*, comprising 376,131 thousand euros of shareholders' equity and 12,659 thousand euros of *non-current non-financial liabilities,* increases 118,928 thousand euros compared to 31 December 2005, attributable exclusively to the increase in shareholders' equity;
- *Net financial debt* stands at 32,878 thousand euros at 31 December 2006, a 21,493 thousand euros increase compared to 31 December 2005, mainly due, as explained above, to the acquisitions of new subsidiaries and the increase in share capital of Group companies, partially offset by the cash flow generated from operations, as shown in the cash flow statement below:

Net Financial debt

In thousands of euros	*31.12.2006*	*31.12.2005*
Short-term liquidity		
Cash and cash equivalents	-4,444	-13,381
Financial assets	-1,100	-900
Total short-term financial assets	**-5,544**	**-14,281**
Short-term financial payables		
Bonds	0	0
Amounts due to banks	3,888	0
Amounts due under finance leases	0	0
Amounts due to other lenders	720	900
Total short-term financial payables	**4,608**	**900**
Total short-term financial debt	**-936**	**-13,381**
Medium/long-term financial assets		
Receivables for loans	-12,000	-21,000
Other financial assets	0	0
Total medium-/long-term financial assets	**-12,000**	**-21,000**
Medium/long-term financial payables		
Bonds	0	0
Amounts due to banks	45,814	45,766
Amounts due under finance leases	0	0
Amounts due to other lenders	0	0
Total medium/long-term financial payables	**45,814**	**45,766**
Total medium/long-term financial debt	**33,814**	**24,766**
Net financial debt	**32,878**	**11,385**

- *Net short-term liquidity* totals 4,444 thousand euros at 31 December 2006 compared to 13,381 thousand euros at 31 December 2005, while *medium-/long-term financial debt* increased from 24,766 thousand euros to 33.814 thousand euros at the end of December 2006.
- As regards the 46 million euros loan agreement signed between Immsi and Efibanca S.p.A. that is repayable in 2010, two financial covenants need to be met, calculated on the ratio between financial liabilities and shareholders' equity (to be the same or lower than before) and on the ratio between lease instalments and interest on the loan itself (to be the same or higher than before). Breach of these covenants without an explanation and indications of the measures adopted to return to the agreed conditions, allows Efibanca S.p.A. to withdraw from the agreement and/or declare it terminated *ipso iure*, and consider the loan immediately due for the entire amount outstanding with the ensuing obligation of Immsi to repay the residual amount of capital due plus accrued interest as well as payment of a 1% penalty fee, calculated on the residual amount of capital due at the time of withdrawal and/or termination.

Research & development

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

The Piaggio group continued in 2006 with its policy aimed at maintaining technological leadership in the sector, setting aside overall resources of 65.6 million euros (of which 57.3 million euros in Piaggio & C. S.p.A., 4.3 million euros in Nacional Motor, and 4.0 million euros in Moto Guzzi) for R&D activities (4.0% of sales), and of which 40.2 million euros was capitalised under intangible assets. In particular, research activities relating to product innovation and manufacturing technology projects absorbed 4.6 million euros of resources; the development activities for the remaining 61.0 million euros concerned in particular new vehicles and new engines (environmentally friendly above all). Following the development activities for new 2-wheeler products, for an overall cost of 61.2 million euros, of which 29.4 million euros for the Piaggio, Gilera, and Vespa brands, 4.3 for Derbi and 27.5 million euros for Aprilia, the range benefited from the production start-up of many vehicles in 2006 as well.
Piaggio launched its MP3 3-wheeler, the Sport version of the Liberty, and used the new 400cc engines on the Beverly and X8 which occupied a key position in the “maxi GT” segment; Vespa launched the Vintage models to celebrate the brand’s 60 years, while Gilera launched the new Nexus 250 and restyled the entire Nexus range, but most of all presented the GP800 twin-cylinder scooter at the Milan Motorbike show along with the Fuoco 500, the sports version of the MP3.
Aprilia launched new models of the Scarabeo 250/400/500 i.e. and Sport City 250 i.e. scooters. As regards motorbikes, the 50cc range was updated with the RS 50, RX 50 and SX 50. Also presented were the new sports RS 125, the Pegaso Trail and the Tuono Factory.
As regards engines, development activities focused on both the extension of the 50cc motorbike engines to applications of the Aprilia brand, as well as on completing the development of Euro3 complying solutions for licensed vehicles.
Moreover, development activities are underway for a new family of 125-200cc motorbike engines aimed mainly at Derbi vehicles, while a new 400cc engine has been developed to better cater to market needs.
Finally, regarding the high-end engines (up to 1200cc), development continued on new families of twin-cylinder engines (for scooters and motorbikes) to be presented as of 2007.
As for the LCV business, the total cost in 2006 was 4.4 million euros compared to 4.5 million euros spent in 2005, and relate to the Quargo India (aimed at the Indian market) and the new Euro4 engine which fits out the Porter commercial vehicle. As for Guzzi, research and development costs total 4.0 million euros which were mostly capitalised, and concern the production launch of new vehicles such as the Breva USA and the Griso USA, the Breva 850cc and the Griso 850cc, the California Vintage, the Norge 1200 and the development of new models such as the Griso R, the Stelvio, the Custom 940, with production expected to begin in 2007.

As regards the shipbuilding sector, the Rodriquez group has continued the development started in previous years of two important research projects through the parent company Rodriquez Cantieri Navali: “fully submerged hydrofoil” and “Enviroaliswath”.
The first has an overall value of some 25 million euros and involves the planning and construction of two prototypes of a new fully submerged hydrofoil. At 31 December 2006, 8.2 million euros of costs had been capitalised for the hydrofoil project, of which 0.3 million during the year. The second project, named “Enviroaliswath”, has a total value of 18.6 million euros and involves the planning and construction of an innovative naval vessel with low environmental impact as regards reduction in wake wash; At 31 December 2006, 5.0 million euros of costs had been capitalized, of which 0.6 million during the year.

Group and related party dealings

As regards disclosure of related party dealings, in accordance with article 2428 of the Italian Civil Code and IAS 24 (Related party disclosure) and the internal regulation of 16 December 2003, it is pointed out that dealings with those parties were concluded at normal market conditions or in compliance with specific regulatory provisions. There were no atypical or unusual transactions recorded during the year 2006, either by the company or its directors.
It is pointed out that the income and balance sheet effects deriving from consolidated intragroup dealings have been eliminated from the consolidated figures.

The table below highlights the main income effects (excluding income from recharges to subsidiaries and parent companies, in compliance with the provisions of IAS 18) and balance sheet effects from dealings with related parties regarding the consolidated Immsi Group figures at 31 December 2006:

Main income and balance sheet headings	Amounts in €/000	Description of the nature of the dealings
Dealings with related parties:		
Current trade payables	*14* *1,425*	*Financial consultancy provided by B&L S.r.l.* *Legal assistance provided by St. d'Urso Munari Gatti to the Group*
Costs for services	*914* *1,425*	*Financial consultancy provided by B&L S.r.l.* *Legal assistance provided by St. d'Urso Munari Gatti to the Group*
Dealings with parent companies:		
Tangible assets	*113*	*Fittings and vehicles provided by Omniainvest S.p.A.*
Other current liabilities	*9,279*	*Tax payables deriving from the tax consolidation between the parent company and Omniapartecipazioni S.p.A.*
Costs for services and the use of third party assets	*210*	*Rental of offices in Mantova provided by Omniaholding S.p.A .to the Group*
Dealings with subsidiaries:		
Other non-current financial assets and other receivables	*12,679*	*Convertible loan granted to RCN Finanziaria S.p.A and interest*
Current trade receivables and other receivables	*607* *54* *14*	*Amounts due by the Rodriquez group for recharged costs, interest, fees and consultancy contract* *Amounts due by Is Molas S.p.A. for recharged costs* *Amounts due by Piaggio & C. S.p.A. for recharged costs and condominium expenses for rental of offices in Roma*
Other current financial assets	*700* *400*	*Loans granted to RCN Finanziaria S.p.A.* *Loan granted to Rodriquez Cantieri Navali S.p.A.*
Current financial liabilities	*720*	*Interest-bearing deposit provided by Apuliae S.p.A.*
Current trade payables and other payables	*77*	*Recharges, rent and condominium expenses on offices in Milan rented by Piaggio & C. S.p.A.*
Net revenues	*3,589* *600* *100*	*Consultancy contract and assistance and rent from Piaggio & C. S.p.A.* *Consultancy contract and assistance with Is Molas S.p.A.* *Consultancy contract and assistance with Rodriquez Cantieri Navali S.p.A.*
Other operating income	*30* *23* *7*	*Repayment of emoluments from Is Molas S.p.A* *Repayment of emoluments from Piaggio group* *Repayment of emoluments from Apuliae S.p.A.*
Costs for services and the use of third party assets	*87*	*Recharges and lease instalments for offices due to Piaggio & C. S.p.A.*
Financial charges	*31*	*Interest on deposit provided by Apuliae S.p.A.*
Financial income	*37,830* *623* *153*	*Dividends in kind from Piaggio Holding Netherlands B.V.* *Interest and guarantee fees from Rodriquez group* *Interest on loan provided to Is Molas S.p.A.*

Income figures include non-deductible VAT

Highlighted below are the main dealings with related parties of the Piaggio group at 31 December 2006:

Amounts in €/000	With*: Associated companies	Other related parties	Nature of the dealings
Other operating income	*1,708.3*	*0.0*	*Revenues from sales or vehicles and parts and/or recovery of sundry costs*
Raw materials and services	*34,158.4*	*885.4*	*Purchase of components and services*
Current financial receivables	*93.5*	*0.0*	*Amounts due from Fondazione Piaggio*
Trade receivables and other receivables	*4,998.0*	*16.8*	*Receivables from the sale of vehicles, parts and/or recovery of sundry costs*
Trade and other payables	*8,722.4*	*885.4*	*Payables from the purchase of components and/or vehicles and for services provided*

* Dealings with the parent company are highlighted on the previous page.

Finally, as regards the shipbuilding sector, it is noted that Intesa San Paolo S.p.A., minority shareholder of RCN Finanziaria S.p.A., has currently granted loans to said group.

Stock Options

At the end of 2006, Immsi S.p.A. has no existing stock option plan.
As regards the Piaggio & C. S.p.A. incentive plan for 2004-2007, on 8 March 2006 the Board of Directors resolved to assign to the Plan Management Committee the task of assessing the possibility of redefining the terms of exercise and expiry of the options (already allocated to beneficiaries) as established in the plan, conferring on the Committee the powers to prematurely end the 2004-2007 plan if necessary in comparison to the duration originally established – before the start of trading of shares on the MTA and in any case subordinately to the listing. This without prejudice to the exercise price and the quantities of options already assigned to beneficiaries within the plan itself.
On 3 May 2006, the Piaggio & C. S.p.A. Board of Directors resolved, in application of the delegated powers attributed by extraordinary shareholders' meetings, to increase share capital from 194,827,431.24 euros to 205,941,272.16 euros through the issue of 21,372,771 new ordinary Piaggio shares with a nominal value of 0.52 euros each, to be offered to the holders of the options assigned under the above plan.
On 15 May 2006, the Plan Management Committee, taking account of the resolution adopted by the Board of Directors on 8 March 2006 and in order to bring forward the closure of the Plan in connection with the listing of the Piaggio shares on the MTA, modified the regulation and, consequently, resolved to free for use the options assigned in implementation of the 2004-2007 Plan for a total of 21,372,771 options, with the opportunity for the beneficiaries to exercise the options as of that date.

Thus, during the year 16,044,011 shares were issued of which:

- On 11 July 2006, 10,891,789 were allocated to beneficiaries who had exercised the options on 15 May 2006; of these 9,581,789 were at the price of 0.98 euro and 1,310,000 at the price of 1.72 euro;
- On 12 July 2006, 2,257,100 were allocated to beneficiaries who had exercised the options on 4 July 2006, at a price of 0.98 euro per share;
- On 15 November 2006, 2,745,122 were allocated to beneficiaries who had exercised the options on 15 November 2006, at a price of 0.98 euro per share;

- On 29 December 2006, 150,000 were allocated to beneficiaries who had exercised the options on 29 December 2006, at a price of 1.72 euro per share.

At this balance sheet date there remained, therefore, 5,328,760 options for the underwriting of a corresponding number of newly issued Piaggio shares to be exercised no later than 360 days from the date of the start of trading of the shares on the MTA.

Rights	**Number of options**	**Average exercise price (euros)**	**Market price (euros)**
Rights existing at 31.12.2005	21,372,771	0.983	
° of which exercisable in 2005	0		
New rights granted in 2006	0		
Rights exercised in 2006	16,044,011	1.047	
Rights expired in 2006	0		
Rights existing on 31.12.2006	5,328,760		
° of which exercisable on 31.12.2006	5,328,760		

It is further noted that on 31 January 2007, 5,328,760 new shares were allocated to beneficiaries who had exercised their options on 26 January 2007; of these, 3,920,760 at a price of 0.98 euro and 1,408,000 at 1.72 euro.
At the date of approval of these financial statements, all the options allocated under the 2004-2007 Plan have been duly exercised.
Consequently, the new share capital of Piaggio & C. S.p.A. is 205,941,272.16 euros represented by 396,040,908 shares of 0.52 euro nominal value.
Furthermore, on 8 March 2006, in conformity with the resolution of the Board of Directors on the same date, the company's extraordinary shareholders' meeting resolved, subordinate to the start of trading in the shares on the MTA, (a) to establish a new 2007-2009 stock option plan with the aim of providing incentives for the creation of value in the Piaggio group's assets through the achievement of the economic and financial results envisaged by the company's plans; (b) to attribute to the Board of Directors, with the option of further delegating, every power needed to determine and approve the regulation implementing such plan, and for the management and execution of the plan.

Equity investments held by members of company management and supervisory boards, by general managers and senior managers with strategic responsibilities

Regarding the disclosure requirements established in article 79 of the Issuers' Regulation no. 11971/99, relating to equity investments held, in the issuers themselves and in their subsidiaries, by the members of the management and supervisory boards, by the general managers and senior managers with strategic responsibilities, as well as spouses not legally separated and children who are minors, directly or through subsidiaries, trustees or third parties, as evidenced in the shareholder list or from information received and other information acquired by those members of the management and supervisory boards, by the general managers and senior managers with strategic responsibilities, such information is provided in the following table:

FULL NAME	INVESTEE COMPANY	NUMBER OF SHARES OWNED AT THE END OF 2005	NUMBER OF SHARES PURCHASED	NUMBER OF SHARES SOLD	NUMBER OF SHARES OWNED AT THE END OF 2006
Colaninno Roberto (1) (2)	IMMSI S.p.A.	156,739,162	31,347,832	-	188,086,994 (3)
Lai Alessandro (4)	IMMSI S.p.A.	30,300	6,060	-	36,360

(1) Declarant as per article 93 of Law 58/1998.

(2) Regarding equity investments held indirectly through Immsi S.p.A. in its subsidiaries, reference should be made to the list of companies included in the consolidated financial statements and in the equity investments at 31.12.2006 in accordance with articles 38 and 39 of Law 127/1991.

(3) On 31 December 2006, Roberto Colaninno, through Omniaholding S.p.A., Omniainvest S.p.A. and Omniapartecipazioni S.p.A. indirectly controlled Immsi S.p.A. and the Immsi Group.

On 30 December 2006, effective 1 January 2007, the shareholders of Omniaholding S.p.A. with warrants exercised those warrants relating to the "Omniaholding S.p.A. 2001-2007" non-convertible bonded loan, valid for the subscription of newly-issued Omniaholding shares. As a result of the transaction, the equity investments in the share capital of Omniaholding S.p.A. are as follows: Roberto Colaninno 40.554%, Oretta Schiavetti 19.890%, Matteo Colaninno 19.778% and Michele Colaninno 19.778%. Therefore, as of the execution of such increase in share capital, the control of Immsi S.p.A. and the Immsi Group is no longer indirectly exercised by Roberto Colaninno, but by Omniaholding S.p.A., a company entirely owned by the Colaninno family.

(4) Equity investments held directly and indirectly by his wife.

Other information

Treasury stock

During 2006, the parent company carried out no transactions involving treasury stock and, at 31 December, does not hold any treasury stock.

Audit costs

The Immsi S.p.A. separate financial statements and the consolidated Immsi Group financial statements for 2006 were audited by Deloitte & Touche S.p.A. in accordance with the shareholders' resolution of 12 May 2006 as per Law 58/98, the Issuers' Regulation 11971/99 and Consob recommendations. Taking account of changes made to the practice of auditing listed companies by Law 262/05 a mandate was given in accordance with the provisions of article 159 of Law 58/98 for the period of six years from 2006 to 2011, considering a) that by law a new mandate may be given to Deloitte & Touche S.p.A., b) the knowledge acquired by this auditor of the characteristics of Immsi S.p.A. and its subsidiaries included in the work plan, and c) the importance of ensuring continuity of services by the auditor. The proposal received from Deloitte & Touche S.p.A. for the years 2006-2011 envisages an overall annual fee of 59,500.00 euros for 610 hours. In particular, this covers: (i) the audit of the financial statements for the period in accordance with articles 155 and 156 of the TUF for an annual fee of 22,100.00 euros for 230 hours; (ii) the audit of the consolidated financial statements in accordance with articles 155 and 156 of the TUF for an annual fee of 14,100.00 euros for 140 hours; (iii) the limited audit of the half-year reports of Immsi S.p.A prepared in accordance with article 81 of the Issuers' Regulation for an annual fee of 15,500.00 euros for 160 hours; (iv) monitoring throughout the year the proper accounting and the correct recognition of operating events in the book entries in accordance with article 155 paragraph 1 clause a) of the TUF for an annual fee of 7,800.00 euros for 80 hours.
The proposal of Deloitte & Touche S.p.A. for the years 2006-2011 may be summarised as follows:
The fees have been calculated in accordance with the indications of Consob in Communication no. 96003556 of 18 April 1996. They do not include refunds for expenses incurred while carrying out the duties, accessory costs relating to technology and communication and administrative expenses (recharged at the flat rate of 5% of fees), the Consob supervision contribution and VAT. Such fees are subject to annual adjustments on the basis of the ISTAT cost of living index and may be adjusted to the actual, only in the event of exceptional or unforeseeable circumstances at the time of the offer, such as to require more hours and/or different professional duties. If the actual cost, recorded on the basis of the hours and the rates of the persons actually employed, were to be less than expected, the fees will be reduced proportionally.
As required by Interpretation Guidance 63 of IFRS 1 and Consob communication no. DEM/6064313 of 28 July 2006, regarding the audit of the balance sheet at 1 January and 31 December 2005, of the income statement for 2005 and the explanatory notes prepared in accordance with the IFRS, Immsi S.p.A. gave the auditor Deloitte & Touche S.p.A. an additional mandate for the amount of 6,000.00 euros plus expenses and VAT.

Treatment of personal data – Law no.196 of 30 June 2003

As regards all the requirements envisaged in the "Personal data protection code" Law 196/2003 of 30 June 2003 – Annex B "Technical specifications", as well as having adopted the various security measures listed within it, Immsi S.p.A., as data controller, has updated its Security Planning Document to meet all legal requirements.
This document aims to:

1. define and describe the security policies adopted regarding treatment of the personal data

of employees, collaborators, customers and suppliers;
2. define and describe the organisational criteria followed by the Company when implementing such policies;
3. provide suitable information on the subject to third parties as well;
4. provide formal evidence of the corporate changes made.

Disputes

In the industrial sector (Piaggio group), it is pointed out that, a final settlement was reached on 24 July 2006 in the dispute between Loris Capirossi and Robin Redbreast Enterprises B.V. against Aprilia S.p.A, AWS B.V. and Aprilia Racing S.r.l. by way of compensation for the damage under contractual responsibility.
As part of the case brought by Leasys S.p.A-Savarent at the Court of Pisa against Piaggio & C. S.p.A. as guarantor of the latter in relation to the requests made by Europe Assistance against Leasys at the Court of Monza, regarding the initial supply of vehicles for *Poste Italiane*, on 28 June 2006 the Judge in Pisa issued an ruling suspending judgment until the procedure is completed in the Court of Monza.

On 25 May 2006, Piaggio & C. S.p.A. brought a case against some companies of the Case New Holland Group (Italy, Holland and USA), in order to recover damages under contractual and non-contractual responsibility relating to the execution of a supply and development contract of a new family of utility vehicles. The judge has set a hearing for the parties to present their cases on 17 October 2007.

As for the tax dispute, it is noted that there are no longer any disputes involving Piaggio & C. S.p.A.. The main tax disputes of the other Piaggio group companies concern P&D S.p.A. in liquidation, Piaggio Espana SA incorporated into Nacional Motor S.A., Nacional Motor S.A. and Piaggio Vehicles PVT Ltd.
With regard to P&D S.p.A. in liquidation, there are disputes before the Italian Supreme Court regarding the tax periods 1993 and 1994, before the Tuscany Regional Tax Commission regarding the tax periods 1995, 1996 and 1997, and before the Pisa Province Tax Commission regarding 2000, 2001 and 2002.
The courts found in favour of the P&D in the first and second degrees for the years 1993 and 1994. The *Avvocatura Generale dello Stato* (government lawyers) have appealed to the Supreme Court regarding these sentences and P&D has promptly filed counter-appeals and incidental motions. The case is pending and, to date, we are waiting for the Supreme Court to fix a date for the hearing.
As regards 1995, 1996 and 1997, the judges of the Pisa Province Tax Commission found in favour of P&D in the first degree for the years from 1995-1997, while the Florence Regional Tax Commission found against the company, finding the inspection notices to be legitimate. P&D has decided to appeal to the Supreme Court.
Finally, concerning the inspection notices for the years 2000, 2001 and 2002, P&D S.p.A. has appealed to the Pisa Province Tax Commission, but the decision has been delayed pending the outcome of the Supreme Court's ruling on the disputes relating to the earlier years.
In relation to the above disputes, P&D has not considered it necessary to make provisions in the balance sheet in light of the positive outcome of all the judgments issued so far, at least up to the most recent ruling of the Florence Regional Commission which is the only exception, and in consideration of the positive indications expressed by the professional experts engaged by the defence regarding the reasonable likelihood of a positive outcome to the proceedings currently pending before the competent judicial authorities.
As for Piaggio Espana S.A. and Nacional Motor S.A. there are tax disputes before the Spanish Supreme Court (the highest court of judgment), for which the companies have arranged to allocate the contested sums or have already provided for the payment of the contested amounts.

Finally, as concerns Piaggio Vehicles PVT Ltd, there are currently various disputes regarding different years between 1998 and 2003 regarding both direct taxation and customs duties. The company has not considered it necessary to make provisions in the balance sheet in light of the positive indications expressed by the professional experts engaged by the defence.

As regards the shipbuilding sector (Rodriquez group), an arbitration was entered into in May 2003 with the customer, Sea Spin Shipping, in relation to the contract to build a ship signed with Rodriquez Cantieri Navali S.p.A. in July 2001.
The 6.2 million euros value of the dispute corresponds to the overall sum paid by the customer during work in progress. Following the appointment of a technical expert at the request of Rodriquez Cantieri Navali S.p.A., a letter presented by Sea Spin Shipping contested the reasons for which the Arbitration Panel admitted the technical expert. Consequently, two members of the Panel were removed for alleged cause and in an out-of-court decision on 25 October 2006, the Arbitration Panel suspended all activities mandated to the technical expert.
Currently, the possibility of obtaining a negative declaration in Rodriquez Cantieri Navali S.p.A.'s interest is being examined regarding the legality of the unilateral termination of the mandate of the members of the Arbitration Panel proposed by Sea Spin and, the organ's intentions not being clear, the lawyers retained by the company are not yet able to express an opinion as to the likely outcome of the case; however, negotiations have been entered into with the counterpart to arrive at a settlement of the matter.

In the meantime, on 16 June 2003, Rodriquez Cantieri Navali S.p.A appealed to the Court of Rome in accordance with article 700 of the Italian Code of Civil Procedure for an injunction against Assitalia paying under guarantees issued in favour of Sea Spin Shipping to cover payments made by the latter to Rodriquez Cantieri Navali S.p.A. – as consideration for building a sports vessel – which were claimed by Sea Spin Shipping. The *Giudice Delegato* (appointed judge) accepted the appeal and issued the requested injunction. Legal proceedings have commenced with the filing of the pleadings on 27 March 2006, Rodriquez Cantieri Navali S.p.A requested, *inter alia,* a suspension in accordance with article 295 of the Italian Code of Civil Procedure until a decision is reached under the arbitration. At a hearing on 29 November 2006 for the presentation a technical expert report, given the suspension of the activities mandated to the technical expert in the pending arbitration, the *Giudice Istruttore* (investigating magistrate) did not pronounce. To date, the lawyers retained by the company state that a pronouncement is still pending.

In relation to this matter, as part of group transactions, Assicurazioni Generali (which consolidates Assitalia) has issued guarantees under the Finland contract and in January 2007 the Rodriquez group established a tied deposit of 6.2 million euros pledged in favour of Assitalia to be released when the dispute is settled.
The directors believe that no further liabilities will arise.

There is currently a dispute with the Municipality of Messina regarding the return requested by the Municipality of the public area in "Zona Falcata", occupied by a warehouse of Rodriquez Cantieri Navali S.p.A., with a request for payment of rental instalments. The dispute started in the 1960's, includes three combined proceedings and involves some twenty local companies. It has been interrupted several times since 2000 and a new hearing has been set for May 2007. Lawyers have been retained to reinstate the action with the consequent consolidation of the injunctions. It is not possible do determine any liabilities the company may have.

Regarding the property sector (Apuliae S.p.A.), the restructuring of the building for the construction of a hotel and a wellness centre in S. Maria di Leuca has been suspended following investigations carried out by the legal authorities.
On 15 March 2006, the *Giudice delle indagini preliminari* (investigating magistrate) confirmed the seizure of evidence regarding the *ex Colonia Scarciglia* where the hotel was to be built and

transformed the attachment of the former school where the wellness centre was planned into a cautionary attachment.
Apuliae entered an appearance in this case to protect its own interests in the dispute between the *Amministrazione del Demanio* and the Province of Lecce regarding title to the building referred to as "*ex Colonia Scarciglia*" located in Santa Maria di Leuca (Lecce). In the hearing on 28 March 2006, the *Giudice Istruttore* (instructing judge) adjourned the case until 12 June 2007 to rule on the pleadings.
Another ongoing dispute involves Apuliae S.p.A. and Igeco S.r.l.. The concession for the redevelopment of the *ex Colonia Scarciglia* by the Province of Lecce followed a private tender in 2002 based on the proposal with the lowest cost. Regarding the outcome of that contract, a dispute arose between Apuliae S.p.A. and Igeco S.r.l., the two companies that pre-qualified. After a series of appeals, in a ruling published on 9 May 2006, the *Consiglio di Stato* ruled in favour of the last one presented by Igeco S.r.l., which claimed that the project presented by Apuliae S.p.A. go against the initial plan to redevelop the *Colonia* and that the building of a hotel is beyond the scope of the Province. Apuliae S.p.A. therefore appealed to the *Consiglio di Stato* on the grounds that Igeco S.r.l. had no right of appeal; the hearing took place on 6 February 2007 and the ruling in pending.

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

Significant post-balance sheet events

As regards the property sector, on 21 March 2007, Is Molas S.p.A. received a favourable answer relating to the project from the *Ufficio del Piano paesaggistico* (Office of Urban Planning), which will need to be ratified by the regional council and subsequently published in the *B.U.R.A.S.* (Regional Gazette) to obtain the final building concession from the local authorities in Pula. Work is therefore expected to begin shortly.

Operating outlook for 2007

As regards the Group operating outlook, particular efforts will be dedicated in the industrial sector to maintaining leadership in the scooter segment and to consolidating the re-launch of the Aprilia and Guzzi brands. 2007 will see the launch of various vehicles, some with innovative features, such as the Gilera Fuoco and the Gilera GP 800, the highest performing scooter on the market.
In the Light Commercial Vehicles segment, the main efforts will continue to be directed at supporting the expansion of the Indian market, as well as maintaining business volumes in the highly mature Italian and European markets. Piaggio group’s increased presence in India is also destined to continue in the engine sector, with work beginning on the new facility near Pune (Maharashtra State) for the production of new small- and medium-sized diesel engines. The facility will have an annual production capacity of 200,000 engines and will be operational as of 2010.

In the light of the important contracts signed in 2006, the shipbuilding sector is expected to increase production volumes compared to 2006 and consequently be able to better absorb overhead costs with the aim of making an operating profit.

Annual report on Corporate Governance

Report of the Board of Directors of Immsi S.p.A. regarding compliance with the Corporate Governance Code for listed companies for the year 2006

Dear shareholders,

as Chairman of the Board of Directors of Immsi S.p.A. ("**Immsi**", the '"**Issuer**" or even the "**Company**"), on behalf of the Board, in accordance with the provisions of article 124-*bis* of Law 58/98, as subsequently amended (the "**TUF**") and of Section IA.2.6 of the Instructions of the Regulation of markets organised and managed by Borsa Italiana S.p.A., I hereby inform you of the system of corporate governance adopted by Immsi S.p.A. to comply with the main contents of the Corporate Governance Code prepared by the Committee for Corporate Governance of Listed Companies, as amended (the "**Corporate Governance Code**").

The following annual report, which has been prepared also taking account of the *Guidelines for the preparation of the annual report on corporate governance* issued by the Borsa Italiana S.p.A. in February 2003 and the *Guide to preparing the corporate governance report* issued by Assonime and Emittenti Titoli S.p.A. in February 2004, aims to provide you the proscribed information regarding the actual implementation of the Corporate Governance Code for the year ended 31 December 2006. Wherever, in relation to certain specific aspects, the corporate governance system does not comply with the recommendations of the Corporate Governance Code, the specific reasons are provided.

The information and figures contained in this document will in all cases be updated by the Board of Directors on an annual basis in the future reports on adoption of the Corporate Governance Code.

Corporate purpose

The Company's purpose is: (i) investing in the equity of other Italian or foreign companies, that is, the activity of acquiring, holding and managing the rights, whether represented by securities or not, over the share capital of other companies; (ii) the purchase, sale and management of bonds; (iii) the granting of loans, mortgages and guarantees.

Moreover, the Company's purpose includes all activities and transactions in the property sector, both in Italy and abroad, on its own behalf and for third parties, including but not limited to, the purchase, sale, exchange, construction, restructuring, management of corporate assets, leasing (non-finance) and maintenance of buildings and property in general for all types of use, as well as the establishment, purchase, sale and exchange of rights relating to property, excluding the activity of real estate brokerage. The Company may also provide technical, commercial and financial assistance in the preliminary and executive phases of property projects.

Immsi S.p.A. may carry out the above activities directly and indirectly on its own behalf and for third parties, including accepting and/or assigning contracts or concessions and development ventures in the property field.

Finally, the Company may carry out, not directly with the general public, all those acts necessary, in the judgment of the Board of Directors, to implement the corporate purpose.

Share capital

On 24 March 2006, the Board of Directors - in carrying out the mandate granted to that Board in accordance with article 2443 of the Italian Civil Code by the extraordinary shareholders' meeting on 17 March 2003 – approved an increase in share capital up to a maximum of 29,744,000 euros nominal value by issuing a maximum of 57,200,000 ordinary shares of the Company at a price of 1.40 euros, of which 0.52 euros nominal value and 0.88 euros of share premium.

The shares resulting from the increase in share capital were fully subscribed and 57,200,000 Immsi S.p.A. dividend-bearing shares were issued, for an overall amount, inclusive of the share premium, of 80,080,000 euros and an overall nominal value of 29,744,000 euros equal to 16.667% of the entire share capital following the increase.

At 31 December 2006, the share capital of Immsi S.p.A. stands at 178,464,000 euros, divided into 343,200,000 dividend-bearing ordinary shares, 0.52 euros nominal value each. The shares are indivisible and are issued in the dematerialized form.

As regards the above increase in share capital, it is pointed out that the extraordinary shareholders' meeting on 17 March 2003 authorised the Board of Directors, in accordance with article 2443 of the Italian Civil Code, to increase on one or more occasions, for a period of five years from the date of the resolution, the share capital up to a maximum amount of 1 billion euros of nominal value, against payment, with or without premium, by issuing ordinary shares having the same features as those already in circulation, respectively to assign or offer as an option to those entitled. The Directors may establish from time to time the issue price, the dividends, the timing, the manner, the conditions and any allocation of the increase in share capital to service the conversion of bonds even if issued by third parties in Italy and abroad, and/or of warrants and/or similar rights.

The same extraordinary shareholders' meeting on 17 March 2003 also passed a resolution authorising the Directors, in accordance with article 2420-*ter* of the Italian Civil Code, to issue on one or more occasions, for a period of five years from the date of the resolution, bonds, which may be convertible into ordinary shares having the same features as those already in circulation, with or without warrants, even in foreign currency, to offer as an option to those entitled, for a maximum amount of 1 billion euros, as laid down by the law currently in force, with a subsequent increase in the share capital to service the conversion of the bonds and/or exercising of the warrants, and/or similar rights, determining methods, terms, conditions and related settlement.

In accordance with article 7 of the bylaws, the share capital of Immsi may be increased one or more times, against payment in cash, in kind and in receivables, by resolution of an extraordinary shareholders' meeting with the issue of ordinary shares or shares with various rights, or financial instruments with equity rights or administrative rights excluding the right to vote in shareholders' meetings, in accordance with the law. Payment for the shares is required by the Board of Directors in the terms and the manner it deems appropriate.

Without prejudice to any other provision regarding increases in share capital, it may be increased excluding the option right by up to 10% of the pre-existing share capital, provided that the issue price corresponds to the market value of the shares and that such value be confirmed by the independent auditors in a specific report.

The shareholders' meeting may pass a resolution, in accordance with article 8 of the bylaws, to reduce the share capital pursuant to law, even by assigning individual shareholders or groups of shareholders certain company assets or shares in other companies in which the Company has an equity investment.

Shareholder agreements

It is pointed out that:

i) On 6 November 2002, subsequently amended on 13 March 2003 and 9 November 2005, an agreement was entered into by Omniaholding S.p.A., B&L S.r.l., Ruggero Magnoni and Rocco Sabelli with the aim of governing their relations as shareholders of Omniainvest S.p.A.. Specifically, the agreement governs the criteria for appointing members if the Board of Directors and the Board of Statutory Auditors of Omniainvest S.p.A..

On 28 November 2006, Rocco Sabelli announced the termination of all of his commitments and rights deriving from the Omniainvest S.p.A. shareholder agreement following his resignation as Director and the disposal of all shares and warrants in his possession.

The signatories of the agreement and the Omniainvest S.p.A. shares they hold, which are restricted by such agreement, represent 91.573% of the share capital of Omniainvest S.p.A..

ii) On 9 May 2006, Omniainvest S.p.A., LM Real Estate S.p.A. ("**LMRE**") and Omniapartecipazioni S.p.A., the last of these for what pertains to it, signed a shareholder agreement to govern all relations existing at that date between Omniainvest S.p.A. and LMRE as direct or indirect shareholders of Omniapartecipazioni S.p.A. and Immsi S.p.A..

The signatories of the agreement and the Omniapartecipazioni S.p.A. shares they hold, which are restricted by such agreement, represent 100% of the share capital of Omniapartecipazioni S.p.A..

On 13 March 2007, upon approval of the financial statements for the year ended 31 December 2006 by the shareholders of Omniapartecipazioni S.p.A., the above shareholder agreement expired.

<u>Shareholder structure</u>

At 31 December 2006, the Company is directly controlled by Omniapartecipazioni S.p.A., a company controlled by Roberto Colaninno through Omniainvest S.p.A. and Omniaholding S.p.A..

On 30 December 2006, the shareholders of Omniaholding S.p.A. with warrants exercised, effective from 1 January 2007, the warrants relating to the "Omniaholding S.p.A. 2001 – 2007" non-convertible bond, valid for subscribing newly-issued Omniaholding shares. Following the transaction, the holdings in the share capital of Omniaholding S.p.A. were as follows: Roberto Colaninno 40.554%, Oretta Schiavetti 19.890%, Matteo Colaninno 19.778% and Michele Colaninno 19.778%. Therefore, from the date of execution of the above share capital increase, Roberto Colaninno no longer indirectly controls Immsi S.p.A. and the Immsi Group, control is exercised by Omniaholding S.p.A., a company wholly owned by the Colaninno family.

On 12 March 2007, Immsi S.p.A., Sopaf S.p.A. and Omniaholding S.p.A. announced that LMRE, 100% owned by Sopaf, took advantage of the right envisaged in article 4 of the Omniapartecipazioni shareholder agreement, signed on 9 May 2006, which allows each of the shareholders to directly own Immsi shares.

The parties implemented the following transactions:

1) on 13 March 2007, the extraordinary shareholders' meeting of Omniapartecipazioni S.p.A. approved the division of Omniapartecipazioni by transferring part of the assets to Mercato 24 S.r.l. (the "**Beneficiary**"), a newly-established company entirely owned by LMRE;

2) within the framework of the agreements between Omniainvest and LMRE, it is envisaged that 1,470,000 ordinary shares of Omniapartecipazioni be transferred from LMRE to Omniainvest. The effectiveness of this share transfer is conditional upon the division of Omniapartecipazioni;

3) on 19 March 2007, the division became effective and also: (a) the transfer of 38,360,288 Immsi ordinary shares to the Beneficiary and the reduction in share capital of Omniapartecipazioni from 42,144,000 euros to 32,865,113 euros, as envisaged in the division plan mentioned in point (1) above; (b) the transfer of 1,470,000 Omniapartecipazioni ordinary shares from LMRE to Omniainvest as per point (2) above;

4) on 20 March 2007, the Beneficiary placed 33,000,000 ordinary shares of Immsi, of which 3,000,000 to Omniaholding S.p.A. and 30,000,000 to institutional investors.

Following such transactions, at the time of this report, the shareholder structure was:

- Omniaholding maintains control of Immsi S.p.A. with 44.501% of the share capital. This percentage is calculated by 0.874% being held directly, 4.038% is held indirectly through Omniainvest and 39.589% through Omniapartecipazioni;

- Omniainvest controls 100% of Omniapartecipazioni.

Corporate governance structure

Immsi is organised following the traditional management and control model established in article 2380-*bis* onwards of the Italian Civil Code, with a shareholders' meeting, a Board of Directors and a Board of Statutory Auditors.

The audit is carried out by independent auditors registered in accordance with article 161 of the TUF, appointed by the shareholders.

Immsi is an equity investment holding company that manages and coordinates subsidiaries in accordance with article 2497 onwards of the Italian Civil Code.

1. Composition and functioning of the Board of Directors

1.1 Appointment, composition and term in office

The Company is managed by a Board of Directors comprising no fewer than five and no more than thirteen members. The ordinary shareholders' meeting determines at the time of appointment the number of Board members within the above limits as well as the term of their office which cannot be more than three years, in which case it will expire at the date of the shareholders' meeting called to approve the financial statements of the last year of their term in office. Directors may be re-appointed.

The bylaws do not establish that a Director must possess certain characteristics, to wit: integrity, professionalism and independence not provided for by law and other applicable regulations. As regards equity investments, registration of the Company in the specific section of the general list of financial brokers of the *Ufficio Italiano dei Cambi* (Italian Exchange Office) as per article 113 of Law 385/93, the requirements of integrity as per article 109 of said Law apply.

Refer to point 1.3 for the requirements of independence of the members of the Board of Directors.

The provisions of the bylaws that govern the composition and appointment of the Board of Directors of the Issuer will be modified in accordance with the law so as to adopt the provisions introduced by Law 262/2005 (article 147-*ter* of the TUF) and by Law 29 December 2006, no. 303 ("**Decree 303/2006**").

