

IMMSI Società per Azioni

Share Capital 114,400,000 euro fully paid up*

Registered Office: P.zza Vilfredo Pareto, 3 – 46038 Mantua

Companies Register of Mantua – Tax Code and VAT Number 07918540019

Report and financial statements at 31 December 2004

* The Share Capital of Immsi S.p.A. has changed to 148,720,000 euro fully paid up, with a variation entered in the Companies Register of Mantua on 1 February 2005, after the increase in share capital resolved by the Board of Directors on 27 October 2004.

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COMPANY OFFICERS

BOARD OF DIRECTORS

Roberto Colaninno (1) - (2)	Chairman
Carlo D'Urso	Vice- Chairman
Rocco Sabelli (2)	Managing Director
Matteo Colaninno	Director
Mauro Gambaro	Director
Giorgio Magnoni	Director
Luciano La Noce	Director
Marco Reboa (3)	Director
Giovanni Tamburi	Director

BOARD OF AUDITORS

Angelo Girelli	Chairman
Alessandro Lai (3)	Statutory Auditor
Marco Spadacini	Statutory Auditor
Mauro Girelli	Substitute Auditor
Maria Luisa Castellini	Substitute Auditor

EXTERNAL AUDITORS

Deloitte & Touche S.p.A.

- (1) *Legal and statutory powers and legal representative.*
- (2) *Legal representative who may sign severally and has extensive powers to manage corporate activities; to that end, he is authorised to carry out all acts and transactions of ordinary management, as well as to implement the resolutions of the meetings of the Shareholders and the Board of Directors.*
- (3) *Members of the Supervisory Body (D.Lgs. 231/2001) appointed by resolution of the Board of Directors on 29 July 2004.*

Report of the directors on operations for the year 2004

Dear Shareholders,

in observance of the provisions of Article 2428 of the Italian Civil Code, please find below a presentation of the Company's situation and operations for the year 2004.

Structure and development of the Company

On 27 October 2004, the Board of Directors, executing the power conferred on 17 March 2003 pursuant to art. 2443 of the Civil Code, resolved to increase the share capital of the company by payment of 34.320 million euro, by issuing 66 million new shares at a price of 1.20 euro each, of which 0.52 euro face value and 0.68 euro share premium.

The shareholders of the Company were offered the option of purchasing 3 of the new shares, fully released at the same time as their subscription, for every 10 shares they possessed.

At the end of the period for exercising the option rights, on 20 December 2004, about 99% of the total increase in share capital had been paid in. The full subscription of the increase in share capital, by offering those shares not optioned on the Mercato Telematico Azionario organised and run by Borsa Italiana S.p.A., occurred in the following month, January 2005.

The reference shareholder, Omniapartecepezioni S.p.A., a company controlled by Roberto Colaninno through Omniainvest S.p.A. and Omniaholding S.p.A., exercised all its options, on a total of 33.505,674 shares. Omniainvest S.p.A. similarly exercised all its options, on a total of 2.664,900 shares. The shareholdings of Omniapartecipazioni S.p.A and Omniainvest S.p.A. in Immsi S.p.A. ("Immsi) were thus unchanged when the increase in share capital was complete, and were 50.77% (145,191,262 shares) and 4.04% (11,547,900 shares) of the capital respectively.

On 18 November 2004 Immsi sold 285,491 of its own shares, worth 436,069 euro, on the open market, by virtue of the power authorising the company to buy and sell its own shares granted by the shareholders' meeting held on 17 March 2003. At 31 December 2004 the Company did not hold any of its own shares, either directly or indirectly.

So far as the management of the company is concerned, The Immsi Group continued the activities started during the previous financial year during 2004. In particular, in the property sector, this was achieved by developing the disposals plan, and in the industrial sector (Piaggio group), by the restoration of economic and financial balance, achieved after the relaunching of the company, and a general recovery of efficiency. So far as the Company's overall development strategy is concerned, further investment opportunities were sought, including in diversified sectors, characterised by high growth and profitability rates, by assuming management and strategic direction activities.

In this context, at the end of May Immsi completed the purchase of 66.49% of Rodriquez Cantieri Navali S.p.A., by purchasing a controlling share (59.73%) in vehicle RCN Finanziaria S.p.A.. Rodriquez Cantieri Navali S.p.A. and its group companies, operates in the shipbuilding sector, producing hydrofoils, ferries, pleasure boats and defence craft with production worth a total of over 138 million euro in 2004.

Banca Intesa and General Electric are minority shareholders in this group.

After this purchase, on 10 December 2004, Immsi underwrote and paid in an increase in the capital of RCN Finanziaria S.p.A. totalling 15 million euro, in order to equip the Rodriquez group

with the financial resources needed to tackle the commitments envisaged in its development plan. Banca Intesa also participated in this increase in capital for a further 5 million euro. After the above transfer the Immsi shareholding in RCS Finanziaria S.p.A. was 65.82% at 31 December 2004.

In a further application of the company's strategies to develop and diversify its investment portfolio, it must be recalled that on 29 October 2004 Immsi, through its subsidiary Is Molas S.r.l., successfully bid in a bankruptcy auction for a business complex in the Comunes of Pula and Villa San Pietro (CA) on a site of some 3,900,000 square metres, and including a hotel complex, sports complex and ancillary systems, and the potential to create residential and tourist accommodation complexes. Immsi's financial commitment for this investment, in addition to the 6 thousand euro initial cost to purchase Is Molas S.r.l., totalled 9 million euro to underwrite the increase in capital, and a further 9 million euro for a long term loan to Is Molas S.p.A. There were three other shareholders participating in this initiative with different and separate minority holdings totalling 12 million euro, half for the capital and half for the loan.

With reference to the industrial sector (Piaggio group) the joint venture agreement signed with Chinese partner Piaggio Foshan Motorcycle Co. Ltd (PFM) in April 2004 should be noted: as a result of this, PFM is 45% owned by the Piaggio group, 45% by the Zongshen group, one of the major manufacturers of two-wheeled vehicles and engines in China, and the remaining 10% by Foshan Motorcycle Plant.

Operational responsibility for PFM was assigned to the Zongshen group, while the Piaggio group will maintain leadership in technology, research and development, and quality control, with key roles in product engineering and PGM management control. The Piaggio group will receive royalties for providing PFM with an engine and vehicle technology package, while Zongshen will make available its experience and know-how in components procurement and in engine and vehicle production and marketing in the Chinese market. The products made by PFM will be marketed in China by PFM itself, through Zongshen's networks of dealerships, while the Piaggio group will have the right to distribute these products under its own tradenames in the international market.

Again in the industrial sector, it should be noted that on 30 December 2004 Piaggio & C S.p.A. ("Piaggio") purchased 100% of the capital of Aprilia S.p.A. ("Aprilia"), a company that, like the companies that are part of the group of that name, manufactures and markets motorcycles, motor vehicles and vehicle components, as well as accessories and sports goods, with the brands "Aprilia", "Moto Guzzi" and "Moto Laverda".

The unification of the two groups has created the fourth-largest producer of two-wheeled motorised vehicles in the world, with a total consolidated turnover of 1.5 billion euro, a production capacity of over 600,000 vehicles per year, and a commercial presence in over 50 countries throughout the world. The new group is able to offer a complete and differentiated range of products able to cover all segments of the market, from 50 cc scooters to 1000 cc motorbikes, with production activities in 8 factories, 6 research and development centres and 6000 employees worldwide. With this operation the activities of the new Piaggio group assume a global dimension, both geographically and in terms of production, able to face the competitive challenge that, at world level, mainly involves competitors from outside the EU.

The terms of the acquisition were, briefly: 1) the subscription by Piaggio of the entire 50 million euro increase in the capital of Aprilia resolved by the meeting of the Shareholders of the company, subject to complete replanning of the losses, which totalled about 108 million euro at 31 October 2004, and zeroing of the share capital; 2) the acquisition by Piaggio of Aprilia's debts to banks, totalling some 98 million euro, for a price of about 34 million euro and the issue of Piaggio financial instruments payable to the banks for a maximum value of about 64 million euro; 3) the Piaggio-guaranteed restructuring of the self-extinguishing bank credit lines of the Aprilia Group for 78 million euro, of which 70 million euro for seven years at market rates, and the remainder with a short term credit line; 4) the assignment of Piaggio financial instruments to the ex-shareholders of

Aprilia, with a possible payment (earn out) for a total maximum sum of 20 million euro and a guaranteed minimum of 4 million euro. The current 100 million euro Aprilia debenture loan will be fully repaid when due in May 2005, with the income from five-year bonds issued and guaranteed by Piaggio. Immsi has undertaken to guarantee placement of the bonds.

The operation has meant a total investment of 65 million euro for parent company Immsi, split between the 45 million investment in Piaggio Holding Netherlands B.V. for 45 million euro against the purchase of 28,334 class C shares previously held by shareholder Scooter Holding 3 B.V., and a further 20 million euro investment in Piaggio & C S.p.A. against the increase resolved increase in capital totalling 50 million euro.

After this investment Immsi's overall shareholding in the Piaggio group had risen from the previous 31.25% to 40.08%. Specifically, Immsi holds 40.10% of Piaggio Holding Netherlands B.V., which in turn holds an 86.92% share in Piaggio capital, and directly owns 5.23% of Piaggio.

With reference to the activities of subsidiary Apuliae S.p.A., it should be noted that, as a consequence of the appeal made by the company that was the runner-up in the competition to restructure the property for tourism purposes near S. Maria di Leuca (LE), the works underway were suspended awaiting the outcome of this appeal. The verdict of both the new commission, and of the State Council in favour of Apuliae S.p.A. allowed restructuring activities to resume in the second half of the financial year that has just ended.

So far as the financing initiatives are concerned, it should be recalled that, in addition to the increase in capital resolved by Immsi mentioned above, during May 2004 the parent company used the remaining 30 million euro of the mortgage loan agreement signed in the preceding financial year, for a total of 150 million euro, with three major Italian financial institutions (Banca Agricola Mantovana, Efibanca and Interbanca). This operation, which made available the financial resources for the Rodriguez investment, meant that the above line of credit was used in its entirety, and at the end of the financial year had already been amortised, against the 86.3 million disposal of assets envisaged and executed in the Plan, with a residual debt of 63.7 million euro on the balance sheet at 31 December 2004.

Group Activities

The principal data on the finances and assets of the Immsi group are presented below, broken down by business sector. In particular, the property sector includes the accounting entries of parent company Immsi S.p.A., and of Apuliae S.p.A. and Is Molas S.p.A.. This latter company, acquired in September 2004, incorporates only the financial data pertaining to the period subsequent to that date.

The industrial sector coincides with the Piaggio group, into which Aprilia S.p.A. and its subsidiaries were incorporated after their acquisition on 30 December 2004. Given the timing of this operation it should be noted that while the asset balances of the Piaggio Group reflect the new perimeter of consolidation, and thus include the Aprilia group, the corresponding income components are not consolidated into the financial results. These components will be incorporated from the 2005 financial year onwards for the whole period and for the quota pertaining to Piaggio (100%).

Finally, with reference to the shipbuilding sector, which includes the data on the Rodriguez group, it is pointed out that the related financial results refer to the seven months subsequent to its acquisition at the end of May 2004.

Immsi Group – The principal data on the group's finances and assets at 31. December 2004 by business sector

Amounts in '000 euro	Property		Industrial		Shipbuilding		Other co.'s & adjustments	Immsi	
	sector	in %	sector	in %	sector	in %		Group	in %
Net revenue	12,778	100.0%	1,084,239	100.0%	87,763	100.0%	(33)	1,184,747	
EBITDA (before non-recurring charges and income)	2,675	20.9%	130,305	12%	6,696	7.6%	(607)	139,069	11.7%
EBITDA	23,368	182.9%	128,008	11.8%	7,876	9.0%	(607)	158,645	13.4%
EBIT	19,958	156.2%	40,999	3.8%	3,862	4.4%	1.869	66,688	5.6%
Pre-tax earnings	16,608	130.0%	20,811	1.9%	1,310	1.5%	2.203	40,932	3.5%
Net earnings for the year	11,381	89.1%	3,747	0.3%	1,103	1.3%	(2.947)	13,284	1.1%
Total shareholders' equity	223,538		232,073		(2,131)		(79.938)	373,542	
Net financial indebtedness	(55,287)		(456,830)		(74,180)		20.611	(565,686)	
Number of employees	76		6.119		404			6.599	

N.B.: The property sector includes the accounting results for Immsi S.p.A., Apuliae S.p.A. and Is Molas S.p.A., the industrial sector reflects the results of the Piaggio group (including only the asset results of the Aprilia group), and the shipbuilding sector includes the figures for the Rodriguez group. The "Other companies and adjustments" column shows the results for Piaggio Holding Netherlands B.V. RCN Finanziaria S.p.A. and the consolidation adjustments.

The property sector

With reference to the property activities, and in particular to the disposals plan started during the preceding financial year by group parent Immsi S.p.A., the following property sales were completed during the financial year that has just ended: Cassina de' Pecchi (MI) – via Galilei (MI), Ancona – via Girombelli, Mareno di Piave (TV) – via Cittadella, Milan – via Valtorta, Cassina de' Pecchi (MI) – via Vinci, Piacenza – via Piemonte, Guidonia (Rome) – via Montenero, Cusano Milanino (MI) – via Manzoni, L'Aquila – via Falcone, Sestu (CA) and Pintoreddu, Golfo Aranci (SS) – via Marconi, Bari – via Zippitelli.