At the date of this report, the Board of Directors of the Issuer comprises nine members appointed by the ordinary shareholders' meeting of 12 May 2006. It is pointed out that in 2006, as per article 2386, paragraph 1 of the Italian Civil Code, Giorgio Cirla (Board resolution of 11 September 2006) and Michele Colaninno (Board resolution of 13 November 2006) were co-opted in replacement of Giorgio Magnoni (resigned on 28 August 2006) and Rocco Sabelli (resigned from all Company and Immsi group duties effective 13 November 2006), respectively. The ordinary shareholders' meeting of 18 January 2007 confirmed the appointment of the Directors and, therefore, the Board of Directors so composed shall remain in office until the date of the shareholders' meeting called to approve the financial statements relating the year ending 31 December 2008.

The following table shows the names of each member of the current Board of Directors, specifying their executive duties (cf. point 1.5), the position of non-executive Director and Independent Director (cf. point 1.3), as well as any membership of committees established within the Board of Directors (cf. points 1.1.1, 2.1 and 3.3).

NAME	POSITION
ROBERTO COLANINNO	EXECUTIVE CHAIRMAN
CARLO D'URSO	NON-EXECUTIVE DEPUTY CHAIRMAN CHAIRMAN, REMUNERATION COMMITTEE MEMBER, INTERNAL AUDIT COMMITTEE
LUCIANO PIETRO LA NOCE	CHIEF EXECUTIVE OFFICER DIRECTOR APPOINTED
MATTEO COLANINNO	EXECUTIVE DIRECTOR
MICHELE COLANINNO	EXECUTIVE DIRECTOR
MAURO GAMBARO	INDEPENDENT NON-EXECUTIVE DIRECTOR MEMBER, REMUNERATION COMMITTEE MEMBER, INTERNAL AUDIT COMMITTEE
MARCO REBOA	INDEPENDENT NON-EXECUTIVE DIRECTOR CHAIRMAN, SUPERVISORY BOARD LEAD INDIPENDENT DIRECTOR CHAIRMAN, INTERNAL AUDIT COMMITTEE
GIOVANNI TAMBURI	INDEPENDENT NON-EXECUTIVE DIRECTOR MEMBER, REMUNERATION COMMITTEE
GIORGIO CIRLA	NON-EXECUTIVE DIRECTOR

On 26 March 2007, the Board of Directors of the Issuer carried out the annual overview, in accordance with article 1.C.1, point g) of the Corporate Governance Code, deeming that the composition and functioning of the Board of Directors be suitable to the Company's management and organisational needs, taking account of the fact that five of the nine Directors are non-executive, three of whom are also independent, thereby ensuring an appropriate composition of the Committees established within the Board of Directors (cf. point 1.3 regarding non-executive Directors and points 1.1.1, 2.1 and 3.3 as regards Committees).

As established by article 6.C.1 of the Corporate Governance Code, the professional *curricula* of the Director candidates have been filed at the Company's head office and are available on the Company website (www.immsi.it).

The current Directors are in possession of all the requirements envisaged by the applicable law, regulations and the bylaws.

The following table illustrates the management and supervisory duties carried out in incorporated companies by the current members of the Board of Directors:

Full name	Company	Management and control duties
Roberto Colaninno	- Piaggio & C. S.p.A. S.p.A.* - Omniaholding S.p.A.* - Omniainvest S.p.A.* - Omniapartecipazioni S.p.A.* - Immobiliare Regis S.r.l. - RCN Finanziaria S.p.A.* - Rodriquez Cantieri Navali S.p.A.* - Capitalia S.p.A.* - Mediobanca S.p.A.* - Fondazione Piaggio Onlus	Chairman BoD and Chief Executive Chairman BoD Chairman BoD Chairman BoD Chairman BoD Director Director Director Director Director
Luciano Pietro La Noce	- Rodriquez Cantieri Navali S.p.A.* - Is Molas S.p.A.* - Apuliae S.p.A. - RCN Finanziaria S.p.A.* - Omniainvest S.p.A.* - Omniapartecipazioni S.p.A.* - B&L S.r.l. - Piaggio & C. S.p.A.* - Gruppo Smile S.r.l. - LNB Partners S.r.l.	Chairman BoD Chairman BoD Chairman BoD Chairman BoD Chief Executive Chief Executive Sole Director Director Director Director
Carlo d'Urso	- Banca Sai S.p.A.* - Premafin Finanziaria S.p.A.* - Micos Banca S.p.A.* - F.C. Internazionale Milano S.p.A.* - Sisal S.p.A.* - Fondiaria SAI S.p.A.* - GIM S.p.A.* - Banca BSI Italia S.p.A.* - Avvenire SIM S.p.A.* - Giochi Holding S.p.A.* - Area Giochi Holding S.p.A.* - Fondazione Laureus Sport for Good Italia - Stilo Immobiliare Finanziaria S.r.l.* - Fonsai MB&A S.p.A.* - RePinvest Sicily S.r.l. - Gruppo Banca Leonardo S.p.A.* - Laura Otto S.p.A.*	Director Director Director Director Director Director Director Director Director Director Director Director Director Director Director Director Director
Matteo Colaninno	- Giovani Imprenditori di Confindustria - Confindustria - Omniaholding S.p.A.* - Piaggio & C. S.p.A.* - Banca Popolare di Mantova S.p.A.* - Omniainvest S.p.A.* - Omniapartecipazioni S.p.A.* - RCN Finanziaria S.p.A.* - Immobiliare Regis S.r.l. - Risparmio & Previdenza S.p.A.*	Chairman Deputy Chairman Deputy Chairman and Chief Executive Deputy Chairman Deputy Chairman Director Director Director Director Director
Michele Colaninno	- Omniaholding S.p.A.* - Omniainvest S.p.A.* - Omniapartecipazioni S.p.A.* - Piaggio & C. S.p.A.* - Is Molas S.p.A.* - Moto Guzzi S.p.A.* - Rodriquez Cantieri Navali S.p.A.*	Chief Executive Director Director Director Director Director Director
Mauro Gambaro	- Synergo S.G.R.p.A. - Marsilli & C. S.p.A.	Director Director

Marco Reboa	- Eni S.p.A.* - Seat P.G. S.p.A.* - Interpump Group S.p.A.* - Intesa Private Banking* - Luxottica Group* - Gruppo Lactalis Italia S.p.A.*	Director Director Director Director Chairman, Board of Statutory Auditors Standing auditor
Giovanni Tamburi	- Tamburi Investment Partners S.p.A.* - Tamburi & Associati S.p.A. - Secontip S.p.A. - Interpump Group S.p.A.* - De Longhi S.p.A.* - Also Enervit S.p.A. - Datalogic S.p.A.*	Chairman BoD and Chief Executive Chairman BoD and Chief Executive Chairman BoD Director Director Director Director
Giorgio Cirla	- Sopaf S.p.A.* - Iniziativa Gestione Investimenti SGR S.p.A.* - Cipa S.p.A. - Antonveneta ABN Amro Bank S.p.A. - Italgo S.p.A. - Finalgo S.p.A.	Chairman BoD Chairman BoD Chairman BoD Director Director Director

*Companies listed on regulated markets; finance, banking and insurance companies; or companies of significant dimensions

As regards the offices held by the Directors of the Issuer in Management or Supervisory Boards in other companies, the Board of Directors does not currently deem it suitable to introduce quantitative limits also in the light of the expected changes in the regulations governing multiple offices held in listed and unlisted companies, notwithstanding the duty of each Director to evaluate the compatibility of the offices of Director and Auditor held in other companies listed on regulated markets, in finance, banking and insurance companies, or in companies of significant dimensions, with the diligent carrying out of their duties as Directors of Immsi.

Moreover, it is pointed out that the majority of the members of the Board of Directors of the strategic subsidiary Piaggio & C. S.p.A. has no administrative and/or management duties in the parent company Immsi S.p.A. (cf. point 1.3).

1.1.1 Nomination Committee

Article 6 of the Corporate Governance Code envisages that the Board of Directors establish an internal Nomination Committee consisting of a majority of Independent Directors with the duties of verifying that the procedure for presenting candidates for the Board of Directors is carried out correctly and transparently, in compliance with the applicable provisions of law and the bylaws. Having verified compliance of the above procedure, with particular reference to the completeness of the documents to be deposited and the timeliness of such deposit, the Committee carries out the necessary formalities for the presentation of the candidates to the shareholders' meeting called to appoint the Board of Directors or its members.

In accordance with article 6.C.2, point c) of the Corporate Governance Code, the current Committee is also authorised to present, whenever it deems necessary, opinions to the Board of Directors regarding its size and composition.

On 26 March 2007, the Company's Board of Directors, considering the upcoming change to the bylaws to adopt the provisions introduced by Law 262/2005 and Decree 303/2006 regarding the list voting system for appointing the Board of Directors, and considering that the current Board of Directors' term in office will expire at the shareholders' meeting called to approve the financial statements for the year ending 31 December 2008, has not yet established a Nomination Committee.

1.2 Meetings of the Board of Directors

In 2006, the Board of Directors had ten meetings, also attended by the Board of Statutory Auditors.

Average overall Director attendance at the meetings of the Board of Directors was 90.53%, while Independent Director attendance was 86.67%.

The bylaws do not set a minimum number of board meetings, however, the Board of Directors is expected to meet at least six times in 2007.

In compliance with article 2.6.2, paragraph 1 point c) of the Rules of the markets organised and managed by Borsa Italiana S.p.A., on 29 January 2007 Immsi S.p.A. forwarded to Borsa Italiana the annual calendar of corporate events for 2007. This calendar is also published on the Issuer's website (www.immsi.it).

1.3 Non-executive Directors, Independent Directors and Lead Independent Director

The number and stature of the Non-executive Directors and the Independent Directors ensure that their judgment may have a significant weight upon the decision-making of the Issuer's directors. The Non-executive Directors and the Independent Directors bring their specific competencies to Board discussions and contribute to decisions being made in the Company's interest.

The Board of Directors evaluates the independence of its non-executive members in accordance with both article 148, paragraph 3, points b) and c) of the TUF, referred to by article 147-*ter*, paragraph 4 of the TUF, and with article 3 of the Corporate Governance Code at the time of appointment, as well as periodically during the term in office, and the result of that evaluation is made public through the annual report on corporate governance. The evaluation of the Board of Directors is verified by the Board of Statutory Auditors in accordance with the Corporate Governance Code.

It is pointed out that, in order to rule out potential risks of limiting the management independence of the strategic subsidiary Piaggio & C. S.p.A., the majority of the members of the Board of Directors of Piaggio & C S.p.A. has no administrative and/or managerial duties in the parent company Immsi S.p.A..

Possession of the requirements for independence as per article 3 of the Corporate Governance Code and article 148, paragraph 3, points b) and c) of the TUF, of the current Independent Directors has been verified by the Board of Directors in the meeting held on 26 March 2007. On the same date, the Board of Statutory Auditors acknowledged that the criteria and the monitoring procedures adopted by the Board of Directors for evaluating the requirements of independence had been correctly applied. The Independent Directors possess the requirements of independence in accordance with article 3 of the Corporate Governance Code and article 148, paragraph 3, points b) and c) of the TUF, in that each of them:

(i) does not directly or indirectly control the Issuer, even through subsidiaries, trustees or third parties, nor is able to exercise substantial influence on it;

(ii) is not party, either directly or indirectly, to any shareholder agreement by which one or more individuals can exercise control or substantial influence over the Issuer;

(iii) is not, nor has been in the last three years, a key manager (that is, the Chairman, the Legal Representative, Chairman of the Board of Directors, an Executive Director or a manager with strategic responsibilities) of the Issuer, of a strategic subsidiary, of a company jointly controlled with the Issuer, of a company or an entity that, even jointly through a shareholder agreement, controls the Issuer or exercises substantial influence over it;

(iv) has no, nor has in the previous year, direct or indirect (for example, through subsidiaries or companies in which the individual is a key manager, as described in point (iii) above, or as a partner in a firm of professionals or consultancy firm), significant business, financial or professional relationship or employment contract: (a) with the Issuer, one of its subsidiaries, or with any of their key managers, as described in point (iii); (b) with a party that, even jointly with others by means of a shareholder agreement, controls the Issuer, or – in the case of a company or entity – with its key managers, as described in point (iii) above;

(v) notwithstanding point (iv) above, has no independent or employment work relationship, nor other relationships of a professional or economic nature such as to compromise his/her independence: (a) with the Issuer, its subsidiaries, parent companies or jointly-controlled companies; (b) with the Issuer's Directors; (c) with parties related by marriage, family or affinity within the fourth degree of the Directors of the Companies as described in point (a) above;

(vi) does not receive, nor has received in the last three years, from the Issuer or a subsidiary or parent company, significant additional remuneration beyond the "fixed" emolument as Non-executive Director of the Company, including incentive plans (even stock-based) connected with company performance;

(vii) has not been a Director of the Issuer for more than nine of the last twelve years;

(viii) is not an executive Director in another company in which an executive Director of the Issuer is also Director;

(ix) is not a shareholder or Director in a company or entity belonging to the network of the company mandated to audit the Issuer;

(x) is not a close relative of a person who is in one of the above situations and is not a spouse, relative or of Directors of the Issuer, its subsidiaries, parent companies or jointly-controlled companies.

On 26 March 2007, the Board of Directors appointed Marco Reboa, the Independent Non-executive Director, Lead Independent Director in accordance with the Corporate Governance Code, so that he may be a point of reference and coordination of the decisions of the Non-executive Directors and, in particular, of the Independent Directors. Marco Reboa, Lead Independent Director and an Independent Director having sufficient experience in accounting and finance, is also Chairman of the Audit Committee (cf. point 3.3).

1.4 Principal duties and authority of the Board of Directors

The Board of Directors plays a central role within the corporate organisation and is in charge of strategic and organisational functions and responsibilities, as well as verifying the existence of the necessary controls to monitor the Issuer and the companies in the Immsi Group.

Each member of the Board of Directors must deliberate with full awareness and independently, in the pursuit of creating shareholder value and is committed to dedicate to this corporate office the time necessary to ensure diligent fulfilment of his duties, irrespective of the offices held outside the Immsi Group, being well aware of the responsibilities of the office held.

To this end, each Director candidate must have already evaluated, at the time of accepting office in the Company and independently from the limits established by law and the regulation governing the aggregation of offices, his ability to carry out with due diligence and effectiveness the duties attributed to him, with particular attention being paid to overall commitments outside the Immsi Group.

Each member of the Board of Directors must also inform the same Board of any appointment to Director or Auditor in other companies, so as to comply with the disclosure obligations established by applicable regulations and law.

The Board of Directors is granted all powers to manage the Company and to that end may approve or carry out all acts it deems necessary or useful to fulfil the corporate purpose, except those matters reserved for the shareholders by law and the bylaws.

In accordance with article 23 of the bylaws, the Board of Directors is also responsible for deciding upon all matters regarding:

- mergers and demergers in accordance with articles 2505 and 2505-*bis* of the Italian Civil Code, the latter being referred to by article 2506-*ter* of the Italian Civil Code;
- establishment or closure of secondary offices;
- which Directors represent the Company;
- reductions in share capital in the event of withdrawal of the shareholder;
- amending the bylaws to comply with regulatory provisions;
- transfer of the registered office to another location in Italy;

notwithstanding that such decisions may also be taken by an extraordinary shareholders' meeting.

The Board of Directors of Immsi, at a meeting on 12 May 2006, decided on the distribution of the management competencies of the Board of Directors (cf. point 1.5 below for the competencies of the Chairman and of the Chief Executive), reserving in all cases for the Board jointly not only the powers granted by law or by the bylaws, but all the powers to:

a) define the strategic, industrial and financial objectives as well as general policy for the Company and Group;

b) acquire and dispose of controlling equity investments, acquire or dispose of business units for individual amounts greater than 25 million euros, mergers and demergers;

c) approve multi-year plans;

d) carry out property dealings for individual amounts greater than 25 million euros.

In accordance with article 21 of the bylaws, the Board of Directors, through the Chairman or other Directors appointed by him, informs the Board of Statutory Auditors regarding its activities and the most significant financial and economic transactions carried out by the Company or its subsidiaries, referring in particular to transactions in which the directors have an interest, on their own behalf or on the behalf of third parties, or are influenced by the individual exercising the activity of management and coordination. The information is provided in a timely fashion (at least quarterly) at meetings of the Board and of the Executive Committee, or by means of a written memorandum addressed to the Chairman of the Board of Statutory Auditors.

Article 1.C.1, points a) and b) of the Corporate Governance Code envisages that the Board of Directors: (i) examines and approves the system of corporate governance of the Issuer and the structure of the Group; (ii) evaluates the adequacy of the organisational, administrative and general accounting structure of the Company and its strategic subsidiaries.

In this regard it is pointed out that, in accordance with article 2381 of the Italian Civil Code, the Issuer's Board of Directors normally carries out such activities at the time of periodic Board meetings.

Furthermore, it is pointed out that, in compliance with the provisions introduced by Law 262/2005 (article 154-*bis* of the TUF) and by Decree 303/2006, activities to establish adequate administrative and accounting procedures are currently being implemented (with the methodological support of Cogitek S.r.l.) so as to present the consolidated and separate financial statements as well as any other information of a financial nature.

These procedures will be a valid support for the Board of Directors of the Issuer on the basis of which it will evaluate the adequacy of the organisational, administrative and general accounting structure of the Company and its strategic parent companies.

The provisions of the bylaws governing the powers of the Board of Directors of the Issuer will be integrated, in accordance with the law, regarding the appointment of the Manager in charge of preparing the corporate accounts so as to adapt to the provisions introduced by Law 262/2005 (article 154-*bis* of the TUF) and by Decree 303/2006. Therefore, the Manager in charge of preparing the corporate accounts will be appointed by the Board of Directors of the Issuer no later than 30 June 2007.

In accordance with article 23 of the bylaws, the Board of Directors may appoint General Managers, Managers and Attorneys-in-fact, with several or joint signature powers, determining their powers and duties, as well as delegate powers for certain acts or categories of acts.

The appointment of Managers, Assistant Managers and Attorneys-in-fact, as well as the determination of their retribution and duties, may also be delegated by the Board to the Chairman or whoever substitutes him, to the Chief Executives and to the General Managers.

The Board of Directors may establish Committees with consultative and/or advisory functions, determining their competencies, duties and methods of functioning. Refer to point 1.1.1 above and points 2.1 and 3.3 below as regards internal Committees established by the Board of Directors of the Issuer.

The Chairman, or whoever substitutes him (cf. point 1.5 below), calls the Board of Directors, at the registered office or elsewhere, every time it is deemed in the company's interest or at the request of three Directors.

In accordance with article 22 of the bylaws, the majority of Directors must be present for resolutions of the Board of Directors to be valid. Resolutions are passed by the simple majority of those attending.

1.5 Powers of the Chairman, the Deputy Chairman and the delegated bodies

The Chairman is appointed by the Board of Directors from its members, should the shareholders not have done so (article 18 of the bylaws).

The Chairman calls the Board of Directors and coordinates its activities, ensuring that adequate information regarding the items on the agenda is made available to all the Directors, taking account of the circumstances. Furthermore, he chairs shareholder meetings, ascertains the identity and entitlement of those attending, ascertains the proper calling of the meeting, the presence of a sufficient number of shareholders for resolutions to be valid, governs the procedures of shareholder meetings, establishes voting methods and monitors the results.

The Board of Directors may also appoint a Deputy Chairman, who substitutes the Chairman in the above functions in his absence or impediment (article 18 of the bylaws).

The Chairman signs for and represents the Company with third parties and in legal matters. In his absence or impediment, these duties are carried out by the Deputy Chairman.

On 12 May 2006, the ordinary shareholders' meeting appointed Roberto Colaninno Chairman of the Board of Directors and Carlo d'Urso Deputy Chairman.

In accordance with article 23 of the bylaws, the Board of Directors may, within the limits set by law, delegate its powers and determine the limits of the powers, to an Executive Committee comprising some of its members. An absolute majority of its members must be present and vote in favour for Executive Committee resolutions to be valid.

At the date of this report, the Board of Directors of the Issuer had not appointed an Executive Committee.

The Board of Directors may also delegate, within the same limits, its powers to one or more of its members, possibly as Chief Executives, granting them several or joint powers of signature, as it deems appropriate.

Powers of representation and signature may also be granted by the Board, which determines the limits, to Company employees or to third parties.
The power to grant representation with third parties and for legal matters and the related signature powers to employees or to third parties may also be delegated by the Board to the Chairman or whoever is substituting him, to Chief Executives and to General Managers.

In accordance with article 21 of the bylaws, the delegated bodies (i.e. the Executive Committee, the Chief Executive or the Chief Executive, if appointed) inform the Board of Directors and the Board of Statutory Auditors regarding its activities and the most significant financial and economic transactions carried out by the Company or its subsidiaries, referring in particular to transactions in which the directors have an interest, on their own behalf or on behalf of third parties, or are influenced by the individual exercising the activity of management and coordination. The information is given in a timely fashion (at least quarterly) at meetings of the Board and of the Executive Committee, or by means of a written memorandum addressed to the Chairman of the Board of Statutory Auditors.

As well as the duty of supervising the management of the Company, a Board resolution of 12 May 2006 granted Chairman Roberto Colaninno all powers of ordinary and extraordinary management, excluding those powers reserved by law or the bylaws to the entire Board of Directors, as well as the powers in all cases reserved to the Board on the basis of said resolution (refer to point 1.4 above for a list of the powers reserved to the Board). In the event of acts or transactions of extraordinary management, the Chairman must adequately inform the Board at the first possible meeting.

Following the resignation of Chief Executive Rocco Sabelli, effective 13 November 2006, from all duties within the Company and the Immsi Group, Director Luciano Pietro La Noce was appointed Chief Executive, effective the same date with the same powers, except for those of extraordinary management, as those of Roberto Colaninno.

During the year ended 31 December 2006, the Directors were informed of the matters covered by the Board of Directors in a manner that enabled them to express themselves with full awareness on the matters brought to their attention.

The delegated bodies gave adequate and timely information to the Board of Directors regarding their activities, on the general management situation and the business outlook, as well as on the most significant transactions in terms of size and features carried out by the Company and its subsidiaries, as established by law and the bylaws, that is, at least quarterly.

2. Remuneration of the Directors and Senior Managers

The emoluments due to members of the Board of Directors and the Executive Committee are set at the ordinary shareholders' meeting, which may approve a fee that may even be annual that, once fixed, may not be changed unless otherwise authorised by another shareholders' meeting.
The division of emoluments among the members of the Board of Directors is established at a shareholders' meeting or by the Board itself.
The emoluments of Directors with particular duties are set by the Board of Directors, after consulting the Board of Statutory Auditors.
Directors are refunded expenses incurred while carrying out their duties.

The Issuer has a remuneration policy for the Chief Executive which envisages incentives connected with company profitability.

The amount of emoluments received by members of the Board of Directors for the year ended 31 December 2006 is detailed in the explanatory notes in accordance with article 78 and Annex 3C of

Consob Regulation no. 11971/1999 as subsequently amended (the “**Issuers’ Regulation**”). The document is also available on the Company website.

2.1 Remuneration Committee

The Board of Directors of the Company, in compliance with the provisions of the Corporate Governance Code, has established an internal Remuneration Committee comprising Non-executive Directors, mostly Independent Directors, to: (i) formulate proposals to the Board regarding the remuneration of the Chief Executive and the other Directors with specific duties, monitoring the application of such decisions; and (ii) to formulate general recommendations to the Board regarding the remuneration of senior managers with strategic responsibilities within the Immsi Group, taking account of the information and indications provided by the Chief Executive, while periodically evaluating the criteria adopted for the remuneration of senior management.

On 12 May 2006, the Board of Directors confirmed the Directors Carlo d’Urso, as Chairman, along with Mauro Gambaro and Giovanni Tamburi as members of the Remuneration Committee.

The Remuneration Committee met twice in 2006, with overall average attendance being 66.67%.

On 12 May 2006, the Committee met to propose to the Board the emoluments to be paid to Chairman Roberto Colaninno and to Chief Executive Rocco Sabelli for the particular duties carried out. The emoluments approved in accordance with article 2389, paragraph 3 of the Italian Civil Code are not connected to corporate results or the achievement of specific targets.

On 13 November 2006, following the resignation of Rocco Sabelli and the subsequent appointment of Luciano Pietro La Noce as Chief Executive of the Company, the Committee met and proposed to the Board the emoluments to be paid to the new Chief Executive for the specific duties carried out. The emoluments approved in accordance with article 2389, paragraph 3 of the Italian Civil Code comprise a fixed portion and a portion that varies at the discretion of the Board of Directors, depending on management results.

3. Internal audit system

The Board of Directors defines the guidelines of the internal audit system, that is, the set of processes aimed at monitoring the efficiency of corporate operations, the reliability of financial information, compliance with regulations and the law, the safeguarding of corporate assets.

The Board of Directors (i) prevents and manages corporate risks regarding the Company and the Group by defining suitable control guidelines that ensure that such risks are correctly identified and adequately measured, monitored, managed and evaluated, even as regards safeguarding corporate assets and the fit and proper management of the company; (ii) periodically (at least annually) verifies the adequacy, efficiency and effectiveness of the internal audit system.

In carrying out such functions, the Board is assisted by an Executive Director appointed to supervise the functioning of the internal audit system (the ’“**Director Appointed**”), whose duties are specified in point 3.1, and by an Internal Audit Committee, whose duties are specified in point 3.3; it also takes account of the organisational and management models adopted by the Immsi Group in accordance with Law 231/2001.

The Board of Directors, in response to a proposal by the Director Appointed and having obtained the opinion of the Internal Audit Committee, appoints the Person in charge of internal control with the duties specified in point 3.2, establishes the remuneration and ensures that the individual receives adequate means to carry out his/her functions, even from the viewpoint of operating structure and internal organisational procedures to access the information needed by the position.

It is pointed out that, on 13 September 2004, Immsi adopted the Model of organisation, management and control for the prevention of crimes in accordance with Law 231/2001. At the date of this report, the Supervisory Body in office for 2005-2006-2007 comprises: Marco Reboa, the Chairman chosen by the Company's Independent Directors, Alessandro Lai chosen in his capacity of Chairman of the Board of Statutory Auditors; Alessandro Bertolini (appointed by Board resolution of 26 March 2007, in substitution of Adriano Seymandi) chosen among external professionals with the necessary requirements.

The Supervisory Body operates at the highest corporate level and follows the principles of independence and impartiality, as well as on the basis of a Regulation approved by the Board of Directors to which, along with the Board of Statutory Auditors, it periodically reports regarding its activities, the notifications received and the sanctions handed out. The Body is furthermore provided with the financial and logistical means to enable it to carry out its duties.

In 2006, the Supervisory Body of Immsi S.p.A. met four times and overall member attendance was 100%.

The monitoring process also envisages the collaboration of other parties, specifically Process Owners, that is, the managers of corporate processes deemed to be sensitive as regards the committing of any illegal acts, who periodically report to the Supervisory Body.

In 2006, the Company, in compliance with the provisions of Law 231/01 (management processes) as well as in accordance with Law 262/05 (administrative/accounting processes) updated its procedures.

3.1 Director Appointed to supervise the functioning of the internal audit system

The Director Appointed is identified and mandated to supervise the functioning of the internal audit system by the Board of Directors. The Director Appointed duties, within the guidelines established by the Board of Directors, are to: (a) identify corporate risks, in relation to the characteristics of the Company's activities and the sectors in which it operates, even through Group companies; (b) plan, implement and manage the internal audit system; (c) monitor the effectiveness, adequacy and actual functioning of the internal audit system; (d) adapt the internal audit system to any problems emerging from this monitoring process, to the evolution of the company's operating and organisational structure, to the trends of corporate activity, as well to new laws and regulations that may be relevant to the Group. In carrying out these duties, the Director Appointed is assisted by the Person in charge of internal control and reports to the Board of Directors regarding his activities and the existence of any specific problems.

On 26 March 2007, the Board of Directors of the Company, in compliance with the provisions of the Corporate Governance Code and with the assistance of the Internal Audit Committee, appointed the Chief Executive Luciano Pietro La Noce as Director Appointed to supervise the functioning of the internal audit system, granting him the powers described above.

3.2 Person in charge of internal control

The Person in charge of internal control, who is not in charge of any operating area and does not report to any heads of operating areas, is appointed by the Board of Directors in response to a proposal by the Director Appointed and is empowered to do the following:

(i) verify the effectiveness, adequacy and actual functioning of the internal audit system;

(ii) assist the Director Appointed in carrying out his duties;

(iii) report to the Director Appointed at least quarterly, even in writing, on activities carried out, as well as to the Internal Audit Committee and to the Board of Statutory Auditors with half-yearly reports;

(iv) immediately inform the Director Appointed, the Board of Directors and the Internal Audit

Committee if, while carrying out the above management checks, any relevant risks profiles emerge for the Company or at least elements, even if only potential, that could seriously affect it;

(v) participate in meetings of the Board of Directors and of the Internal Audit Committee, when invited to attend;

(vi) carry out any further duties that the Board deems to be appropriate to assign to the Person in charge of internal control, with particular reference to internal auditing.

On 26 March 2007, the Board of Directors of the Company, in response to a proposal by the Director Appointed and having obtained the opinion of the Internal Audit Committee, appointed Pierantonio Piana, the head of Cogitek S.r.l., as the Person in charge of internal control, empowering him as above. On the same date, the Board of Directors appointed this same person, who possesses the required professionalism and independence, Head of Internal Audit.

This organisational solution: (i) avoids the duplication of structures, centring the activity of verification in one body; (ii) maximises the independence of the Person in charge of internal control from corporate structures; (iii) permits the constant monitoring by a specifically mandated figure of the effectiveness, adequacy and actual functioning of the internal audit system of the Company and the Group.

3.3 Internal Audit Committee

The Board of Directors establishes an Internal Audit Committee comprising Non-executive Directors, mainly Independent Directors. The Chairman of the Board of Statutory Auditors or another Auditor mandated by him attends Committee meetings. The Director Appointed and, at the Committee's invitation, the Person in charge of internal control or other employees may participate in the meetings if their presence is considered useful.

The Internal Audit Committee is a consultative body that can put forward proposals to the Board of Directors and is mandated to carry out the following duties:

(i) assist the Board of Directors in carrying out internal audit activities, in particular in defining the guidelines of the system and the periodical monitoring of the adequacy, effectiveness and actual functioning of the system;

(ii) examine the work plan prepared by the Person in charge of internal control and the half-yearly reports transmitted by him;

(iii) evaluate, together with the Manager in charge of preparing corporate accounts and the auditors, the adequacy of the accounting principles used and their consistency for the purpose of preparing the consolidated financial statements;

(iv) evaluate the proposals formulated by the auditors regarding the mandate, the work plan prepared for the audit and the results illustrated in the report and in the letter of suggestions;

(v) report to the Board, at least every six months, at the time of approving the financial statements for the period and the half-year report, regarding activities carried out and the adequacy of the internal audit system;

(vi) carry out any further duties that the Board deems appropriate to assign to the Committee, in particular regarding relations with the auditors and the consultative functions concerning dealings with related parties envisaged by the specific procedure approved by the Board (cf. point 4).

The Board of Directors of the Company, in compliance with the provisions of the Corporate Governance Code, has established an Internal Audit Committee comprising Non-executive

Directors, mainly Independent Directors, with the above functions. On 26 March 2007, the Board of Directors appointed Marco Reboa (also appointed Lead Independent Director in accordance with the Corporate Governance Code) as Chairman, along with Mauro Gambaro and Carlo d'Urso as members of said Committee.

4. Related party dealings

On 26 March 2007, the Board of Directors of the Company approved a new "Regulation regarding related party dealings" aimed at governing the information and procedures of transactions closed by Immsi S.p.A. with related parties (as defined herein), in accordance with article 2391-*bis* of the Italian Civil Code and in compliance with the recommendations of article 9 of the Corporate Governance Code.

In particular, the Board of Directors has identified the quantitative and/or qualitative criteria that lead to the identification of transactions to be examined and approved by the Board itself.

In accordance with article 2, paragraph 1, point h) of the Issuers' Regulation, related parties are deemed to be those parties so defined by the international accounting standard regarding related party disclosures, adopted following the procedure set forth in article 6 of regulation (CE) no. 1606/2002 (IAS 24).

Furthermore, the Board, so as to concretely implement articles 9.C.1. and 9.C.2. of the Corporate Governance Code, has defined specific procedures to ensure Directors receive full and exhaustive information regarding related party dealings.

As regards the above Procedure:

- a "**Typical transaction**" is one that is recurring, usual or part of normal business affairs of the Company as regards type, purpose and method of determining the consideration;

- an "**Arm's length transaction**" is one closed at market conditions or at conditions in line with normally followed negotiating procedures or at conditions not differing from those practised for similar transactions;

- an "**Intragroup transaction**" is one closed by Immsi with subsidiaries, either directly or indirectly, in accordance with article 93 of Law 58/98.

4.1 Related party dealings to be examined and approved by the Board of Directors

Related party dealings are to be examined and approved by the Board of Directors of Immsi S.p.A., except for: (i) Typical transactions at arm's length conditions where the overall value of the individual transaction is no greater than 25 million euros; (ii) Typical transactions at arm's length conditions that are also Intragroup transactions where the overall value of the individual transaction is no greater than 25 million euros. For the purpose of calculating the value of points (i) and (ii) above, reference must be made to each individual transaction examined; exceptionally, in the case of transactions that are closely and objectively connected under one strategic or executive plan, reference must be made to the overall value of all the connected transactions.

In all cases, the Board of Directors must examine:

(i) related party dealings that are part of a disclosure document in accordance with applicable law or regulations, including the disclosure document in accordance with article 71-*bis* of the Issuers' Regulation;

(ii) related party dealings that consist of frame agreements for the provision of services to or by Immsi S.p.A.;

(iii) related party dealings that, while not reserved for the Board of Directors as per the previous point, fall under the mandate of a Director who has an interest in such transaction, even if only potential or indirect.

In relation to each related party dealing reserved for the Board of Directors, the Board shall receive from the delegated bodies information that is sufficient to permit a preliminary examination of the key elements of such transaction, with particular reference to the following elements (jointly, the “**Relevant information**”):

- general features of the transaction (indicating in particular the purpose, the reasons, the consideration and the timing of the transaction, as well as the nature of the relationship);

- method of determining the consideration and/or of the main terms and conditions that may generate liabilities for the Company;

- foreseeable economic and financial effects of the transaction, even at the consolidated level;

- any interests (even if indirect) of members of the company boards in the transaction.

In accordance with article 9.C.2 of the Corporate Governance Code, Directors who have an interest, even if potential or indirect, in a related party dealing must previously and exhaustively inform the Board of the existence of the interest and the related circumstances. The Board of Directors must evaluate, in relation to each concrete case and on the basis of the information provided by the Director in question, also by taking account of the need to ensure the proper functioning of the management body, the appropriateness of asking said Director: (i) to absent himself from the meeting before discussions begin until a decision has been taken; or (ii) to abstain from voting.

The Board, following receipt of information from the delegated bodies and whenever it deems appropriate, taking account of the nature, amount and other features of the individual related party dealing (as established in article 9.C.1 of the Corporate Governance Code), may require that it be closed with the assistance of one or more experts who express an opinion on the economic conditions and/or the executive and technical aspects of the transaction. The choice of experts to be used shall fall upon individuals of proven professionalism and competence, of whom the Board shall ascertain their independence and the absence of conflicts of interest in the transaction.

The Board of Directors ensures that the related party dealings identified by article 71-*bis* of the Issuers’ Regulation carried out by Immsi S.p.A. (even if through subsidiaries) are disclosed to the market in accordance with such regulation.

4.2 Procedure for related party dealings not reserved for the Board of Directors

Related party dealings other than those for the examination and approval of the Board of Directors fall within the purview of the delegated bodies, in accordance with the mandates granted them.

The delegated bodies provide the Board of Directors, in the next meeting, exhaustive information regarding the key elements of the related party dealing carried out by themselves, as well as any risk profiles or other critical elements. In particular, exhaustive information must be provided regarding the Relevant Information of each individual transaction.

In all cases, the delegated bodies retain the right to, wherever they deem it appropriate, submit for examination and approval of the Board of Directors of Immsi any related party dealings that, while not being reserved for the Board, contain specifically critical and/or risk elements for the safeguarding of corporate assets or the protection of minority interests. In this case, the related procedure is applied.

4.3 Disclosure of related party dealings

Immsi has and maintains a list of its related parties and updates it on the basis of information available to the Company. Included in this list are parties identifiable as related parties in accordance with IAS 24.

The Company promptly informs each related party of their inclusion in the above list and asks each related party to provide the information necessary to keep and update this list.

In accordance with article 150 of the TUF, the Directors report on a quarterly basis to the Board of Statutory Auditors regarding related party dealings closed in the quarter (including transactions requiring mandates), as well as – at the end of each quarter – regarding the current state of transactions whose execution, in consideration of their characteristics, is deferred or periodical.

In particular, the Board of Directors, in the person of the Chief Executive or another individual mandated for the purpose, illustrates to the Board of Statutory Auditors the relevant Information pertaining to the individual transaction he is aware of.

5. <u>Shareholder meetings</u>

Shareholder meetings represent all shareholders and their resolutions, passed in compliance with law and the bylaws, bind all shareholders, even if absent or dissenting.

Both ordinary and extraordinary shareholder meetings are called by the Board of Directors in accordance with the law, even outside the registered office, provided it is in Italy, by means of a notice published in the *Gazzetta Ufficiale della Repubblica* (Italian Official Gazette) or, at the choice of the Board of Directors, in at least on of the following newspapers: “Il Sole 24 Ore” or “MF” – “Milano Finanza”.

The Company promotes and encourages widespread attendance of shareholders at these meetings and uses shareholder meetings as opportunities for discussion and contact between the Company and investors.

Both ordinary and extraordinary shareholder meetings are called and vote in accordance with the law and each share gives entitlement to one vote.

Ordinary shareholder meetings can: (a) approve the financial statements; (b) appoint and remove Directors, Auditors and the Chairman of the Board of Statutory Auditors and the financial controller (if any); (c) determine the emoluments of the Directors and the Statutory Auditors, if not established in the bylaws (cf. point 2); (d) decide on the responsibilities of the Directors and Statutory Auditors; (e) decide on other matters attributed by law to the shareholders, as well as on any authorisations required by the bylaws for the carrying out of Director duties, notwithstanding in all cases their being responsible for their actions; (f) approve any rules governing meetings; (g) decide on any other matters within their powers, in accordance with the law.

Extraordinary shareholder meetings decide on changes to the bylaws, the appointment, substitution and powers of liquidators and on any other matter expressly attributed to it by law. The Board of Directors is empowered to decide upon matters indicated in article 23 of the bylaws, notwithstanding that such resolution may also be passed by an extraordinary shareholder meetings.

The Company does not currently see the need to propose the adoption of a specific regulation governing shareholder meetings, considering that it deems appropriate that, in principle, the shareholders shall be assured the widest participation and expression in shareholder discussions.

6. <u>Treatment of insider information</u>

Regarding the problems concerning the treatment of insider information, the Board of Directors of the Issuer has adopted the initiatives and/or procedures summarised below, so as to monitor access to and the circulation of insider information before its distribution to the public, to ensure compliance with the confidentiality requirements of the provisions of law and regulations, as well as to govern the internal handling and public disclosure of price-sensitive information.

6.1 Procedure for the public disclosure of insider information

On 24 March 2006, the Board of Directors of the Company adopted the "Procedure for public disclosure of insider information" so as to govern the internal handling and external communication of such information.

In accordance with the Procedure, the Chairman of the Board of Directors, the Chief Executive and the Investor Relations function (cf. point 7 below) of Immsi ensure the proper handling of the disclosure to the market of insider information and monitor compliance with said Procedure.

The Investor Relations function and the Head of the Press Office, informed by the top management of the group or otherwise aware of significant facts concerning the Company or its subsidiaries, discuss with the Finance manager and the Legal and Corporate Department to verify the requirements of law and in particular if the information should be considered insider information.