The above sales generated total revenues of 82 million euro, and a net surplus of 5.6 million euro. Given these sales the Company repaid a total 79 million euro of the related loan. At the end of the financial year no further preliminary agreements existed for the sale of other properties in the company's portfolio.

At the end of June the short list of 3 finalists chosen from among the participants in the invitation to tender for the reconversion of the ex-Fiera di Milano site was announced. Since the AIG Lincoln-Immsi alliance was not shortlisted, the costs incurred by the Company to support its candidacy in this competition, suspended until then awaiting the outcome, were entered at cost in the income statement for a total of approximately 340 million euro. It should be recalled that the group parent company contributed 25% of the total costs incurred.

So far as the activities of subsidiary Apuliae S.p.A. are concerned, it is pointed out that the suspension of the restructuring work on the tourism property near S. Maria di Leuca (Lecce) after the appeal filed by the runner-up in the competition to assign the works was lifted after the judgment by the new commission and the State Council in favour of Apuliae. This judgment allowed the restructuring works to be resumed in the second half of the year.

From November 2004, after a successful bid at the auction in the Bergamo Bankruptcy Court, the income and assets of Is Molas S.p.A. became part of the property sector of the Immsi Group. As mentioned, this company operates in the tourism-hospitality sector, by managing hotel and sports structures and through a building development plan. The activities are located in the communes of Pula and Villa San Pietro (Cagliari).

In this respect, some information regarding the assets, their size & value, and the revenue by business sector and geographical area of Group parent Immsi S.p.A. is given below.

PROPERTY OWNED AT 31.12.2004

	TYPE	G.S.A. Mq
<i>NORTH</i>		
Milan - Via Pirelli, 20	OFFICES	8,122
Cassina de' Pecchi - via Fermi	OFFICES	13,584
<i>CENTRE</i>		
Rome - Via Abruzzi, 25	OFFICES	12,983
Rome - Via del Maggiolino ed.3	OFFICES	18,340
TOTAL OFFICE USE		53,029
<i>CENTRE</i>		
Rome - Via del Maggiolino ed.1/2/4	MIXED	17,615
TOTAL MIXED USE		17,615
TOTAL		70,644

The property owned at 31 December 2004 comprises 218,722 m² of gross usable floor space, of which around 53,000 m² (75% of the total) is for office use and around 18,000 m² (25%) for mixed use. The company owned no land at the end of the financial year. The entire property portfolio is located in the North and Centre of Italy.

The net book value of the floor space at 31 December 2004 (including structure costs) was 43.357 million euro, and consisted of 5.576 million euro (12.86% of the total) of mixed use space (317 €/m²) and 37.781 thousand euro (87.14% of the total) of office use space ((712 €/m²). Moreover, 12.791 million euro (around 33.86% overall) refers to property located in Northern Italy (589 €/m²) and around 30.566 million euro (66.14%) to property in Central Italy (625 €/m²).

NET BOOK VALUE OF PROPERTY OWNED BY AREA GEOGRAPHICAL AND BUSINESS SECTOR

<i>Amounts in '000 euro</i>	MIXED USE	OFFICE USE	TOTAL (2004)
NORTH	-	12,791	12,791
CENTRE	5,576	24,990	30,566
Total	5,576	37,781	43,357

The overall floor space decreased by about 148,078 m² compared to the previous year (68%) as a consequence of the sale of properties during the year.

The reduction in net book value was 60.465 million euro (equal to 58.24%), 66.378 million euro of which was attributable to the above sales, partially compensated for by the reversal of accumulated depreciation consequent on the adjustment envisaged in Legislative Decree no. 6 dated 17 January 2003.

EVOLUTION OF GROSS SURFACE AREAS AND NET BOOK VALUE 2003-2004

	2003		2004	
	G.S.A. m ²	Net book value thousands of €	G.S.A. m ²	Net book value thousands of €
NORTH	128,728	55,957	21,706	12,791
CENTRE	80,264	42,798	48,938	30,566
SOUTH and ISLANDS	9,730	4,953		
Sub-total	218,722	103,708	70,644	43,357
LAND		114		-
Total	218,722	103,822	70,644	43,357

More specifically, the sales during the year refer to 12 properties (total surface area of 148,078 m²), included among the tangible fixed assets at an outstanding book value of 66.378 million euro, sold for a total of 82.014 million euro (554 €/m²) and a net gain of around 15.636 million euro.

Information on the individual properties is provided below:

PROPERTIES SOLD 2004

	TYPE	G.U.A. m²	Net Book Value (€/000)	Sale Price (€/000)	Unit Sale Price (€/m²)
<i>ANCONA - v.Girombelli,6</i>	<i>Mixed</i>	<i>2,851</i>	<i>2,290</i>	<i>1,900</i>	<i>666</i>
<i>CASSINA DE' PECCHI (MI) - v.Galilei,5</i>	<i>Offices</i>	<i>6,402</i>	<i>2,914</i>	<i>3,910</i>	<i>611</i>
<i>MARENO (TV) - v.Cittadella,17</i>	<i>Mixed</i>	<i>1,837</i>	<i>418</i>	<i>750</i>	<i>408</i>
<i>MILAN - v.Valtorta,48</i>	<i>Offices</i>	<i>45,759</i>	<i>6,392</i>	<i>28,000</i>	<i>612</i>
<i>GUIDONIA (RM) - v.Montenero,21</i>	<i>Mixed</i>	<i>4,082</i>	<i>1,328</i>	<i>1,954</i>	<i>479</i>
<i>PIACENZA - v.Piemonte</i>	<i>Mixed</i>	<i>5,475</i>	<i>3,145</i>	<i>2,750</i>	<i>502</i>
<i>CASSINA DE' PECCHI - v.Vinci,1</i>	<i>Mixed</i>	<i>7,345</i>	<i>3,053</i>	<i>2,800</i>	<i>381</i>
<i>CUSANO MILANINO (MI) - v. Manzoni,44</i>	<i>Offices</i>	<i>37,353</i>	<i>29,438</i>	<i>21,500</i>	<i>576</i>
<i>GOLFO ARANCI (SS) – v. Marconi s.n.c.</i>	<i>Mixed</i>	<i>1,802</i>	<i>1,889</i>	<i>1,700</i>	<i>943</i>
<i>Bari – v. Zippitelli, 22</i>	<i>Mixed</i>	<i>3,523</i>	<i>1,227</i>	<i>1,050</i>	<i>298</i>
<i>Combined sales: SESTU (CA) - S.S.131 km 8200 and Pintoreddu</i>			<i>14,286</i>	<i>15,700</i>	<i>496</i>
<i>L'AQUILA - v. G. Falcone,25</i>	<i>Offices</i>	<i>27,244</i>			
Total		148,078	66,380	82,014	554

At 31 December 2004, space was 78% rented; 15,544 m² was unrented against 26,300 m² at 31 December 2003.

The change compared to 2003 (around 88% of rented space) is mainly due to the sales made during the year, and the persisting difficulties in re-renting the old Sirti property of 13,584 m² in Cassina de Pecchi, which was also inserted in the disposals plan in July 2003.

**COMPARISON OF RENTED SPACE AND UNRENTED SPACE
AT 31.12.04**

		Mixed Use	%	Office Use	%	Total	%
NORTH							
Rented	m ²	-	-	7,245	10.3	7,245	10.3
Unrented	m ²	-	-	14,461	20.5	14,461	20.5
CENTRE	m ²						
Rented	m ²	17,615	24.9	30,240	42.8	47,855	67.7
Unrented	m ²	-	-	1,083	1.5	1,083	1.5
OVERALL TOTAL							
Rented	m ²	17,615	24.9	37,485	53.1	55,100	78.0
Unrented	m ²	-	-	15,544	22.0	15,544	22.0
Total	m²	17,615	24.9	53,029	75.1	70,644	100.0

Rental income totalled 9.784 million euro in the 2004 financial year, a 16% fall from the 2003 level (11.598 million euro), as a result of the progressive implementation of the disposals plan.

Rental income is broken down by use and geographical area is reported below, and indicates that over 90% of rental income is from office use properties. So far as the breakdown by geographical area is concerned, 42% of the rental income is from areas in Northern Italy and 57% from areas in Central Italy.

COMPARISON OF RENTAL INCOME 2003-2004

Amounts in '000 euro	Mixed Use	%	Office Use	%	Total	%
North 2004	264	2.7	3,841	43.6	4,105	42.0
North - 2003	832	7.2	5,195	44.8	6,027	52.0
Centre - 2004	600	6.2	4,977	56.4	5,577	57.0
Centre - 2003	429	3.7	4,976	42.9	5,405	46.6
South and Islands - 2004	102	1.0	-	-	102	1.0
South and Islands -2003	166	1.4	-	-	166	1.4
TOTAL - 2004	966	9.9	8,818	90.1	9,784	100.0
TOTAL - 2003	1,427	12.3	10,171	87.7	11,598	100.0

The financial results of the property sector for the 2004 financial year show a significant improvement over the previous year due to the notable impact of the income components linked to the Immsi S.p.A. disposals process. And the actual start-up phase of the activities of Apuliae

S.p.a., as well as the timing of the purchase of Is Molas S.p.A. late in the year, mean that both companies made only a small contribution to the property sector results for 2004. A more detailed analysis of Immsi S.p.A.'s financial results, and of the changes compared to the year 2003 is provided in the following pages.

The industrial sector: the Piaggio Group

THE MARKET SITUATION

2-wheeler business

In the 2004 financial year the world market for two-wheeled motor vehicles was steadily expanding, with sales of over 37 million vehicles, producing 15% growth over 2003.

Asia assuredly remains the main engine of this result. Sales volumes in the People's Republic of China, the largest market in the world, increased by about 19%, approaching almost 17 million vehicles. India is once again in second place, with 17% growth and over 6 million vehicles sold. South East Asia again showed strong growth in 2004, with sales of over 8.5 million vehicles (+15%).

The crisis in the Japanese market continued, with sales volumes of just over 700,000 units, a fall of 8% over 2003. The situation of North America (90% concentrated in the United States) was the opposite, where the market maintained 5% growth, and almost one million units in sales. As regards Latin America, we mention the continuing growth of Brazil (90% of the area) with volumes of over 900,000 vehicles (+8%).

After several negative years the two wheeled vehicle market in Europe grew slightly in 2004 (+1% scooter + motorcycles) for a total of 1.2 million units sold. This result is due to a positive trend in the over 50 cc segment (+5%), which once again compensated for the 5% fall in sales in the 50 cc segment during the year.

Of the major markets, there were positive trends in France (+8%) and Spain (+21%), with growth in both the 50 cc and the over 50 cc segments, while the difficulties in Germany continued (-17%), and the crisis affected all market segments without distinction.

Among the emerging areas, 2004 was without doubt the year of Northern Europe, where sales increased thanks to the low cost vehicles in the 50 cc segment of predominantly Chinese origin. In addition to Scandinavia, this phenomenon also occurred in more structured markets, such as Croatia (+1%), Austria (+8%) and Greece (+11%).

The Italian market

There was a further small fall in sales in Italy, due mainly to the collapse of the 50 cc segment (-20%) partly in consequence of the introduction of the mini-licence. Although its overall impact is less, the Italian market remains the most important one in Europe, accounting for about 34% of total sales. There was also a slight drop in over 50 cc scooter sales (-1%), inverting the positive trend of the previous year and countering the considerable growth in the other larger-engine segment, over 50 cc motorcycles; however, in this segment the rapid growth in the over 250 cc model market has not abated, and, due both to the launch of new vehicles and the renewal of some successful existing ones, sales exceeded 67,000 units.

Alongside this segment, a further two customer types are becoming clear, completing the current picture of purchasers of over 50 cc scooters: the first are purchasers concerned with the functional aspects of the vehicle, who are demanding in terms of technical and aesthetic content, and the second are mainly concerned with economy.

Light Transport Vehicle Business

In 2004, the European market for light transport vehicles (vehicles with a Gross Vehicle Weight ≤ 3.5 tonnes) recovered decisively (+8.7%).

However, the recovery was less marked in Italy (+3.3%), realigning the market to values that are more compatible with the dynamics of the sector after the 18% contraction in 2003.

The Indian market continues its healthy expansion, with growth of +16.1% compared to 2003.

In terms of sales to end users, about 300,000 three-wheeled vehicles were sold during 2004. Within this market, the Passenger vehicle (3 seats) segment accounted for 161,700 vehicles, a slight rise on the 2003 figure (+3.8%). The dynamics of the Cargo segment were very different: with over 120,000 units sold, this segment continued to expand strongly (+38%), and constitutes the leading element of the market.

At the end of 2004, Piaggio Vehicle Private Ltd. had a 38% share of the Indian market for 3-wheeler Cargo vehicles and 15.8% of the market for Passenger vehicles.

The legal framework

The Chamber of Deputies definitively approved the environmental powers bill (A.C. 1798/D), which provides for funds to be allocated to incentives for low-pollution moped sales. The provisions on incentives for two wheeled vehicles expressly provide financial cover for the Plan Agreements stipulated by the Ministry of the Environment for the years 2003, 2004 and 2005. So two developments are likely: 1) the reimbursement of taxes payable on (all) 2003 sales and part of 2004 sales to manufacturers, 2) the possible renewal of the Agreement during 2005.