If it is considered insider information or applicable regulations require public disclosure, the Head of the Press Office prepares a press release and, with the assistance of the Legal and Corporate Function, ensures that it complies with current applicable law.

The text of the press release must be submitted to the Chairman and to the Chief Executive and, if necessary, to the Board of Directors for final approval prior to its public disclosure.

The press release is put on the Network Information System (NIS) organized and managed by Borsa Italiana, and is transmitted to Consob and to at least two press agencies via the NIS. Furthermore, the Company inserts the press release on the www.immsi.it website *"within the market opening of the day after public disclosure"* and ensures the information remains there for at least two years.

So as to ensure the handling of insider information within the Group, the Procedure is notified to the Managing Directors of the main subsidiaries, that is, those companies controlled by Immsi that are consolidated.

The handling of insider information regarding subsidiaries is the responsibility of their Managing Directors, who shall promptly transmit to the Finance Manager and/or to the Investor Relations function of Immsi all information that they consider may be insider information in accordance with the Procedure.

The Finance Manager and/or the Investor Relations function receiving the insider information advice from the Managing Directors of subsidiaries discusses with the Legal and Corporate Department to verify the legal obligations and in particular if the information is to be considered insider information.

If it is deemed insider information or applicable regulations require public disclosure, the Head of the Press Office prepares a press release and, with the assistance of the Legal and Corporate Department, ensures that it complies with current applicable law.

The text of the press release must be submitted to the Chairman and to the Chief Executive and, if necessary, to the Board of Directors for final approval prior to its public disclosure.

6.2 Register of persons with access to insider information

With particular reference to the requirement for listed issuers, for parties in controlling relations with them and for persons acting in their name or on their behalf, to establish and manage a register of persons with access to insider information in accordance with article 115-*bis* of the TUF, in a meeting on 24 March 2006, the Board of Directors of the Company resolved to: (i) adopt the

"Procedure for the management of the register of persons with access to insider information"; (ii) approve such register; (iii) mandate the Legal and Corporate Department of Immsi, in accordance with article 152-*bis* of the Issuers' Regulation, to keep, manage and update the register of persons with access to insider information even for companies in relationships of control with Immsi S.p.A..

In particular, the register kept by Immsi, in force since 1 April 2006, must indicate the persons it knows by first-hand experience with access to insider information, leaving each parent company/subsidiary the task of establishing a specific procedure and of appointing a Manager responsible for forwarding to Immsi the list of persons with access to insider information regarding Immsi and, from the date of listing, Piaggio & C. S.p.A..

6.3. *Internal Dealing*

As regards management of the disclosure requirements arising from the new regulation on Internal Dealing, in accordance with article 114, paragraph 7 of the TUF and articles 152-*sexies*, 152-*septies* and 152-*octies* of the Issuers' Regulation, in force for listed companies as of 1 April 2006, the Board of Directors of the Company, on 24 March 2006, resolved to adopt the "Procedure for complying with the obligations regarding Internal Dealing".

Releases regarding significant transactions pertaining to the Internal Dealing regulations carried out in 2006 have been disclosed to the market in compliance with said procedure and are available on the Company website (www.immsi.it – Investor relations section).

7. Investor and shareholder relations

The Company believes it is in its own interest – as well as its duty towards the market – to promote continuous discussion with the shareholders and institutional investors, based on a reciprocal understanding of roles; this relationship is to be developed in compliance with the "Procedure for the public disclosure of insider information" described in point 6.1 above.

In this respect, it is believed that these relations with the shareholders and institutional investors may be facilitated by establishing dedicated corporate structures with adequate staff and organisational means.

In a meeting on 15 October 2003, the Board of Directors of the Company resolved to establish an Investor Relations office to handle relations with the shareholders and institutional investors and to carry out any specific duties regarding the handling of price-sensitive information, as well as relations with Consob and Borsa Italiana S.p.A..

At the time of this report, the manager of the Investor Relations office is Andrea Paroli (who is also the Finance Manager). He may be contacted at: andrea.paroli@immsi.it.

Information for the investors is also ensured by making available the most significant corporate documents in a timely and continuous manner on the Company website (www.immsi.it - Investor Relations section).

In particular, the company website makes available in Italian to investors all press releases distributed to the market, the periodical accounting documentation of the Company approved by the company organs (consolidated and separate financial statements; half-year report; quarterly reports), as well as the documentation distributed at meetings with professional investors, analysts and the financial community.

Furthermore, the website contains the Issuer's bylaws, the documents prepared for shareholder meetings, releases regarding internal dealing, the current corporate governance report and any other document which needs to be published on the issuer's website in accordance with applicable regulations.

The provisions of the Issuer's bylaws that govern the appointment of the Board of Directors and the Board of Statutory Auditors will be modified within the terms of the law so as to adapt them to the provisions introduced by Law 262/05 and by Decree 303/06. In particular, the percentage limits set to exercise shares and the prerogative to protect minorities shall be fixed in compliance with Consob or current legislation as regards the characteristics of the Issuer (market capitalisation; float; ownership structure).

8. Board of Statutory Auditors

In accordance with article 25 of the bylaws, the Board of Statutory Auditors comprises three Standing Auditors and two Substitutes, who remain in office for three years, the term expiring at the date of the shareholder meeting called to approve the financial statements relating to the last year of office and they may be re-elected.

Moreover, the Board of Statutory Auditors has the powers and functions attributed to it by law and other applicable provisions.

The Statutory Auditors must possess the necessary requirements envisaged by law, the bylaws and by other applicable provisions.

The provisions of the bylaws of the Issuer governing the appointment of the Board of Statutory Auditors will be modified within the terms of the law so as to adapt them to the provisions introduced by Law 262/05 (article 148, paragraph 2-*bis* of the TUF) and by Decree 303/2006.

The Board of Statutory Auditors is appointed on the basis of lists presented to the shareholders.

Reference should be made to article 25 of the bylaws for further details regarding the method of electing the Board of Statutory Auditors.

Each member of the Board of Statutory Auditors must communicate any other duties as Director or Statutory Auditor in other companies, so as to comply with disclosure obligations in accordance with the provisions of law and applicable regulations.

The Board of Statutory Auditors annually evaluates the independence of its members, also based upon the criteria set forth in the Corporate Governance Code regarding Directors, after appointment and subsequently, during the term of office. The results of this evaluation are disclosed to the market in the annual report on corporate governance.

At the time of this report, the Board of Statutory Auditors, appointed by the ordinary shareholder meeting on 12 May 2006 and in office until approval of the financial statements for the year ending 31 December 2008, comprises:

NAME	POSITION
ALESSANDRO LAI	CHAIRMAN MEMBER, SUPERVISORY BODY
GIOVANNIMARIA SECCAMANI MAZZOLI	STANDING AUDITOR
MARCO SPADACINI	STANDING AUDITOR
LEONARDO LOSI	SUBSTITUTE AUDITOR
GIOVANNI SALA	SUBSTITUTE AUDITOR

As established in article 10.C.1. of the Corporate Governance Code, the professional *curricula* of the candidate Auditors have been filed at the registered office and are available on the Company website (www.immsi.it).

The table below lists all the positions of Director and Auditor held in incorporated companies by the members of the Board of Statutory Auditors at the date of this report.

Full name	Company	Positions held as Directors or Auditors
Alessandro Lai	- Società Cattolica di Assicurazioni Soc. Coop.*	Chairman of the Board of Statutory Auditors
	- Risparmio & Previdenza S.p.A.**	Chairman of the Board of Statutory Auditors
	- ABC Assicura S.p.A.**	Chairman of the Board of Statutory Auditors
	- Cattolica IT services S.r.l.	Chairman of the Board of Statutory Auditors
	- Duomo Assicurazioni e Riassicurazioni S.p.A.**	Chairman of the Board of Statutory Auditors
	- Piaggio & C. S.p.A.*	Standing Auditor
	- Cattolica Immobiliare S.p.A.	Standing Auditor
	- Ominiainvest S.p.A.**	Standing Auditor
	- Omniapartecipazioni S.p.A.**	Standing Auditor
	- Magazzini Generali Fiduciari di Mantova S.p.A.	Standing Auditor
	- Fatofin S.A.p.A.**	Standing Auditor
	- Canal Grande S.r.l.	Standing Auditor
	- Almalaurea S.r.l.	Director
	- Esu-A.r.d.s.u. (Verona)	Director
	- Parco Scientifico di Verona S.p.A.	Director
	- Fondazione Banca Agricola Mantovana	Standing Auditor
Giovannimaria Seccamani Mazzoli	- EB Libri S.r.l.	Chairman BoD
	- Cattolica IT Service S.r.l.**	Chairman BoD
	- Editoriale Bresciana S.p.A.	Chairman BoD
	- GK S.p.A.**	Chairman BoD
	- Semafin S.p.A.	Chairman BoD
	- Società Mineraria Baritina S.p.A.	Chairman BoD
	- Centro Pastorale Paolo VI	Chairman, Board of Chairman
	- BPV VITA S.p.A.**	Vice Chairman BoD
	- O.P.Q.-Organizzazione Pubblicità Quotidiani S.r.l.	Vice Chairman BoD
	- Società Cattolica di Assicurazioni Soc. Coop.*	Vice Chairman BoD
	- Building Concept S.r.l.	Director
	- C.S.Q.-Centro Stampa Quotidiani S.p.A.	Director
	- Seltering S.p.A.**	Director
	- Thera Equity investments e Servizi S.r.l.	Director
	- Iris 2002 S.r.l.	Director
	- Fondazione Brixia Fidelis	Director
	- Alfa Delta S.p.A.**	Chairman Board of Statutory Auditors
	- Banca di Valle Canonica S.p.A.**	Chairman Board of Statutory Auditors
	- Brescia Musei S.p.A.	Chairman Board of Statutory Auditors
	- Brevivet S.p.A.	Chairman Board of Statutory Auditors
	- Calisio S.p.A.**	Chairman Board of Statutory Auditors
	- Distillerie Franciacorta S.p.A.	Chairman Board of Statutory Auditors
	- Elettra 2000 S.p.A.	Chairman Board of Statutory Auditors
	- Franzine S.p.A.**	Chairman Board of Statutory Auditors
	- La Vigilanza S.r.l.	Chairman Board of Statutory Auditors
	- Mercury S.p.A.	Chairman Board of Statutory Auditors
	- Sabaf S.p.A.*	Standing Auditor
	- Arco S.p.A.**	Standing Auditor
	- Bettoni S.p.A.	Standing Auditor
	- Edilcave S.p.A.	Standing Auditor
	- FGH-Franco Gnutti Holding S.p.A.**	Standing Auditor
	- Fidelitas S.p.A. – Fiduciaria Sicurezza**	Standing Auditor
	- Fidelitas Network S.r.l.	Standing Auditor
	- La Ronda – Servizi di Vigilanza S.p.A.	Standing Auditor
	- La Scuola S.p.A.	Standing Auditor
	- Metronotte Città di Genova Ist.Vig. Privata S.p.A.	Standing Auditor
	- Nuovi Assetti Urbani S.p.A.	Standing Auditor
	- Reales S.p.A.	Standing Auditor
	- Fondazione Luciano ed Agnese Sorlini	Chairman, Board of Auditors
	- Istituto di Cultura G. Folonari-Fondazione CAB	Chairman, Board of Auditors

Marco Spadacini	- Tess.Mec.Set.G.Ones S.r.l. - Arnoldo Mondadori Editore S.p.A.* - Compagnia Fiduciaria Nazionale S.p.A. - Sorin S.p.A.* - Ambi S.p.A. - Apple Computer Italia S.r.l. - Apple Computer S.p.A. - Arrow Holding Sout Europe S.r.l. - Bourjois S.r.l. (in liquidation) - Chanel S.r.l. - Cooperativa Palomar 3 A r.l. - Daneco S.p.A. - DGPA SGR S.p.A. - Idroma S.p.A. - Roveda S.r.l. - Stella Servizi Immobiliare S.r.l. - GE Noleggi S.p.A. - Waste Italia S.p.A. - Autostrade S.p.A.* - Fondiaria-Sai S.p.A.* - Snia S.p.A.* - AXA Assicurazioni S.p.A.** - AXA Sim S.p.A. - AXA Interlife S.p.A. - Arca Assicurazioni S.p.A.** - Arca Vita S.p.A.** - Arca Impresa Gestioni SGR S.p.A. - Centurion Immobiliare S.p.A. - GE Leasing Italia S.p.A. - Investim S.r.l. - Omniapartecipazioni S.p.A.** - Sviluppo del Mediterraneo S.p.A. - Tekma Kinomat S.r.l. - Tesir S.r.l. - Cedit S.p.A. (in liquidation) - Inducom S.p.A. (in liquidation) - Sistemi Tecnologici Holding S.p.A.	Chairman BoD Director Director Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor Liquidator Liquidator Liquidator
Leonardo Losi	- L. Consulting S.r.l. - BAM Riscossioni S.p.A. - Corai S.p.A. - G.I. Profidi Sim S.p.A. - Grecotex S.r.l. - Le Robinie S.p.A. - Mantova Expo S.r.l. - Nuova Silam S.r.l. - Industria Tessile Mantovana S.r.l. - S.A.V.E. S.r.l. - Truzzi Prefabbricati S.r.l. - Bidue S.r.l. - Imperial S.p.A. - L.T.P. S.p.A. - La Vetri S.r.l. - Quadrifoglio Vita S.p.A. - Sage S.p.A. - Sime S.r.l. - Fondazione Banca Agricola Mantovana	Chairman BoD Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor

Giovanni Sala	- Gewiss S.p.A.* - Bios Interbanca - Alessio Tubi S.p.A. - Carl Zeiss S.p.A. - Coface Italia S.r.l. - Gianni Versace S.p.A. - Intermonte Sim - Interbanca S.p.A. - Iniziativa Gestione Investimenti S.p.A - Verim S.r.l. - Cipa S.p.A. - SO.PA.F. Soc.Part.Fin. S.p.A.* - Omniainvest S.p.A.** - Antonveneta ABN Amro SGR S.p.A. - C.L.N. S.p.A. - Coface Factoring Italia S.r.l. - Coface Assicurazioni S.p.A. - Fratelli Canessa S.r.l. - Gianetti Ruote S.p.A. - La Viscontea Imm.re S.r.l. - Magnetto Wheels S.p.A.	Director Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Chairman Board of Statutory Auditors Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor Standing Auditor

* Company listed on regulated markets

** Finance, banking or insurance companies, or companies of significant dimensions

The Board of Statutory Auditors, in a meeting held on 26 March 2007, advised that it had verified the existence of the independence requirements of its members on the basis of the above criteria.

During the year ended 31 December 2006, the Board of Directors met ten times with an average overall attendance of the Auditors of 80.36%.

During the year ended 31 December 2006, the Board of Statutory Auditors met seven times with an average overall attendance of 96.43%.

The delegated bodies reported adequately and in a timely manner to the Board of Statutory Auditors regarding their activities, the general management situation and the business outlook, as well as the most significant transactions in terms of size and characteristics carried out by the Company and its subsidiaries, as established by law and the bylaws, therefore at least quarterly.

26 March 2007

Immsi Group

at

31 December 2006

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2006

Amounts in thousands of euros

ATTIVO		*31 December 2006*	*31 December 2005*
NON-CURRENT ASSETS			
Intangible assets	*F1*	802,112	737,429
Tangible assets	*F2*	318,135	323,008
Property investments	*F3*	0	506
Equity investments	*F4*	787	717
Other financial assets	*F5*	81,057	65,457
- of which with related parties		*63*	*10,171*
Amounts due from the tax authorities	*F6*	8,113	8,369
Deferred tax assets	*F7*	54,175	42,269
Trade receivables and other receivables	*F8*	8,329	8,027
- of which with related parties		*363*	*3,776*
TOTAL NON-CURRENT ASSETS		1,272,708	1,185,782
ASSETS INTENDED FOR DISPOSAL	*F9*	306	55
CURRENT ASSETS			
Trade receivables and other receivables	*F8*	216,856	235,038
- of which with related parties		*5,049*	*1,539*
Amounts due from the tax authorities	*F6*	39,638	15,411
Inventories	*F10*	294,933	242,990
Contract work in progress	*F11*	13,823	31,415
Other financial assets	*F5*	12,594	1,260
Cash and cash equivalents	*F12*	101,941	59,372
TOTAL CURRENT ASSETS		679,785	585,486
TOTAL ASSETS		1,952,799	1,771,323

LIABILITIES		*31 December 2006*	*31 December 2005*
SHAREHOLDERS' EQUITY			
Consolidated Group shareholders' equity		401,819	236,748
Minority interest capital and reserves		243,784	275,706
TOTAL SHAREHOLDERS' EQUITY	*G1*	645,603	512,454
NON-CURRENT LIABILITIES			
Financial liabilities	*G2*	409,827	460,273
Trade payables and other payables	*G3*	18,608	13,894
Reserves for pension and similar obligations	*G4*	84,201	83,781
Other long-term reserves	*G5*	30,224	57,302
Deferred tax liabilities	*G6*	52,739	55,772
TOTAL NON-CURRENT LIABILITIES		595,599	671,022
LIABILITIES LINKED WITH ASSETS INTENDED FOR DISPOSAL		0	0
CURRENT LIABILITIES			
Financial liabilities	*G2*	120,039	122,057
Trade payables	*G3*	466,342	355,316
- of which with related parties		*10,756*	3,288
Current taxation	*G7*	16,920	17,511
Other payables	*G3*	82,408	73,067
- of which with related parties		*9,435*	*0*
Current portion of other long-term reserves	*G5*	25,888	19,896
TOTAL CURRENT LIABILITIES		711,597	587,847
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,952,799	1,771,323

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2006

Amounts in thousands of euros

		2006	2005
Net revenues	*H1*	1,708,777	1,547,573
Costs for materials	*H2*	980,388	883,405
- of which with related parties		*35,572*	*3,323*
Costs for services and use of third party assets	*H3*	381,845	349,457
- of which with related parties		*2,628*	*1,478*
- of which non-recurring transactions		*10,276*	*0*
Personnel costs	*H4*	259,133	247,875
Depreciation of tangible assets	*H5*	44,626	46,751
Amortisation of goodwill		0	0
Amortisation of intangible assets with a finite life	*H6*	50,187	48,655
Other operating income	*H7*	138,896	155,289
- of which with related parties		*1,678*	*37*
- of which non-recurring transactions		*0*	*18,624*
Other operating costs	*H8*	45,541	49,776
OPERATING EARNINGS		85,953	76,943
Gain / loss on equity investments		(17)	(10)
Financial income	*H9*	156,955	17,952
Financial charges	*H10*	50,906	52,799
EARNINGS BEFORE TAXATION		191,985	42,086
Taxation	*H11*	24,425	23,770
EARNINGS AFTER TAXATION FROM CONTINUING ASSETS		167,560	18,316
Gain (loss) from assets intended for disposal or sale	*H12*	0	5,242
EARNINGS FOR THE PERIOD INCLUDING MINORITY INTEREST		167,560	23,558
Minority interest		101,997	15,193
GROUP EARNINGS FOR THE PERIOD	*H13*	65,563	8,365

EARNINGS PER SHARE

In euros

From continuing assets and discontinued operations:	*2006*	*2005*
Basic	0.222	0.030
Diluted	0.222	0.030

From continuing assets:		
Basic	0.222	0.011
Diluted	0.222	0.011

Average number of shares: 295,533,333 280,500,000

CONSOLIDATED CASH FLOW STATEMENT AT 31 DECEMBER 2006

Amounts in thousands of euros

In thousands of euros		2006	2005
Operations			
Earnings for the period	*H13*	65,563	8,365
Minority interest	*G1*	101,997	15,193
Taxation	*H11*	24,425	23,770
Depreciation of tangible assets (including property investments)	*H5*	44,626	46,751
Amortisation of intangible assets	*H6*	50,187	48,655
Provisions for risks and for pension and similar obligations	*H8 - H4*	37,257	21,940
Write-downs / (Revaluations)	*H7 - H8*	4,232	12,157
Losses / (Gains) on disposal of tangible assets (including property investments)	*H7 - H8*	(4,288)	(1,340)
Losses / (Gains) on disposal of intangible assets	*H7 - H8*	(3,611)	0
Losses / (Gains) from assets intended for disposal or sale	*H12*	0	(7,604)
Losses / (Gains) on disposal of securities	*H9*	(136,081)	0
Interest receivable	*H9*	(4,865)	(4,710)
Dividend income	*H9*	(2,228)	(891)
Interest payable	*H10*	38,241	37,033
Depreciation of grants	*H7*	(4,130)	(27,058)
Change in working capital:			
(Increase) / Decrease in trade receivables	*F8*	30,984	60,291
(Increase) / Decrease in other receivables	*F8*	(48,069)	16,908
(Increase) / Decrease in inventories	*F10*	(51,943)	36,046
Increase / (Decrease) in trade payables	*G3*	111,262	(31,395)
Increase / (Decrease) in other payables	*G3*	37,314	28,282
(Increase) / Decrease in contract work in progress	*F11*	17,560	(12,933)
Increase / (Decrease) in provisions for risks	*G5*	(45,406)	(29,575)
Increase / (Decrease) reserves for pension and similar obligations	*G4*	(12,368)	(550)
Other changes		(8,500)	(22,411)
Cash generated from operations		242,159	216,924
Interest paid		(38,490)	(52,181)
Taxation paid	*F6 - G7*	(27,924)	(22,407)
Cash flow from operations		175,745	142,336

In thousands of euros		2006	2005
Investments			
Acquisition of subsidiaries, net of cash and cash equivalents		(103,862)	0
Sale price of subsidiaries, net of cash and cash equivalents		265,627	0
Investments in tangible assets	*F2 - F3*	(46,617)	(67,115)
Sale price, or repayment value, of tangible assets (including property investments)		6,155	5,254
Investments in intangible assets	*F1*	(49,926)	(39,419)
Sale price, or repayment value, of intangible assets		4,426	1,076
Purchase of non-consolidated equity investments	*F4*	(160)	0
Sale price of non-consolidated equity investments		59	929
Loans provided		(305)	(1,441)
Repayment of loans		10,306	3,761
Purchase of financial assets	*F5*	(11,841)	0
Sale price of financial assets		8	1,152
Interest received		3,238	14,350
Sale price on assets intended for disposal or sale		0	53,160
Other flows from assets intended for disposal or sale		67	(55)
Public grants received		5,737	22,975
Dividends from equity investments		2,228	891
Cash flow from investments		85,140	(4,482)
Financing			
Increase in share capital by Group shareholders	*G1*	80,080	807
Increase in share capital by third parties	*G1*	23,915	0
Loans received		17,131	387,791
Outflow for repayment of loans		(92,605)	(440,244)
Finance leases received		136	12,202
Repayment of finance leases		(1,054)	(13)
Outflow for dividends paid to parent company shareholders	*G1*	(8,580)	(8,580)
Outflow for dividends paid to minority interest		(241,491)	(220)
Cash flow from financing		(222,468)	(48,257)
Increase / (Decrease) in cash and cash equivalents		38,417	89,597
Opening balance		40,989	(46,991)
Exchange differences		1,014	(1,617)
Closing balance		80,420	40,989

This schedule illustrates the changes in cash and cash equivalents, net of short-term bank overdrafts totalling 21.5 million euros at 31 December 2006.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 DECEMBER 2006

In thousands of euros	*Share capital*	*Retained earnings*	*Earnings for the period*	*Group shareholders' equity*	*Minority interest 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***
Increases in share capital against payment	34,320	(33,513)		807		807
Allocation of Group earnings to legal reserve		592	(592)	0		0
Allocation of Group earnings to dividends			(8,580)	(8,580)		(8,580)
Allocation of Group earnings to retained earnings		2,334	(2,334)	0		0
Dividends and repayment of share premium to minority interest in subsidiaries					(220)	(220)
Measurement at fair value of financial assets		17,074		17,074	261	17,335
Measurement of "War. '04/'09", "EMH '04/'09" and "Aprilia shareholder instruments"				0	56,466	56,466
Taxation on items charged to shareholders' equity		(279)		(279)		(279)
Figurative cost of stock options		521		521	779	1,300
Translation differences		530		530	756	1,286
Other changes		29		29	3,848	3,877
Earnings for the period			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***

In thousands of euros	*Share capital*	*Retained earnings*	*Earnings for the period*	*Group shareholders' equity*	*Minority interest capital and reserves*	*Group and minority interest shareholders' equity*
Balances at 31 December 2005	***148,720***	***79,663***	***8,365***	***236,748***	***275,706***	***512,454***
Increases in share capital against payment	29,744	50,336		80,080	23,915	103,995
Allocation of Group earnings to legal reserve		479	(479)	0		0
Allocation of Group earnings to dividends		(6,235)	(2,345)	(8,580)		(8,580)
Allocation of Group earnings to retained earnings		5,541	(5,541)	0		0
Dividends and repayment of share premium to minority interest in subsidiaries				0	(261,781)	(261,781)
Measurement at fair value of financial assets		25,718		25,718	2,599	28,317
Measurement of "War. '04/'09", "EMH '04/'09" and "Aprilia shareholder instruments"				0	2,520	2,520
Taxation on items charged to shareholders' equity		(2,671)		(2,671)		(2,671)
Figurative cost of stock options		1,027		1,027	1,534	2,561
Translation differences		(928)		(928)	(1,458)	(2,386)
Other changes		4,862		4,862	98,752	103,614
Earnings for the period			65,563	65,563	101,997	167,560
Balances at 31 December 2006	***178,464***	***157,792***	***65,563***	***401,819***	***243,784***	***645,603***

EXPLANATORY AND ADDITIONAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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C	**Consolidation principles**
D	**Accounting principles and valuation criteria**
E	**Information by sector**
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F2	Tangible assets
F3	Property investments
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F5	Other financial assets
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I	**Commitments, risks and guarantees**
L	**Related party dealings**
M	**Financial position**
N	**Dividends paid**
O	**Profit per share**

- A – GENERAL ASPECTS

Immsi S.p.A. (the Company) is a limited company established under Italian law and has registered offices in Mantova - P.za Vilfredo Pareto, 3 Centro Direzionale Boma. The main activities of the company and its subsidiaries (the Group) are described in the Directors' Report. At 31 December 2006, Immsi S.p.A. was directly controlled by Omniapartecipazioni S.p.A., a company owned by Omniaholding S.p.A. through Omniainvest S.p.A..

The consolidated financial statements of the Immsi Group includes the financial statements of the parent company Immsi S.p.A. and the Italian and foreign companies directly and indirectly controlled, approved by the competent corporate organs of the respective companies and duly modified, where necessary, to adapt them to the Group accounting policies.
The financial statements are expressed in euros since that is the currency in which most of the Group's transactions take place.
The amounts in the above schedules and in the following explanatory and additional notes are stated in thousands of euros (if not otherwise indicated).
These financial statements are audited by Deloitte & Touche S.p.A. pursuant to the mandate granted by the shareholders meeting in 12 May 2006 for the period 2006-2011.

Conformity with international accounting standards

Following the coming into force of European Regulation n°. 1606 in July 2002, as of 1 January 2005 the Immsi Group has adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission, the updates of those pre-existing ones (IAS), as well as the documents of the International Financial Reporting Interpretations Committee (IFRIC) deemed applicable to the transactions carried out by the Group.

In preparing the financial statements at 31 December 2006, the same policies and criteria adopted in the preparation of the last annual report have been followed.
Additionally, international accounting standards have been uniformly applied for all the Group companies. The financial statements of the subsidiaries used for the consolidation have been duly adapted and reclassified, where necessary, in order to make them conform to the international accounting standards and to the standard classification criteria used in the Group.

Presentation of the financial statements

The consolidated financial statements consist of the balance sheet, the income statement, the schedule of changes to shareholders' equity, the cash flow statement and these explanatory and additional notes.
With reference to Consob Resolution n°. 15519 of 17 July 2006 it is pointed out that, as regards the financial schedules, specific income statement and balance sheet schedules have been inserted to evidence significant related party dealings.

In relation to the options envisaged in IAS 1 "Presentation of financial statements", the Immsi Group has opted to present the following types of accounting schedules:

- **Consolidated balance sheet:** The consolidated balance sheet is presented in sections with assets, liabilities and shareholders' equity indicated separately. Assets and liabilities are shown in the consolidated financial statements on the basis of their classification as current and non-current.
- **Consolidated income statement:** The consolidated income statement is presented with the

items classified by their nature. Overall operating earnings include all the income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under operating earnings and earnings before tax. In addition, the income and cost items arising from assets that are intended for disposal or sale, including any capital gains or losses net of the tax element, are recorded in a specific balance sheet item which precedes Group net earnings and minority interest.

- **Consolidated cash flow statement:** The consolidated cash flow statement is presented divided into areas generating cash flows, as indicated by international accounting standards. The cash flow statement model adopted by Immsi has been prepared using the indirect method.
- **Schedule of changes in consolidated shareholders' equity:** The schedule of changes in consolidated shareholders' equity is shown as required by international accounting standards, with a separate indication of the consolidated result for the period and of every individual sale, income, charge and expense that has not been recorded in the income statement, but charged directly in consolidated shareholders' equity on the basis of specific IAS/IFRS accounting standards.

Some reclassifications have been made compared to the figures published in the 2005 Immsi Group financial statements (comparative figures). These changes have had no effect on the earnings for the period and on the shareholders' equity.
In particular:
- The details of the costs of purchases, costs for services and use of third party assets, personnel costs, other operating income, other operating costs and net financial income (charges) have been reviewed in the explanatory note without altering the total amount of the individual items;
- Revenues deriving from service and assistance contracts signed with group companies have been classified among characteristic revenues from 2006. To this end, for consistency of comparison, such income was reclassified for 2005 as well.

- B – CONSOLIDATION AREA

At 31 December 2006, the Immsi Group structure is the one attached at the end of this report.
Changes in 2006 to the consolidation area compared to the consolidated financial statements at 31 December 2005 derive from the completion of the liquidation of Aprilia Finance Ltd, Aprilia Leasing S.p.A. and Motocross Company S.r.l., started in previous years, and from the disposal of Moto Sport S.A.. Also included in the consolidation area are Rodriquez Logtec, Rodriquez Pietra Ligure S.r.l. (now Pietra S.r.l.), while the Group only consolidates the economic results of Piaggio Holding Netherlands B.V., sold at the end of the year.
These changes do not therefore alter the comparability between the two periods.

- C – CONSOLIDATION PRINCIPLES

The consolidated financial statements were prepared using the line-by-line consolidation method of the financial statements of the parent company Immsi S.p.A. and of all the companies in Italy and abroad in which the parent company owns, whether directly or indirectly through subsidiaries, more than half the voting rights exercisable in shareholder meetings, has the power to control or direct voting rights by means of contractual or bylaw clauses, or can appoint the majority of the members of the Boards of Directors. Excluded from the line-by-line consolidation are those companies held for sale in accordance with IFRS 5, non-operating controlled companies or those with low operating levels. The list of companies included in the consolidation area is provided at the end of these explanatory and additional notes.
In accordance with the line-by-line consolidation method, the book value of the equity investments has been eliminated against the shareholders' equity of the subsidiaries, by attributing to the minority interest shareholders the portion of shareholders' equity and net earnings for the period

due to them in specific headings. The positive differences arising from the elimination of the equity investments against the book value of shareholders' equity at the date of the first consolidation are charged to the higher values attributable to assets and liabilities and the remainder to goodwill, to the income statement if negative. In accordance with the transitory provisions of IFRS 3, the Group has stopped amortising goodwill, subjecting it instead to an impairment test, starting from the transition date.
The portion of shareholders' equity and net earnings of the subsidiaries that is due to minority interest have been recorded respectively in a specific item under shareholders' equity called "Minority interest capital and reserves" and in the Income statement under a heading called "Minority interest".

All the balances and the significant transactions between group companies, as well as the unrealized gains/losses on intragroup transactions have been eliminated from these consolidated financial statements. Unrealized gains/losses generated on transactions with associated or jointly controlled companies are eliminated according to the portion of the equity investment held.

The acquisition of subsidiaries by the Group is recorded using the cost method. The acquisition cost is determined from the sum of the fair values, at the date when control is achieved of the assets given, the liabilities incurred or taken on, and the financial instruments issued by the Group in exchange for control of the company acquired, plus the costs directly attributed to the merger.
The assets, liabilities and identifiable contingent liabilities of the company acquired which meet the conditions for their recording in accordance with IFRS 3 are recorded at their fair values at the date of acquisition, with the exception of non-current assets (or groups being disposed of) which are classified as held for sale in accordance with IFRS 5 and which are recorded and measured at fair value less sale costs.
Any goodwill arising from the acquisition is recorded as an asset and initially measured at cost, represented by the surplus of the acquisition cost compared to the Group share in fair values of the assets, liabilities and identifiable contingent liabilities recorded. If the acquisition cost is lower than the net identifiable assets acquired, the difference is charged to the income statement.
The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control is assumed until such time as that control ceases to exist.

Equity investments in associated companies, that is, businesses in which a Group company exercises notable influence and therefore participates in their financial and operational policies without however having control, are consolidated using the equity method and consequently the financial results and any changes in the shareholders' equity of associated companies are stated in the consolidated income statement and balance sheet, respectively. Should the Group portion of the associated company's losses exceed the book value of the equity investment in the financial statements, then the value of equity investment is reversed and the portion of further losses is not recorded, except and to the extent that the Group is obliged to answer for them.

Joint control companies are businesses over whose activities the Group has joint control, established contractually, by joint venture agreements, which imply the establishment of a separate entity in which each participant has a share of the equity investment. The Group records joint control equity investments by using the equity method.
With reference to transactions between a Group company and a joint control company, unrealized gains and losses are eliminated to an extent equal to the percentage of the Group's equity investment in the joint control company, except in the case in which the unrealized losses represent evidence of impairment in the transferred asset.

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

Consolidation of foreign companies

The separate financial statements of each company that belongs to the Group are drawn up in the currency of the main economic environment in which it operates (the operating currency). For the purposes of the consolidated financial statements, the financial statements of each foreign company are expressed in euros, which is the Group's operating currency and the currency for the presentation of the consolidated annual report.
All the assets and liabilities recorded in currencies other than the euro of foreign companies falling within the consolidation area are converted by using the exchange rates in force at the reference date of the financial statements (current exchange rate method). Income and costs are converted at the average rate for the period.
Exchange rate differences arising from the application of this method are classified as an item of shareholders' equity until the equity investment is disposed of. In preparing the consolidated cash flow statement, average exchange rates have been used to convert the cash flows of the foreign subsidiaries.
During first-time adoption of the IFRS, the cumulative exchange rate differences generated by the consolidation of foreign companies outside the euro zone have not been reversed, as allowed by IFRS 1 and have therefore been maintained.
Conversion differences that arise from the comparison between opening shareholders' equity converted at current exchange rates and the same converted at historic exchange rates, as well as the difference between the result for the period expressed at average exchange rates and that expressed at current exchange rates, are charged to the shareholders' equity item "Other reserves".

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

	31/12/2006	**AVERAGE 2006**	**31/12/2005**	**AVERAGE 2005**
US dollar	1.31700	1.25567	1.17970	1.24470
Pound sterling	0.67150	0.68182	0.68530	0.68386
Indian rupee	58.29750	56.89314	53.16790	54.85999
Singapore dollar	2.02020	1.99399	1.96280	2.07051
Chinese renmimbi	10.27930	10.00898	9.52040	10.18438
Croatian kuna	7.35040	7.32489	7.37150	7.40015
Japanese yen	156.93000	146.06235	138.90000	136.84570
Swedish krona	9.04040	9.25439	n/a	n/a
Swiss franc	1.60690	1.57288	1.55510	1.54831
Brazilian real	2.81330	2.73224	2.743183	3.03444

- D – ACCOUNTING PRINCIPLES AND VALUATION CRITERIA

The financial statements are prepared in compliance with the International Financial Reporting Standards (IFRS).
Listed below are the main accounting policies adopted.

INTANGIBLE ASSETS

An intangible asset is recorded only if it is identifiable, verifiable and it is likely to generate future economic benefits and its costs can be reliably determined.
Intangible assets with a finite life are recorded at purchase or production cost net of cumulative amortisation and cumulative impairment. Amortisation is equated to their expected useful life and starts when the asset is available for use.
The useful life is re-examined every year, or more frequently if there are events or circumstances that make a valuation update necessary, and any changes are made prospectively.

Goodwill

The positive difference between the acquisition cost of subsidiaries, associated companies and joint ventures, and the Group's portion in the fair value of the net identifiable values of the assets, liabilities and contingent liabilities is classified as goodwill. Any negative goodwill is recorded in the income statement at the moment of acquisition.
Goodwill is not amortised, but is subjected to checks to identify any impairment on an annual basis, or more frequently if specific events or changed circumstances indicate the possibility that there has been a loss in value, in accordance with the provisions of IAS 36. After the initial recording, goodwill is valued at cost net of any cumulative impairment.
On disposing of a subsidiary or joint control company, account is taken of the corresponding residual value of goodwill in determining the capital gain or loss on the disposal.

During first-time adoption of the IAS/IFRS, the goodwill generated on acquisitions prior to the 1 January 2004 has been maintained (except for changes deriving from the application of new standards) at the previous value determined in accordance with Italian accounting standards, subject to the verification and recording of any impairment.
After 1 January 2004, any further goodwill generated was recalculated and recorded in accordance with IFRS 3.

Trademarks and patents

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

Development costs

Development costs relating to projects for the production of vehicles and engines are recorded under assets only if all the following conditions are met: the costs can be reliably determined and the technical feasibility of the product, the forecast volumes and prices indicate that the costs incurred in the development phase will generate future economic benefits. The capitalised development costs include only the expenses incurred which can be directly attributed to the development process. Capitalised development costs are amortised on a straight-line basis over three years, based upon a systematic criterion from the commencement of production. All other development costs are recorded in the income statement when they are incurred.

Other intangible assets

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

TANGIBLE ASSETS

Property, plant and machinery

Property, plant and machinery are recorded at purchase or production cost, including directly attributable accessory charges, net of cumulative depreciation and impairment. For an asset whose capitalisation is justified, the cost also includes the financial charges which are directly attributable to the purchase, construction or production of the asset.
The costs incurred following the purchase are capitalised only if they increase the future economic benefits inherent in the asset to which they refer. All the other costs are recorded in the income statement when they are incurred.
Construction in progress is valued at cost and is depreciated from the period in which it comes into operation. Depreciation is determined on a straight-line basis over the estimated useful life of the asset or, upon disposal, until the end of its actual use. The useful life is checked annually and any changes are applied prospectively. If the individual components of a complex tangible asset have different useful lives, they are recorded separately so that they can be depreciated in line with their useful lives (the component approach).
Land is not depreciated.
Assets are depreciated by applying the criterion and rates indicated below:

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

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

Assets owned through finance leases, by means of which all the risks and benefits linked to ownership are largely transferred to the Group, are recognised as Group assets at their fair value, or, if lower, at the present value of the minimum payments due under the lease. The corresponding liability due to the lessor is recorded in the financial statements under financial payables. Assets

held under finance leases are depreciated by applying the criterion and the rates used for assets owned by the company.
Leases in which the lessor essentially keeps all the risks and benefits linked to ownership of the assets are classified as operating leases. The costs of operating leases are recorded on a straight-line basis in the income statement over the duration of the lease.
Gains and losses arising from the disposal or sale of assets are determined as the difference between the sale income and the net book value of the asset and are charged to the income statement for the period.