So far as the first development, the recovery of credits from the Ministry of the Environment, is concerned, a specific Ministerial Decree will have to be issued (expected in March 2005) to set out the way the reimbursements will be made. Piaggio, in particular, is the main creditor of the Ministry, with exposure of 11.2 million euro (9.6 pertaining to 2003 and 1.6 in 2004), followed by Aprilia with 7.3 million euro (6.3 pertaining to 2003 and 1 in 2004).

Concerning the possible extension of contributions to 2005 sales, the first indications of the willingness of the Ministry of the Environment and the Association of Italian Comunes (ANCI) have been recorded. In any event, the conditions for the disbursement, the types of vehicles, and the amounts involved will have to be established after the opinion of the vehicle manufacturers has been obtained.

So far as the coming into force of the regulations contained in the Legislative Decree on the new highway code, it should be noted that the vehicle licensing authority has actually issued 580,000 mini-licences to candidates who had passed the test. This figure shows that about 40% of the young users affected by the requirement had not obtained a mini-licence by 31 December 2004. Given this inefficiency in the system, the 50 cc moped and scooter segment suffered a 19.5% fall in 2004 compared to the previous year. Piaggio has therefore been involved, both alone and/or with the ANCMA, in collaborative activities with the education sector, to train and update teachers and to provide a capillary network of free education courses for minors. Moreover, through its sales network, Piaggio has provided practical information to all categories of moped users on how to obtain the mini-licence.

Regulatory developments have continued in EU institutions in Brussels, defining new pollution limits for the so-called "euro3" phase for mopeds and motorcycles. These parameters will apply throughout Europe from 2006 for all new vehicle approvals and will apply to all motorcycle registrations from 2007. However, already no EU member state can refuse to approve vehicles already provided with "euro3" approval.

Moreover, the new Framework Directive for the approval of 2- and 3-wheeled motor vehicles has come into force, which updates, amends and substitutes previous regulations on the matter. A specific amendment to the regulation on the "mass and dimensions" of these vehicles came into force in 2004, allowing Piaggio to gain approval for its new European range of heavy four-wheelers named "Quargo".

The 2-wheeled vehicle business unit

In 2004 the Piaggio group sold a total of 381,000 vehicles in the two wheeled vehicle business, with revenue of 808.4 million euro, including spare parts and accessory sales, which grew by 7.3% and 11% respectively compared to the previous year.

The group strengthened its position as European leader, increasing its market share (now at 29.1%) by about half a percent, with positive results in both the 50 cc and the over-50 cc segments.

Of the group brands, Piaggio remains the protagonist in absolute terms, particularly in the over 50 cc scooter segment, while Derbi confirmed its leadership in the 50 cc moped segment.

Focussing on individual brands, "Piaggio" achieved positive results thanks to its renewed Beverly and Liberty, achieving sales of 226,887 units (+18.3%) and a market share of 18.1% (compared to 16.2% in 2003). "Vesta" did not continue the good performance achieved in 2003 thanks to the launch of the Granturismo, achieving sales of 58,233 units (-7.9%) and a market share of 4.0% (compared to 4.6% in 2003). "Gilera" too was affected by the "elderliness" of some of its 50 cc vehicles, and despite the good trend for Nexus, sales fell by 19% to a total of 45,367 units, while its market share fell from 4.8% to 3.8%. New product launches are planned for both the Vespa and the Gilera brands in 2005.

"Derbi" ended the year with 18.7% growth in revenues, thanks to the launch of several new vehicles, which leading to sales of 50,500 units (+14.5%) and a market share that increased from 3.0% to 3.2%.

The year that has just ended was highly satisfactory for the Piaggio group in the US. Its distribution network was further strengthened by increasing the "Vespa Boutiques", present throughout the country, to a total of 70, planned to increase to about 120 by the end of 2005. Marketing of the Vespa Granturismo started early in 2004, and it immediately positioned itself among the most sold scooter models, while the X9 500, the Piaggio spearhead vehicle, and the first maxi-scooter the company has introduced in the United States, was launched mid-year. Of the other models sold in the United States, the Beverly 200 and the Liberty continued to sell well, with combined sales growing from about 600 units to over 1,600 units. The company's share of the US market therefore improved from the 13.8% of 2003 to 16.3% in 2004.

The Light Transport Vehicle business unit

The Light Transport Vehicle Division (VTL) ended 2004 with 90,700 units sold, an increase of 26.5% over 2003. Total revenues increased from the 214.7 million euro of 2003 to 237.8 million euro (+10.8%) in 2004. This growth is mainly attributable to the company's presence in the Indian market, which compensated for the fall in Ape revenues and the "weak defence" of Porter in the European market.

In the domestic market group sales of the Porter fell from 5,290 in 2003 to 4,837 in 2004 (a fall of 8%), with a market share of 2.2%.

In the Cargo segment the market share of PVLP was 38%, while in the Passenger segment, PVLP, with a market share of 15.8% (compared to 9.6% in 2003), is establishing itself as a valid alternative to the historical leader in the local market.

In spite of the uniqueness of the product, Ape is beginning to feel the effects of its mature life cycle mainly in the Italian market, and recorded a 29.8% downturn compared to 2003.

So far as the microvehicle business is concerned, Piaggio recorded a downturn in volumes (=9.1%) in 2004, but thanks to the high unit value of the product, achieved a +8.4% increase in turnover.

The shipbuilding sector: Rodriquez Cantieri Navali (RCN) group

The group and its history

Rodriquez Cantieri Navali S.p.A. was born in 1887 as a boat repair shop: in 1956 it was the first shipyard to build a hydrofoil, and in 1993 achieved primacy for the creation of the fastest passenger and vehicle ferry (able to reach a speed of 47 knots).

Today RCN is one of the biggest shipbuilding groups in the world, a leader for over 60 years in the design and production of high speed vessels, able to diversify its production by both tonnage and material (from a minimum of 14 metres to a maximum of 150, using carbon, fibreglass, steel and aluminium), and adopt very high tech solutions.

Analysing the composition of its turnover, it is of note that commercial coastal vessels (hydrofoils and ferries) represent 52%, and vessels for defence use (minesweepers and patrol boats) account for 34%, while the remainder is from sales of pleasure craft (megayachts).

The Structure

RCN owns five yards, four in Italy and one in Brazil, set up in 2001, and it directly controls the following companies: Intermarine S.p.A. (Sarzana), Conam S.p.A. (Naples), Rodriquez Engineering S.r.l. (Messina), Rodriquez Yachts S.r.l. (Messina), Progetto Smeb (Messina), Rodriquez Logtec S.r.l. (Reggio Calabria), Rodriquez Cantieri Navali do Brasil Ltda (Rio de Janeiro), Rodriquez USA LLC (Miami) and Rodriquez Mexico (La Paz); it controls Rodriquez Charter & Broker S.r.l. (Messina) and Rodriquez Marine System S.r.l. (Messina) indirectly.

The shipyards specialised in building steel and aluminium vessels with the most important quality certifications are in Messina and Pietra Ligure, while naval defence vessels in composite material are built in Sarzana and Naples.

In particular, the Rodriquez Engineering company was set up in Genoa to gather the design and research skills of the whole group into a single structure that coordinates the operational technical staff employed on different projects in different sites.

Main reasons for the investment

On the basis of the information outlined above, the Immsi group considered RCN to be a good investment, and particularly appreciated its strong technological and design skills, market leading position, flexible production structure, diversified revenues and strong customer portfolio.

However, some critical aspects intrinsic to this type of business remain, and presuppose a significant cultural and organizational change in the group which the new owners aim to achieve, encouraged by the latest market trends, which identify renewed interest in the shipbuilding sector concerning projects involved with the so-called "Autostrade del Mare", or "Highways of the Sea".

At 31 December 2004, the shareholders of the RCN group were RCN Finanziaria S.p.A. (majority shareholder, with 66.49%), MRS (10.93%), Ustica Lines (10.93%) and General Electric (11.65%).

RNC Finanziaria is in turn 65.82% owned by Immsi S.p.A., while Banca Intesa has a 25.93% interest and General Electric holds 8.25%.

The market situation

The value of the production of the year that has just ended, equal to 138.8 million euro, was generated by group parent Rodriquez Cantieri Navali S.p.A. (67.5 million euro), Intermarine S.p.A. (52.2 million euro), Conam S.p.A. (11.4 million euro) and the remainder by other associated companies.

This value was 4% higher than in 2003, despite a halt in production in early 2004.

During 2004 a total of 21 boats were completed and delivered, 4 by RCN, 3 by Intermarine and 13 by Conam, as well as the first aluminium catamaran designed and built for the Brazilian market by Rodriquez do Brasil.

The strength of the order portfolio allows us to predict that the company's business will evolve positively from the very start of this year. In particular, the current order portfolio, worth about 120 million euro at 31 December 2004, will be enlarged by several sets of negotiations currently underway in the various business sectors of the group.

Human resources

The Immsi Group employed a total of 6,599 people at 31 December 2004: 76 in the property sector, 6,119 in the industrial sector (Piaggio group), and 404 in the shipbuilding sector (Rodríguez Cantieri Navali group).

The following tables divide the human resources by category and by geographical area:

Human resources by category

N°. of employees	31/12/2004			
	Property Sector	Industrial Sector	Shipbuilding Sector	Group Total
Managers	4	118	16	138
Clerical staff	30	2,074	174	2,278
Workers	42	3,927	214	4,183
TOTAL	76	6,119	404	6,599

Human resources by geographical area

N°. of employees	31/12/2004			
	Property Sector	Industrial Sector	Shipbuilding Sector	Group Total
Italy	76	4,276	400	4,752
Rest of Europe	0	669	0	669
Rest of the World	0	1,174	4	1,178
TOTAL	76	6,119	404	6,599

The human resources by category at 31 December 2004 and at 31 December 2003 are compared below. The increase during the year is mainly due to the variation in the perimeter of consolidation (1,731 employees). This increase refers to the industrial sector after the acquisition of the Aprilia group with 1,257 employees, the shipbuilding sector with 417 employees, and the property sector (Is Molas S.p.A.) with 57 employees.

Human resources by category

N°. of employees	31/12/2004	31/12/2003	Change
Managers	138	78	60
Clerical staff	2,278	1,387	891
Workers	4,183	3,233	950
TOTAL	6,599	4,698	1,901

The economic and financial situation

The Group

As mentioned earlier, during the 2004 financial year the perimeter of consolidation of the Immsi group changed after the purchases of Is Molas Srl and the companies in the Aprilia and Rodriguez groups.

So far as the book results of these acquisitions are concerned, it should be noted that the asset and financial components are consolidated from the corresponding date of acquisition.

As a result the financial components of the Rodriguez group are consolidated from the month of June and those of Is Molas from the month of October, while the economic results of the Aprilia group, which was acquired on 30 December, have not been included.

So far as the possibility of comparing the data for the financial years 2003 and 2004, reported below, is concerned, it is emphasised that the significance of the above-mentioned changes in area of consolidation is meaningless in terms of both assets and finances. In fact, it should be recalled that the 2003 financial year consolidated the financial results of the Piaggio group for the months of November and December only, after the acquisition of the group by Immsi.

In the 2004 financial year the Group presents net profits, after taxes and net of the share of third party shareholders, totalling 13.3 million euro, or 1.1% of revenues. This result, even if it is not the same as the figure for the preceding year, represents a considerable improvement over 2003, which was heavily negative mainly because of the economic impact of the restructuring started in the Piaggio group by the new management. This restructuring and relaunching activity, together with the improving sales trend during the period and, with reference to the property sector, to the high gains achieved from the sale of some properties, are the reason for the above-mentioned improvement in the results of the group.

So far as the balance of the item "non-recurring income and expenditure", positive for 19.6 million euro, is concerned, the largest component is, as mentioned, the net gains from the sale of properties, totalling 17.7 million euro, 15.6 million of which by group parent Immsi S.p.A. The 2003 financial year showed a negative sum of 33.4 million euro for this item, mainly because of the restructuring activities.

The net indebtedness of the Group at 31 december 2004 totalled 565.7 million euro, a 197.6 million euro increase, due mainly to the change in the perimeter of consolidation (175.5 million euro) and to the financial investments of the period (73 million euro).

The total shareholders' equity of the Immsi Group at 31 December 2004 was 373.5 million euro; excluding the minority interest portion, the shareholders' equity of the parent company was 186.6 million euro.

Total consolidated investments by the Group during the period totalled 172.6 million euro, broken down as follows:

- 33.7 million euro in intangible assets, of which 28.8 million euro for the Piaggio group.
- 65.9 million euro in tangible fixed assets, of which 41.5 million relating to the Piaggio group, 20.1 to Is Molas S.p.A., 2.2 million euro to Immsi S.p.A. and 2 million euro to the Rodriguez group,
- 73 million euro in financial assets, mainly against the purchase by Immsi S.p.A. of holdings in Piaggio Holding Netherlands B.V. (45 million euro), Is Molas S.p.A. (9 million euro) and RCN Finanziaria S.p.A. (18 million euro).

Group income statement

The reclassified consolidated income statement of IMMSI Group, reported below, presents the groups of income components according to the guidelines of the IAS, which considers all except those of a financial nature to totally arise from ordinary activities; also included are the extraordinary items.