Impairment

Annually, or more frequently if there is an indication that there may have been a loss in value, the Group measures the recoverability of the value of tangible and intangible assets with an indefinite useful life (mainly goodwill), comparing the book value of the asset (or group of assets) with its recoverable amount. The recoverable amount is the higher between the fair value net of selling costs and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value by using a rate gross of tax which reflects current market valuations of the present value of money and the specific risks of the asset concerned.
Where it is not possible to estimate the recoverable value of an asset individually, the Group estimates the recoverable value of the cash flow generating unit to which the asset belongs. The value in use is defined on the basis of discounting the estimated future cash flows from using the asset or cash generating unit, as well as of the amount expected to be received upon disposal at the end of its useful life.
Cash generating units are identified according to the organisational structure and business of the Group as homogeneous combinations that generate independent cash inflows from the continued used to the asset associated with them. If the recoverable amount is less than the book value, an impairment is recorded in the income statement immediately, unless the asset is land or buildings other than property investment recorded at reassessed values, in which case the loss is charged to the respective revaluation reserve.
When the continuation of a write-down is no longer justified, with the exception of goodwill, the book value of the asset (or of the cash flow generating unit) is increased to the new value arising from the estimate of its recoverable value, but to no more than the net book value which the asset would have had if the write-down for impairment had not been applied. The recovery in value is immediately recorded in the income statement.

Property investments

International accounting standards have regulated property assets used for production or administration purposes (IAS 16) separately from property investments (IAS 40). As allowed by IAS 40, property and buildings that are not for operations and are held in order to earn rent and/or to increase the value of assets are stated under the “Property investments” item and are measured at cost net of cumulative depreciation and impairment. Property investments are eliminated from the financial statements when they are sold or when the property investment is unusable in the long term and no future economic benefits are expected from its possible disposal.

Financial assets

Financial assets are recorded and reversed from the financial statements on the basis of their trade date and are initially measured at cost, including the charges directly associated with their purchase.
At subsequent financial statement dates, the financial assets which the Group intends and has the ability to hold to maturity (securities held to maturity) are recorded at amortised cost using the effective interest rate method, net of write-downs made to reflect impairment.
Financial assets other than those held to maturity are classified as held for trading or available for

sale, and are measured at the end of each period at their fair value. When financial assets are held for trading, the gains and losses arising from changes in the fair value are charged to the income statement for the period; for financial assets available for sale, the gains and losses arising from changes in the fair value are charged directly to equity until they are sold or have been impaired; at that moment overall gains or losses previously charged to equity are charged to the income statement of the period.

RECEIVABLES

Receivables are recorded at their nominal adjusted value, in order to align them to their presumed realisable value, through the recording of a bad debt provision. This provision is calculated on the basis of the recovery assessments carried out by analysis of the individual positions and of the overall risk of all the receivables, taking account of any guarantees.
When the payment of the sum due is deferred beyond normal credit terms offered to customers, it is necessary to discount the receivable. In order to determine the effect, estimates have been made of the time before payment by applying to the various forecast cash flows a discount rate that corresponds to the average cost of borrowing for the Group, which for Piaggio is the 20-year Euribor swap rate plus a spread of AA rated Government securities.

Assignments of receivables

The Group sells a significant portion of its trade receivables by factoring them.
The disposals can involve the transfer of risks and benefits, or not. Sale with transfer of risks and benefits, in compliance with the provisions of IAS 39, lead to a reversal of the corresponding amounts of the balance of the receivables due from customers upon payment from the factor. On the contrary, sales without such a transfer do not meet the requirements of international accounting standards for their elimination from the assets since the related risks and benefits are not transferred in substance.
Consequently, all receivables sold using factoring that do not meet the requirements for elimination established by IAS 39 remain recognised in the Group financial statements up to the time of receipt from the debtor; a financial liability for the same amount is recognised in the consolidated financial statements. Gains and losses relating to the sale of such assets are recognised only when those assets are removed from the Group's balance sheet.

INVENTORIES

Inventories of raw materials, semi-finished and finished goods are recorded at the lower of the cost and market value. The valuation of inventories includes the directly incurred materials and labour costs as well as the portion of indirect costs that may reasonably be ascribed to the use of productive assets under normal production capacity conditions.
The purchase or production cost is determined in accordance with the weighted average cost method.
For raw materials and work in progress, the market value is represented by the presumed net sale value of the corresponding finished products after deducting finishing costs; as for finished goods, it is determined by the presumed sale price (sale price lists).
The lesser value that may be determined on the basis of market trends is eliminated in subsequent periods if the reasons for that valuation cease to exist.
Inventories that are obsolete, slow moving and/or excess to normal requirements are written down in relation to their possible use or future sale through the creation of a provision for stock write-downs.

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

CASH AND CASH EQUIVALENTS

This heading includes cash, bank current accounts, demand deposit accounts and other highly-liquid short-term financial investments, which are readily convertible into cash and have an insignificant risk of losing value.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (and groups of assets being disposed of) are classified as held for sale when it is expected that their book value will be recovered through a disposal rather than through using them as an operating asset for the company. This condition is met only when the sale is highly likely, the asset (or group of assets) is available for immediate sale in its current condition and management has made a commitment to sell, which should take place within twelve months of the classification under this heading.
Assets held for sale are measured at the lower of their net book value and their fair value net of selling costs.

FINANCIAL LIABILITIES

Loans are initially recognised at the original amount received net of the accessory loan charges. After initial recognition, financial liabilities are recorded using the amortised cost method, calculated using the effective interest rate.
Measurement of financial liabilities hedged at value is sufficient to reflect changes in fair value associated with the hedged risk. Gains and losses arising from the subsequent measurement at fair value, due to variations in interest rates, are recorded in the income statement and are offset with the actual portion of the loss and the gain arising from subsequent measurements at fair value of the hedged risk.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group’s activities are mainly exposed to financial risks through changes in exchange and interest rates, and market price. The Group uses derivative instruments (mainly forward currency contracts) to hedge the risks arising from changes of foreign currencies in certain irrevocable commitments and in envisaged future transactions. The use of these derivatives is regulated by written procedures on the use of derivatives in line with the Group’s risk management policies.
Derivative instruments are used only for hedging, so as to reduce the risk of changes in market price and in exchange and interest rates.
Derivatives are initially recorded at cost, and adjusted to fair value at subsequent period end dates, as established by IAS 39.
Financial derivative instruments may be recorded in accordance with the methods established for hedge accounting only when, at the start of the hedge, there is the formal designation and documentation of the hedge itself, when it is presumed that the hedge is highly effective, when the effectiveness can be reliably measured and when the hedge itself is highly effective during the various accounting periods for which it is designated.
If hedge accounting cannot be applied, the gains or losses arising from the measurement at fair value of the derivative are immediately recorded in the income statement.

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

- *Fair value hedge*: If a financial derivative is designated as a hedge for the exposure to variations in the fair value of an asset or a liability, attributable to a particular risk which can have an impact on the income statement, gains or losses arising from subsequent assessments of the fair value of the hedge are recorded in the income statement. Gains or losses on the hedged item, attributable to the risk hedged, change the book value of that item and are recorded in the income statement.
- *Cash flow hedge:* If a derivative is designated as a hedge of the exposure to changes in the cash flows of an asset or liability recorded in the financial statements or of a transaction that is considered highly likely and which could have an impact on the income statement, the effective portion of gains or losses for the derivative is recorded under shareholders' equity. The cumulative gain or loss is reversed from shareholders' equity and recorded in the income statement in the same period in which the hedged transaction is recorded. The gain or loss associated with the hedge or that part of the hedge that is ineffective, is immediately recorded on the income statement. If a hedging instrument or a hedge are closed, but the hedged transaction has not yet taken place, the cumulative gains and losses, which until that moment had been recorded under shareholders' equity, are recognised in the income statement when the related transaction occurs. If the hedged transaction is no longer considered likely to occur, then the unrealised gains or losses held under shareholders' equity are immediately recorded in the income statement.

PAYABLES

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

EMPLOYEE BENEFITS

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

STOCK OPTIONS

In accordance with the provisions of IFRS 2 "Share-based payments", the overall amount of the fair value of the stock options at the grant date is recorded entirely in the income statement under employee costs with a counter entry recognised directly in shareholders' equity should the assignees of the equity instruments become rights holders at the grant date.
If a holding period is envisaged in which certain conditions must apply before the assignees become rights holders, the cost of compensation, determined on the basis of the fair value of the

options at the grant date, is recorded under employee costs on the basis of constant portions over the period between the grant date and that of maturity, with a counter-entry recognised directly in shareholders' equity. Fair value is determined using the Black Scholes method.
Changes in the fair value of the options after the grant date have no impact on the initial measurement.

PROVISIONS FOR RISKS AND CHARGES

The Group records provisions for risks and charges when it has a legal or implicit obligation towards third parties and it is likely that the use of Group resources will be necessary to fulfil the obligation and when a reliable estimate of the amount of the obligation itself can be made.
Changes in the estimate are reflected in the income statement for the period in which the change occurred. Should the impact be significant, the provisions are calculated by discounting the estimated future financial cash flows at a discount rate that is estimated gross of taxes so as to reflect the current market assessments of the present value of money and the specific risks connected to the liabilities.

DEFERRED TAXATION

Deferred taxation is determined on the basis of the temporary taxable differences between the book value of assets and liabilities and their tax value. Deferred tax assets are recognised only to the extent that the existence of adequate future taxable income against which to use this positive balance is considered likely. The book value of deferred tax assets is subject to annual review and is reduced to the extent to which the existence of sufficient taxable income to allow the whole or partial recovery of such assets is no longer probable.
Deferred taxation is offset when there is a legal right to offset current tax assets and liabilities, and when the taxes are due to the same tax authority and when the Group intends to liquidate the current tax assets and liabilities on a net basis.
Deferred taxation is determined on the basis of the tax rates which are expected to be applied in the period in which such deferments will occur, considering the rates in force or those known to be issued. Deferred tax liabilities are charged directly to the income statement, except when they relate to items that are directly recognised in shareholders' equity, in which case the related deferred tax liability is also charged in shareholders' equity.

RECOGNITION OF INCOME AND COSTS

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

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

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

In accordance with IAS 18, revenues from recharged expenses are offset with the related costs that generated them.
Revenues of a financial nature are recognised on an accrual basis.

GRANTS

Grants related to plant are recorded in the financial statements provided that the right to receive them is certain and they are charged to the income statement in relation to the useful life of the asset against which they are provided.
Grants related to income are recorded in the financial statements provided that the right to receive them is certain and they are charged to the income statement in relation to the costs against which they are provided.
Shipbuilding grants are recorded on an accrual basis in relation to the work progress status of the underlying construction.

FINANCIAL INCOME

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

FINANCIAL COSTS

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

DIVIDENDS

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

INCOME TAX

Taxation is the sum total of current and deferred taxes.
The consolidated financial statements include the taxation set aside in the financial statements of the individual companies that are part of the consolidation area on the basis of the estimated taxable income determined in conformity with the national legislation in force at the closing date of the financial statements, taking account of applicable exemptions and the tax credits due. Income tax is recorded in the income statement, except for that relating to items directly charged or credited in shareholders' equity, in which case the tax effect is recognised directly in shareholders' equity.
Tax due in the case of the distribution of reserves on which tax has been suspended recorded in the financial statements of the individual Group companies is not set aside since their distribution is not expected.

EARNINGS PER SHARE

Earnings per share are calculated by dividing the income or loss attributable to parent company shareholders by the weighted average number of ordinary shares in circulation during the period, excluding own shares. When calculating diluted earnings per share, the weighted average number of shares in circulation is adjusted assuming the conversion of all the potential shares having a dilution effect. Even Group net earnings are adjusted to take account of the conversion effect, net of taxation.

USE OF ESTIMATES

The preparation of the financial statements and the related notes in application of the IFRS requires management to make estimates and assumptions that have an impact on the values of income, costs, assets and liabilities in the financial statements and on the information relating to contingent assets and liabilities at the financial statement date.
If such estimates and assumptions, which are based on management's best valuation, should differ from actual future circumstances, they would be suitably adjusted in the period in which such circumstances were to change.
The estimates are used to measure the tangible and intangible assets subject to impairment tests, as well as for recording provisions for risks on receivables, for obsolescence of stocks, amortisation, write-downs of assets, employee benefits, tax, restructuring provisions, product warranty provisions, and other provisions and reserves. These estimates and assumptions are periodically reviewed and the impact of each change is immediately reflected in the income statement.

NEW ACCOUNTING STANDARDS

As regards the accounting standards applied, it is pointed out that IASB and IFRIC have approved some changes to the IAS/IFRS already published in the Official Gazette of the European Community (OGEC) that are applicable for the first time as of 1 January 2006. In particular, these changes regarded:

- first-time application of IFRIC 4 (Determining whether an arrangement contains a lease);
- IAS 39, the main change related to the introduction of the option allowing financial assets and liabilities to be measured at fair value through the income statement. This applies to fair value hedges and envisages recognising at fair value both the payable and the derivative instrument through the income statement;
- IAS 21, which introduces and amends some paragraphs regarding investments in foreign operations;
- IFRIC 5 (Rights to interests arising from decommissioning, restoration and environmental funds), IFRIC 6 (Liabilities arising from participating in a specific market – Waste electrical and electronic equipment) and IFRIC 7 (Applying the restatement approach under IAS 29 – Financial reporting in hyperinflationary economies).

There were no accounting standards or interpretations reviewed or issued, with effect from 1 January 2006, which had a significant impact on the Group's financial statements.

As regards other international accounting standards and interpretations already published in the OGEC, it is specified that they will be applied from 2007:

- IFRS 7 (Financial instruments: disclosures) requires disclosure of the nature and extent of the risks arising from financial instruments;
- IFRIC 8 (Scope of IFRS 2) and IFRIC 9 (Reassessment of embedded derivatives).

- E – INFORMATION BY SECTOR

In accordance with IAS 14, information is provided below by business areas (primary sector) and by geographical areas (secondary sector).
In this respect, as regards business areas, where possible information is provided relating to the property/holding company, industrial and shipbuilding sectors.

Primary sector: business areas

Income statement

In thousands of euros	*Property and holding co. sector*	*Industrial sector*	*Naval sector*	*Immsi Group*
Net revenues from third parties	5,439	1,607,412	95,926	1,708,777
Net intercompany revenues				0
NET REVENUES	**5,439**	**1,607,412**	**95,926**	**1,708,777**
OPERATING EARNINGS	**-7,990**	**114,224**	**-20,281**	**85,953**
Gain/loss on equity investments	0	-17	0	-17
Financial income				156,955
Financial charges				50,906
EARNINGS BEFORE TAXATION				**191,985**
Taxation				24,425
EARNINGS AFTER TAXATION FROM CONTINUING ASSETS				**167,560**
Gain (loss) from assets intended for disposal or sale				0
EARNINGS FOR THE PERIOD INCLUDING MINORITY INTEREST				**167,560**
Minority interest				101,997
GROUP EARNINGS FOR THE PERIOD				**65,563**

Balance sheet

In thousands of euros	*Property and holding co. sector*	*Industrial sector*	*Naval sector*	*Immsi Group*
Sector business	300,369	1,468,572	183,081	1,952,022
Equity investments in associated companies	0	754	23	777
TOTAL ASSETS	**300,369**	**1,469,326**	**183,104**	**1,952,799**
TOTAL LIABILITIES	**95,197**	**1,030,628**	**181,371**	**1,307,196**

Other information

In thousands of euros	*Property and holding co. sector*	*Industrial sector*	*Naval sector*	*Immsi Group*
Investments in tangible and intangible assets	**1,774**	**90,274**	**4,495**	**96,543**
Depreciation, amortisation and write-downs	**3,298**	**91,434**	**4,313**	**99,045**
Cash flow from operations	**-13,676**	**176,183**	**13,238**	**175,745**
Cash flow from investments	**175,544**	**-92,365**	**1,961**	**85,140**
Cash flow from financing	**-184,131**	**-48,834**	**10,497**	**-222,468**

Secondary sector: geographical areas

The following table presents the Group income statement and balance sheet figures in relation to the geographical areas "of origin" for 2006, that is, with reference to the country of the company which received the revenues or which owns the assets.
Distribution of revenues by the geographical area of "destination", that is, with reference to the customer's country, is analysed in the comments to this note under the income statement items.

Income statement

In thousands of euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the world*	*Immsi Group*
Net revenues from third parties	915,446	477,108	206,372	74,077	35,774	1,708,777
Net intercompany revenues						0
NET REVENUES	**915,446**	**477,108**	**206,372**	**74,077**	**35,774**	**1,708,777**

Balance sheet

In thousands of euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the world*	*Immsi Group*
Sector business	1,363,179	450,223	70,228	30,372	38,020	1,952,022
Equity investments in associated companies	729	3			45	777
TOTAL ASSETS	**1,363,908**	**450,226**	**70,228**	**30,372**	**38,065**	**1,952,799**

In thousands of euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the world*	*Immsi Group*
Total receivables	**109,794**	**87,743**	**6,304**	**7,798**	**13,546**	**225,185**
Totale payables	**450,243**	**47,563**	**37,480**	**3,892**	**28,180**	**567,358**

Other information

In thousands of euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the world*	*Immsi Group*
Investments in tangible and intangible assets	**85,496**	**5,812**	**4,140**	**994**	**101**	**96,543**
Depreciation, amortisation and write-downs	**90,267**	**5,786**	**2,750**	**149**	**93**	**99,045**

Amounts are stated in thousands of euros unless otherwise indicated.

- F1 - INTANGIBLE ASSETS 802,112

Net intangible assets at 31 December 2006 total 802,112 thousand euros, a 64,683 thousand euros increase compared to 31 December 2005, as detailed below:

In thousands of euros	Gross amounts				
	Balance at 31.12.2005	***Increases***	***Change in consolidation area***	***Other movements***	***Balance at 31.12.2006***
Development costs	235,467	42,190	0	(29,154)	248,503
Concessions, patents, industrial and similar rights	74,740	7,663	0	31,044	113,447
Trademarks and licences	163,065	0	0	67	163,132
Software	757	22	0	5	784
Goodwill	533,343	74,877	0	(1,950)	606,270
Other intangible assets	23,632	51	0	(21,096)	2,587
TOTAL	1,031,004	124,803	0	(21,084)	1,134,723

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

In thousands of euros	Cumulative amortisation					Net amounts
	Balance at 31.12.2005	***Amortisation***	***Change in consolidation area***	***Other movements***	***Balance at 31.12.2006***	***Balance at 31.12.2006***
Development costs	154,281	35,471	0	(9,418)	180,334	68,169
Concessions, patents, industrial and similar rights	66,161	6,162	0	16,784	89,107	24,340
Trademarks and licences	48,235	8,344	0	(4)	56,575	106,557
Software	432	183	0	0	615	169
Goodwill	3,433	0	0	0	3,433	602,837
Other intangible assets	21,033	27	0	(18,513)	2,547	40
TOTAL	293,575	50,187	0	(11,151)	332,611	802,112

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

Development costs

Development costs include costs for products and engines in projects for which there is an expectation for the period of the useful life of the asset to see net sales at such a level as to allow the recovery of the costs incurred. It also includes assets in the process of formation for 30,086 thousand euros which represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.

In 2006, based upon an overall analysis of capitalised development costs aimed at ascertaining the correctness of the categories, Piaggio & C. S.p.A. reclassified from this heading to “Industrial patent rights and intellectual property rights” the costs sustained in previous years and not yet fully

amortised for the projects regarding “Vespa”, the Piaggio MP3 which has patents covering some 70% of the vehicle’s overall cost and the Gilera GP800. These products and their associated development costs made it necessary to adopt highly innovative technical solutions, develop new methods and rules of calculation, define *ad hoc* testing and planning techniques, purchase cutting-edge measurement and testing instruments and equipment, and enabled Piaggio to diversify its technical know-how and the qualitative and functional levels of some of its vehicles.
In this light, the 2006 financial statements better reflect the total costs sustained in product development that, while complying with the capitalisation criteria set out in IAS 38, did not bring to the Group specific patents or the acquisition of particular technical know-how that is not yet available to third parties.

As regards development costs, the new projects capitalised in 2006 refer to the new models of the Gilera Nexus 250, the Aprilia Offroad 450/550, the Aprilia Naked, the Scarabeo 500, the Moto Guzzi Norge, the Derbi Mulhacèn and the Ape Quargo, as well as the new 750cc engine for Aprilia motorbikes and the new Euro 4 engine which is fitted to the Porter vehicle.

As regards the shipbuilding sector, in the last few years the Rodriquez group has started two important research projects through the parent company Rodriquez Cantieri Navali: fully submerged hydrofoils, “Enviroaliswath” and “Pia-Lightprop”.
The former has an overall value of some 25 million euros and envisages the planning and construction of two prototypes of a new submerged-foil hydrofoil. 8.2 million euros of costs have been capitalized at 31 December 2006 for this project.
The second project, named “Enviroaliswath”, has an overall value of 18.6 million euros and envisages the planning and construction of a naval vessel that is innovative as regards environmental impact in terms of wake wash reduction. At 31 December 2006, 5.0 million euros of costs have been capitalized at 31 December 2006 for this project.
The project named “Pia-Lightprop”, with an overall cost of 2.4 million euros, envisages the planning and construction of newly-conceived stern drive naval engines. At 31 December 2006, 1.5 million euros of costs have been capitalised.

Development costs are not amortised until project completion, when they begin to generate income and are amortised on a straight-line basis over 3-5 years, in consideration of their residual usefulness.
In 2006, Piaggio group charged approximately 69 million euros of development costs directly to the income statement.

Concessions, industrial patents, software, intellectual rights and similar rights
This heading totals 24,340 thousand euros of finite life rights comprising software (9,623 thousand euros), patents and know-how (respectively 3,963 and 10,754 thousand euros) relating to Vespa, the MP3 and the GP800, all recognised exclusively by the Piaggio group. It includes 318 thousand euros of assets in the process of formation.
The increases in the period refer mainly to software for the extension of SAP applications at the Noale facility, as well as the implementation of “project controlling” and the “token ring” network at the plant, and, as regards industrial patent rights and intellectual property rights, to the development of the Piaggio MP3 and the Gilera GP800.
Industrial patent rights and intellectual property right costs are amortised over three years.

Trademarks and licences
The trademarks and licences with a finite life item, totalling 106,557 thousand euros, is as follows:

	31 December 2006	31 December 2005
Guzzi	28,094	30,253
Aprilia	77,829	83,816
Laverda	465	620
Minor brands	169	141
Total brands	106,557	114,830

The gross value of the Aprilia brand is 89,803 thousand euros, while that of Guzzi is 32,391 thousand euros.
The values of the Aprilia and Moto Guzzi brands are based on the investigation of an independent third party carried out in 2005. These brands are amortised over a period of 15 years.
In relation to the acquisition of the Aprilia group, some derivatives were issued whose forward commitments are summarised below under the notes to Goodwill and Financial liabilities.

Goodwill

The composition of goodwill is detailed in the following table:

In thousands of euros	***Net balance at 31.12.2005***	***Increases / Decreases***	***Net balance at 31.12.2006***
Acquisition of 100% of Piaggio & C. S.p.A. (by Piaggio Holding N. BV)	405,985		405,985
Acquisition of 2.81% of Piaggio & C. S.p.A. (by Piaggio Holding N. BV)		14,620	14,620
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 17.7% of Piaggio Holding Netherlands B.V. (by Immsi)	16,974	47,782	64,756
Acquisition of 100% of Aprilia S.p.A. (by Piaggio & C. S.p.A.)	62,156	11,860	74,015
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	(1,950)	2,001
Other acquisitions / changes	161	615	777
TOTAL	**529,910**	**72,927**	**602,837**

Goodwill derives from the greater value paid compared to the corresponding portion of the investee companies' shareholders' equity at the time of the purchase, reduced by the related cumulative amortisation until 31 December 2003. During first-time adoption of the IFRS, in fact, the Group chose not to apply IFRS 3 “Business combinations” retroactively to company acquisitions prior to 1 January 2004; consequently, the goodwill generated on acquisitions prior to the IFRS transition date was maintained at the previous value, calculated in accordance with Italian accounting standards, subject to verification and the recording of any impairment.
As already stated, as of 1 January 2004 goodwill is no longer amortised, but is annually, or more frequently if specific events or changed circumstances indicate the possibility of it having been impaired, subjected to tests to identify any impairment, in accordance with the provisions of IAS 36 “Impairment of assets”.
The 72,927 thousand euros increase recorded for the year is mainly due to the goodwill generated upon increasing the equity investment of the parent company in Piaggio Holding Netherlands B.V., to the purchase of Piaggio & C. S.p.A. shares by Piaggio Holding Netherlands B.V. and to the valuation of financial instruments connected with the acquisition of the Aprilia group.

The recoverable value of the cash-generating units to which the individual goodwill amounts have been attributed is verified through the determination of the value in use.

The main assumptions used in determining the value in use of the cash-generating units relate to the discount rate and the growth rate. In particular, the Piaggio group has adopted a discount rate which reflects the current market assessments for the cost of borrowing and takes account of the specific risk attributable to the Group: this rate, gross of tax, is 7.24%. The forecasts for the cash-generating units derive from those in the most recent budgets and plans prepared by the Group for the next three years, extrapolated for the following years on the basis of medium-/long-term growth rates of between 1.5% and 3%.

The impairment test carried out by the Piaggio group at 31 December 2006 confirmed that there was no need to make any changes to the values recorded in the financial statements. The business plan prepared by the Group provides reassurance on the appropriateness of the figures used. During 2006, there were no events such as to indicate that an asset might have been impaired.

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

- Piaggio 2004/2009 Warrant for an overall issue price of 5,350.5 thousand euros, which envisages a redemption price that can never exceed the overall issue price by more than twelve times. Therefore the maximum commitment at maturity can never exceed 64,206 thousand euros;
- EMH 2004/2009 financial instruments for a global nominal value of 10,000 thousand euros, which grant the right to a forward payment of a minimum guaranteed sum of 3,500 thousand euros, as well as a maximum sale value that can never exceed 6,500 thousand euros;
- Aprilia shareholder 2004/2009 financial instruments which envisage a sale value that can never exceed 10,000 thousand euros.

In conformity with the main content of the aforementioned contractual agreements, by virtue of which, among other things, the final purchase cost is dependent on the achievement of specific income and balance sheet parameters, in the light of the forecasts of the 2007-2008 Business Plan and the positive stock market performance of the Piaggio security, the adjustment of initial the purchase cost has been considered likely for all the financial instruments and has been estimated at 74,015 thousand, charged to goodwill.

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

In thousands of euros

	at 31 December 2006				at 31 December 2005	Change (A-B)
Amounts in €/000	Amount	Present value (A)	Time	Discount rate	Present value (B)	
Warrant	64,206	58,985	1.33	6.57%	56,465	2,520
EMH instruments	6,500	5,940	1.42	6.57%	5,690	250
Aprilia shareholder instrument	10,000	9,090	1.5	6.57%		9,090
Total	80,706	74,015			62,155	11,860

The counter-entry for the adjustment to the purchase cost, taking account of the peculiar nature of the underlying financial instruments, has been recorded for 58,985 thousand euros in the financial instruments fair value reserve and for 15,030 thousand euros to medium- and long-term financial payables.

As regards the Rodriquez group, the goodwill recognised was tested for impairment at 31 December 2006 and the test confirmed that the amounts recorded in the financial statements do not need to be changed. In this respect, it is pointed out that a discount rate was adopted that reflects the current market cost of capital and takes account of the specific risk attributable to the group. This 7% rate is net of taxation. The net operating cash flow forecasts derive from those built into the most recent budgets and plans prepared by the Rodriquez group for the next three years.

Other intangible assets

The “Other intangible assets with a finite life” item, totalling 40 thousand euros, includes only assets acquired from third parties recorded by the Piaggio group.

- F2 - TANGIBLE ASSETS 318,135

Net tangible assets at 31 December 2006 total 318,135 thousand euros, compared to 323,008 thousand euros at 31 December 2005, and comprise property assets of Immsi S.p.A. for 11,599 thousand euros, of the Piaggio group for 256,966 thousand euros, of the Rodriquez group for 30,551 thousand euros and of Is Molas S.p.A. for 19,018 thousand euros. The following table details this item:

In thousands of euros	Gross amounts					
	Balance at 31.12.2005	***Increases***	***Decreases***	***Change in consolidation area***	***Other movements***	***Balance at 31.12.2006***
Land	65,678	27	(621)	0	(8,549)	56,535
Property	139,355	5,901	(117)	0	1,163	146,302
Plant and machinery	316,919	13,357	(4,717)	0	(490)	325,069
Industrial and commercial equipment	417,645	22,680	(2,668)	0	2,800	440,457
Assets to be given free of charge	19,267	126	(11)	0	(3,178)	16,204
Other assets	57,434	4,526	(9,392)	123	(726)	51,965
TOTAL	1,016,298	46,617	(17,526)	123	(8,980)	1,036,532

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

In thousands of euros	Cumulative depreciation						Net amounts
	Balance at 31.12.2005	***Depreciation***	***Applications***	***Change in consolidation area***	***Other movements***	***Balance at 31.12.2006***	***Balance at 31.12.2006***
Land	116	0	0	0	0	116	56,419
Property	38,841	4,364	0	0	(5,291)	37,914	108,388
Plant and machinery	234,297	14,088	(4,652)	0	2,122	245,855	79,214
Industrial and commercial equipment	362,625	21,194	(2,073)	0	2,671	384,417	56,040
Assets to be given free of charge	10,973	1,509	0	0	(2,956)	9,526	6,678
Other assets	46,438	3,471	(62)	56	(9,334)	40,569	11,396
TOTAL	693,290	44,626	(6,787)	56	(12,788)	718,397	318,135

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

The tangible assets at 31 December 2006 include 6,678 thousand euro relating to assets to be given at no cost entirely owned by the Rodriquez group represented by assets held pursuant to a lease agreement that, at the expiry of the agreement, must be given at no cost and in perfect working order to the lessor.

Land and property

Land and industrial property refer to production facilities of the Piaggio group located in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcellona (Spain) and Baramati (India), to the building owned by the parent company Immsi S.p.A. located in Roma, to the industrial complex of the Rodriquez group and to the tourism/hotel structure managed by Is Molas S.p.A. in the Municipality of Pula (Cagliari).
At 31 December 2006, the net value of the land owned under finance leases is 8,006 thousand euros while the value of buildings held under finance leases is 6,243 thousand euros, exclusively referring to the property lease agreement between Moto Guzzi and Locat for the facility in Mandello del Lario.
Buildings are depreciated in accordance with the rates considered suitable to represent the useful life of the buildings, on a straight-line basis as detailed in paragraph D.
Land is not depreciated.
Depreciation of the buildings located on public land held by the Rodriquez group is according to the term of the concession, expiring on 31 December 2007 for Pietra Ligure and in 2013 for the site in Messina.

Plant and machinery

The “Plant and machinery” item refers essentially to the production facilities of the Piaggio group located in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcellona (Spain) and Baramati (India), as well as the structures owned by the Rodriquez group and facilities located in the tourism/hotel complex managed by Is Molas S.p.A., for a net overall amount (excluding assets held under finance leases) of 78,731 thousand euros. Overall, the Group uses fully depreciated plant and machinery for a gross value of some 20,928 thousand euros.
Furthermore, the Rodriquez group has plant and machinery held under finance leases for a net book value of 483 thousand euros.
Plant and machinery are depreciated according to the rates listed in paragraph D.

Industrial and commercial equipment

The “Industrial and commercial equipment” item, totalling 56,040 thousand euros, comprises essentially the production equipment of Piaggio & C. S.p.A., Moto Guzzi S.p.A., Nacional Motor S.A., Piaggio Vehicles Pvt. Ltd and the Rodriquez group. The balance includes construction in progress for 12,135 thousand euros recorded by the Piaggio group and fully depreciated equipment still in use totalling 8,435 thousand euros recorded by the Rodriquez group.
The main investments in equipment regarded moulds for the new vehicles either launched in 2006 or expected to be launched in the first half of 2007, moulds for new engines and specific equipment for the assembly lines.
Industrial and commercial equipment is depreciated using the rates deemed appropriate by the Group companies to represent their useful life, which are listed in paragraph D.

Other assets

The “Other assets” heading comprises vehicles, cars, furniture, fittings and EDP systems, net of cumulative depreciation, stated for an overall amount of 11,396 thousand euros including assets held under finance leases for 212 thousand euros. The Rodriquez group also owns fully depreciated assets still in use with a gross value of 3,039 thousand euros.

Guarantees

At 31 December, the Group owns land and property encumbered by mortgages or pledges in favour of financial institutions to guarantee bank loans.

- F3 - INVESTMENT PROPERTY 0

At 31 December 2005, this totalled 506 thousand euros and consisted of the premises in Milan, Via Trebazio 1, 3rd floor, owned by Piaggio & C. S.p.A. and rented to Immsi S.p.A.. At 31 December 2006, the amount was reclassified under Property, plant and machinery, since the premises were vacated in early 2007 and the asset had returned to the full use of Piaggio.

- F4 - EQUITY INVESTMENTS 787

The "Equity investments" item at 31 December 2006 comprises:

In thousands of euros	*Balance at 31.12.2005*	*Increases*	*Decreases*	*Revaluations / Write-downs*	*Reclassifications*	*Balance at 31.12.2006*
Equity investments in subsidiaries	95	0	(84)	(8)	7	10
Equity investments in associated companies and joint ventures	622	160	(18)	0	13	777
TOTAL	**717**					**787**

The table below details the equity investments:

Equity investments	% Group	Book value at
Valued using the equity method:		
Piaggio China Co. Ltd	99.99%	0
Aprilia World Service do Brasil ***	99.99%	0
Aprilia Brasil ***	51%	0
Valued using the cost method:		
Rodriquez Marine System USA ***	95%	0
Rodriquez Charter & Broker S.r.l. ***	100%	10
Rodriquez USA ***	100%	0
Rodriquez Mexico ***	50%	0
Total subsidiaries		**10**
Valued using the equity method:		
Piaggio Foshan Motorcycle Co. Ltd	45%	0
Total joint-ventures		**0**
Valued using the cost method:		
S.A.T. S.A.	20%	45
Acciones Depuradora Soc. Coop.	22%	3
Motoride S.p.A. ***	28.29%	505
Pontech Soc. Cons. a.r.l.	24.63%	181
D.E.V. Diffusione Europea Veicoli S.r.l. ***	20%	20
Armas Ocean Jet S.A.	10%	0
Consorzio CTMI	41.54%	23
Total associated companies		**777**
TOTAL		**787**

*** Inactive companies or companies in liquidation

The 717 thousand euros difference compared to the balance at the end of 2005 is due especially to the increase in the equity investment in the subsidiary Pontech Soc. Cons. S.c.r.l. for 160 thousand euros by Piaggio & C. S.p.A., partially offset by the disposal of some minor equity investments.
As regards Motoride in liquidation, on the basis of information currently available, it is believed that the value of the equity investment is recoverable. It is also pointed out that: Aprilia World Service do Brasil at 31 December 2006 has a negative shareholders' equity of 479 thousand euros against which a reserve for the same amount has been allocated; Aprilia World Service USA Inc. was incorporated into Piaggio USA Inc. and the latter company's name changed to Piaggio group Americas Inc.; Piaggio Espana S.A. was incorporated into Nacional Motor S.A.. Aprilia Finance Ltd, Aprilia Leasing S.p.A. and Motocross Company S.r.l. were closed in 2006.
Finally, the equity investment in D.E.V. Diffusione Europea Veicoli S.r.l. was sold in January 2007.
The equity investment in Piaggio Foshan Motorcycles Co. Ltd has been classified under "Joint ventures" in relation to the agreement signed on 15 April 2004 between Piaggio & C. S.p.A., Foshan Motorcycle Plant and Zongshen Industrial Group Company Limited.
Piaggio & C. S.p.A.'s equity investment in Piaggio Foshan Motorcycles is equal to 45%, of which 12.5% is held through the direct subsidiary Piaggio China Company Ltd.
Compared to 31 December 2005, the book value of the equity investment remained unchanged, equal to zero.
In relation to the loans provided by banks to the subsidiary Piaggio Foshan Motorcycle Co. Ltd, Group companies have issued bank guarantees totalling 13,591 thousand euros.

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

Piaggio Foshan Motorcycle Co.	**Situation at 31 December 2006**	
In thousands of euros		45% (*)
NET TRADE RECEIVABLES	1,768	796
TRADE RECEIVABLES DUE FROM P&C	8,514	3,831
INVENTORIES	4,175	1,879
TRADE PAYABLES	(6,669)	(3,001)
AMOUNTS DUE TO P&C	(4,453)	(2,004)
OTHER RECEIVABLES	762	343
OTHER RECEIVABLES DUE FROM P&C	52	23
OTHER PAYABLES	(1,228)	(552)
CONTINUING CAPITAL	2,921	1,315
TANGIBLE ASSETS	16,047	7,221
INTANGIBLE ASSETS	16	7
TOTAL NON-CURRENT ASSETS	16,063	7,228
NET CAPITAL EMPLOYED	18,984	8,543
Other reserves	0	0
RESERVES	0	0
FINANCIAL PAYABLES	20,551	9,248
FINANCIAL PAYABLES (Not guaranteed by Piaggio)		
SHORT-TERM FINANCIAL RECEIVABLES AND CASH	(1,118)	(503)
FINANCIAL POSITION	19,433	8,745
SHARE CAPITAL	24,899	11,205
OTHER RESERVES	33,278	14,975
RETAINED EARNINGS	(62,522)	(28,135)
EARNINGS FOR THE PERIOD	3,896	1,753
SHAREHOLDERS' EQUITY	(449)	(202)
TOTAL SOURCES OF FUNDS	18,984	8,543

(*) percentage Group ownership

- F5 - OTHER FINANCIAL ASSETS 93,651

- Non-current portion

Among the other non-current financial assets are other equity investments for 80,042 thousand euros, entirely comprising financial assets available for sale for a total nominal amount of 22,781 thousand euros, and financial receivables for 1,015 thousand euros, as illustrated in the table below:

In thousands of euros	*Balance at 31.12.2006*	*Balance at 31.12.2005*
Financial assets	80,042	54,652
Financial receivables	1,015	10,805
TOTAL	**81,057**	**65,457**

The financial assets available for sale mainly involve the Immsi S.p.A. equity investment in Capitalia S.p.A. for about 0.43% of the share capital. This asset is measured at fair value and amounts to 79,865 thousand euros, recognising the difference in value compared to the purchase cost (net of the relative tax component) directly to equity reserves.

Piaggio & C. S.p.A.'s financial receivable due from Scooter Holding 1 S.p.A., formerly Piaggio Holding S.p.A., for 9,790 thousand euros was paid in August 2006.
Non-current financial receivables include the 1,015 thousand euros receivable of Rodriquez due from Ustica Lines.
Management deems that the book value of the above receivables is close to their fair value.
Related party dealings in existence at the year end are down compared to 31 December 2005 essentially following the repayment of the above loan granted to Scooter Holding 1.

- Current portion

Other current financial assets total 12,594 thousand euros at the year end, a 11,334 thousand euros increase compared to 31 December 2005 and are detailed in the table below:

In thousands of euros	*Balance at 31.12.2006*	*Balance at 31.12.2005*
Financial assets	11,887	51
Financial receivables	707	1,209
TOTAL	**12,594**	**1,260**

Among the financial assets are certificates of deposit issued by an Indian social security institution underwritten by the Indian subsidiary so as make efficient use of its temporary liquidity. Among the current financial receivables is the 668 thousand euros receivable of Rodriquez due from Ustica Lines.

- F6 - AMOUNTS DUE FROM TAX AUTHORITIES 47,751

Current and non-current amounts due from tax authorities total 47,751 thousand euros and are as follows:

- Non-current portion

In thousands of euros	*Balance at 31.12.2006*	*Balance at 31.12.2005*
Amounts due from the tax authorities for VAT	885	399
Amounts due from the tax authorities for income tax	234	631
Other amounts due from the tax authorities	6,994	7,339
TOTAL	**8,113**	**8,369**

- Current portion

In thousands of euros	*Balance at 31.12.2006*	*Balance at 31.12.2005*
Amounts due from the tax authorities for VAT	38,776	14,849
Amounts due from the tax authorities for income tax	740	504
Other amounts due from the tax authorities	122	58
TOTAL	**39,638**	**15,411**

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

- F7 - DEFERRED TAX ASSETS 54,175

At 31 December 2006, net deferred tax assets falling due within 12 months total 10,863 thousand euros while those falling due beyond 12 months amount to 43,312 thousand euros, of which 5,267 thousand euros due beyond five years.
The Piaggio group has recognised 46,742 thousand euros of deferred tax assets, mainly against the use of deferred tax assets recorded in previous years by Piaggio & C. S.p.A. and the recognition of new deferred tax assets. This was carried out in the light of the expected results of Piaggio & C. S.p.A. and taking account of the different timing between use and the due dates of the related tax benefits.
The deferred tax assets accrued by the Rodriquez group total 4,638 thousand euros and are calculated for IRES purposes mainly on a portion of the tax losses suffered in previous years by group companies and for IRAP purposes on all the asset timing differences, there being the reasonable certainty of achieving future taxable income sufficient to absorb them. The deferred tax assets accrued by Is Molas S.p.A. total 2,795 thousand euros.