Immsi Group reclassified income statement

(Amounts in '000 euro)	2004 financial year		2003 financial year	
Net revenue	1,184,747	100.0%	133,632	100.0%
Operating costs				
Labour	(168,183)	-14.2%	(25,426)	-19.0%
Materials and services	(891,576)	-75.3%	(112,806)	-84.4%
Grants	6,085	0.5%	736	0.6%
Adjustments and provisions for risks and charges	(29,884)	-2.5%	(6,532)	-4.9%
Other net (costs) income	37,880	3.2%	(2,374)	-1.8%
EBITDA (before extraordinary items)	139,069	11.7%	(12,770)	-9.6%
Extraordinary income				
Gains and contingent assets	45,058	3.8%	7,602	5.7%
Extraordinary expenses				
Losses and other charges	(25,482)	-2.2%	(40,953)	-30.6%
EBITDA	158,645	13.4%	(46,121)	-34.5%
Depreciation of tangible fixed assets	(39,841)	-3.4%	(11,928)	-8.9%
Amortisation of intangible fixed assets:				
Consolidation goodwill	(21,572)	-1.8%	(3,433)	-2.6%
Other	(30,544)	-2.6%	(8,243)	-6.2%
EBIT	66,688	5.6%	(69,725)	-52.2%
Net income from equity investments	465	0.0%	565	0.4%
Net financial income and expenses	(26,024)	-2.2%	(21,191)	-15.9%
Value adjustments of financial assets	(197)	0.0%	(9,834)	-7.4%
Pre-tax earnings	40,932	3.5%	(100,185)	-75.0%
Taxation	(22,345)	-1.9%	(2,960)	-2.2%
Earnings after taxation and before minority interests	18,587	1.6%	(103,145)	-77.2%
Minority interests	(5,303)	-0.4%	71,007	53.1%
Net earnings for the year	13,284	1.1%	(32,138)	-24.0%

The consolidated turnover of the Group in 2004 was 1,184.7 million euro, the main contributions to which were 1,084.2 million from the Piaggio group, 12.5 million from Immsi S.p.a. and the 87.8 millions from the Rodriguez group (turnover for June-December).

The 2004 Group operating costs and other net consolidated charges totalled 1,045.7 million euro (88.3% of revenues), 953.9 million euro of which relating to the Piaggio Group (88% of revenues).

Staff costs were 168.2 million euro equivalent to 14.2% of turnover, of which 155.4 million euro refer to Piaggio.

Overall, extraordinary income and expenses including gains and losses post a negative net balance of 19.6 million euro, 1.7% of total turnover. Parent company Immsi S.p.A. contributed 20.7 million euro to this balance.

EBITDA totalled 158.6 million euro (positive), equal to 13.4% of turnover, of which 23.4 million euro referred to the property sector, 128 million to the industrial sector, and 7.9 million to the shipbuilding sector.

Depreciation and amortisation for the year amounted to 92 million euro, 7.8% of turnover. Amortisation of intangible assets, including amortisation of consolidation start-up costs of 21.6 million euro, totalled 52.1 million euro. As a result, total amortisation of intangible assets, excluding the consolidation difference, totalled 30.5 million euro (27.9 million of which referred to the Piaggio group). Depreciation of tangible fixed assets was 39.8 million euro, 35.1 million of which relating to Piaggio.

EBIT totalled 66.7 million euro (positive), equal to 5.6% of turnover, of which 20 million euro referred to the property sector, 41 million to the industrial sector, and 3.9 million to the shipbuilding sector.

There was a 25.8 million euro net negative balance for financial activities, equal to 2.2% of turnover, of which 3.4 million referred to the property sector, 20.2 million to the industrial sector, and 2.6 million to the shipbuilding sector.

Pre-tax net earnings totalled 40.9 million euro, equal to 3.5% of turnover, to which the property sector contributed 16.6 million euro, the Piaggio group 20.8 million euro, and the shipbuilding sector 1.3 million euro.

Net earnings for the year, after taxes and net of the minority interests portion, totalled 13.3 million euro (1.1% of revenues).

Group balance sheet at 13 December 2004

Amounts in '000 euro	31.12.2004	in %	31.12.2003	in %
Current assets				
Cash and cash equivalents	62,389	3.4%	33,385	3.0%
Operating assets	748,895	40.2%	256,676	23.4%
TOTAL CURRENT ASSETS	811,284	43.6%	290,061	26.4%
Fixed assets				
Financial fixed assets		0.0%		0.0%
Intangible fixed assets	647,164	34.8%	464,309	42.3%
Tangible fixed assets	324,013	17.4%	286,063	26.0%
Other assets	78,921	4.2%	58,389	5.3%
TOTAL FIXED ASSETS	1,050,098	56.4%	808,761	73.6%
TOTAL ASSETS	1,861,382	100.0%	1,098,822	100.0%
Current liabilities				
Financial liabilities	291,990	15.7%	69,295	6.3%
Operating liabilities	657,031	35.3%	306,339	27.9%
TOTAL CURRENT LIABILITIES	949,021	51.0%	375,634	34.2%
Non-current liabilities				
Financial liabilities	336,085	18.1%	332,167	30.2%
Other non-current liabilities	202,734	10.9%	138,642	12.6%
NON-CURRENT LIABILITIES	538,819	28.9%	470,809	42.8%
TOTAL LIABILITIES	1,487,840	79.9%	846,443	77.0%
TOTAL SHAREHOLDERS' EQUITY	373,542	20.1%	252,379	23.0%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,861,382	100.0%	1,098,822	100.0%

At 31 December 2004 current assets totalled 811.3 million euro, an increase over the 521.2 million euro of 31 December 2003. This increase is entirely attributable to the change in the consolidation perimeter due to the entrance of the Rodriguez group (336 million euro) and the Aprilia group (229.6 million euro).

At 31 December 2004 fixed assets totalled 1,050.1 million euro, compared to 808.8 million at 31 December 2003, an increase of 241.3 million euro (of which 154.2 million euro attributable to the new consolidation perimeter).

In particular, among the fixed assets, intangible assets totalled 647.2 million euro, an increase of 182.9 million euro over the December 2003 figure, tangible assets totalled 324 million (286.1 at the end of the 2003 financial year), and the other fixed assets totalled 78.9 million (compared to 58.4 million at the end of 2003).

At 31 December 2004 current liabilities totalled 949 million euro, an 573.4 million euro increase compared to 31 December 2003. The increase is attributable to the change in the consolidation perimeter, equal to 630.6 million euro, partially compensated by operating activities.

Non-current liabilities totalled 538.8 million euro at 31 December 2004, compared to 470.8 million euro at 31 December 2003. The change in the consolidation perimeter totalled 69.0 million euro.

Consolidated Group shareholders' equity was 373.5 million euro at 31 December 2004, of which 186.9 million euro was attributable to minority interests.