As regards the measurements to define the deferred tax assets, the Group mainly took account of the tax regulations in the various countries in which it operates, their impact in terms of timing differences and any tax benefits deriving from the use of prior tax losses in consideration of their falling due, the expected financial results in the medium term for each individual company and the economic and tax effects deriving from organisational restructuring.
In view of the above considerations and for the sake of prudence, the tax benefits deriving from the

losses carried forward were not fully recognised. In particular, the Piaggio group has not recognised 75.6 million euros of deferred tax assets against prior losses and other timing differences, while the Rodriquez group has not recognised 17.1 million euros of overall deferred tax assets on prior losses and other timing differences.

- F8 - TRADE RECEIVABLES AND OTHER RECEIVABLES 225,185

- Non-current portion

Trade receivables and other receivables included under non-current assets total 8,329 thousand euros against 8,027 thousand euros at 31 December 2005 and are detailed below:

In thousands of euros	*Balance at 31.12.2006*	*Balance at 31.12.2005*
Trade receivables	1,852	2,133
Amounts due from subsidiaries	440	381
Amounts due from associated companies	426	0
Amounts due from joint ventures	0	3,776
Other receivables	5,611	1,737
TOTAL	**8,329**	**8,027**

This item includes 1,852 thousand euros of trade receivables falling due beyond 12 months, recorded net of the related bad debt reserve of 1,203 thousand euros.
Among the receivables from subsidiaries are 440 thousand euros due from AWS do Brasil. At 31 December 2005, receivables due from joint ventures included a 3,776 thousand euros receivable due from Piaggio Foshan Motorcycles, now reclassified in the current portion of trade and other receivables. This receivable relates to the agreements in the joint venture contract with the partner Zongshen Industrial Group Company Limited which, with reference to this receivable, envisage that under certain conditions Piaggio Foshan Motorcycles should pay 4.5 million USD as soon as possible, even in instalments, between 15 April 2007 and no later than 15 April 2011.
A specific provision has been allocated among the liabilities against the risks of those agreements. It is deemed adequate on the basis of available information.
Among the non-current receivables, the Piaggio group has mainly recorded guarantee deposits, amounts advanced to employees and contributions.

- Current portion

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

In thousands of euros	*Balance at 31.12.2006*	*Balance at 31.12.2005*
Trade receivables	162,336	191,661
Amounts due from associated companies	3,142	2,896
Amounts due from parent companies	0	584
Amounts due from joint ventures	4,453	874
Other receivables	46,925	39,023
TOTAL	**216,856**	**235,038**

The “Trade receivables” item comprises amounts due from normal sales transactions, stated net of a bad debt reserve of 26,669 thousand euros, which at the year end was over 6 million euros down compared than at 31 December 2005.
At 31 December 2006, sales of receivables made by Piaggio & C. S.p.A. that did not envisage the transfer of the related risks and benefits total 4,047 thousand euros with a counter-entry in the current liabilities. While at 31 December 2006, trade receivables sold with the transfer of the related risks and benefits total 77,145 thousand euros, of which 73,298 thousand euros advanced.
“Other receivables” include accrued income and prepaid expenses of 5,194 thousand euros, advances to suppliers for 6,188 thousand euros, 5,572 thousand euros relating to government grants received by the Rodriquez group and the remaining portion is mainly Piaggio receivables due from Italian and foreign parties that were originated from non-core business.

- F9 - ASSETS INTENDED FOR SALE 306

The net book value of the assets intended for sale recorded by the Rodriquez group amounts to 306 thousand euros.

- F10 - INVENTORIES 294,933

Inventories are measured at the lower of cost and market value and total 294,933 thousand euros at the year end compared to 242.990 thousand euros at 31 December 2005, and comprise:

In thousands of euros	*Balance at 31.12.2006*			*Balance at 31.12.2005*		
	Cost	*Write-down*	*Netto*	*Costo*	*Write-down*	*Netto*
Raw materials	112,841	(12,907)	99,934	97,291	(15,325)	81,966
Work in progress and semi-finished products	73,261	(1,999)	71,262	55,836	(2,187)	53,649
Finished products	139,024	(15,287)	123,737	124,545	(17,170)	107,375
TOTAL	**325,126**	**(30,193)**	**294,933**	**277,672**	**(34,682)**	**242,990**

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

At 31 December 2006, the Piaggio group recognises 233.3 million euros net of write-downs, of raw materials and finished products represented by components, accessories, 2-wheeler and 4-wheeler vehicles. The Rodriquez group contributes 41.5 million euros, mainly raw materials and contract work in progress as well as internal construction and repairs. Finally, Is Molas S.p.A. records 20.1 million euros of inventories at the year end relating to the hotel business, as well as work in progress and semi-finished products represented by land, volumetrics, costs for services and consultancy for the property development project relating to the allotment located in Is Molas - Cagliari.

There are mortgages in favour of banks encumbering constructions of Rodriquez Cantieri Navali S.p.A. totalling 27,720 thousand euros.

- F11 - CONTRACT WORK IN PROGRESS 13,823

Contract work in progress, stated net of 109,137 thousand euros of advance payments received from customers and referring entirely to the Rodriquez group, decreases by 17,592 thousand euros compared to 31 December 2005.

Details of the “Contract work in progress” item follows:

In thousands of euros	Balance at 31.12.2005	Increases	Decreases	Balance at 31.12.2006
Contract work in progress gross of advances	**128,209**	50,412	(55,661)	**122,960**
Contractual advances received from customers	96,794			109,137
Contract work in progress net of advances	**31,415**			**13,823**
Costs incurred	95,409			104,100
Margins recorded (net of losses)	32,800			18,860

- F12 - CASH AND CASH EQUIVALENTS 101,941

Cash and cash equivalents at the year end total 101,941 thousand euros against 59,372 thousand euros at 31 December 2005, as detailed in the table below:

In thousands of euros	Balance at 31.12.2006	Balance at 31.12.2005
Cheques	346	212
Cash and cash equivalents	161	106
Amounts due from banks within 90 days	101,434	59,054
TOTAL	**101,941**	**59,372**

The increase is essentially due to greater liquidity recorded both by the Piaggio group at the year end and by the Rodriquez group which, through the subsidiary Intermarine S.p.A., received the first instalment of the advanced payment relating to the supply contract to the Finnish Navy for 17,800 thousand euros in the last few days of 2006.

- G1 - SHAREHOLDERS' EQUITY 645,603

Shareholders' equity at 31 December 2006 stands at 645,603 thousand euros, of which 401,819 thousand euros being consolidated Group shareholders' equity and 243,784 thousand euros referring to minority interest capital and reserves.
Below is a reconciliation between shareholders' equity and earnings for the period of the parent company and the consolidated figures.

In thousands of euros	*Shareholders' equity*	*Earnings for the period*
Shareholders' equity and earnings for the period as recorded in the financial statements of the subsidiary Immsi S.p.A.	376,131	27,972
Adjustments for application of IAS/IFRS to Immsi S.p.A.	0	0
Pro rata earnings of investee companies	37,591	37,591
Differences between book value and pro rata value of shareholders' equity	(10,975)	0
Translation differences	(928)	0
TOTAL	**401,819**	**65,563**

Share capital

At 31 December 2006, the share capital of Immsi S.p.A., fully subscribed and paid up, comprises 343.2 million ordinary shares of nominal value 0.52 euros each, for a total of 178,464,000.00 euros. The majority shareholder is Omniapartecipazioni S.p.A..

The Board of Directors of the parent company met on 24 March 2006 and approved, in accordance with the mandate granted by the extraordinary shareholder meeting on 17 March 2003, an increase in share capital completed upon filing at the Mantova Register of Companies on 6 November 2006. The offer involved the issue of 57,200,000 new dividend-bearing ordinary share of nominal value 0.52 euros each, with a share premium of 0.88 euros each, having the same features as those already in circulation. The overall value of the issue, including the share premium, was 80,080,000.00 euros.
Each ordinary share entitles the holder to a proportionate part of distributable profits and of the shareholders' equity resulting from any liquidation, as well as to unlimited voting rights.

Legal reserve

The legal reserve comprises reserves allocated following the distribution of profits from the year 2000 to the year 2005, in accordance with the provisions of law and totals 1,288 thousand euros at the year end.

Other reserves

This item totals 178,626 thousand euros. The share premium reserve includes the consideration of the shares underwritten following the increase in share capital of Immsi S.p.A. in 2005 and 2006 for an overall amount of 95,216 thousand euros.

Other reserves also include the reserve generated from the Group's transition to international accounting standards as of 1 January 2004, details of which are in the report to the financial statements at 31 December 2005, also available on the www.immsi.it website.
The details of this item are shown below:

In thousands of euros	*Extraordinary reserve*	*Share premium reserve / share capital increase*	*IAS transition reserve*	*Reserves as per Law 413/91*	*Legal reserves*	*Translation reserve*	*Stock Option reserve*	*Financial instrument measurement reserve*	*Other reserves*	*Total other reserves*
Balances at 31 December 2005	***7,103***	***44,880***	***11,535***	***4,602***	***1,153***	***327***	***816***	***36,465***	***166***	***107,047***
Increases in share capital against payment		50,336								50,336
Allocation of Group earnings to legal reserve										0
Allocation of Group earnings to dividends			(6,235)							(6,235)
Allocation of Group earnings to retained earnings										0
Measurement at fair value of financial assets								25,718		25,718
Taxation on items charged to shareholders' equity								(2,671)		(2,671)
Figurative cost of stock options										0
Translation differences						(928)				(928)
Transfer to share capital										0
Other changes							1,027		4,862	5,889
Earnings for the period										0
Balances at 31 December 2006	***7,103***	***95,216***	***5,300***	***4,602***	***1,153***	***(601)***	***1,843***	***59,512***	***5,028***	***179,156***

Retained earnings

The loss carried forward totals 22,652 thousand euros and refers to cumulative Group losses.

Minority interest capital and reserves

At 31 December 2006, the balance of share capital and reserves attributable to third party shareholders totals 243,784 thousand euros, a 31,922 thousand euros decrease compared to 31 December 2005, mainly due to the acquisition and subsequent cancellation by Piaggio Holding Netherlands B.V. of the equity investment held by PB S.r.l. and Scooter Holding 3 B.V. in this Dutch company, and the repayment of the share premium paid to Piaggio Holding Netherlands B.V., partially offset by the portion of the profit for the period of minority interest.

- G2 - FINANCIAL LIABILITIES 529,866

Financial liabilities total 529,866 thousand euros at 31 December 2006. The part recorded under non-current liabilities amounts to 409,827 thousand euros, against 460,273 at 31 December 2005, while the part included among current liabilities totals 120,039 thousand euros, a 2,018 thousand euros decrease compared to the year end 2005.
The attached tables summarise the financial liabilities by type of financial debt:

- Non-current portion

In thousands of euros	Balance at 31.12.2006	Balance at 31.12.2005
Bonds	144,628	143,951
Amounts due to banks	217,305	260,141
Amounts due under finance leases	10,757	11,724
Amounts due to other lenders	37,137	44,457
TOTAL	**409,827**	**460,273**

- Current portion

In thousands of euros	Balance at 31.12.2006	Balance at 31.12.2005
Amounts due to banks	98,228	75,726
Amounts due under finance leases	963	914
Amounts due to other lenders	20,848	45,417
TOTAL	**120,039**	**122,057**

The significant reduction in debt was due to the cash flow generated in 2006 by the Piaggio group thanks to the positive income performance and a further improvement in the management of working capital. Against this background, the Group decided to reduce the forms of short-term debt, typically consisting in current account overdrafts, revolving credit lines and advances from factoring.
The improvement in the Piaggio group current debt position was more than offset by short-term loans taken out by the Rodriquez group.

Amounts due to banks include the following loans mainly:

- A loan, nominal value 46,000 thousand euros, provided by Efibanca to Immsi S.p.A. at an average rate at the end of December of 4.2% maturing 2010. The loan, which is secured by a 92 million euros mortgage on the building in via Abruzzi, 25 – Rome, envisages meeting two covenants to be calculated in relation to the ratio between financial liabilities and shareholders' equity (to be equal or lower than before) and to the ratio between rental instalments and interest on the loan itself (to be equal or greater than before). The two parameters are currently respected;
- 148,306 thousand euros (nominal value 150,000 thousand euros) loan provided to Piaggio & C. S.p.A. by Mediobanca and Intesa San Paolo. In April 2006, this loan was syndicated to a restricted pool of banks and has a portion of 150,000 thousand euros nominal fully drawn down and a portion of 100,000 thousand euros to be used as a credit line, which at 31 December 2006 was completely undrawn. The structure envisages a 7-year duration, with a grace period of 18 months and 11 semi-annual instalments, a variable interest rate linked to the 6-month Euribor rate to which a variable margin of between a maximum of 2.10% and a minimum of 0.65% is added depending on the Financial Debt/ EBITDA ratio. In relation to the improvement in this index recorded with the 2005 annual financial statements, this margin has fallen from the initial 1.30% to 1.15% as from the second half of 2006. For the portion relating to the credit line there is a commitment fee of 0.25%. The contract does not envisage the issue

of guarantees. It should be noted that, in reference to the 2006 earnings, these parameters were comfortably met;

- A 29,000 thousand euros loan granted to Piaggio & C. S.p.A. by a pool of 14 banks upon the acquisition of Aprilia for the purchase of an amount of 34 million euros in non self-liquidating financial receivables claimed by the same lenders from Aprilia S.p.A. The conditions envisaged a fixed interest rate of 3.69% and meeting certain financial covenants. Repayment is in a single instalment of capital and interest at the final maturity, set for 31 December 2009, aligned with the exercise date of the Piaggio 2004-2009 warrants underwritten by the same lenders during the Aprilia closing;
- A 1,045 thousand euros loan provided by Interbanca to Piaggio & C. S.p.A. in accordance with Law 346/88 regarding subsidies for applied research, guaranteed by a mortgage on property;
- Non-interest bearing loan of 2,691 thousand euros provided by Banca Antonveneta originally to a subsidiary of the Aprilia group and, following the acquisition, taken on by Piaggio & C. S.p.A. with a single repayment date in 2011. The conditions envisage a market interest rate based on the performance of the Piaggio 2004-2009 warrants;
- A 3,090 thousand euros variable rate loan provided to Piaggio & C. S.p.A. by Efibanca, maturing on 28 December 2009;
- A 3,036 thousand euros syndicated loan (portion advanced by commercial banks net of commissions) provided to Nacional Motor at a variable rate and originally maturing on 31 December 2008. The loan was prepaid on 2 January 2007.
- A 25,303 thousand euros loan, inclusive of interest to date, provided by Intesa San Paolo to Rodriquez Cantieri Navali S.p.A. maturing in May 2007, linked to future receipts from the "Pietra Ligure" transaction and guaranteed by Immsi for 25,000 thousands euro. An interest rate swap was entered into for an equal amount of this loan, transforming the variable rate into a fixed rate. In January 2007, 10,000 thousand euros of the loan was repaid and the interest rate swap contract was reduced by the same amount. One of the conditions of the loan is a pledge on the company shares, which will be newly established as part of the "Pietra Ligure" project;
- Loans for advance payments on new shipbuilding contracts for delivery in 2007 for an overall amount of 10,950 thousand euros;
- Loans taken out by Intermarine S.p.A. totalling 18,300 thousand euros, of which 7,925 thousand euros drawn down at the end of 2006, in particular for advances relating to the contract signed at the end of 2005 for the construction of 7 Bigliani vessels;
- 15,415 thousand euros relating to drawdowns on the credit line provided by Banca Agricola Mantovana to Is Molas S.p.A., available until cancellation, at an average effective rate of 4.4%.

Recorded among the bonds falling due beyond 12 months (144,628 thousand euros net book value) is the high yield bonded loan issued on 27 April 2005 by the subsidiary Piaggio Finance S.A. (Luxembourg), for a nominal amount of 150,000 thousand euros, maturing on 30 April 2012 and with a semi-annual coupon with a fixed annual nominal rate of 10%. The bond issue was guaranteed by Piaggio & C. S.p.A. and in April 2006 benefited from an upgrade with Moody's assigning a Ba3 rating, aligning it to the issuer's rating with a "stable" outlook remark; in September 2006, Standard & Poor's assigned the issue a rating of BB- with a "positive" outlook remark.

The "Financial liabilities" heading also includes other medium-/long-term loans recorded by the Piaggio group totalling 57,491 thousand euros (of which 15,924 being the current portion), as follows:

- finance leases for 11,370 thousand euros of which 11,090 thousand euros provided by Locat S.p.A. to Moto Guzzi S.p.A.;
- 9,440 thousand euros of payables due to Interbanca as provider of the EMH financial instruments;
- A 9,090 thousand euros Aprilia ex-shareholders financial instrument;

- subsidised loans for 13,441 thousand euros provided by Simest and by the Ministry of Production using regulations to encourage exports and investment in research and development;
- loans for 14,150 thousand euros provided by the Catalan Institute of Finance in favour of Nacional Motor S.A. of which 11,716 thousand euros was part of a variable rate syndicated loan maturing originally on 30 June 2013, prepaid on 2 January 2007. The remaining 2,434 thousand euros was encumbered by a mortgage and matures on 28 June 2007.

To partially secure the amounts due to banks by the Rodriquez group, two mortgages were issued, relating to buildings located in Sarzana (Intermarine S.p.A.) for 6 million euros and Pozzuoli (Conam S.p.A.) for 2 million euros, respectively. Furthermore, a pledge on Intermarine shares for a value of 7.9 million euros was issued in favour of a bank lender for a loan to Rodriquez Cantieri Navali S.p.A. in 2002 for the purchase of the Intermarine shares. The outstanding amount of the loan at 31 December 2006 is 1,000 thousand euros. Among the amounts due to other lenders, the Rodriquez group states amounts due to factoring companies for advances received mainly from Intermarine S.p.A. for 1,393 thousand euros.

Is Molas S.p.A. decreased its financial liabilities by converting the 15,000 thousand euros loan received from shareholders into share capital.

Financial instruments

<u>Interest rate risk</u>
At 31 December 2006, the Rodriquez group has interest rate derivative instruments with Unicredit Banca for about 10 million euros maturing 2014, with Intesa San Paolo for 10.6 million euros maturing 2007 and 2008, and with Intesa San Paolo referring to the 25 million euros loan agreement maturing 2007, 10 million euros of which was repaid in January 2007 with the interest rate hedge duly reduced by the same amount.
The fair value of the above financial instruments was a negative 1.1 million euros.

<u>Exchange rate risk</u>
Exchange rate hedges have been signed exclusively by the Piaggio group and by Rodriquez Cantieri Navali S.p.A..
In 2006, the Piaggio group managed exchange rate risk in line with the policy adopted in 2005 which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flow, by hedging the business risk, which concerns the changes in company profitability compared to the annual business budget on the basis of a key change (the so-called "budget change") and of the settlement risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.
Exposure to business risk consists of the envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis. The hedges must be at least 66% of the business exposure of each month.
Exposure to settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must be equal at all times to 100% of the import, export or net settlement exposure for each currency.
Referring to contracts which are made to hedge exchange rate risk on receivables and payables in foreign currency (settlement risk), at 31 December 2006 Piaggio & C. S.p.A. had forward purchases of JPY/000 40,000 equivalent to 257 thousand euros (valued at the forward exchange rate), GBP/000 800 corresponding to 1,190 thousand euros and CHF/000 2,050 corresponding to 1,281 thousand euros. At 31 December 2006, the following forward sale contracts were outstanding (valued at the forward exchange rate):

- USD/000 30,400 corresponding to 22,793 thousand euros;
- GBP/000 2,470 corresponding to 3,658 thousand euros;
- JPY/000,000 208 corresponding to 1,348 thousand euros;
- CHF/000 2,400 corresponding to 1,515 thousand euros;
- DKK/000 1,900 corresponding to 255 thousand euros.

As regards contracts in place to hedge exchange rate risk on forecast transactions (business risk), at 31 December 2006, Piaggio & C. S.p.A. had forward purchase transactions of JPY/000 1,250,000 corresponding to 8,503 thousand euros and forward sales transactions for a value of CHF/000 10,800 corresponding overall to 6,852 thousand euros and GBP/000 24,650 corresponding to 36,465 thousand euros, both valued at the forward exchange rate.
At 31 December 2006, Piaggio group Americas had forward sale transactions for a value of USD/000 50,000 corresponding overall to 38,948 thousand euros (valued at the forward exchange rate).

Rodriquez Cantieri Navali S.p.A., for the sales contract of 5 catamarans to the Sultanate of Oman for an overall consideration of USD/000 90,000, signed exchange rate option contracts with three banks (Unicredit, Intesa San Paolo and Banca di Roma) to hedge the underlying risk for an original overall amount of USD/000 72,000 distributed over the various contractual receipt maturities during the contract. At 31 December 2006, USD/000 11,400 of options had been used, therefore leaving USD/000 60,600 of exchange rate options to be used throughout the rest of the contract. The fair value of the above financial instruments amounts to about 900 thousand euros.

- G3 - TRADE PAYABLES AND OTHER PAYABLES 567,358

Trade payables and other payables total 567,358 thousand euros, of which 548,750 thousand euros falling due within one year. The tables below detail the breakdown of this heading into current and non-current.

- Non-current portion

In thousands of euros	Balance at 31.12.2006	Balance at 31.12.2005
Trade payables	0	223
Other payables	18,608	13,671
TOTAL	**18,608**	**13,894**

- Current portion

In thousands of euros	Balance at 31.12.2006	Balance at 31.12.2005
Trade payables	456,435	352,665
Amounts due to subsidiaries	751	0
Amounts due to associated companies	9,156	2,649
Amounts due to parent companies	0	2
Other payables	82,408	73,067
TOTAL	**548,750**	**428,383**

The “Other current payables” item is detailed below:

In thousands of euros	*Balance at 31.12.2006*	*Balance at 31.12.2005*
Amounts due to employees	31,053	31,748
Liabilities connected to hedging instruments	984	0
Advances from customers	1,940	2,089
Amounts due for guarantee deposits	2,397	2,028
Amounts due to company boards	125	256
Amounts due to social security institutions	11,585	10,498
Other amounts due to third parties	1,777	1,458
Other amounts due to parent companies	9,279	0
Accrued expenses	4,352	8,841
Deferred income	7,342	11,844
Other payables	11,574	4,305
TOTAL	**82,408**	**73,067**

The 125,081 thousand euros overall increase in trade payables and other payables is connected with increased volumes, especially in the Piaggio group.
Amounts due to employees include holidays accrued and not used, and other amounts to be paid at the end of December.
Other amounts due to parent companies include the payable for IRES accrued by the parent company due to Omniapartecipazioni S.p.A. as a result of the tax consolidation agreement signed by the parties.
Current trade payables with related parties at 31 December 2006 total 11,048 thousand euros and mainly refer to purchases of components and/or vehicles from companies associated with the Piaggio group, while other payables include almost exclusively the amount due by the parent company to the above parent company.

- G4 - RESERVES FOR PENSION AND SIMILAR OBLIGATIONS 84,201

The reserve for pension and similar obligations amounts to 84,201 thousand euros at 31 December 2006. The reserve is detailed below:

In thousands of euros	*Balance at 31.12.2005*	*Provisions*	*Applications*	*Other movements*	*Balance at 31.12.2006*
Employee leaving indemnity reserves	83,347	11,944	(9,970)	(3,769)	81,552
Other reserves	434	827	(97)	1,485	2,649
TOTAL	**83,781**	**12,771**	**(10,067)**	**(2,284)**	**84,201**

IFRS financial reporting identifies the liability relating to employee leaving indemnity using the method of actuarial measurement: an estimate is made of the probable employment period for each employee, on the basis of hiring contracts, historical trends of terminated work relations, dates of birth, hiring dates, gender, position, years of service with other companies, demographic

mortality statistics provided by ISTAT and based upon the provisions of law for retirement. The annual salary is increased by the rate of 3.3% for this period, is revalued on the basis of an inflation rate of 2.2%, and a part (the legal portion) is set aside as employee leaving indemnity. The calculation also takes account of any employee leaving indemnity advances requested by employees and any employee leaving indemnity percentages that form part of accrued complementary pension reserves.
The portion of employee leaving indemnity already accrued, and that which will accrue up to the foreseeable date of terminating the work relationship, is revalued on the basis of a rate of 2.75%, then discounted at a rate divided into four five-year periods so as to consider a more reliable evolution in rates for all the years of employment (4.13% from 1 to 5 years, 4.35% from 6 to 10 years, 4.49% from 11 to 15 years and 4.59% for a period beyond 15 years). The discounted amount of employee leaving indemnity accrued by all employees is the total value of the reserve.

Pension funds, recorded exclusively by the Piaggio group, comprise reserves set aside by foreign companies and for the supplementary customer indemnities reserve. The latter represents indemnities due to agents in the event of termination of the agency contract for reasons not attributable to the agents.
In 2006, 1,446 thousand euros allocated in previous years as future benefits to be paid to the employees of Piaggio Deutschland Gmbh was reclassified from “Other long-term reserves” to “Pension funds”.

- G5 - OTHER LONG-TERM RESERVES 56,112

The balance of other long-term reserves, including the portion falling due within 12 months, totals 56,112 thousand euros at the end of December, a 21,086 thousand euros decrease compared to 31 December 2005.
The other reserves recognised in the financial statements are detailed below:

In thousands of euros	*Balance at 31.12.2005*	*Provisions*	*Applications*	*Other movements*	*Balance at 31.12.2006*	*Of which current portion*
Product warranty reserve	22,892	17,238	(18,484)	1,505	23,151	15,036
Reserve for risks on equity investments	5,948	0	0	(55)	5,893	0
Contractual risks reserve	17,355	1,180	(5,685)	(3,024)	9,826	4,626
Restructuring reserves	6,172	361	(5,757)	0	776	776
Reserve for pension obligations	620	0	0	(500)	120	120
Other provisions for risks and charges	24,211	5,707	(4,605)	(8,967)	16,346	5,330
TOTAL	**77,198**	**24,486**	**(34,531)**	**(11,041)**	**56,112**	**25,888**

The product warranty reserve relates to provisions made by the Piaggio group for 18,681 thousand euros and by Rodriquez for 4,470 thousand euros, for technical support for products that are estimated to be carried out in the contractual warranty period. As regards the forecasts made by the Piaggio group, this period varies according to the type of goods sold and the market, and is also determined by the customer take-up to commit to planned maintenance. The Rodriquez group allocates this reserve for naval vessels under construction delivered during the year or in previous years on the basis of costs incurred in the past for similar vessels.
The provision for risks on equity investments covers the negative portion of shareholders’ equity of the subsidiaries Piaggio China Co. Ltd and AWS do Brasil and of the joint venture Piaggio Foshan Motorcycles, as well as charges that may arise therefrom.

The provision for corporate restructuring costs refers to future charges that the Piaggio group expects to incur with reference to suitably identified corporate reorganisation activities.
The provision for contractual risks refers to 5,200 thousand euros of Piaggio group for charges that may arise from the negotiation of supply contracts in progress and 4,626 thousand euros of the Rodriquez group to cover any losses arising from the euro/dollar exchange rate and from commercial relations with the subsidiary Rodriquez Cantieri Navali do Brasil, and to cover any losses arising from non-receipt of receivables due from that subsidiary in relation to the completion of the contract.

Other provisions for risks and charges mainly comprise the provision for legal risks set aside by the Piaggio group and Rodriquez for 6,929 thousand euros, the provision for personnel risks allocated by Intermarine S.p.A. for 1,017 thousand euros, the customer penalty risk provision made by the Rodriquez group for 1,640 thousand euros mainly regarding the Ministry of Transport.

- G6 - DEFERRED TAX LIABILITIES 52,739

The "Deferred tax liabilities" item refers to tax payables provisioned regarding charges relating to the individual companies on the basis of applicable national laws. The balance is offset by 5,872 thousand euros of deferred tax assets, consistent by due date and by nature, and the net amount falling due within 12 months is 3,559 thousand euros. Deferred tax liabilities are mainly recorded by the Piaggio group for 34,8 million euros, in particular Piaggio & C. S.p.A. as a result of taxation calculated on registering the Aprilia brand, and by the parent company Immsi S.p.A., which had accumulated about 12.5 million euros of deferred tax liabilities at 31 December 2006, of which about 9 million euros resulting from property disposals completed in the last two years and 3.3 million euros for measuring at fair value the equity investment held in Capitalia.

- G7 - CURRENT TAXATION 16,920

The "Current taxation" item, which includes tax payables allocated in relation to tax charges referring to individual companies on the basis of applicable national laws, decreases by 591 thousand euros compared to the year end of 2005, as is as follows:

In thousands of euros	*Balance at 31.12.2006*	*Balance at 31.12.2005*
Amounts due for income tax	3,513	5,638
VAT payables	6,124	2,560
Amounts due for withthholding tax	6,859	8,466
Other payables	424	847
TOTAL	**16,920**	**17,511**

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

Amounts are expressed in thousands of euros unless otherwise indicated.

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

- H1 - NET REVENUES 1,708,777

The 161,204 thousand euros increase in Group revenues from sales and services at 31 December 2006 compared to the previous year is exclusively attributable to the industrial sector and in particular to the increase in sales in the North American and Indian markets, as well as from the motorcycle sales contract signed with the Italian Post Office.
This item is stated net of premiums given to Piaggio group customers while it does not include transport costs recharged to customers and the recovery of advertising costs invoiced, which are shown under other operating income. Moreover, revenues do not include recharges for condominium fees, offset with the related costs incurred by the parent company.
In accordance with IFRS 5, revenues generated by assets intended for sale are stated separately, along with the related costs.
Below is a division of the revenues, net of premiums given to customers, by business sectors and by geographical area of destination, that is, referring to the country of the customer.

By business sector

In thousands of euros	*2006*		*2005*	
	Amount	***%***	***Amount***	***%***
Property and holding company sector	5,439	0.3%	5,197	0.3%
Industrial sector (G. Piaggio)	1,607,412	94.1%	1,451,781	93.8%
of which 2-wheeler sector	1,237,190	72.4%	1,130,600	73.1%
of which Light Commercial Vehicle sector	356,558	20.9%	303,900	19.6%
Engines and other	13,664	0.8%	17,281	1.1%
Shipbuilding sector (G. Rodriquez)	95,926	5.6%	90,595	5.9%
TOTAL	**1,708,777**	**100.0%**	**1,547,573**	**100.0%**

By geographical area

In thousands of euros	*2006*		*2005*	
	Amount	***%***	***Amount***	***%***
Italy	715,856	41.9%	670,889	43.4%
Other European countries	648,535	38.0%	612,307	39.6%
Rest of the world	344,386	20.2%	264,377	17.1%
TOTAL	**1,708,777**	**100.0%**	**1,547,573**	**100.0%**

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

- H2 - COSTS FOR MATERIALS 980,388

Costs for materials total 980,388 thousand euros, compared to 883,405 thousand euros for the previous year.
The increase is essentially related to the greater production and sales volumes, with the percentage of net revenues remaining stable at 57.4% against 57.1% in 2005.
This item does not include costs recharges for an equal amount to customers and tenants and the costs relating to assets intended for sale, recorded separately in the specific income statement item. The table below details the contents of the item:

In thousands of euros	2006	2005
Change in inventories of finished products, work in progress and semi-finished products	(34,881)	19,084
Change in capitalised piecework	(3,127)	(2,566)
Purchase of raw materials and consumables	1,035,054	871,340
Change in raw materials and consumables	(16,658)	(4,453)
TOTAL	**980,388**	**883,405**

This item includes the costs relating to purchases from the Chinese subsidiary Piaggio Foshan Motorcycles of scooters sold in European markets and engines assembled on scooters produced in Italy for an overall amount of 34,102 thousand euros. These transactions are detailed in related party dealings.

- H3 - COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS 381,845

Costs for services and use of third party assets total 381,845 thousand euros and are detailed in the table below:

In thousands of euros	2006	2005
Transport costs*	41,668	37,571
Product warranty costs*	8,721	14,031
Advertising and promotion*	60,839	51,465
Work performed by third parties *	71,355	58,853
External maintenance and cleaning costs *	8,880	10,225
Personnel costs *	17,685	15,016
Technical, legal, tax, administrative consultancy *	87,671	81,510
Promotional material and activities	16	44
Sundry commercial expenses*	9,581	9,476
Energy, telephone, postage costs *	20,114	16,879
Services provided	548	328
Insurance*	4,752	6,056
Cost of company boards*	5,768	4,345
Sales commissions *	5,790	4,257
Part-time staff and staff of other companies*	4,161	2,178
Accessory purchase costs	0	603
Other costs*	21,262	23,840
TOTAL COSTS FOR SERVICES *	**368,811**	**336,677**
Rental instalments of business property*	5.209	5.770
Rental instalments for cars, office machines, etc.	234	240
Operating lease instalments for plant and machinery	10	0
Other instalments*	7.581	6.770
TOTAL COSTS FOR USE OF THIRD PARTY ASSETS *	**13.034**	**12.780**
TOTAL COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	**381.845**	**349.457**
** 2005 balances reclassified for improved comparability with 2006*		

In 2006, costs for services include 10,276 thousand euros of non-recurring charges relating to the stock exchange listing of Piaggio & C. S.p.A., of which 6,905 thousand euros recorded under consultancy, 2,624 thousand euros under advertising costs, 614 thousand euros under audit costs and 133 thousand euros under sundry expenses.

The 32,388 thousand euros increase recorded in 2006 compared to the previous year is attributable not only to higher business volumes in the industrial and shipbuilding sectors, but also to the greater support provided to the Piaggio sales network with specific advertising campaigns, to professional and technical consultancy related to the stock exchange listing of Piaggio & C. S.p.A. and to consortium, commercial and property development services and consultancy for the Is Molas project.
“Product warranty” costs are significantly lower in absolute terms, taking account also of the applications of the related reserve, due to the improved quality of the products sold.

- H4 - PERSONNEL COSTS 259,133

Personnel costs comprise the following:

In thousands of euros		
	2006	*2005*
Salaries and wages*	188,880	183,070
Social security costs*	53,940	50,810
Employee leaving indemnity	11,944	11,335
Pension and similar obligations	827	0
Stock options	2,561	1,300
Other costs*	981	1,360
TOTAL	**259,133**	**247,875**
** 2005 balances reclassified for improved comparability with 2006*		

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

In thousands of euros		
	2006	*2005*
Senior managers	139	136
Middle managers and clerical staff	2,341	2,308
Manual workers	4,967	4,680
TOTAL	**7,447**	**7,124**

The positive sales trend and the good expectations for the future permitted the Piaggio group in particular to increase its actual and average workforce during the year, especially in the Indian subsidiary. It is pointed out that the average number of employees is influenced by the presence of seasonal workers in the summer months (term contracts), 120 of whom had been employed by the Piaggio group with unlimited contracts at 31 December 2006.

Relating to the reserve for employee leaving indemnity, in accordance with IAS 19, the Group has discounted the amount of the liability. The effect of this discount is stated under financial income/charges. Refer to the balance sheet information under item G4 – “Reserves for pension and similar obligations” for further details.

As indicated in the report on operations regarding the incentive plan approved by Piaggio & C. S.p.A. in 2004, the company has allocated 21,372,771 options out of a total of 24,401,084, envisaging an exercise price of 0.98 euros per share for 18,504,771 options and an exercise price of 1.72 euros per share for 2,868,000 options.
As stated above in the paragraph on consolidation policies, the cost is recognised under personnel costs on a straight line basis over the period between the date of allocation and that of maturity, with a counter-entry recognised directly in shareholders’ equity. This cost corresponds to the present value of the options, which the company has set using the Black-Scholes measurement model using the average volatility of a basket of shares similar to that of the company and an interest rate obtained as the average of the interest rate swap for a multi-currency loan for a period equal to the length of the contract.

In 2006, all rights previously assigned were recognised, therefore the residual cost of the value of the options was charged to the income statement.

In accordance with CONSOB regulations, the following table shows the options allocated to directors, general managers and senior managers with strategic responsibilities:

		Options held at the beginning of the year			Options exercised during the year			Options held at the end of the year		
	Office held	N°. of options	Average exercise price	Average maturity	N°. of options	Average exercise price	Average market price at exercise	N°. of options	Average exercise price	Average maturity
Sabelli Rocco	C.E.O. (until 13.11.06)	5,490,244	0.98	11.07.2007	5,490,244	0.98	2,26	-		
Neri GianClaudio	G.M. (until 31.10.06)	3,294,116	0.98	11.07.2007	3,294,116	0.98	2,64	-		
Pallottini Michele	G.M. (from 13.11.06)	976,042	0.98	11.07.2007				976,042	0.98	11.07.2007
Bandiera Daniele	G.M. (from 13.11.06)	600,000	1.72	11.07.2007				600,000	1.72	11.07.2007
Total		10,360,402			8,784,360			1,576,042		

- H5 - DEPRECIATION OF TANGIBLE ASSETS 44,626

A summary of the deprecation of tangible assets at 31 December 2006 is provided below. The depreciation rates are listed under the “Tangible assets” item:

In thousands of euros	2006	2005
Depreciation of property	4,364	4,158
Depreciation of plant and machinery	14,088	14,106
Depreciation of industrial and commercial equipment	21,194	23,075
Depreciation of assets to be given free of charge	1,509	1,216
Depreciation of other assets	3,471	4,196
DEPRECIATION OF TANGIBLE ASSETS	**44,626**	**46,751**

- H6 - AMORTISATION OF INTANGIBLE ASSETS WITH A FINITE LIFE 50,187

Amortisation of intangible assets with a finite life recognised in 2006 totals 50,187 thousand euros and mainly includes, under trademarks and licences, 5,987 thousand euros relating to amortisation of the Aprilia brand and 2,159 thousand euros relating to amortisation of the Guzzi brand. The item comprises the following:

In thousands of euros	2006	2005
Amortisation of development costs *	35,471	33,139
Amortisation of concessions, patents, industrial and similar rights *	6,162	6,256
Amortisation of trademarks and licences *	8,344	8,499
Amortisation of software	183	199
Amortisation of other intangible assets with a finite life	27	562
AMORTISATION OF INTANGIBLE ASSETS	**50,187**	**48,655**
** 2005 balances reclassified for improved comparability with 2006*		

As specified in more detail in the paragraph on intangible assets, as of 1 January 2004, goodwill is no longer amortised but tested annually for impairment. The test carried out at 31 December 2006 confirmed the full recoverability of the amounts recorded in the financial statements.

- H7 - OTHER OPERATING INCOME 138,896

The "Other operating income" item comprises:

In thousands of euros	2006	2005
Gains on disposal of tangible assets*	4,311	1,346
Sponsorships*	3,611	7,711
Grants*	5,881	28,481
Recovery of sundry costs*	70,029	61,172
Licence rights*	630	718
Sale of materials and sundry equipment*	1,206	334
Insurance settlements	389	296
Increases for capitalised internal construction	27,822	22,584
Reversal of provisions for risks and other provisions*	9,429	8,016
Other operating income*	15,588	24,631
TOTAL	**138,896**	**155,289**
** 2005 balances reclassified for improved comparability with 2006*		

The overall decrease recorded of 16,393 thousand euros was mainly due to the presence in 2005 of non-recurring sales from anti-pollution incentives for 18,624 thousand euros. These grants were provided by the Ministry of the Environment in June 2005 in conformity with the programme agreement signed on 12 February 2002 and the supplementary document signed on 18 April 2005, relating to sales of environmentally friendly vehicles between June 2003 and July 2004.
Recorded under "Recovery of sundry costs" (less the amount in reduction of costs incurred) are transport costs recharged to customers, the charges for which are classified under "Costs for services and use of third party assets".
"Other operating income" includes extraordinary income and income from the rent of racing bikes to the teams which compete in the World Motorcycling Championship.

- H8 - OTHER OPERATING COSTS 45,541

The “Other operating costs” item totals 45,541 thousand euros at 31 December 2006 and comprises the following:

In thousands of euros	2006	2005
Losses on disposal of tangible assets	23	242
Taxation*	5,051	5,620
Loss in value of tangible assets	0	2,649
Loss in value of intangible assets	2,377	3,607
Provisions for product warranty	17,238	7,184
Provisions for restructuring (excluding personnel costs)	361	1,044
Provisions for legal disputes	0	170
Provisions for future and other risks	6,887	13,542
Write-down of trade receivables (including provisions to bad debt reserve)	1,847	6,519
Other operating costs*	11,757	9,199
TOTAL	**45,541**	**49,776**
** 2005 balances reclassified for improved comparability with 2006*		

Overall, other operating costs decreased by 4,235 thousand euros compared to the previous year. This change, mainly due to the presence in 2005 of non-recurring charges connected with the provision for future risks recorded by the Piaggio group, is partially offset by higher provisions for product warranty and future risks recorded by the Rodriquez group.

- H9 - FINANCIAL INCOME 156,955

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

In thousands of euros	2006	2005
Interest receivable on bank loans	4,737	757
Interest receivable on loans to third parties *	0	18
Other interest receivable	128	376
Gains on disposal of securities	136,081	0
Exchange gains	7,020	8,741
Income from exchange rate hedges	0	2,695
Dividends	2,228	891
Income from revaluation of equity investments	0	34
Other income*	6,761	4,440
TOTAL	**156,955**	**17,952**
** 2005 balances reclassified for improved comparability with 2006*		

The 139,003 thousand euros improvement mainly derives from the 136,081 thousand euros capital gain realised by Piaggio Holding Netherlands B.V. upon selling 117,537,840 Piaggio shares, equal to 30.31% of the share capital of Piaggio & C. S.p.A., on the Italian stock exchange (*MTA*) in July.

- H10 - FINANCIAL CHARGES 50,906

The financial charges at 31 December 2006 are detailed below:

In thousands of euros	2006	2005
Interest payable on bank loans*	16,438	21,181
Interest payable on loans from third parties*	5,968	2,628
Interest payable on bonds *	15,688	12,994
Other interest payable	147	80
Fees payable	1,031	2,122
Charges for discounts and/or depreciation on loans	0	293
Exchange losses	8,356	7,084
Charges on interest rate hedges *	9	3,086
Charges from "depreciation/write-downs" of equity investments (except for associated companies and "FV to equity")	8	0
Other charges*	3,261	3,331
TOTAL	**50,906**	**52,799**
** 2005 balances reclassified for improved comparability with 2006*		

The reduction in net debt and margins applied on the most important medium-term bank loan taken by Piaggio & C. S.p.A. is partly offset by the increase in short-term interest rates, upon which variable rate loans are linked, greater financial charges deriving from the higher interest rate and the greater nominal amount of the “Eur 150 million 10% Senior Notes due 2012” bonded loan issued by the subsidiary Piaggio Finance S.A. compared to that of 100 million euros issued by Aprilia in 2002 and repaid on 2 May 2005.

- H11 - TAXATION 24,425

The expected income tax charge at 31 December 2006 for the companies consolidated on a line-by-line basis amounts to 24,425 thousand euros and comprises the following:

In thousands of euros	Esercizio 2006	Esercizio 2005
Current taxation	45.579	19.825
Deferred tax assets	(1.329)	(2.028)
Deferred tax liabilities	(19.825)	5.973
TOTALE	**24.425**	**23.770**

Taxation is about 12.7% of earnings before taxation. The difference compared to the theoretical rate is mainly due to the recognition of the capital gain realised by Piaggio Holding Netherlands B.V. upon selling the Piaggio shares on the MTA. Under Dutch law, such a gain is not taxable.

Below is a reconciliation between the theoretical tax burden and the actual tax burden:

In thousands of euros	TOTAL
Earnings before taxation	*227,362*
Theoretical rate	*0.33*
Theoretical income tax	***75,030***
Timing differences deductible in future years	*4*
Reversal of timing differences arisen in previous years	*74*
Permanent differences that will not be reversed in the future	*-44,770*
Tax effect arising from deferred tax assets not allocated in 2006 or previously	*-15,643*
Tax effect arising from profits earned in foreign countries	*-521*
Other differences	*287*
Income tax recognised in the financial statements (IRES)	***14,461***
IRAP	*9,964*
Income tax recognised in the financial statements	***24,425***

The impact of the IRAP rate was determined separately in that this tax is not calculated on earnings before taxation.

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

At the balance sheet date there are no gains or losses from assets intended for sale or disposal, while in the previous year the gain on sold assets, net of current and deferred taxation calculated on the result of the same assets, was 5,242 thousand euros, referred exclusively to the sales by the parent company Immsi S.p.A. in particular of the buildings in Milan – via Pirelli, Cassina de' Pecchi (Milan) – via Fermi and Rome – via del Maggiolino.

- H13 - EARNINGS FOR THE PERIOD 65,563

The Immsi Group earnings for the period total 167,560 thousand euros, of which 101,997 pertaining to minority interest.

- I – COMMITMENTS, RISKS AND GUARANTEES

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

	Amounts in thousands of euros
Bank guarantee from Cassa di Risparmio di Pisa issued on our behalf in favour of the Administration of the Province of Pisa	130
Bank guarantee from Banca Intesa San Paolo issued on our behalf in favour of the Genoa Customs Authority	200
Bank guarantee from Banca Toscana di Pontedera in favour of the Municipality of Pontedera issued on 21-10-1996	323
Bank guarantee for the credit line of USD 8,100,000 agreed with Banca di Roma to the associated company Piaggio Foshan	6,150
Banca Intesa San Paolo bank guarantee issued in favour of AMIAT – Turin to guarantee contractual obligations for the supply of vehicles	230
Banca Intesa San Paolo bank guarantee issued in favour of the Algerian National Defence Ministry to guarantee contractual obligations for the supply of vehicles	601
Bank guarantee to guarantee the credit line agreed with Intesa San Paolo to the subsidiary Piaggio Vespa BV for USD 20,000,000	
- of which unused	6,808
- of which provided to the subsidiary Piaggio Foshan	7,441
Building insurance guarantee policy of 23-10-2003 issued in favour of the Tax Agency of Pisa to guarantee receivables offset as part of the Group's sales tax procedure	839
Bank guarantee from Intesa San Paolo in favour of ACE TRADE / AUSTRIA issued on 20-01-2006 for 2,000,000 euros	
- of which unused	400
Bank guarantee from Banca Intesa San Paolo in favour of ACRAPOVIC /SLOVENIA issued on 07-12-2006 for 500,000 euros	
- of which unused	280
Bank guarantee from BNL issued in favour of the Venice Customs Authority	206
Bank guarantee from Banco di Brescia issued in favour of the Municipality of Scorzé to guarantee the payment of town planning charges	166
Bank guarantee from MPS issued in favour of Cheng Shin Rubber for 600,000 euros	
- of which unused	200
Bank guarantee from BNL in favour of Antonveneta to counter-guarantee the syndicated loan provided in 2004 to the subsidiary Aprilia S.p.A.	1,228
Bank guarantee from Banca Toscana issued on 25/01/2006 in favour of Ministry of Production in Rome for a prize contest	150
Bank guarantee from Cassa di Risparmio di Firenze issued on 28/07/2006 in favour of IN NOALE S.p.A. to guarantee contractual obligations relating to the sale of land	270
Bank guarantee from Unicredit issued on our behalf in favour of Locat S.p.A. to guarantee contractual obligations of Moto Guzzi S.p.A related to a finance leases agreement	5.000
Bank guarantee from Unicredit issued on our behalf in favour of Locat S.p.A. to guarantee contractual obligations of Moto Guzzi S.p.A related to a finance leases agreement	11.090

Also of note is the guarantee issued by BBVA in favour of third parties on behalf of National Motor S.A. for tax disputes for an amount of about 428 thousand euros.

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

	Amounts in thousands of euros
Indirect guarantees in favour of third parties	97,819
Direct guarantees of the Rodriquez group in favour of third parties	2,284
Pledge on shares of Rodriquez group subsidiaries	7,961
Other risks	5,272
Obligation to buy naval vessels	4,832

The increase in indirect guarantees in favour of third parties mainly refers to the guarantees and performance bonds issued by Rodriquez Cantieri Navali S.p.A. to the customer of the Oman contract and to guarantees issued by Intermarine S.p.A. to customers such as the Finnish Navy and the *Guardia di Finanza*.
Included in the guarantees in favour of third parties are 203 thousand euros relating to the "Municipality of Messina dispute for concession of Area" item, arising from a dispute involving Rodriquez Cantieri Navali S.p.A. and the Municipality of Messina started in the 1960s regarding the repayment claimed by the Municipality of the public area in "Zona Falcata", occupied by a warehouse of the company and the subsequent claim for payment of the related rental instalments.
The obligation to buy naval vessels refers for 1,960 thousand euros to Rodriquez Cantieri Navali S.p.A. and for 2,872 thousand euros to Conam S.p.A. for contractual obligations of the company to take in exchange second-hand boats, as part of the consideration, if payment has not been received by the customer upon delivery of the new boats.
Rodriquez Cantieri Navali S.p.A. has also issued a letter of guarantee for performance of the contract by the subsidiary Intermarine S.p.A. in favour of the customer, the Finnish Navy, for an amount of 12,240 thousand euros for which it is considered that Intermarine S.p.A. is able to perform all contractual obligations.
To partially guarantee amounts due to banks by the Rodriquez group, two mortgages were released, relating to buildings located in Sarzana (Intermarine S.p.A.) for 6 million euros and Pozzuoli (Conam S.p.A.) for 2 million euros, respectively.

As regards Is Molas S.p.A., the amount of the commitment with the Municipality of Pula for the completion of the primary and secondary urbanisation works relating to the Is Molas allotment and deriving from the contract signed on 28 January 2005 and the Additional Act signed on 23 May 2006 is 7,395 thousand euros; a guarantee was provided by Industria e Finanza S.p.A. and Etruria S.p.A. in favour of the Municipality of Pula to cover this commitment.
Guarantees of 108 thousand euros were also provided in favour of Is Molas S.p.A. by Impresa di Costruzioni Pellegrini for work contracted relating to the construction of the "Casa per Anziani" and the completion of works on the "Le Ginestre" building.

Immsi S.p.A. has issued 92 million euros of collateral security (the building in via Abruzzi – Rome) to guarantee the 46 million euros loan received from Efibanca.
Banca Popolare di Mantova issued on behalf of Immsi S.p.A. 81 thousand euros of guarantees in favour of the owners of buildings occupied by the same parent company, while Intesa San Paolo provided Angioina S.r.l. with a 200 thousand euros guarantee relating to the building located in via Valtorta, Milan.

Furthermore, Immsi, as part of the supply contract for five catamarans to the Sultanate of Oman for which the Rodriquez group obtained a guarantee from a pool of banks for an amount of 84.4 million US dollars to guarantee payment of the consideration envisaged in the contract signed with the Sultanate of Oman for 90 million US dollars, counterguaranteed the "performance bond" and the "advanced payment bond" issued by the above banks for an amount of 60 million US dollars and issued a letter of patronage for any part exceeding such amount in relation to Rodriquez Cantieri Navali S.p.A.'s obligations to channel payments.
Immsi S.p.A. also signed a guarantee in favour of Intesa San Paolo for Rodriquez Cantieri Navali S.p.A., to secure the latter's payment obligation under the 25 million euros loan agreement (of which 10 million euros was repaid in January 2007 by Rodriquez Cantieri Navali S.p.A.) signed at the end of 2005. The guarantee issued by the parent company is counterguaranteed by the irrevocable commitment to channel income arising from the sale by the subsidiary of the Pietra Ligure area in favour of Intesa San Paolo, up to the entire amount of the loan, including interest and expenses.
Finally, the parent company has received guarantees and deposits to secure rental contracts from tenants of the building owned in Rome for a total of 0.6 million euros at 31 December 2006.

Commitments relating to the Aprilia transaction
Upon acquiring the Aprilia group, financial instruments were issued with the following forward commitments:

- Piaggio 2004/2009 warrants for an overall issue price of 5,350 thousand euros. This instrument envisages a redemption price that, starting from the Board's approval of the 2007 consolidated financial statements, may be paid at the issuer's discretion either in cash or by assigning ordinary shares equal to the redemption price divided by the market price. The redemption price is linked to Piaggio group financial performance and can never be more than 12 times the issue price. Therefore the maximum commitment can never exceed 64,206 thousand euros.
- EMH 2004/2009 financial instruments, for a global nominal value of 10,000 thousand euros, which will give the right to a forward payment of a minimum guaranteed sum of 3,500 thousand euros (within 15 days from Board approval of the 2009 consolidated financial statements) and, depending upon Piaggio group's financial performance, a maximum redemption value that can never exceed 6,500 thousand euros;
- Aprilia shareholders 2004/2009 financial instruments, which give the underwriters the right to exercise, only conditional upon full payment of the maximum amount envisaged by the Warrants and the EMH financial instruments. Such instruments are linked to the Group's financial and business performance, and envisage payment of a redemption amount that may never exceed 10,000 thousand euros.

These financial instruments are periodically measured and if the conditions of recognition were to occur, the related amount would increase the merger deficit calculated at the time of incorporating the company.

Operating leases
Piaggio & C. S.p.A. has signed operating leases for the use of tangible assets. Such contracts have an average life of 6.1 years. At 31 December 2006, the amount of irrevocable operating lease instalments still due is 655 thousand euros, a decrease compared to 31 December 2005, of which 332 thousand euros falling due within the year.

The Rodriquez group has signed operating leases referring essentially to production facilities for a total of 189 thousand euros represented by the overall amount of the outstanding instalments, of which 138 thousand euros within one year and operating leases for Think 3 software where the residual instalments total 213 thousand euros, of which 111 thousand euros within one year.

- L - RELATED PARTY DEALINGS

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

- M - FINANCIAL POSITION

The Immsi group net financial position at 31 December 2006 is shown below. Further details of the main components are provided in the tables in the report on operations and the related information below them:

In thousands of euros	***31.12.2006***	***31.12.2005***
Cash and cash equivalents	-101,941	-59,372
Other short-term financial assets	-12,594	-1,260
Medium- and long-term financial assets	-1,015	-10,805
Short-term financial payables	120,039	122,057
Medium- and long-term financial payables	409,827	460,273
Net financial debt	**414,316**	**510,893**

- N - DIVIDENDS PAID

Dividends paid in 2006 (relating to the distribution of the profit for 2005, as per the shareholders' resolution on 12 May 2006) total 8,580 thousand euros, equal to 0.03 euros per ordinary share.
The parent company did not issue shares other than ordinary shares.
Last year, the dividends paid relating to 2004 and approved on 11 May 2005, totalled 8,580 thousand euros, equal to 0.03 euros per ordinary share.

- O - PROFIT PER SHARE

Income per share
Income per share is calculated by dividing the net income attributable to parent company shareholders by the weighted average number of ordinary shares in circulation during the period, from which any own shares held are excluded. The weighted average number of shares in circulation is calculated by using the principle of retrospectively applying the changes in the number of shares in circulation.

	31.12.2006	***31.12.2005***
Net profit attributable to ordinary shareholders (euros)	65,562,655	8,365,000
Average weighted number of shares in circulation during the year	295,533,333	280,500,000
Basic profit per share	**0.22**	**0,03**

Diluted income per share
Diluted income per share is calculated by dividing the net income for the year attributable to parent company ordinary shareholders by the weighted average number of shares in circulation during the year, taking account of the diluting effect of potential shares. Excluded from this calculation are any

own shares held. In determining the average number of potential shares in circulation, the average fair value of the shares referred to the individual period of reference is used.
The Company has no category of potential ordinary shares and treasury stock at 31 December 2006, therefore the diluted income per share coincides with the above basic income per share.

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

Company name	Currency	Share capital	% of share capital owned	% voting rights (if different)
Is Molas S.p.A. Località Is Molas - 09010 Pula (Cagliari) Immsi S.p.A. equity investment of 60%	Euro	7,510,000.00	60.00%	
Apuliae S.p.A. p.zzetta Riccardi, 11 - 73100 Lecce Immsi S.p.A. equity investment of 85%	Euro	2,000,000.00	85.00%	
RCN Finanziaria S.p.A. Piazza Vilfredo Pareto, 3 - 46038 Mantova Immsi S.p.A. equity investment of 60.81%	Euro	27,135,988.00	60.81%	
Rodriquez Pietra Ligure S.r.l. *** Via Vivaio, 6 - 20121 Milan Immsi S.p.A. equity investment of 77,78%	Euro	20,000.00	77.78%	
Piaggio & C. S.p.A. v.le Rinaldo Piaggio,25 - 56025 Pontedera (Pisa) IMMSI S.p.A. equity investment of 55.77%	Euro	203,170,316.96	55.77%	
Derbi Italia S.r.l. v.le Rinaldo Piaggio,25 - 56025 Pontedera (Pisa) National Motor S.A. equity investment of 100%	Euro	21,000.00	100.00%	
Derbi Racing S.L. Calle La Barca. 5-7 - 08107 Martorelles Barcellona - Spain National Motor S.A. equity investment of 100%	Euro	1,263,000.00	100.00%	
Derbi Retail Madrid S.L. *** Gran Via de las Cortes Catalanas, 411 08015 Barcellona - Spain National Motor S.A. equity investment of 100%	Euro	603,000.00	100.00%	
Nacional Motor S.A. Calle Barcelona, 19 - 08107 Martorelles Barcellona - Spain Piaggio & C. S.p.A. equity investment of 100%	Euro	9,182,190.00	100.00%	
P & D S.p.A. *** v.le Rinaldo Piaggio, 25 - 56025 Pontedera (Pisa) Piaggio & C. S.p.A. equity investment of 100%	Euro	416,00000	100.00%	

Piaggio Asia Pacific PTE Ltd. 19 Genting Road - 349478 Singapore Piaggio Vespa B.V. equity investment of 100%	SGD	100,000.00	100.00%
Piaggio Benelux B.V. Hoevestein, 48 - 4903 SC Oosterhout - Holland Piaggio Vespa B.V. equity investment of 100%	Euro	45,378.00	100.00%
Piaggio Deutschland Gmbh Marie-Curie Strasse 8 - 50170 Kerpen - Germany Piaggio Vespa B.V. equity investment of 100%	Euro	5,113,500.00	100.00%
Piaggio Finance S.A. 10-21, Boulevard du Prince Henri L-1724 Luxembourg RCS Luxembourg B 107.430 - c/o SEB Societé Europeenne de Banque Piaggio & C. S.p.A. equity investment of 99.99%	Euro	31,000.00	99.99%
Piaggio France S.A.S. 32, Rue d'Armaillé, 75017 Paris - France Piaggio Vespa B.V. equity investment of 100%	Euro	1,209,900.00	100.00%
Piaggio Hellas EPE 259, Imitu Street - 11631 Atene - Greece Piaggio Vespa B.V. equity investment of 99.9996%	Euro	7,080,000.00	99.9996%
Piaggio Hrvatska D.o.o. Put Brodarice 6 - 21000 Split - Croatia Piaggio Vespa B.V. equity investment of 75%	HRK	400,000.00	75.00%
Piaggio Indochina PTE Ltd. *** 19, Genting Road - 349478 Singapore Piaggio Asia Pacific PTE Ltd equity investment of 100%	SGD	100,000.00	100.00%
Piaggio Limited 1 Boundary Row - London SE1 8HP – United Kingdom Piaggio Vespa B.V. equity investment of 99.9996% Piaggio & C. S.p.A. equity investment of 0.0004%	GBP	250,000.00	100.00%
Piaggio Portugal Limitada Campo Grande n. 35 - 5° B Lisbona 16003100 – Portugal Piaggio Vespa B.V. equity investment of 100%	Euro	5,000.00	100.00%

Company name	Currency	Share capital	% of share capital owned	% voting rights (if different)
Piaggio group Americas Inc. 140 East 45th Street, 17th Floor - New York, NY 10017 - U.S.A. Piaggio Vespa B.V. equity investment of 100%	USD	561,000.00	100.00%	
Piaggio Vehicles Private Limited E-2, MIDC Area Baramati 413-133 Dist. Pune, Maharashtra, - India Piaggio & C. S.p.A. equity investment of 99.999997% Piaggio Vespa B.V. equity investment of 0.000003%	INR	340,000,000.00	100.00%	
Piaggio Vespa B.V. c/o Fortis Intertrust Prins Bernhardplein 200 - 1097 JB Amsterdam – Holland Piaggio & C. S.p.A. equity investment of 100%	Euro	91,000.00	100.00%	
Moto Guzzi S.p.A. v. E.V. Parodi , 57 - 23826 Mandello del Lario (Lecco) Piaggio & C. S.p.A. equity investment of 100%	Euro	2,500,000.00	100.00%	
Moto Laverda S.r.l. *** v. Galileo Galilei, 15 - 30033 Noale (Venice) Piaggio & C. S.p.A. equity investment of 100%	Euro	80,000.00	100.00%	
Aprilia World Service B.V. c/o Fortis Intertrust Prins Bernhardplein 200 - 1097 JB Amsterdam - Holland Piaggio & C. S.p.A. equity investment of 100%	Euro	30,000,000.00	100.00%	
Aprilia Hellas S.A. 4, Rizariou Street & 3-5 Aghiou Ioannou Street 152 33 Chalandri - Greece Piaggio Vespa B.V. equity investment of 100%	Euro	60,040.00	100.00%	
Aprilia Motorrad GmbH Am Seestern 3 - 40547 Dusseldorf - Germany Aprilia World Service B.V. equity investment of 100%	Euro	2,125,000.00	100.00%	
Aprilia Moto UK Limited *** 15, Gregory Way - SK5 7ST Stockport - Cheshire – United Kingdom Aprilia World Service B.V. equity investment of 100%	GBP	2,555,325.00	100.00%	
Aprilia Japan Corporation 3-22-5-402 Shinyokohama Kouhoku-ku Yokohama shi - Kanagawa 222-0033 - Japan Piaggio Vespa B.V. equity investment of 100%	YEN	3,000,000.00	100.00%	

Rodriquez Cantieri Navali S.p.A. v. S. Raineri, 22 - 98122 Messina RCN Finanziaria S.p.A. equity investment of 100%	Euro	13,000,000.00	100.00%
Rodriquez Engineering S.r.l. Via S. Raineri, 22 - 98122 Messina Rodriquez Cantieri Navali S.p.A. equity investment of 98.74%	Euro	119,756.00	98.74%
Intermarine S.p.A. Via Alta - 19038 Sarzana (La Spezia) Rodriquez Cantieri Navali S.p.A. equity investment of 100%	Euro	10,000,000.00	100.00%
Conam S.p.A. Via Provinciale Pianura - Loc. S. Martino, 15 80078 Pozzuoli (Naples) Partecipazione di Rodriquez Cantieri Navali S.p.A. equity investment of 86%	Euro	1,012,000.00	86.00%
Rodriquez Logtec S.r.l. Via Mercadante, 4C 89026 S. Ferdinando (Reggio Calabria) Rodriquez Cantieri Navali S.p.A. equity investment of 55%	Euro	60,000.00	55.00%
Rodriquez Cantieri Navali do Brasil Ltda. Rua Miguel de Lemos n. 53 - Ponta da Areia - Niteroi - RJ - Brazil CEP 24040-260 Rodriquez Cantieri Navali S.p.A. equity investment of 100%	R$	1,068,150.00	100.00%
Rodriquez Yachts S.r.l. Via S. Raineri, 22 - 98122 Messina Rodriquez Cantieri Navali S.p.A. equity investment of 95% Rodriquez Marine System S.r.l. equity investment of 5%	Euro	49,572.00	100.00%
Rodriquez Marine System S.r.l. Via S. Raineri, 22 - 98122 Messina Rodriquez Engineering S.r.l. equity investment of 90%	Euro	46,800.00	90.00%
Progetto Smeb S.r.l. *** Via S. Raineri, 2 - 98122 Messina Rodriquez Cantieri Navali S.p.A. equity investment of 75%	Euro	10,000.00	75.00%

Company name	Currency	Share capital	% of share capital owned	% voting rights (if different)
EQUITY INVESTMENTS IN SUBSIDIARIES, ASSOCIATED AND JOINT CONTROL COMPANIES VALUED USING THE EQUITY METHOD				
Piaggio China Co. LTD Suite 1901, 19/F, Cheung Kong Center, 2 Queen's Road Central Hong Kong Piaggio & C. S.p.A. equity investment of 99.99%	USD	12,500,000.00	99.99%	
Zongshen Piaggio Foshan Motorcycle Co. LTD. Zhenxing Road, Chengxi Industrial Zone, Zhangcha, Foshan City Guangdong Province - 52800 P.R.C. Piaggio & C. S.p.A. equity investment of 32.5% Piaggio China Co. LTD equity investment of 12.5%	USD	29,800,000.00	45.00%	
Aprilia World Service Holding do Brasil Ltda. *** Rua Professor Alceu Maynard de Araujo, 121, Térreo, San Paolo - Brazil Aprilia World Service BV equity investment of 99.99%	R$	2,028,780.00	99.99%	
Aprilia Brasil S.A. *** Av.da Carvalho Leal n° 1336, 2° andar, Manaus - Brazil Aprilia World Service Holding do Brasil Ltda equity investment of 51%	R$	2,020,000.00	51.00%	
EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES VALUED USING THE COST METHOD				
Motoride S.p.A. *** v. Monte Napoleone, 21 - Milan Piaggio & C. S.p.A. equity investment of 28.29%	Euro	1,989,973.00	28.29%	
Pont - Tech , Pontedera & Tecnologia S.c.r.l. v.le Rinaldo Piaggio,32 - 56025 Pontedera (Pisa) Piaggio & C. S.p.A. equity investment of 24.63%	Euro	734,160.00	24.63%	
S.A.T. Societé d'Automobiles et Triporteurs S.A. 128 Avenue Jugurtha, Mutueville, 1082 Tunisi - Tunisia Piaggio Vespa B.V. equity investment of 20%	TND	210,000.00	20.00%	
Acciones Depuradora Soc. Coop. Catalana Limitada Agrupacio d'Industrials del Baix Valles Doctor Lluis duran, 76 2° 08100 Mollet del Valles Barcelona - Spain National Motor S.A. equity investment of 22%	Euro	60,101.00	22.00%	

D.E.V. - Diffusione Europea Veicoli S.r.l. ***	Euro	100,000.00	20.00%
v. della Bova, 33/3 - 30033 Noale (Venice)			
Piaggio & C. S.p.A. equity investment of 20%			
Rodriquez Mexico ***	Pesos	50,000.00	50.00%
Altamirano 750 Col El Esterito			
La Paz, BCS CP 23020 - Mexico			
Rodriquez Cantieri Navali S.p.A. equity investment of 50%			
Rodriquez USA LLC ***	USD	1,681.02	100.00%
7270 NW 12th Street - 33126 Miami (Florida) - U.S.A.			
Rodriquez Cantieri Navali S.p.A. equity investment of 100%			
Consorzio CTMI - Messina	Euro	53,040.00	41.54%
Via S. Raineri, 22 - 98122 Messina			
Rodriquez Cantieri Navali S.p.A. equity investment of 41.54%			
Rodriquez Charter & Broker S.r.l. ***	Euro	10,000.00	100.00%
Via S. Raineri, 22 - 98122 Messina			
Rodriquez Yachts S.r.l. equity investment of 100%			
Rodriquez Marine System U.S.A. INC. ***	USD	500.00	95.00%
16 Centre Street - Concord - New Hampshire - U.S.A.			
Rodriquez Marine System S.r.l. equity investment of 95%			
Fondazione Piaggio Onlus	Euro	103,291.38	50.00%
v.le Rinaldo Piaggio, 7 - 56025 Pontedera (Pisa			
Piaggio & C. S.p.A. equity investment of 50%			

*** Non-operating company or company in liquidation

IMMSI S.p.A.

Financial statements
at
31 December 2006

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

Balance sheet

In euros

	Note	31/12/2006	31/12/2005
NON-CURRENT ASSETS			
Intangible assets		187	28,895
Tangible assets	C1	11,598,877	11,832,056
- of which intragroup and related parties		*112,875*	*263,272*
Property investments		0	0
Equity investments	C2	340,801,249	214,222,081
Other financial assets	C3	91,865,117	75,468,678
- of which intragroup and related parties		*12,000,000*	*21,000,000*
Amounts due from the tax authorities	C4	0	4,379
Deferred tax assets		0	0
Trade receivables and other receivables	C5	684,157	131,117
- of which intragroup and related parties		*678,677*	*120,714*
TOTAL NON-CURRENT ASSETS		**444,949,587**	**301,687,206**
ASSETS INTENDED FOR DISPOSAL		0	0
CURRENT ASSETS			
Trade receivables and other receivables	C5	1,107,841	3,901,362
- of which intragroup and related parties		*675,608*	*2,800,405*
Amounts due from the tax authorities	C4	97,256	50,618
Other financial assets	C3	1,100,278	900,278
- of which intragroup and related parties		*1,100,278*	*900,278*
Cash and cash equivalents	C6	4,443,689	13,380,677
TOTAL CURRENT ASSETS		**6,749,064**	**18,232,935**
TOTAL ASSETS		**451,698,651**	**319,920,141**

	Note	31/12/2006	31/12/2005
SHAREHOLDERS' EQUITY			
Share capital		178,464,000	148,720,000
Reserves and retained earnings		169,695,772	103,307,894
Earnings for the period	E10	27,971,682	2,823,588
TOTAL SHAREHOLDERS' EQUITY	D1	**376,131,454**	**254,851,482**
NON-CURRENT LIABILITIES			
Financial liabilities	D2	45,814,288	45,765,750
Trade payables and other payables		0	0
Reserves for pension and similar obligations	D4	188,209	208,965
Other long-term reserves		0	0
Deferred tax liabilities	D6	12,470,429	14,800,830
TOTAL NON-CURRENT LIABILITIES		**58,472,926**	**60,775,545**
LIABILITIES CONNECTED WITH ASSETS INTENDED FOR DISPOSAL		0	0
CURRENT LIABILITIES			
Financial liabilities	D2	4,607,719	900,000
- of which intragroup and related parties		*720,000*	*900,000*
Trade payables	D3	1,725,982	1,458,784
- of which intragroup and related parties		*527,424*	*903,774*
Current taxation	D7	388,400	1,197,026
Other payables	D3	10,251,713	545,431
- of which intragroup and related parties		*9,279,028*	*166,100*
Current portion of other long-term reserves	D5	120,458	191,873
TOTALE CURRENT LIABILITIES		**17,094,271**	**4,293,114**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**451,698,651**	**319,920,141**

Income statement

In euros

	Note	2006	2005
Net revenues (*)	E1	**6,304,532**	**6,295,580**
- of which intragroup and related parties		*4,289,147*	*3,975,900*
Costs for materials		98,346	73,340
Costs for services and use of third party assets	E2	5,011,455	5,857,765
- of which intragroup and related parties		*1,589,432*	*1,651,343*
Personnel costs	E3	1,762,009	1,707,317
Depreciation of tangible assets	E4	421,057	577,847
Amortisation of goodwill		0	0
Amortisation of intangible assets with a finite life		28,708	28,100
Other operating income	E5	740,591	782,703
- of which intragroup and related parties		*60,333*	*67,000*
Other operating costs	E6	697,275	2,372,813
OPERATING EARNINGS		**(973,726)**	**(3,538,899)**
Gain/loss on equity investments		0	0
Financial income	E7	41,503,832	2,094,859
- of which intragroup and related parties		*38,606,312*	*733,025*
Financial charges	E8	5,911,118	2,608,671
- of which intragroup and related parties		*30,801*	*358,985*
EARNINGS BEFORE TAXATION		**34,618,988**	**(4,052,712)**
Taxation	E9	6,647,306	(1,633,900)
EARNINGS AFTER TAXATION FROM CONTINUING ASSETS		**27,971,682**	**(2,418,812)**
Gain (loss) from assets intended for disposal or sale		0	5,242,400
NET EARNINGS FOR THE PERIOD	E10	**27,971,682**	**2,823,588**

(*) Income from service contracts with subsidiaries have been reclassified for comparison purposes under 'Net revenues'

Cash flow statement

In thousands of euros

		31 December 2006	31 December 2005
Operations			
Earnings for the period	*E10*	27,972	2,824
Taxation	*E9*	6,647	(1,633)
Depreciation of tangible assets (including property investments)	*E4*	421	577
Amortisation of intangible assets		29	27
Provision to reserves for risks and for pension and similar obligations		81	192
Write-downs / (Revaluations) (1)	*E8*	2,457	1,196
Losses / (Gains) on disposal of tangible assets (including property investments)		11	6
Losses / (Gains) from assets intended for disposal or sale		0	(7,604)
Interest receivable (2)	*E7*	(1,267)	(920)
Dividend income (3)	*E7*	(40,058)	(891)
Interest payable (4)	*E8*	3,292	2,272
Change in working capital:			
(Increase) / Decrease in trade receivables (5)	*C5*	2,254	(781)
(Increase) / Decrease in other receivables (5)	*C5*	576	3,378
Increase / (Decrease) in trade payables (6)	*D3*	267	(1,487)
Increase / (Decrease) in other payables (6)	*D3*	5,613	(8,704)
Increase / (Decrease) in non-current portion of reserves for risks	*D5*	(72)	0
Increase / (Decrease) in reserves for pension and similar obligations	*D4*	(102)	63
Other changes		(10,187)	1,431
Cash generated from operations		(2,066)	(10,054)
Interest paid		(1,864)	(1,673)
Taxation paid		(497)	(51)
Cash flow from operations		(4,427)	(11,778)
Investments			
Acquisition of subsidiaries (7)	*C2*	(91,359)	0
Sale price of subsidiaries	*C2*	157	0
Investments in tangible assets	*C1*	(241)	(895)
Sale price, or repayment value, of tangible assets (including property investments)		42	(6)
Loans provided (8)	*C3*	(200)	(12,900)
Repayment of loans provided (7)	*C3*	9,000	0
Interest received		655	567
Sale price of assets intended for disposal or sale		0	52,534
Dividends from equity investments	*E7*	2,228	891
Cash flow from investments		(79,718)	40,191
Financing			
Increase in share capital by shareholders	*D1*	80,080	807
Loans received		0	46,000
Outflow for repayment of loans (9)	*D2*	(180)	(64,750)
Outflow for dividends paid to parent company shareholders	*D1*	(8,580)	(8,580)
Cash flow from financing		71,320	(26,523)
Increase / (Decrease) in cash	*C6*	(12,825)	1,890
Opening balance		13,381	11,491
Exchange differences		0	0
Closing balance		556	13,381

(1) Partial write-down of the Apuliae S.p.A. equity investment
(2) Of which 776 thousand euros of interest and fees receivable from subsidiaries
(3) Of which 37,830 thousand euros of dividends from Piaggio Holding Netherlands B.V..
(4) Of which 31 thousand euros of interest payable to Apuliae S.p.A..
(5) Trade receivables and other receivables due from related parties and intragroup decrease by 2,124 thousand euros
(6) Trade payables and other payables due to related parties and intragroup increase by 9,894 thousand euros mainly as a result of the amount due to Omniapartecipazioni maturing under the tax consolidation agreement
(7) Of which 9 million relating to the conversion into equity of the loan provided to Is Molas S.p.A., 78,454 thousand euros relating to the increase in the equity investment in Piaggio Holding Netherlands B.V. (later converted into Piaggio & C. S.p.A.) and 3,905 thousand euros relating to the acquisition of the controlling equity investment in Rodriquez Pietra Ligure S.r.l.
(8) Loan in favour of RCN Finanziaria S.p.A. for 200 thousand euros.
(9) Partial repayment of the interest-bearing deposit provided by Apuliae S.p.A. to Immsi S.p.A.

This schedule illustrates the changes in cash and cash equivalents, net of short-term bank overdrafts (3,889 at 31 December 2006).

Changes in shareholders' equity

In thousands of euros	Share capital	Extraordinary reserve***	Share premium reserve / share capital increase *	Reserves for measurement of financial instruments *	Reserves as per Law 413/91 **	Legal reserve *	Other legal reserves **	Earnings reserves ***	Earnings for the period	Shareholders' equity
Balances at 1 January 2005	***114,400***	***7,103***	***78,393***	***19,377***	***4,602***	***217***	***1,153***	***6,064***	***11,836***	***243,145***
Increases in share capital against payment	34,320		(33,513)							807
Allocation of earnings to legal reserve						592			(592)	0
Allocation of earnings to dividends									(8,580)	(8,580)
Allocation of earnings to retained earnings								2,664	(2,664)	0
Measurement at fair value of financial assets				16,652						16,652
Gains (losses) recognised directly in equity										0
Other changes				4						4
Earnings for the period									2,824	2,824
Balances at 31 December 2005	***148,720***	***7,103***	***44,880***	***36,033***	***4,602***	***809***	***1,153***	***8,728***	***2,824***	***254,852***

In thousands of euros	Share capital	Extraordinary reserve***	Share premium reserve / share capital increase *	Reserves for measurement of financial instruments *	Reserves as per Law 413/91 **	Legal reserve *	Other legal reserves **	Earnings reserves ***	Earnings for the period	Shareholders' equity
Balances at 31 December 2005	***148,720***	***7,103***	***44,880***	***36,033***	***4,602***	***809***	***1,153***	***8,728***	***2,824***	***254,852***
Increases in share capital against payment	29,744		50,336							80,080
Allocation of earnings to legal reserve						479			(479)	0
Allocation of earnings to dividends								(6,235)	(2,345)	(8,580)
Allocation of earnings to retained earnings										0
Measurement at fair value of financial assets				22,725						22,725
Gains (losses) recognised directly in equity								(918)		(918)
Other changes										0
Earnings for the period									27,972	27,972
Balances at 31 December 2006	***178,464***	***7,103***	***95,216***	***58,758***	***4,602***	***1,288***	***1,153***	***1,575***	***27,972***	***376,131***

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

Explanatory and additional notes to the financial statements at 31 December 2006

A – General aspects

Immsi S.p.A. (the Company) is a limited liability company established in Italy under Italian law with registered office in Mantova – p.zza Vilfredo Pareto, 3 Centro Direzionale Boma and secondary offices in via Abruzzi, 25 – Rome and in via Vivaio, 6 – Milan. The main activities of the Company and its subsidiaries (the Group) are described in the report on operations. At 31 December 2006, Immsi S.p.A. is directly controlled by Omniapartecipazioni S.p.A., a company controlled by Omniaholding S.p.A. through Omniainvest S.p.A..

Following the coming into force of European regulation n°. 1606 in July 2002, Immsi S.p.A. adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and approved by the European Commission, the updates of those already existing (IAS), as well as the documents of the International Financial Reporting Interpretations Committee (IFRIC)deemed applicable to transactions carried out by the Company. The Council of Ministers, with Law n°. 38 of 28 February 2005, extended the scope of application of the international accounting standards to the separate financial statements of listed companies, banks, other supervised financial institutions and to the consolidated financial statements of banks and supervised financial institutions and unlisted insurance companies, on an optional basis for 2005 and on a mandatory basis for the years starting in 2006.
Immsi S.p.A. opted to prepare its separate financial statements in accordance with the IAS/IFRS as of 1 January 2006.
The comparative figures for 2005 recorded in the financial statements and in the explanatory and additional notes have therefore been reclassified in accordance with those international accounting standards.
The Company did not deem significant the presentation of information by sector, as established in IAS 34.

The accounting policies and criteria adopted in preparing the 2006 financial statements are the same as those applied in preparing the reconciliations with the IFRS recorded in section 'N' of these notes, within which there is a reconciliation of shareholders' equity at 1 January and at 31 December 2005 and of earnings for the period at 31 December 2005 determined by applying Italian accounting policies and IAS/IFRS, respectively.

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

The separate financial statements are prepared on a historical cost basis, modified as required to measure some financial instruments.

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

Presentation of the financial statements

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

As concerns the options established in IAS 1 "Presentation of financial statements", Immsi S.p.A.

has opted for the following types of accounting schedules:

- **Balance Sheet:** The balance sheet is presented in sections with separate indication of assets, liabilities and shareholders' equity. Assets and liabilities are shown in the financial statements on the basis of their classification as current and non-current.
- **Income statement:** The income statement is presented with costs classified by their nature. The overall operating earnings recorded include all the income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under operating earnings and earnings before tax. In addition, the income and cost items arising from assets intended for disposal or sale, including any capital gains or losses net of the tax element, are recorded in a specific heading in the financial statements which precedes Group net earnings and Minority interest.
- **Cash flow statement:** The cash flow statement presented is divided into areas generating cash flows, as indicated by international accounting standards. The cash flow statement model adopted by Immsi uses the indirect method.
- **Schedule of changes in shareholders' equity:** The schedule of changes in shareholders' equity is presented, as required by international accounting standards, with a separate indication of the result for the period and of every individual sale, income, charge and expense that has not been transferred to the income statement, but charged directly to shareholders' equity on the basis of specific IAS/IFRS accounting standards.

B – Accounting policies and valuation criteria

The financial statements are the first to have been prepared in conformity with the International Financial Reporting Standards (IFRS).

The standards and updates that came into force on 1 January 2006 have been applied without any significant impact on the book values expressed in such financial statements.
It is also pointed out that Immsi S.p.A. has not adopted early application of some IFRC and IFRS, the adoption of which will be mandatory from 2007, such as IFRC7, IFRC8, IFRC9 and IFRS7.

The main accounting policies adopted are illustrated below.

Intangible assets

An intangible asset is recognised only if it is identifiable, verifiable and it is likely to generate future economic benefits and its costs can be reliably determined.
Intangible assets with a finite life are recorded at purchase or production cost net of cumulative amortisation and impairment. Amortisation is equated to their expected useful life and starts when the asset is available for use.
For the software category alone the useful life is estimated in 3 years.

Tangible assets

Tangible assets are recorded at purchase or production cost inclusive of directly attributable accessory charges. For an asset whose capitalisation is justified, the cost also includes the financial charges which are directly attributable to the acquisition, construction or production of the asset.
The costs incurred following purchase are capitalised only if they increase the future economic benefits inherent in the asset to which they refer. All other costs are recorded in the income statement when they are incurred.
Depreciation is determined on a straight-line basis over the estimated useful life of the assets or, in the case of disposal, until the end of actual use.

Land is not depreciated. The duration of the useful life of the industrial building owned is estimated at 2023. The other tangible assets are depreciated applying the criterion and rates indicated below:

Plant and machinery	from 7.5% to 30%
Furniture and fittings – electrical machines	12%
Personal computers, printers, hardware, EDP	20%
Motor vehicles	25%
Other equipment	from 15% to 25%

Equity investments

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

Impairment

Equity investments in subsidiaries and associated companies are subjected to impairment tests annually, or more frequently, whenever there is an indication that the asset may have suffered impairment. If there is evidence that the equity investments have been impaired, a write-down is recognized in the income statement.
If any portion belonging to the Company of the investee's losses exceeds the book value of the equity investment and the Company is answerable for them, the value of the equity investment is reversed and the portion of any further losses is recorded as a provision in the liabilities. If there is a subsequent positive change in the loss of value, this is recognised in the income statement as a restoration of value.

Receivables

Receivables are recorded at their nominal adjusted value, in order to align them to their presumed realisable value, through the recording of a bad debt provision. This provision is calculated on the basis of the recovery assessments carried out by analysis of the individual positions and of the overall risk of all the receivables, taking account of any guarantees.
When the payment of the sum due is deferred beyond normal credit terms offered to customers, it is necessary to discount the receivable if the financial effect associated with such deferral is significant.

Cash and cash equivalents

This heading includes cash in hand, on demand deposit accounts and other highly-liquid short-term financial investments, which are readily convertible into cash and have an insignificant risk of losing value.

Financial liabilities

Financial liabilities include loans that are recognised at the cost represented by the original value of the sums received net of accessory charges for acquiring the loan. After the initial recording, non-current financial liabilities are measured with the amortised cost method, using the effective interest rate.

Financial instruments

This item includes equity investments in non-consolidated companies and others different from equity investments in associated companies and joint ventures, receivables and loans and other financial assets available for sale.

Equity investments in other companies, qualified as financial assets held for sale, are measured at fair value with the effects recognised in shareholders' equity or at cost adjusted for impairment, the effect of which is recognised to the income statement, when the fair value cannot reliably be determined. If, in future years, the reasons for reducing the value no longer apply, then a reversal of the loss in value is carried out up to the amount of the impairment and the effect is recognised to the income statement.

Included among financial assets are current securities (securities available for sale and securities held for trading), that is, short-term or negotiable securities that represent temporary investments of liquidity and do not meet the requirements for classification as cash equivalents. Their initial measurement takes account of the transition costs directly attributable to their purchase or issue.
Other current and non-current financial assets are recorded in accordance with IAS 39 "Financial instruments: recognition and measurement".
After initial recognition at cost, financial instruments available for sale and these held for trading are measured at fair value.
When the financial assets are held for trading, gains and losses arising from changes in the fair value are recognised in the income statement for the period. When the financial assets are available for sale, gains and losses arising from changes in the fair value are recognised directly in shareholders' equity until the financial asset is sold or impaired; at that time, accrued gains or losses, including those previously recorded in shareholders' equity, are included in the income statement for the period.
The loans and receivables that Immsi S.p.A. does not hold for trading (loans and receivables originated from normal business dealings) and all the financial assets for which no quotes are available in an active market and for which the fair value cannot be reliably determined, are measured, if they have a fixed maturity, using the effective interest rate method, net of any impairment. Financial assets with no fixed maturity are measured at purchase cost. Receivables falling due beyond one year, non-interest bearing or bearing interest below market rates are discounted at market rates.

Payables

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

Employee benefits

With the adoption of the IFRS, employee leaving 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 valuations 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 present value of liabilities for defined benefit plans adjusted to take account of actuarial gains and losses and the unrecorded costs related to previous employment services, and reduced by the fair value of the programme assets. Any net assets resulting from this calculation are limited to the value of the actuarial losses and the cost relating to unrecorded previous employment services, plus the present value of any repayments and reductions in future contributions to the plan.
Immsi S.p.A. has decided not to use the so-called "corridor method". Finally, it should be noted that the interest element of the income/charge relating to employee plans under the "Financial income/charges" heading.

Provisions for risks and charges

Immsi records provisions for risks and charges when it has a legal or implicit obligation towards third parties and it is likely that the use of resources will be necessary to fulfil the obligation and when a reliable estimate of the amount of the obligation itself can be made.
Provisions are recognised at the amount representing the best estimate of the amount that the company would pay to settle the obligation or to transfer it to third parties at the period end date. Changes in the estimate are reflected in the income statement for the period in which the change occurred.
If the liability relates to tangible assets, the provision is recognised as a counter-entry to the asset to which it refers; recognition of the charge in the income statement is by depreciation of the tangible asset to which the charge refers.

Revenues and costs

Revenues and costs are recorded in the financial statements on an accrual basis and following the principle of prudence, recognising the related prepayments and accruals. Revenues and costs for services are recognised on an accrual basis according to the time of performance or receipt of the service.
Revenues of a financial nature are recognised on an accrual basis.
In accordance with IAS 18, revenues arising from the recharge of costs for materials and services incurred by Immsi S.p.A. on behalf of Group companies or tenants are offset with the related cost that generated them.

Financial income

Financial income is recorded on an accrual basis. It includes interest income on invested funds and income arising from financial instruments. Interest income is charged to the income statement as it accrues, considering the effective yield.

Financial charges

Financial charges are recorded on an accrual basis. They include interest due on financial payables calculated using the effective interest rate method.

Dividends

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

Current taxation

Current taxation liabilities are calculated using the tax rates in force at the balance sheet date. Income tax is recorded in the income statement, except for income tax relating to items directly charged or debited to shareholders' equity, in which case the tax effect is recognized directly in shareholders' equity. Other taxation unrelated to income, such as property and wealth tax, is included in operating costs.
Income tax is recognised in the amounts due to the tax authorities net of advances and withholdings.

Deferred taxation

Deferred tax liabilities are calculated on all of the temporary taxable differences between the book

value of assets and liabilities and their tax value.
Deferred tax assets are recognised only to the extent that the existence of adequate future taxable income against which to use this positive balance is considered likely. The book value of deferred tax assets is subject to annual review and is reduced to the extent to which the existence of sufficient taxable income to allow the whole or partial recovery of such assets is no longer probable.
Deferred taxation is offset when there is a legal right to offset current tax assets and liabilities, and when the taxes are due to the same tax authority.
Deferred taxation is determined on the basis of the tax rates which are expected to be applied in the periods in which such temporary differences will occur or be extinguished. Deferred taxation may not be discounted and is classified under non-current assets and liabilities.

Use of estimates

The preparation of the financial statements and the related notes in application of the IFRS requires management to make estimates and assumptions that have an impact on the values of the assets and liabilities in the financial statements and on the information relating to contingent assets and liabilities at the financial statement date.
The actual results may differ from such estimates. The estimates are used to measure provisions for risks on receivables, amortisation and depreciation, write-downs of assets, employee benefits, tax, and other provisions and reserves. These estimates and assumptions are periodically reviewed and the impact of each change is immediately reflected in the income statement.

C - Information on the main asset items

C1	Tangible assets	11,599

The changes in tangible assets are detailed below:

	Property	Land	Plant and machinery	Other assets	Total
Situation at 31.12.05	**4,134**	**6,742**	**239**	**717**	**11,832**
- Capital amount	**5,219**	**6,742**	**1,285**	**1,072**	14,318
- (Cumulative depreciation)	**(1,085)**	**0**	**(1,046)**	**(355)**	(2,486)
Increases for investments	**25**	**0**	**19**	**196**	**240**
Decreases for depreciation	**(186)**	**0**	**(112)**	**(122)**	**(420)**
Decreases for disposals	**0**	**0**	**0**	**(53)**	**(53)**
- (Capital amount)	0	0	0	(86)	(86)
- Cumulative depreciation	0	0	0	33	33
Situation at 31.12.06	**3,973**	**6,742**	**146**	**738**	**11,599**
- Capital amount	5,244	6,742	1,304	1,182	14,472
- Cumulative depreciation	(1,271)	0	(1,158)	(444)	(2,873)

Investments essentially refer to restructuring, modernisation and extraordinary maintenance to the building located in via Abruzzi, 25 – Rome for 44 thousand euros and the purchase of office equipment and machines, cars and furniture for about 196 thousand euros.
There is a 92 million euros mortgage on the property in Rome which secures the 46 million euros loan provided by Efibanca.

C2	Equity investments	340,801

Equity investments in subsidiaries are detailed below:

Amounts in euros

Company name and head office	Share capital	Shareholders' equity	Net earnings	% of direct ownership	Pro rata shareholders' equity	Difference between pro rata shareholders' equity and book value	N°. of shares	Book value
Apuliae S.p.A. Lecce	2,000,000	1,113,000	-2,594,000	85%	946,050	-301,057	2,000,000	1,247,107
Is Molas S.p.A. Pula (Cagliari)	7,510,000	23,837,000	-3,103,000	60%	14,302,200	-3,703,800	7,510,000	18,006,000
Piaggio & C. S.p.A. Pontedera (Pisa)	203,170,317	349,863,000	71,006,000	55,77%	195,125,306	-89,517,354	390,712,148	284,642,660
RCN Finanziaria S.p.A. Mantova	27,135,988	47,186,000	-986,000	60,81%	28,693,807	-4,307,120	54,271,976	33,000,927
Rodriquez Pietra Ligure S.r.l. Milan	20,000	4,994,000	-6,000	77,78%	3,884,333	-20,223	n/a	3,904,556

APULIAE S.p.A.

The 85% equity investment in Apuliae S.p.A. is recognised in the financial statements for the amount underwritten upon establishing the company in December 2003, increased by the amount paid for a future increase in share capital in January 2004 and net of the 2,453 thousand euros write-down representing cumulative losses proportionally attributable to Immsi S.p.A. made by management as a consequence of the extended suspension, ordered in March 2005 following inspection by the legal authorities, of the restructuring activities relating to the "*ex Colonia Scarciglia*" building in Santa Maria di Leuca (Lecce) destined for tourism. These inspections concern in particular the Province of Lecce's right to ownership of the property and the subsequent handing of the tender won by Apuliae.

IS MOLAS S.p.A.

The 60% equity investment in Is Molas S.p.A. is recorded in the financial statements at 31 December 2006 for 18,006 thousand euros, the amount paid upon acquiring the company Is Molas S.r.l. and subsequent increases in share capital. In particular, in May 2006, Immsi converted the 9 million euros loan advanced in October 2004 into share capital of this subsidiary.
The value of the equity investment recognised is 3,704 thousand euros higher than Immsi's portion of the shareholders' equity as a result of losses recorded.
This difference is deemed recoverable in the light of the residential and tourism/hotel development completed and presented to the competent authorities for the relevant authorisations.

PIAGGIO & C. S.p.A.

In March 2006, the Board of Directors of Immsi S.p.A. approved an increase in share capital so as to obtain the funds needed to consolidate its equity investment in Piaggio Holding Netherlands B.V. in view of the listing of Piaggio & C. S.p.A. in July 2006. To that end, on 10 July 2006, Immsi acquired 28,334 "C" shares of Piaggio Holding Netherlands B.V. from Scooter Holding 3 B.V. for an overall price of 78,454 thousand euros. On 18 October 2006, the shareholders of Piaggio Holding Netherlands B.V. approved the transfer to Immsi S.p.A. of 198,307,659 ordinary shares of Piaggio & C. S.p.A. for a book value of 194,341 thousand euros (using the share premium reserve for 156,511 thousand euros and earnings for the period for 37,830 thousand euros). The number of shares was determined by applying the proportional interests of the individual shareholders to the actual value of the shareholders' equity of Piaggio Holding Netherlands B.V. on the basis of the table envisaged in the company bylaws. The 70,310 thousand euros residual portion recorded by Immsi of the equity investment in the Dutch company was transferred to the Piaggio & C. S.p.A. equity investment without recognising any loss in value in that the overall value of the Piaggio equity investment recorded by Immsi was amply supported by the measurement at fair value of the Piaggio & C. S.p.A. shares.
Including the amount paid upon underwriting the increase in share capital approved by Piaggio & C. S.p.A. in December 2004 regarding the acquisition of the Aprilia group, the equity investment in the share capital at 31 December 2006 was recognised in the financial statements for an overall amount of 284,643 thousand euros, equal to 55.77%.
At the year end, Immsi S.p.A. sold its equity investment in Piaggio Holding Netherlands B.V. to Scooter Holding 3 B.V., realising a loss of 157 thousand euros.

RCN Finanziaria S.p.A.

The 60.81% equity investment is recognised in the financial statements at the year end for an amount of 33,001 thousand euros, unchanged compared to 2005. The amount recognised for the equity investment is 4,307 thousand euros higher than the proportional shareholders' equity (equal to 28,694 thousand euros). As regards the re-launch of the Rodriquez group, this difference is deemed recoverable, as supported by the impairment test carried out at 31 December 2006.

Rodriquez Pietra Ligure S.r.l.

At the year end, Immsi S.p.A. acquired a 77.78% equity investment in Rodriquez Pietra Ligure S.r.l. (transformed into Pietra S.r.l. in early 2007), recognised in the financial statements for an amount of 3,905 thousand euros, the amount paid upon the initial underwriting and at the subsequent increase in share capital.

This company, established in early December by Rodriquez Cantieri Navali S.p.A., was then sold to the two current shareholders (Immsi S.p.A. and Intesa San Paolo S.p.A.), so as to be able to sign an agreement to sell the future receivable relating to the Pietra Ligure shipyard project with Rodriquez Cantieri Navali S.p.A. itself.
This project aims to convert 44,148 m^2 of the Pietra Ligure shipyard, public land leased for shipbuilding activities.
In relation to the goals of the newly-established company, the 20 thousand euros difference between the book value and the proportional shareholders' equity is deemed recoverable.

C3	Other financial assets	92,965

Other non-current financial assets totalling 91,865 thousand euros include the 12 million euros convertible shareholder loan underwritten in RCN Finanziaria S.p.A. falling due in 2008 and a 0.43% equity investment in Capitalia S.p.A., corresponding to 11,138,789 shares purchased in 2003 at an average price of 1.60 euros per share for an overall amount of 17,835,518 euros, which is restricted by a shareholder agreement.
This equity investment is measured at fair value and recorded in the financial assets available for sale for an amount of 79,865 thousand euros and charged directly to shareholders' equity. The increase compared to 2005 is due to the revaluation of the above equity investment in Capitalia, partially offset by the conversion of the 9 million euros loan provided to Is Molas S.p.A., increasing the share capital, as approved on 12 May 2006.

Included among the other current financial assets is 1.1 million euros relating to two short-term loans in favour of Rodriquez Cantieri Navali S.p.A. and RCN Finanziaria S.p.A. of 400 and 700 thousand euros, respectively.

C4	Amounts due from tax authorities	97

Current amounts due from tax authorities total 97 thousand euros and essentially refer to the 23 thousand euros IRAP advance paid in June 2006, net of the current taxation payable recorded at the year end, and a 74 thousand euros VAT receivable.

C5	Trade receivables and other receivables	1,792

Trade receivables and other receivables included in the non-current assets total 684 thousand euros compared to 131 thousand euros at 31 December 2005 and refer essentially to interest accrued on the 12 million euros convertible shareholder loan provided to RCN Finanziaria S.p.A..

Included in the current portion are mainly trade receivables due from third parties for rental instalments and condominium expenses (398 thousand euros) and receivables due from subsidiaries, in particular Rodriquez Cantieri Navali S.p.A. (about 621 thousand euros) essentially for services provided by the parent company, as well as 78 thousand euros of accrued income and prepaid expenses. Trade receivables are recorded net of a bad debt reserve prudently allocated for 1,092 thousand euros against the uncertain and doubtful recoverability of some receivables that were overdue at the year end.
The Company has no receivables due from foreign companies or receivables falling due beyond five years.
Finally, as security for rental agreements, Immsi S.p.A. received guarantees for 211 thousand euros and guarantee deposits recorded under other current receivables for 340 thousand euros.

C6	Cash and cash equivalents	4,444

At the year end, this item totals 4,444 thousand euros against 13,381 thousand euros at 31

December 2005, essentially as a result of the purchase at the end of the year of the equity investment in Rodriquez Pietra Ligure S.r.l. and the 5 million euros loan repayment at the end of 2005 by the subsidiary Rodriquez Cantieri Navali S.p.A..

D - Information on the main liability items

D1	Shareholders' equity	376,131

Share capital

At 31 December 2006, the share capital of Immsi S.p.A. comprises 343.2 million ordinary shares with a nominal value of 0.52 euros each, for a total of 178,464,000 euros, fully subscribed and paid up.
The majority shareholder is Omniapartecipazioni S.p.A..

The Board of Directors of the Company met on 24 March 2006 and approved, in accordance with the mandate given to them by the extraordinary shareholder meeting on 17 March 2003, an increase of share capital which was completed upon filing at the Mantova Register of Companies on 6 November 2006. The offer involved the issue of 57,200,000 new dividend-bearing ordinary shares (for a total of 343,200,000 ordinary shares at 31 December 2006) of nominal value 0.52 euros each, with a share premium of 0.88 euros each, having the same features as those already in circulation. The overall value of the issue, including the share premium, was 80,080,000.00 euros.
Each ordinary share entitles the holder to a proportionate part of distributable profits and of the shareholders' equity resulting from any liquidation. Each ordinary share entitles the holder to unlimited voting rights.

Other reserves and retained earnings

Included in the "Other reserves" item is the legal reserve comprising provisions approved following the distribution of the profit for the years 2000 to 2005 in accordance with the provisions of law, the tangible asset revaluation reserve set up in accordance with Law 413/91 by Sirti and transferred to Immsi following the demerger, and the extraordinary reserve for 7,103 thousand euros.
The share premium reserve includes 44,880 thousand euros relating to the increase in share capital in early 2005, at which time Immsi offered the shareholders the option to underwrite 66 million shares at 1.2 euros, of which 0.68 euros being the share premium, as well as the consideration for the 2006 increase in share capital of 50,336 thousand euros.
Other reserves also include the reserve generated from the transition to international accounting standards, detailed in section 'N'. This reserve increased compared to the transition date essentially as a result of measuring at fair value the equity investment in Capitalia S.p.A. which led to the recognition of a further 22.7 million euros, equal to the difference between the market value at 31 December 2005 and that at year end 2006, net of the related tax effect.
Finally, other reserves includes the 918 thousand euros negative entry relating to expenses incurred by the Company for the increase in share capital, net of the tax component, in accordance with IAS 38.

In 2006, 8,580 thousand euros (0.03 euros per share) of dividends were paid out.

D2	Financial liabilities	50,422

Non-current financial liabilities exclusively comprise the amount due to Efibanca for the loan of 46 million euros nominal value, provided to Immsi at an average rate at the end of December of 4.2% maturing in 2010. The loan, which is secured by a 92 million euros mortgage on the building owned in via Abruzzi, 25 – Rome, is recognised at a net amount of 45,814 thousand euros by effect of measurement at amortised cost, in accordance with international accounting standards.
The loan envisages meeting two financial covenants, calculated on the ratio between net financial liabilities and shareholders' equity and on the ratio between lease instalments and interest on the

loan itself, both met to date.
Current financial liabilities include the 720 thousand euros interest-free deposit agreed with Apuliae S.p.A. falling due in 2007 and 3,888 thousand euros corresponding to the credit line provided by Intesa San Paolo S.p.A. for an overall amount of 5 million euros.

D3	Trade payables and other payables	11,978

Current trade payables total 1,726 thousand euros, of which some 527 thousand euros due to related parties, and refer to invoices received and not yet paid and to invoices to be received on an accrual basis.
Other current payables mainly includes amounts due to parent companies relating to taxation for IRES accrued at the year end for 9,279 thousand euros recorded with Omniapartecipazioni S.p.A. as a result of a tax consolidation agreement, amounts due to social security institutions for 94 thousand euros, amounts due to employees (141 thousand euros), amounts due for guarantee deposits received (340 thousand euros) and 355 thousand euros of deferred income and accrued expenses.
At 31 December, there were no amounts due to foreign companies or payables falling due beyond five years.
Banca Popolare di Mantova provided bank guarantees to secure rental agreements of Immsi S.p.A. for some 80 thousand euros, of which about 38 thousand euros was provided to Piaggio & C. S.p.A..

D4	Reserves for pension and similar obligations	188

The new IFRS financial reporting identifies the liability relating to employee leaving indemnity using the actuarial measurement method. An estimate is made of the probable employment period in the company for each employee. The annual salary is increased by the rate of 3.3% for this period, is revalued on the basis of an inflation rate of 2.2%, and a part (the legal portion) is set aside as employee leaving indemnity.
The portion of employee leaving indemnity already accrued, and that which will accrue up to the foreseeable date of terminating the work relationship, is revalued on the basis of a rate of 2.75%, then discounted at a rate divided into four five-year periods so as to consider a more reliable evolution in rates for all the years of employment (4.13% from 1 to 5 years, 4.35% from 6 to 10 years, 4.49% from 11 to 15 years and 4.59% for a period beyond 15 years).
At 31 December 2006, the liability relating to employee leaving indemnity totals 188 thousand euros.
The employee leaving indemnity reserve is detailed below:

Balance at 31.12.2005	**209**
Allocations for the year	81
Applications for employee termination	-81
Payment of social security contributions	-27
IAS 19	6
Advances to employees	-
Balance at 31.12.2006	**188**

D5	Other long-term reserves	120

Other long-term reserves, recorded entirely in the current portion, total 120 thousand euros and refer to the risk, already reported in 2005, of the recall letter relating to amounts received by Immsi as of March 2004 being presented by the liquidator of Volare Group.

D6	Deferred tax liabilities	12,470

Deferred tax liabilities at 31 December 2006 total 12,470 thousand euros. The balance is offset with 1,158 thousand euros of deferred tax assets, consistent for due date and nature. The portion falling due within 12 months totals 3,559 thousand euros. Deferred tax liabilities are mainly recognised in relation to gains realised on property disposals over the last two years which were by instalments for tax purposes totalling 9,001 thousand euros and to measurement at fair value of the equity investment in Capitalia with a 3,275 thousand euros counter-entry in shareholders' equity, net of the tax component, stated under "Deferred tax liabilities", in accordance with IAS 38.

D7	Current taxation	388

Current taxation at 31 December is mainly represented by 372 thousand euros of withholdings on income from employment. The decrease compared to the previous year is due to non-recognition of the IRAP payable in 2006 in that the Company had paid more advances than were actually due.

E - Information on the main income statement items

E1	Net revenues	6,305

Since 2006, Immsi S.p.A. classifies revenues arising from service and assistance contracts signed with Group companies as core revenues. In this light, these amounts were also reclassified for the year 2005 for comparative consistency.
Included in net revenues are about 2,105 thousand euros arising from rental agreements, a decrease compared to the 2,404 thousand euros recorded in 2005, and 4,200 thousand euros referring to service contracts with subsidiaries, higher than the 3,892 thousand euros recorded the previous year.
Net revenues are substantially in line with 2005 as a result of the increase of income from consultancy and assistance activities provided to Piaggio & C. S.p.A. during the listing of this subsidiary, which was essentially offset by lower income from rentals in 2006 following the property sale completed the previous year.
In compliance with IAS 18, revenues arising from the recharge of costs for materials and services incurred by Immsi S.p.A. on behalf of Group companies or tenants are offset with the related cost that generated them.

E2	Costs for services and use of third party assets	5,011

Costs for services and use of third party assets, net of the costs recharged in accordance with IAS 18, total 5,011 thousand euros.
Costs for services are detailed below:

	2006	2005
Transport costs	16	59
External maintenance and cleaning expenses	316	68
Personnel costs	76	147
Technical, legal, tax, administrative consultancy	1,997	2,484
Advertising, promotional activities and materials	13	13
Energy, telephone, postal costs	161	202
Insurance	49	109
Company boards operating costs	1,300	1,205
Communication and publication costs	26	170
Auditing costs and listing rights	146	204
Condominium, security and porter costs	100	340
Bank charges	62	50
Total costs for services	**4,262**	**5,051**

The decrease compared to 2005 is essentially due to the downsizing of property and rental management following the disposals during the first half of the previous year. The increase in external maintenance and cleaning expenses is due to higher extraordinary costs incurred in 2006 and not recharged to tenants. Of note is the substantial decrease in communication costs as a result of internalising this function in 2005. Consultancy costs recorded by the Company mainly refer to professional services provided for the examination, valuation and management of the extraordinary transactions completed in 2006, such as the purchases of equity investments, the listing of the subsidiary Piaggio & C. S.p.A. and increases in share capital of investee companies. The decrease in these consultancy and professional costs compared to the previous year is due to the non-recognition in 2006 of property brokerage costs incurred in 2005 relating to the disposals completed in the first half of the year.
Costs for use of third party assets totals 749 thousand euros, of which 527 thousand euros for property rental agreements, 33 thousand euros for car rentals and 188 thousand euros for instalments and rentals of various office and vehicle equipment.

The cost for services and use of third party assets provided by related parties totals 1,348 thousand euros for financial consultancy and assistance provided by B&L S.r.l. and Studio d'Urso Munari e Gatti and rental agreements with parent companies and subsidiaries.

E3	**Personnel costs**	**1,762**

Personnel costs recorded at 31 December 2006 refer to 1,291 thousand euros of salaries, 390 thousand euros of social security payments and 81 thousand euros of provisions for employee leaving indemnity.
Immsi S.p.A. currently has no employee stock option plan.
The average workforce paid at 31 December is 20 employees, of which 4 senior managers.

E4	**Depreciation of tangible assets**	**421**

Depreciation in 2006 totals 421 thousand euros, a 157 thousand euros decrease compared to the previous year as a result of the property disposals completed in early 2005.
As regards investments during the year, it was deemed appropriate to apply the depreciation rates indicated by category of assets reduced by 50% due to their limited use during the year. The Company also fully depreciated those assets of minor value whose use had essentially ended during the year.
This item includes depreciation of buildings, relating to the property owned in via Abruzzi, 25 – Rome for 187 thousand euros, plant and machinery for 112 thousand euros, also referring to the property owned, and finally electronic machines, hardware, vehicles, furniture and fittings for 122 thousand euros.

E5	**Other operating income**	**741**

This item, net of income generated from recharged costs in accordance with IAS 18, totals 741 thousand euros at the year end, a slight decrease compared to the previous year as a result of recognition in 2005 of income arising from the signature of service contracts with some companies acquiring the buildings sold.
Operating income mainly refers to the release of provisions prudently made in 2005 to write down receivables the recovery of which was deemed difficult that were received in 2006 totalling some 538 thousand euros, 100 thousand euros of extraordinary income and about 60 thousand euros of fees returned by employees of Immsi S.p.A. holding company offices.

E6	**Other operating costs**	**697**

Other operating costs include mainly extraordinary expenses of some 195 thousand euros, 280 thousand euros relating to local property and other taxes, and the balance being sundry operating costs. This item is substantially lower than the previous year as a result of bad debt provisions allocated in 2005 for a total amount of 1,196 thousand euros.

E7	**Financial income**	**41,504**

Other financial income increased substantially compared to the previous year mainly as a result of 37,830 thousand euros of dividends in kind paid by Piaggio Holding Netherlands B.V., as described in more details under "Equity investments", and higher dividends paid by Capitalia, of which Immsi owns 11,138,789 shares, for an overall amount of 2,228 thousand euros.
Furthermore, this item includes interest and fees due from subsidiaries for 776 thousand euros, interest receivable on bank accounts for 398 thousand euros, 179 thousand euros of income from the sale of unexercised rights in relation to the increase of share capital and income from short-

term investments of temporarily available liquidity for 93 thousand euros.

E8	Financial charges	5,911

Financial charges include 1,980 thousand euros of interest accrued on the loan provided by Efibanca for a nominal 46 million euros, as well as 1,278 thousand euros arising from interest paid to Banca di Roma under the 78.5 million euros loan provided in May and repaid in October for the purchase of 28,334 "C" shares of Piaggio Holding Netherlands B.V.. This item also includes 2,453 thousand euros relating to the partial write-down of the equity investment in Apuliae S.p.A. recorded following the extended suspension of property restructuring works as a result of the inspections by the legal authorities, as well as 157 thousand euros of loss realised upon selling the equity investment in Piaggio Holding Netherlands B.V. at the end of the year.

E9	Taxation	6,647

Included in income tax calculated on the basis of applicable rates at 31 December 2006 (33% for IRES and 5.25% for IRAP) are 6,550 thousand euros of current taxation, 272 thousand euros of deferred tax liabilities calculated on the lower costs recognised under IAS and 175 thousand euros of deferred tax assets relating to taxation pertaining to future years generated by costs incurred during the year as well as taxation generated by non-deductible costs recognised in accordance with international accounting standards.
The "Taxation" item at the year end has a slight effect on the 2006 earnings as a result of a lower tax burden relating to financial income from dividends received during the year, which are the largest component of earnings for the period of the parent company.

A reconciliation between the theoretical tax burden and the actual tax burden follows:

IRES	Income		Taxation	
	Earnings	Timing components	Current	Deferred
Earnings before taxation	34,619			
Theoretical tax charge (credit)			11,424	
Timing differences taxable in 2006 or in later years	180	-180	59	-59
Timing differences deductible in later years	484	-484	160	-160
Reversal of timing differences arisen in previous years	9,160	-9,160	3,023	-3,023
Permanent differences that will not be reversed in later years	-15,219	0	-5,022	0
Total differences	-5,395	-9,824	-1,780	-3,242
Taxable income	29,224			
Total tax charge (credit) on income for the period			9,644	-3,242

IRAP	Income		Taxation	
	Earnings	Timing components	Current	Deferred
Gross value of production	38,834			
Theoretical tax charge (credit)			2,039	
Timing differences taxable in 2006 or in later years	180	-180	9	-9
Timing differences deductible in later years	86	-86	5	-5
Reversal of timing differences arisen in previous years	10,183	-10,183	433	-202
Permanent differences that will not be reversed in later years	-38,565	0	-2,025	0
Total differences	-28,116	-10,449	-1,578	-216
Taxable income	10,718			
Total tax charge (credit) on income for the period			461	-216

E10	Earnings for the period	27,972

In 2006, Immsi S.p.A. made a profit of 27,972 thousand euros mainly as a result of dividends in kind paid by Piaggio Holding Netherlands B.V. in October, as described in more detail under "Equity investments".

F - Commitments, risks and guarantees

At 31 December 2006, Immsi S.pA. has no operating leases signed.
The Company has issued 92 million euros of collateral (the building located in via Abruzzi – Rome) to secure the 46 million euros loan provided by Efibanca.
Banca Popolare di Mantova has issued on behalf of Immsi S.p.A. bank guarantees in favour of third parties for about 80 thousand euros in relation to rental agreements, while Intesa San Paolo provided Angioina S.r.l. a guarantee of 200 thousand euros relating to the property in via Valtorta – Milan.
Furthermore, Immsi, as part of the supply contract for five catamarans to the Sultanate of Oman for which the Rodriquez group obtained a guarantee from a pool of banks for an amount of 84.4 million US dollars to secure payment of the consideration envisaged in the contract signed with the Sultanate of Oman for 90 million US dollars, counterguaranteed the "performance bond" and the "advanced payment bond" issued by the above banks for an amount of 60 million US dollars and issued a letter of patronage for any part exceeding such amount in relation to Rodriquez Cantieri Navali S.p.A.'s obligations to channel payments.
Immsi S.p.A. also signed a guarantee in favour of Intesa San Paolo for Rodriquez Cantieri Navali S.p.A., to secure the latter's payment obligation under the 25 million euros loan agreement signed at the end of 2005. The guarantee issued by the parent company is counterguaranteed by the irrevocable commitment to channel income arising from the sale by the subsidiary of the Pietra Ligure area in favour of Intesa San Paolo, up to the entire amount of the loan, including interest and expenses.

G – Net financial position

The net financial debt at 31 December 2006 of Immsi S.p.A. is shown below. Further details on its components may be found in the tables included in the report on operations and the related information attached to them.

(in thousands of euros)	*31.12.2006*	*31.12.2005*
Cash and cash equivalents	-4,444	-13,381
Other short-term financial assets	-1,100	-900
Medium- and long-term financial assets	-12,000	-21,000
Short-term financial payables	4,608	900
Medium- and long-term financial payables	45,814	45,766
Net financial debt	**32,878**	**11,385**

H - Related party dealings

As regards the main business dealings of Group companies with related parties, reference should be made to the Directors' Report.

I - Dividends paid

Dividends paid by Immsi S.p.A. in 2006 (relating to the distribution of 2006 profits, in accordance with the shareholder resolution on 12 May 2006 for 8,580 thousand euros) total 0.03 euros per ordinary share. The parent company has issued no shares other than ordinary shares.

L - Profit per share

The profit per share is determined in accordance with IAS 33 and is calculated by dividing the profit of Immsi S.p.A. by the number of shares in circulation during the year (nominal value of 0.52 euros). No treasury stock is held and no preferred shares were issued in 2006.
Diluted profit per share corresponds to the basic profit in that there are no potential shares having a diluting effect.
Profit per ordinary share for 2006 is as follows:

Profit for the year attributable to ordinary shares	27,971,682
Average number of shares in 2006	295,533,333
Profit per share	0.0946
Number of shares at 31.12.2006	343,200,000
Profit per share	0.0815

M – Emoluments paid to members of the supervisory and management boards, to general managers and to senior managers with strategic responsibilities

In relation to the disclosure requirements established in article 78 of the Issuers' Regulation no. 11971/99 regarding emoluments of any kind and for any reason paid to members of management and supervisory boards, to general managers and to senior managers with strategic responsibilities, even by subsidiaries, the above information is provided in the following manner:

Emoluments for the office = indicated are: (i) the emoluments for the period approved by the shareholders or in accordance with article 2389, paragraph 2 of the Italian Civil Code, even if not paid and (ii) any profit sharing, (iii) any attendance fees, (iv) lump sum expense refunds.

Non-monetary benefits = fringe benefits are indicated (using a criterion of taxable income) including any insurance policies.

Bonuses and other incentives = included are the portions of lump sum payments except for the amounts of stock options granted or exercised.

Other payments = indicated are: (i) emoluments for offices held in listed and unlisted subsidiaries, (ii) employee payments (gross of social security and tax charges payable by the employee, excluding mandatory collective social security charges payable by the company and the employee leaving indemnity provision), (iii) termination payments, (iv) any other payments arising from other services provided.

It is pointed out that all individuals are included who held during the period, even if only for part of the period, the office of member of the management or supervisory board, general manager or senior manager with strategic responsibilities.

BOARD OF DIRECTORS

PERSON	DESCRIPTION OF THE POSITION			RETRIBUTION			
Full name	**Office Held**	**Term in office**	**End of term in office**	**Emoluments for the office in the reporting company**	**Non-monetary benefits**	**Bonuses and other incentives**	**Other payments**
ROBERTO COLANINNO	CHAIRMAN OF THE BOARD OF DIRECTORS OF IMMSI SPA	01/01/06 - 12/05/06	Meeting to approve accounts for year ended 31/12/2005	172.274			626.667
	CHAIRMAN OF THE BOARD OF DIRECTORS OF IMMSI SPA	12/05/06 - 31/12/06 (1)	Meeting to approve accounts for year ending 31/12/2008	281.918 (2)			
CARLO D'URSO	DEPUTY CHAIRMAN OF IMMSI S.P.A.	01/01/06 - 12/05/06	Meeting to approve accounts for year ended 31/12/2005	10.767			0 (3)
	DEPUTY CHAIRMAN OF IMMSI S.P.A.	12/05/06 - 31/12/06	Meeting to approve accounts for year ending 31/12/2008	25.644			
ROCCO SABELLI	CHIEF EXECUTIVE OF IMMSI S.P.A.	01/01/06 - 12/05/06	Meeting to approve accounts for year ended 31/12/2005	136.384			1.830.000
	CHIEF EXECUTIVE OF IMMSI S.P.A.	12/05/06 - 13/11/06	13/11/2006	250.027			

PERSON	DESCRIPTION OF THE POSITION			RETRIBUTION			
Full name	**Office held**	**Term in office**	**End of term in office**	**Emoluments for the office in the reporting company**	**Non-monetary benefits**	**Bonuses and other incentives**	**Other payments**
LUCIANO PIETRO LA NOCE	DIRECTOR OF IMMSI SPA	01/01/06 - 12/05/06	Meeting to approve the accounts for the year ended 31/12/2005	10.767			78.667 [3]
	DIRECTOR OF IMMSI SPA	12/05/06 - 13/11/06	Meeting to approve the accounts for the year ended 31/12/2008	20.274			
	CHIEF EXECUTIVE OF IMMSI SPA	13/11/06 - 31/12/06	Meeting to approve the accounts for the year ended 31/12/2008	139.616			
MATTEO COLANINNO	DIRECTOR OF IMMSI SPA	01/01/06 - 12/05/06	Meeting to approve the accounts for the year ended 31/12/2005	10.767			46.667
	DIRECTOR OF IMMSI SPA	12/05/06 - 31/12/06	Meeting to approve the accounts for the year ended 31/12/2008	25.644			
GIORGIO MAGNONI	DIRECTOR OF IMMSI SPA	01/01/06 - 12/05/06	Meeting to approve the accounts for the year ended 31/12/2005	10.767			26.667
	DIRECTOR OF IMMSI SPA	12/05/06 - 28/08/06	28/08/2006	11.945			
MARCO REBOA	DIRECTOR OF IMMSI SPA	01/01/06 - 12/05/06	Meeting to approve the accounts for the year ended 31/12/2005	10.767			5.000
	DIRECTOR OF IMMSI SPA	12/05/06 - 31/12/06	Meeting to approve the accounts for the year ended 31/12/2008	25.644			
MAURO GAMBARO	DIRECTOR OF IMMSI S.P.A.	01/01/06 - 12/05/06	Meeting to approve the accounts for the year ended 31/12/2005	10.767			
	DIRECTOR OF IMMSI S.P.A.	12/05/06 - 31/12/06	Meeting to approve the accounts for the year ended 31/12/2008	25.644			
GIOVANNI TAMBURI	DIRECTOR OF IMMSI S.P.A.	01/01/06 - 12/05/06	Meeting to approve the accounts for the year ended 31/12/2005	10.767			
	DIRECTOR OF IMMSI S.P.A.	12/05/06 - 31/12/06	Meeting to approve the accounts for the year ended 31/12/2008	25.644			
GIORGIO CIRLA	DIRECTOR OF IMMSI S.P.A.	11/09/06 - 31/12/06	Meeting to approve the accounts for the year ended 31/12/2008	12.274			
MICHELE COLANINNO	DIRECTOR OF IMMSI S.P.A.	13/11/06 - 31/12/06	Meeting to approve the accounts for the year ended 31/12/2008	5.370 [4]	297		138.333 [4]

BOARD OF STATUTORY AUDITORS

PERSON	DESCRIPTION OF THE POSITION			RETRIBUTION			
Full name	**Office held**	**Term in office**	**End of term in office**	**Emoluments for the office in the reporting company**	**Non-monetary benefits**	**Bonuses and other incentives**	**Other payments**
ANGELO GIRELLI	CHAIRMAN, BOARD OF STATUTORY AUDITORS OF IMMSI SPA	01/01/06 - 12/05/06	Meeting to approve the accounts for the year ended 31/12/2005	11.300			62.225
ALESSANDRO LAI	STATUTORY AUDITOR OF IMMSI SPA	01/01/06 - 12/05/06	Meeting to approve the accounts for the year ended 31/12/2005	8.340			72.316
	CHAIRMAN, BOARD OF STATUTORY AUDITORS OF IMMSI SPA	12/05/06 - 31/12/06	Meeting to approve the accounts for the period ending 31/12/2008	34.247			
MARCO SPADACINI	STATUTORY AUDITOR OF IMMSI SPA	01/01/06 - 12/05/06	Meeting to approve the accounts for the year ended 31/12/2005	9.140			
	STATUTORY AUDITOR OF IMMSI SPA	12/05/06 - 31/12/06	Meeting to approve the accounts for the period ending 31/12/2008	21.184			
GIOVANNIMARIA SECCAMANI MAZZOLI	STATUTORY AUDITOR OF IMMSI SPA	12/05/06 - 31/12/06	Meeting to approve the accounts for the period ending 31/12/2008	23.648			
MAURO GIRELLI	SUBSTITUTE AUDITOR OF IMMSI SPA	01/01/06 - 12/05/06	Meeting to approve the accounts for the year ended 31/12/2005	0			8.606
MARIA LUISA CASTELLINI	SUBSTITUTE AUDITOR OF IMMSI SPA	01/01/06 - 12/05/06	Meeting to approve the accounts for the year ended 31/12/2005	0			
GIOVANNI SALA	SUBSTITUTE AUDITOR OF IMMSI SPA	12/05/06 - 31/12/06	Meeting to approve the accounts for the period ending 31/12/2008	0			
LEONARDO LOSI	SUBSTITUTE AUDITOR OF IMMSI SPA	12/05/06 - 31/12/06	Meeting to approve the accounts for the period ending 31/12/2008	0			

1: On 12.12.2006, the Board of Directors of Immsi SpA, in relation to the non-definitive sentence handed down on 7.12.2006 by the Court of Brescia in connection with the Bagaglino/Italcase case, which found Roberto Colaninno guilty of one of the crimes envisaged in article 4, paragraph 1 clause c) of Ministerial Decree no. 516/98, in accordance with the provisions of article 5 of said Decree, referred to by article 109 of Law 385/93, temporarily suspended Roberto Colaninno from his duties. On 18.01.2007, the shareholders' meeting of Immsi SpA, deeming that the outcome of the hearing regarding the insolvency of 'Gruppo Italcase' in no way affects the relationship of trust as concerns Roberto Colaninno, resolved to not remove the Director in question and reinstated him fully in his duties.

2: Emoluments for the office calculated up to 7.12.2006

3: Refer to the information on Related party transactions

4: Emoluments for the office of Director of the Company (€ 5,370) and of Group investees (€ 38,333) were repaid to Immsi SpA

N – Transition to IAS/IFRS

EC Regulation no. 1606/2002 of the European Parliament and the Council of 19 July 2002 requires European companies listed on any European Union regulated market to prepare their consolidated financial statements using international accounting standards (IAS/IFRS), issued by the International Accounting Standard Board (IASB) and approved by the EU. The requirement applies to any financial period as of 1 January 2005.
IFRS also means all reviewed international accounting standards (IAS), all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC).
The Council of Ministers with Law n°. 38 of 28 February 2005 extended the scope of application of the international accounting standards to the separate financial statements of listed companies, banks, other supervised financial institutions and to the consolidated financial statements of banks and supervised financial institutions and unlisted insurance companies, on an optional basis for 2005 and on a mandatory basis for the years starting in 2006.
Immsi S.p.A. opted to prepare its separate financial statements in accordance with the IAS/IFRS as of 1 January 2006.
The transition date to the international accounting standards for Immsi S.p.A. is 1 January 2005.

As required by IFRS 1 and article 82 bis of the Issuers' Regulation 11971/1999 adopted by Consob with resolution 14990 on 14 April 2005, summarised below are:

- a description of the accounting policies adopted by Immsi S.p.A. as of 1 January 2006;
- the balance sheet at 1 January and at 31 December 2005, the cash flow statement and the income statement at 31 December 2005, along with explanatory notes referring to the main reconciled items;
- reconciliations between the earnings for the period and the shareholders' equity in accordance with Italian accounting policies and the earnings for the period and the shareholders' equity as per IAS/IFRS for the previous periods for comparison, as required by IFRS 1 "First-time adoption of IFRS", as well as the related explanatory notes.

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

Immsi S.p.A., having adopted the IFRS for its financial statements after the consolidated financial statements of the Immsi Group (which presented an opening balance sheet at 1 January 2004), has measured assets and liabilities in accordance with the IFRS at the same values in both financial statements (separate and consolidated), except for the consolidation adjustments.

The main areas of the Immsi S.p.A. financial statements that were adjusted following the introduction of the new IAS/IFRS are listed below:

Presentation of the financial statements: the current Income statement, Balance sheet, Schedule of changes in Shareholders' equity and Cash flow statement reflect the adjustment needed to include the changes in the financial statements items required by IAS 1 "Presentation of financial statements". Of the options envisaged by this standard, Immsi chose as follows:

- **Balance sheet:** The balance sheet is presented in sections with assets, liabilities and shareholders' equity indicated separately. Assets and liabilities are shown in the financial statements on the basis of their classification as current and non-current.
- **Income statement:** The income statement is presented with costs classified by their nature. Overall operating earnings include all the income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included

under operating earnings and earnings before tax. In addition, the income and cost items arising from assets intended for disposal or sale, including any capital gains or losses net of the tax element, are recorded in a specific balance sheet item.

- **Cash flow statement:** The cash flow statement is presented divided into areas generating cash flows, as indicated by international accounting standards. The cash flow statement model adopted by Immsi has been prepared using the indirect method.
- **Schedule of changes in shareholders' equity:** The schedule of changes in shareholders' equity is shown as required by international accounting standards, with a separate indication of the result for the period and of every individual sale, income, charge and expense that has not been recorded in the income statement, but charged directly to shareholders' equity on the basis of specific IAS/IFRS accounting standards.

Intangible assets: in accordance with the accounting treatment of intangible assets in IAS 38, start-up and expansion costs and some multi-year charges previously capitalised have in some cases been reversed.

Tangible assets: Immsi S.p.A. has adopted the depreciated historical cost policy for measuring tangible assets and, in accordance with IAS 16 "Property, plant and equipment", has recalculated the value of buildings in relation to the need to determine the value of the land underlying the buildings and to consider any recovery value at the end of the useful life of the asset. Some buildings that were revalued in previous years have been recorded on the basis of the revalued amount at the revaluation date, considered as a deemed cost.

Financial assets: as regards financial assets available for sale, gains and losses arising from changes in fair value are charged directly in shareholders' equity until they are sold or impaired. Only at this time are the overall gains and losses previously recognised charged to the income statement for the period.

Financial liabilities: in accordance with IAS 39 "Financial instruments: recognition and measurement", the amortised cost method has been applied to financial liabilities, using the effective interest method.

Employee leaving indemnity: in accordance with IAS 19 "Employee benefits", the value of the employee leaving indemnity reserve has been adjusted by applying actuarial methods.

EXEMPTIONS:

- **Employee benefits:** Immsi S.p.A. has decided to recognise all cumulative actuarial gains and losses existing at the transition date;

- **Financial assets:** Immsi S.p.A. chose early adoption of IAS 32 and 39, as of 1 January 2004, instead of from the financial statements for the years starting 1 January 2005, as permitted by these standards.

RECONCILIATION FROM ITALIAN ACCOUNTING POLICIES TO THE IAS/IFRS OF THE CONSOLIDATED BALANCE SHEET, INCOME STATEMENT AND CASH FLOW STATEMENT

As required by IFRS 1, this note describes the policies adopted in preparing the balance sheet, income statement and cash flow statement in accordance with the IFRS, the main differences with the Italian accounting policies used previously, as well as the subsequent reconciliations between the values formerly shown in the reclassified financial statement schedules of the parent company, prepared in accordance with Italian accounting policies, and the corresponding values recalculated on the basis of the IFRS. The individual adjustment items are recorded gross of taxation and the related tax effects are shown cumulatively in separate adjustment items.
The effects of transition to the IAS/IFRS, prepared in accordance with IFRS 1 "First-time adoption of IFRS", have been reflected in the initial shareholders' equity at the date of transition, 1 January 2005.
The reconciliation tables for balance sheet, income statement, financial position and cash flow statement relating to the periods of comparison are shown below, restated for comparative purposes.

Immsi S.p.A. balance sheet reconciliation at 01.01.2005

Amounts in €/000	*Italian accounting principles*	*Reclass-ifications*	*Adjustments*	*IAS / IFRS*	
ASSETS					**ASSETS**
NON-CURRENT ASSETS					**NON-CURRENT ASSETS**
Intangible assets	1,125	-290	-779	56	***Intangible assets***
Tangible assets	43,357	0	13,087	56,444	***Tangible assets***
	0	0	0	0	***Property investments***
Equity investments (1)	232,058	-17,836	0	214,222	***Equity investments***
Medium- and long-term financial assets	9,000	17,836	19,730	46,566	***Other financial assets***
Amounts due from the tax authorities (1)	0	8	0	8	***Amounts due from the tax authorities***
Deferred tax assets (1)	0	-302	302	0	***Deferred tax assets***
Trade receivables and other receivables (1)	33	140	0	173	***Trade receivables and other receivables***
TOTAL NON-CURRENT ASSETS	**285,573**	**-444**	**32,340**	**317,469**	**TOTAL NON-CURRENT ASSETS**
	0	**0**	**0**	**0**	**ASSETS INTENDED FOR DISPOSAL**
CURRENT ASSETS					**CURRENT ASSETS**
Trade receivables and other receivables (2)	3,223	32	1	3,256	***Trade receivables and other receivables***
Amounts due from the tax authorities (2)	1,086	0	0	1,086	***Amounts due from the tax authorities***
Deferred tax assets (2)	2,652	-2,652	0	0	
Inventories (2)	0	0	0	0	***Inventories***
Contract work in progress (2)	0	0	0	0	***Contract work in progress***
Accruals and prepayments (2)	180	-180	0	0	
Treasury stock (2)	0	0	0	0	
Other financial assets (3)	0	0	0	0	***Other financial assets***
Cash and cash equivalents (3)	11,491	0	0	11,491	***Cash and cash equivalents***
TOTAL CURRENT ASSETS	**18,632**	**-2,800**	**1**	**15,833**	**TOTAL CURRENT ASSETS**
TOTAL ASSETS	**304,205**	**-3,244**	**32,341**	**333,302**	**TOTAL ASSETS**

(1) Previously included under "Other assets"
(2) Previously included under "Operating assets"
(3) Previously included under "Financial liquidity"

LIABILITIES					**LIABILITIES**
SHAREHOLDERS' EQUITY					**SHAREHOLDERS' EQUITY**
Group shareholders' equity	217,703	0	25,442	243,145	***Consolidated Group shareholders' equity***
Minority interest capital and reserves	0	0	0	0	***Minority interest capital and reserves***
TOTAL SHAREHOLDERS' EQUITY	**217,703**	**0**	**25,442**	**243,145**	**TOTAL SHAREHOLDERS' EQUITY**
NON-CURRENT LIABILITIES					**NON-CURRENT LIABILITIES**
Financial payables	63,650	-290	11	63,371	***Financial liabilities***
Trade payables and other payables (4)	0	0	0	0	***Trade payables and other payables***
Reserves for pension and similar obligations (4)	209	0	-63	146	***Reserves for pension and similar obligations***
Other long-term reserves (4)	0	0	0	0	***Other long-term reserves***
Deferred tax liabilities (4)	9,718	-2,954	6,950	13,714	***Deferred tax liabilities***
TOTAL NON-CURRENT LIABILITIES	**73,577**	**-3,244**	**6,898**	**77,231**	**TOTAL NON-CURRENT LIABILITIES**
	0	**0**	**0**	**0**	**LIABILITIES CONNECTED WITH ASSETS INTENDED FOR DISPOSAL**
CURRENT LIABILITIES					**CURRENT LIABILITIES**
Financial payables	2,000	0	0	2,000	***Financial liabilities***
Trade payables (5)	2,946	0	0	2,946	***Trade payables***
Current taxation (5)	6,658	0	1	6,659	***Current taxation***
Other payables (5)	243	1,078	0	1,321	***Other payables***
Accruals and prepayments (5)	1,078	-1,078	0	0	
	0	0	0	0	***Current portion of other long-term reserves***
TOTAL CURRENT LIABILITIES	**12,925**	**0**	**1**	**12,926**	**TOTAL CURRENT LIABILITIES**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**304,205**	**-3,244**	**32,341**	**333,302**	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**

(4) Previously included under "Other medium- and long-term liabilities"
(5) Previously included under "Operating liabilities"

Immsi S.p.A. balance sheet reconciliation at 31.12.2005

Amounts in €/000	*Italian accounting principles*	*Reclassi-fications*	*Adjustments*	*IAS / IFRS*	
ASSETS					**ASSETS**
NON-CURRENT ASSETS					**NON-CURRENT ASSETS**
Intangible assets	1,173	-216	-928	29	*Intangible assets*
Tangible assets	8,210	0	3,622	11,832	*Tangible assets*
	0	0	0	0	*Property investments*
Equity investments (1)	232,057	-17,836	1	214,222	*Equity investments*
Medium- and long-term financial assets	21,121	17,715	36,633	75,469	*Other financial assets*
Amounts due from the tax authorities (1)	0	4	0	4	*Amounts due from the tax authorities*
Deferred tax assets (1)	0	-346	346	0	*Deferred tax assets*
Trade receivables and other receivables (1)	15	117	0	132	*Trade receivables and other receivables*
TOTAL NON-CURRENT ASSETS	**262,576**	**-562**	**39,674**	**301,688**	**TOTAL NON-CURRENT ASSETS**
	0	**0**	**0**	**0**	**ASSETS INTENDED FOR DISPOSAL**
CURRENT ASSETS					**CURRENT ASSETS**
Trade receivables and other receivables (2)	3,844	57	0	3,901	*Trade receivables and other receivables*
Amounts due from the tax authorities (2)	51	0	0	51	*Amounts due from the tax authorities*
Deferred tax assets (2)	659	-659	0	0	
Inventories (2)	0	0	0	0	*Inventories*
Contract work in progress (2)	0	0	0	0	*Contract work in progress*
Accruals and prepayments (2)	57	-57	0	0	
Treasury stock (2)	0	0	0	0	
Other financial assets (3)	900	0	0	900	*Other financial assets*
Cash and cash equivalents (3)	13,381	0	0	13,381	*Cash and cash equivalents*
TOTAL CURRENT ASSETS	**18,892**	**-659**	**0**	**18,233**	**TOTAL CURRENT ASSETS**
TOTAL ASSETS	**281,468**	**-1,221**	**39,674**	**319,921**	**TOTAL ASSETS**

(1) Previously included under "Other assets"

(2) Previously included under "Operating assets"

(3) Previously included under "Financial liquidity"

LIABILITIES					**LIABILITIES**
SHAREHOLDERS' EQUITY					**SHAREHOLDERS' EQUITY**
Group shareholders' equity	219,519	0	35,333	254,852	*Consolidated Group shareholders' equity*
Minority interest capital and reserves	0	0	0	0	*Minority interest capital and reserves*
TOTAL SHAREHOLDERS' EQUITY	**219,519**	**0**	**35,333**	**254,852**	**TOTAL SHAREHOLDERS' EQUITY**
NON-CURRENT LIABILITIES					**NON-CURRENT LIABILITIES**
Financial payables	46,000	-216	-18	45,766	*Financial liabilities*
Trade payables and other payables (4)	0	0	0	0	*Trade payables and other payables*
Reserves for pension and similar obligations (4)	229	0	-20	209	*Reserves for pension and similar obligations*
Other long-term reserves (4)	121	-121	0	0	*Other long-term reserves*
Deferred tax liabilities (4)	11,498	-1,076	4,379	14,801	*Deferred tax liabilities*
TOTAL NON-CURRENT LIABILITIES	**57,848**	**-1,413**	**4,341**	**60,776**	**TOTAL NON-CURRENT LIABILITIES**
	0	**0**	**0**	**0**	**LIABILITIES CONNECTED WITH ASSETS INTENDED FOR DISPOSAL**
CURRENT LIABILITIES					**CURRENT LIABILITIES**
Financial payables	900	0	0	900	*Financial liabilities*
Trade payables (5)	1,459	0	0	1,459	*Trade payables*
Current taxation (5)	1,197	0	0	1,197	*Current taxation*
Other payables (5)	260	285	0	545	*Other payables*
Accruals and prepayments (5)	285	-285	0	0	
	0	192	0	192	*Current portion of other long-term reserves*
TOTAL CURRENT LIABILITIES	**4,101**	**192**	**0**	**4,293**	**TOTAL CURRENT LIABILITIES**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**281,468**	**-1,221**	**39,674**	**319,921**	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**

(4) Previously included under "Other medium- and long-term liabilities"

(5) Previously included under "Operating liabilities"

Financial position reconciliation

(in thousands of euros)	01/01/2005 *Italian accounting principles*	01/01/2005 *IAS/IFRS reclassifications & adjustments*	01/01/2005 *IAS/IFRS*	31/12/2005 *Italian accounting principles*	31/12/2005 *IAS/IFRS reclassifications & adjustments*	31/12/2005 *IAS/IFRS*
Short-term financial assets						
Cash and cash equivalents	-11,491	0	-11,491	-13,381	0	-13,381
Financial assets		0		-900	0	-900
Total short-term financial assets	**-11,491**	**0**	**-11,491**	**-14,281**	**0**	**-14,281**
Short-term financial payables						
Amounts due to banks		0			0	
Amounts due to other lenders	2,000	0	2,000	900	0	900
Total short-term financial payables	**2,000**	**0**	**2,000**	**900**	**0**	**900**
Total short-term financial debt	**-9,491**	**0**	**-9,491**	**-13,381**	**0**	**-13,381**
Medium and long-term financial assets						
Receivables for loans	-9,000	0	-9,000	-21,120	120	-21,000
Other financial assets		0			0	
Total medium and long-term financial assets	**-9,000**	**0**	**-9,000**	**-21,120**	**120**	**-21,000**
Medium and long-term financial payables						
Amounts due to banks	63,650	-279	63,371	46,000	-234	45,766
Amounts due to other lenders		0			0	
Total medium and long-term financial payables	**63,650**	**-279**	**63,371**	**46,000**	**-234**	**45,766**
Total medium and long-term financial debt	**54,650**	**-279**	**54,371**	**24,880**	**-114**	**24,766**
Net financial debt	**45,159**	**-279**	**44,880**	**11,499**	**-114**	**11,385**

Cash flow statement reconciliation

(in thousands of euros)	31/12/2005 Italian accounting principles	IAS/IFRS reclassifications & adjustments	IAS/IFRS
Cash generated internally	(4,378)	152	(4,226)
Change in net working capital	(5,194)	(951)	(6,145)
Net cash flow generated from operations	**(9,572)**	**(799)**	**(10,371)**
Dividends paid by parent company	(8,580)	0	(8,580)
Increase in share capital of parent company	807	0	807
Purchase of intangible assets	(627)	627	0
Purchase of tangible assets	(897)	2	(895)
Net decrease from property disposals	52,529	5	52,534
Acquisition of net equity investments	0	0	0
Net financial position of acquired companies	0	0	0
Other net movements	0	0	0
Change in net financial position	**33,660**	**(165)**	**33,495**
Opening net financial position	**(45,159)**	**279**	**(44,880)**
Net financial debt at year end	**(11,499)**	**114**	**(11,385)**

Shareholders' equity reconciliation

(in thousands of euros)		01/01/05	31/12/05
Shareholders' equity using Italian accounting principles		**217,703**	**219,519**
Reversal of capitalised costs	A	(778)	(923)
Property, plant and machinery	B	13,087	3,622
Equity investments and securities	C	19,719	36,651
Employee benefits	D	63	20
Other adjustments	E	0	(4)
Recognition of deferred tax liabilities	F	(6,649)	(4,033)
Shareholders' equity using IAS / IFRS		**243,145**	**254,852**

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

Intangible assets

Reclassifications

(in thousands of euros)	*01/01/2005*	*31/12/2005*
Reduction in "Financial liabilities" for change in balance sheet schedule	*(290)*	*(216)*
	(290)	***(216)***

Adjustments

(in thousands of euros)		*01/01/2005*	*31/12/2005*
Reversal of start-up and expansion costs	*A*	*(710)*	*(602)*
Adjustments to leasehold improvements	*A*	*(68)*	*(321)*
Other	*E*	*(1)*	*(5)*
		(779)	***(928)***

Tangible assets

Adjustments

(in thousands of euros)		*01/01/2005*	*31/12/2005*
Reversal of depreciation of land and "scrap value" of property	*B*	*13,087*	*3,622*
		13,087	***3,622***

Equity investments

Reclassifications

(in thousands of euros)		*01/01/2005*	*31/12/2005*
To non-current "Other financial assets" for change in balance sheet schedule		*(17,836)*	*(17,836)*
		(17,836)	***(17,836)***

Adjustments

(in thousands of euros)		*01/01/2005*	*31/12/2005*
Other	*E*	*0*	*1*
		0	***1***

Other financial assets

Reclassifications

(in thousands of euros)		*01/01/2005*	*31/12/2005*
From "Equity investments" for change in balance sheet schedule		*17,836*	*17,836*
To non-current "Trade receivables and other receivables" for change in balance sheet schedule		*0*	*(121)*
		17,836	***17,715***

Adjustments

(in thousands of euros)		*01/01/2005*	*31/12/2005*
Measurement at fair value of securities and equity investments	*C*	*19,730*	*36,633*
		19,730	***36,633***

Amounts due from the tax authorities

Reclassifications

(in thousands of euros)		*01/01/2005*	*31/12/2005*
From "Trade receivables and other receivables" for change in balance sheet schedule		*8*	*4*
		8	***4***

Deferred tax assets

Reclassifications

(in thousands of euros)		*01/01/2005*	*31/12/2005*
From "Deferred tax assets" of “Current assets" for change in balance sheet schedule		*2,652*	*659*
To non-current "Deferred tax liabilities" as a set-off		*(2,954)*	*(1,005)*
		(302)	***(346)***

Adjustments

(in thousands of euros)		*01/01/2005*	*31/12/2005*
Recognition of deferred tax assets on IAS/IFRS adjustments	*F*	*302*	*346*
		302	***346***

Trade receivables and other receivables

Reclassifications

(in thousands of euros)	*01/01/2005*	*31/12/2005*
From "Accrued income and prepaid expenses" for change in balance sheet schedule	*148*	*0*
To "Amounts due from the tax authorities" for change in balance sheet schedule	*(8)*	*(4)*
From non-current "Other financial assets" for change in balance sheet schedule	*0*	*121*
	140	***117***

CURRENT ASSETS

Trade receivables and other receivables

Reclassifications

(in thousands of euros)	*01/01/2005*	*31/12/2005*
From "Accrued income and prepaid expenses" for change in balance sheet schedule	*32*	*57*
	32	***57***

Adjustments

(in thousands of euros)		*01/01/2005*	*31/12/2005*
Other	*E*	*1*	*0*
		1	***0***

Deferred tax assets

Reclassifications

(in thousands of euros)	*01/01/2005*	*31/12/2005*
To "Deferred tax assets" of "Non-current assets" for change in balance sheet schedule	*(2,652)*	*(659)*
	(2,652)	***(659)***

Accruals and prepayments

Reclassifications

(in thousands of euros)	*01/01/2005*	*31/12/2005*
To current "Trade receivables and other receivables" for change in balance sheet schedule	*(32)*	*(57)*
To non-current "Trade receivables and other receivables" for change in balance sheet schedule	*(148)*	*0*
	(180)	***(57)***

NON-CURRENT LIABILITIES

Financial liabilities

Reclassifications

(in thousands of euros)		*01/01/2005*	*31/12/2005*
From "Intangible assets" for change in balance sheet schedule		*(290)*	*(216)*
		(290)	***(216)***

Adjustments

(in thousands of euros)		*01/01/2005*	*31/12/2005*
Measurement of loans at amortised cost	*C*	*11*	*(18)*
		11	***(18)***

Reserves for pension and similar obligations

Adjustments

(in thousands of euros)		*01/01/2005*	*31/12/2005*
Employee benefits	*D*	*(63)*	*(20)*
		(63)	***(20)***

Other long-term reserves

Reclassifications

(in thousands of euros)		*01/01/2005*	*31/12/2005*
To "Current portion of other long-term reserves" for change in balance sheet schedule		*0*	*(121)*
		0	***(121)***

Deferred tax liabilities

Reclassifications

(in thousands of euros)		*01/01/2005*	*31/12/2005*
From non-current "Deferred tax assets" as a set-off		*(2,954)*	*(1,005)*
To "Current portion of other long-term reserves" for change in balance sheet schedule		*0*	*(72)*
Other		*0*	*1*
		(2,954)	***(1,076)***

Adjustments

(in thousands of euros)		*01/01/2005*	*31/12/2005*
Recognition of deferred tax liabilities on IAS/IFRS adjustments	*F*	*6,950*	*4,379*
		6,950	***4,379***

CURRENT LIABILITIES

Current taxation

Adjustments

(in thousands of euros)		*01/01/2005*	*31/12/2005*
For change in taxable earnings	*F*	*1*	*0*
		1	***0***

Other payables

Reclassifications

(in thousands of euros)	*01/01/2005*	*31/12/2005*
From "Accrued expenses and deferred income" for change in balance sheet schedule	*1,078*	*285*
	1,078	***285***

Accrued expenses and deferred income

Reclassifications

(in thousands of euros)	*01/01/2005*	*31/12/2005*
To current "Other payables" for change in balance sheet schedule	*(1,078)*	*(285)*
	(1,078)	***(285)***

Current portion of other long-term reserves

Reclassifications

(in thousands of euros)	*01/01/2005*	*31/12/2005*
From "Other long-term reserves" for change in balance sheet schedule	*0*	*121*
From non-current "Deferred tax liabilities" for change in balance sheet schedule	*0*	*72*
Other	*0*	*(1)*
	0	***192***

2005 income statement reconciliation

Amounts in €/000	Italian accounting principles	Reclassi-fications	Adjustments	IAS / IFRS	
Net revenues (4)	7,731	-1,435	0	6,296	***Net revenues***
Costs for materials (1)	176	-103	0	73	***Costs for materials***
Costs for services and use of third party assets (1)	7,671	-2,191	378	5,858	***Costs for services and use of third party assets***
Labour	1,707	0	0	1,707	***Personnel costs***
Depreciation of tangible assets	527	0	51	578	***Depreciation of tangible assets***
Amortisation of intangible assets (consolidation difference)	0	0	0	0	***Amortisation of goodwill***
Amortisation of intangible assets (other)	579	-322	-229	28	***Amortisation of intangible assets with a finite life***
Grants	0	0	0	0	
Adjustment provisions and allocations to reserve for risks and charges	1,317	-1,317	0	0	
Other income (2)-(4)	1,910	-1,127	0	783	***Other operating income***
Other costs (2)	587	1,787	-1	2,373	***Other operating costs***
Gains and extraordinary income	18,418	-18,418	0	0	
Losses and other charges	571	-571	0	0	
Operating earnings (EBIT)	**14,924**	**-18,263**	**-199**	**-3,538**	***Operating earnings***
Net income from equity investments	891	-891	0	0	***Gain/loss on equity investments***
Financial income (3)	1,204	891	0	2,095	***Financial income***
Financial charges (3)	2,273	322	14	2,609	***Financial charges***
Value adjustments to financial assets	0	0	0	0	
Earnings before taxation	**14,746**	**-18,585**	**-213**	**-4,052**	***Earnings before taxation***
Taxation	5,157	-6,712	-79	-1,634	***Taxation***
Earnings after taxation	**9,589**	**-11,873**	**-134**	**-2,418**	***Earnings after taxation from continuing assets***
	0	11,873	-6,631	5.242	***Gain from assets intended for disposal or sale***
Earnings for the period including minority interest	**9,589**	**0**	**-6,765**	**2,824**	***Earnings for the period including minority interest***
Minority interest	0	0	0	0	***Minority interest***
Group earnings for the period	**9,589**	**0**	**-6,765**	**2,824**	***Group earnings for the period***

(1) Previously included under “Materials and services"

(2) Previously included under "Other net income (costs)"

(3) Previously included under "Net financial income and charges"

(4) Income from service contracts with subsidiaries, previously included under “Other net income”, has been reclassified for comparison purposes under 'Net revenues'

2006 net earnings reconciliation

(in thousands of euros)		***31/12/05***
Net earnings using Italian accounting principles		***9,589***
Reversal of capitalised costs	*A*	(148)
Property, plant and machinery	*B*	(6,682)
Equity investments and securities	*C*	29
Employee benefits	*D*	(43)
Other adjustments	*E*	0
Recognition of deferred tax liabilities	*F*	79
Net earnings using IAS / IFRS		***2,824***

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

Net revenues

Reclassifications

(in thousands of euros)	*31/12/2005*
To "Gain on assets intended for disposal" for change in income statement schedule	(915)
To "Costs for services and use of third party assets" to offset recharged costs	(422)
To "Costs for materials" to offset recharged costs	(98)
	(1,435)

Costs for materials

Reclassifications

(in thousands of euros)	*31/12/2005*
From "Net revenues" to offset recharged costs	(98)
To "Gain on assets intended for disposal" for change in income statement schedule	(5)
	(103)

Costs for services and use of third party assets

Reclassifications

(in thousands of euros)	*31/12/2005*
From "Net revenues" to offset recharged costs	(422)
To "Gain on assets intended for disposal" for change in income statement schedule	(61)
From "Other operating income" to offset recharged costs	(1,708)
	(2,191)

Adjustments

(in thousands of euros)		*31/12/2005*
For recognition of leasehold improvements	A	278
For recognition of costs previously recorded under start-up and expansion costs	A	99
Other	E	1
		378

Depreciation of tangible assets

Adjustments

(in thousands of euros)		*31/12/2005*
Depreciation of assets intended for sale	B	51
		51

Amortisation of intangible assets with a finite life

Reclassifications

(in thousands of euros)		*31/12/2005*
To "Financial charges" for change in income statement schedule		*(322)*
		(322)

Adjustments

(in thousands of euros)		*31/12/2005*
Reversal of amortisation of start-up and expansion costs	*A*	*(201)*
Reversal of amortisation of leasehold improvements	*A*	*(25)*
Reversal of amortisation of website	*A*	*(3)*
		(229)

Adjustment provisions and allocations to reserve for risks and charges

Reclassifications

(in thousands of euros)		*31/12/2005*
To "Other operating costs" for change in income statement schedule		*(1,317)*
		(1,317)

Other operating income

Reclassifications

(in thousands of euros)		*31/12/2005*
From "Gains and extraordinary income" for change in income statement schedule		*581*
To "Costs for services and use of third party assets" to offset recharged costs		*(1,708)*
		(1,127)

Other operating costs

Reclassifications

(in thousands of euros)		*31/12/2005*
From "Losses and other charges" for change in income statement schedule		*571*
From "Adjustment provisions and allocations" for change in income statement schedule		*1,317*
To "Gain on assets intended for disposal" for change in income statement schedule		*(101)*
		1,787

Adjustments

(in thousands of euros)		*31/12/2005*
Other	*E*	*(1)*
		(1)

Gains and extraordinary income

Reclassifications

(in thousands of euros)	*31/12/2005*
To "Gain on assets intended for disposal" for change in income statement schedule	*(17,837)*
To "Other operating income" for change in income statement schedule	*(581)*
	(18,418)

Losses and other charges

Reclassifications

(in thousands of euros)	*31/12/2005*
To "Other operating costs" for change in income statement schedule	*(571)*
Other	*0*
	(571)

Gain/loss on equity investments

Reclassifications

(in thousands of euros)	*31/12/2005*
To "Financial income" for change in income statement schedule	*(891)*
	(891)

Financial income

Reclassifications

(in thousands of euros)	*31/12/2005*
From "Gain/loss on equity investments" for change in income statement schedule	*891*
	891

Financial charges

Reclassifications

(in thousands of euros)		31/12/2005
From "Amortisation of intangible assets" for change in income statement schedule		322
		322

Adjustments

(in thousands of euros)		31/12/2005
Measurement of loans at amortised cost	C	(29)
Employee benefits on actuarial measurement of employee leaving indemnity reserve	D	43
		14

Taxation

Reclassifications

(in thousands of euros)		31/12/2005
To "Gain on assets intended for disposal" for change in income statement schedule		(6,712)
		(6,712)

Adjustments

(in thousands of euros)		31/12/2005
For change in taxable earnings	F	(79)
		(79)

Gain (loss) on assets intended for disposal or sale

Reclassifications

(in thousands of euros)		31/12/2005
From "Net revenues" for change in income statement schedule		915
From "Gains and extraordinary income" for change in income statement schedule		17,837
From "Costs for materials" for change in income statement schedule		(5)
From "Costs for services and use of third party assets" for change in income statement schedule		(61)
From "Other operating costs" for change in income statement schedule		(101)
From "Taxation" for change in income statement schedule		(6,712)
		11,873

Adjustments

(in thousands of euros)		31/12/2005
Adjustment to gain on disposal of property	B	(6,631)
		(6,631)

DESCRIPTION OF THE MAIN ITEMS OF RECONCILIATION BETWEEN ITALIAN ACCOUNTING POLICIES AND IFRS

The paragraph below describes the main differences between Italian accounting policies and the IFRS that have affected the financial statements of Immsi S.p.A.. The amounts indicated are stated gross of the related tax effect, which is summarised separately under "Accounting of deferred taxation".

A - Reversal of capitalised costs

In accordance with Italian accounting policies, Immsi S.p.A. capitalised some costs (mainly start-up and expansion costs, leasehold improvements and loan charges) for which the IFRS prescribes a different accounting treatment.
In particular, costs incurred in relation to equity transactions that, in accordance with Italian accounting policies, are capitalised and amortised, in accordance with the IFRS are charged directly as a reduction in equity reserves at the date of the relevant transactions, while other plant and expansion costs, not having the features for recognition as intangible assets, are charged to the income statement.
The overall effect of such reversals is 778 thousand euros at 1 January 2005 and 923 thousand euros at 31 December 2005.

B - Property, plant and equipment

The main difference between the old and new standards relates to land and buildings. The Italian policies previously adopted permitted these items to be booked indistinctly and land was depreciated. According to the IFRS, land is always separated from buildings and is therefore not depreciated.
Furthermore, the amount to depreciate is the book value, gross of depreciation and impairment, less the presumed residual value at the end of the useful life of the asset.
The revised useful life of the assets in accordance with IAS 16 has not impacted significantly in view of the fact that the previous accounting policies already envisaged depreciation rates essentially in line with the useful life of the assets.

Assets intended for sale and related liabilities

In accordance with IFRS 5, Immsi S.p.A. reclassified assets, originally recognised in tangible assets, for which the book value is deemed recoverable mainly by its sale as opposed to its continued use as "assets intended for sale" and, where applicable, in the related liabilities item.
Depreciation of assets intended for sale is interrupted from the moment in which there are the conditions for the above change in classification.

Following the above adjustments, the balance sheet increased at 1 January 2005 by 13,087 thousand euros and at 31 December 2005 by 3,622 thousand euros, while the income statement decreased by 6,682 thousand euros at the year end.

C - Equity investments and securities

In accordance with IAS 39, Immsi S.p.A. classifies equity investments in listed companies other than subsidiaries and associated companies as assets available for sale or as assets held for trading and are measured at fair value with the related adjustments in value stated in a specific equity reserve until the time of realisation, if an asset available for sale, and directly in the income statement if an asset held for trading. In particular, measurement at fair value of the Capitalia S.p.A. securities held by Immsi S.p.A. determines increases in financial assets of 19,730 thousand euros and 36,633 thousand euros at 1 January and 31 December 2005, respectively.

As regards financial liabilities, especially bank loans received by Immsi S.p.A., in accordance with IAS 39 “Financial instruments: recognition and measurement”, the amortised cost method has been applied using the effective interest method, recording an 11 thousand euros increase in financial liabilities at 1 January 2005 and an 18 thousand euros decrease at 31 December 2005.

D - Employee benefits

Upon adopting the IFRS, the employee leaving indemnity is considered a defined benefit obligation to be recognised in accordance with IAS 19 and must consequently be recalculated using the projected unit credit method.

Immsi S.p.A. has decided to recognise cumulative actuarial gains and losses existing at 1 January 2004, charging them directly to an equity reserve. The Company has also decided to not use the so-called “corridor method”, which would allow the non-recognition of the cost component calculated using the described method represented by the actuarial gains or losses provided this does not exceed 10%. It follows that the costs relating to pension plans and other benefits to be paid upon termination of employment include no depreciation of actuarial gains and losses previously not recognised in the financial statements.

Finally, it is pointed out that Immsi states the financial component of defined benefit employee plans that do not have assets to service the plans themselves under “financial income/charges”.

The reserve for pension and similar obligations decreases by 63 thousand euros at 1 January 2005 and by 20 thousand euros at 31 December 2005.

E - Other adjustments

This residual grouping includes non-significant adjustments and rounding generated by the transition from Italian accounting policies to international accounting standards.

F - Accounting of deferred taxation

This item includes the net tax effect calculated on the IFRS adjustments previously stated and on other minor differences between Italian accounting policies and the IFRS relating to recognition of deferred taxation. In the income statement, taxation at 31 December 2005 decreases by 79 thousand euros. In the balance sheet, the overall adjustments total 6,649 thousand euros and 4,033 thousand euros, at 1 January and at 31 December 2005, respectively.