An analysis of **capital employed** and its sources of funds follows:

Amounts in '000 euro	31.12.2004	in %	31.12.2003	in %
Current operating assets	748,895	65.6%	256,676	33.8%
Current operating liabilities	-657,031	-57.5%	-306,339	-40.4%
Net operating working capital	91,864	8.0%	-49,663	-6.5%
Intangible fixed assets	647,164	56.7%	464,309	61.2%
Tangible fixed assets	324,013	28.4%	286,063	37.7%
Other assets	78,921	6.9%	58,389	7.7%
Capital employed	1,141,962	100.0%	759,098	100.0%
Non-financial medium- to long-term liabilities	202,734	17.8%	138,642	18.3%
Minority interests' shareholders' equity	186,899	16.4%	150,520	19.8%
Group shareholders' equity	186,643	16.3%	101,859	13.4%
Total non-financial sources	576,276	50.5%	391,021	51.5%
Net financial indebtedness	565,686	49.5%	368,077	48.5%

The **net financial indebtedness** of 565.7 million euro is analysed below by category and maturity and compared to the same data for 31 December 2003:

Amounts in '000 euro	31.12.2004	31.12.2003
Current portion of long-term financial borrowing	-291,990	-68,821
Other borrowing from associated companies	0	-474
Cash and cash equivalents	51,456	23,855
Financial receivables and other securities	10,933	9,530
Total current net financial indebtedness	-229,601	-35,910
Bonds and other long-term borrowing	-336,085	-332,167
Total long-term net financial indebtedness	-336,085	-332,167
Total net financial indebtedness	-565,686	-368,077

The **cash flow** for the period is illustrated in the statement below

(Amounts in '000 euro)	2004 financial year
Self-financing	123,288
Change in net operating working capital	-84,091
Net inflow/outflow generated by operations	39,197
Dividend payment by parent company	-6,591
Dividend payment to minority interests by Group companies	-346
Increase in parent company capital	78,392
Increases in the capital of subsidiaries subscribed by minority interests	49,371
Acquisition of intangible assets	-33,745
Acquisition of tangible assets	-65,861
Net decrease from property sales	75,035
Acquisition of net equity investments	-72,950
Net financial position of acquired companies	-175,450
Other movements, net	-84,661
Change in net financial position	-197,609
Net financial position at the start of the period	-368,077
Net financial position at the end of the period	-565,686

The above statement showing the inflows/outflows for the 2004 financial year does not have comparative data for the consolidated inflows/outflows for the 2003 financial year, since they do not exist.

Information by sector (CONSOB announcement n. 98084143)

A) Information by business sector

The following pages contain the consolidated income statement that analyses the accounting entries of the business sectors and the reclassified balance sheet that highlights their asset balances.

Immsi Group – Income statement at 31 December 2004 by business sector

Amounts in '000 euro	Property sector		Industrial sector		Shipbuilding		Other co.'s & adjustments	Immsi Group	
	sector	in %	sector	in %	sector	in %		Group	in %
Net revenue	12,778	100.0 %	1,084,239	100.0 %	87,763	100.0 %	-33	1,184,747	100.0 %
Operating costs									
Labour	-1,728	-13.5%	-155,420	14.3%	-11,035	12.6%		168,183	14.2%
Materials and services	-9,474	-74.1%	-811,844	74.9%	-72,307	82.4%	2,049	891,576	75.3%
Grants	0	0.0%	2,243	0.2%	3,842	4.4%		6,085	0.5%
Adjustments and provisions for risks and charges	-546	-4.3%	-27,583	-2.5%	-1,755	-2.0%		-29,884	-2.5%
Other net (costs) income	1,645	12.9%	38,670	3.6%	188	0.2%	-2,623	37,880	3.2%
EBITDA									
EBITDA (before extraordinary items)	2,675	20.9%	130,305	12.0%	6,696	7.6%	-607	139,069	11.7%
Extraordinary income									
Gains and contingent assets	33,895	265.3 %	8,785	0.8%	2,378	2.7%		45,058	3.8%
Extraordinary expenses									
Losses and other charges	-13,202	103.3 %	-11,082	-1.0%	-1,198	-1.4%		-25,482	-2.2%
EBITDA	23,368	182.9 %	128,008	11.8%	7,876	9.0%	-607	158,645	13.4%
Depreciation of tangible fixed assets	-2,407	-18.8%	-35,124	-3.2%	-2,310	-2.6%		-39,841	-3.4%
Amortisation of intangible fixed assets:									
Consolidation goodwill	0	0,0%	-23,999	-2.2%	-71	-0.1%	2,498	-21,572	-1.8%
Other	-1,003	-7.8%	-27,886	-2.6%	-1,633	-1.9%	-22	-30,544	-2.6%
EBIT	19,958	156.2 %	40,999	3.8%	3,862	4.4%	1,869	66,688	5.6%
Net income from equity investments	462	3,6%	3	0,0%	0	0.0%		465	0.0%
Net financial income and expenses	-3,812	-29,8%	-19,995	-1,8%	-2,551	-2,9%	334	-26,024	-2,2%
Value adjustments of financial assets	0	0,0%	-196	0,0%	-1	0,0%		-197	0,0%
Pre-tax earnings	16,608	130,0 %	20,811	1,9%	1,310	1,5%	2,203	40,932	3,5%
Taxation	-5,227	-40,9%	-16,751	-1,5%	-344	-0,4%	-23	-22,345	-1,9%
Post-tax earnings before minority interests	11,381	89,1%	4,060	0,4%	966	1,1%	2,180	18,587	1,6%
Minority interests	0	0,0%	-313	0,0%	137	0,2%	-5,127	-5,303	-0,4%
Net earnings for the year	11,381	89,1%	3,747	0,3%	1,103	1,3%	-2,947	13,284	1,1%

Immsi Group – Balance sheet at 31 December 2004 by business sector

Amounts in '000 euro	Property		Industrial		Shipbuilding		Other co.'s & adjustments	Immsi	
	Sector	in %	sector	in %	sector	in %		Group	in %
Current assets									
Cash and cash equivalents	14,363	4.5%	44,980	3.5%	2,778	0.8%	268	62,389	3.4%
Operating assets	19,419	6.1%	426,425	32.9%	304,179	87.8%	-1,128	748,895	40.2%
TOTAL CURRENT ASSETS	33,782	10.6%	471,405	36.4%	306,957	88.6%	-860	811,284	43.6%
Fixed assets									
Intangible fixed assets	2,908	0.9%	533,461	41.2%	9,176	2.6%	101,619	647,164	34.8%
Tangible fixed assets	63,410	19.8%	237,256	18.3%	23,347	6.7%	0	324,013	17.4%
Other assets	219,385	68.7%	54,037	4.2%	7,015	2.0%	-201,516	78,921	4.2%
TOTAL ASSETS	285,703	100.0%	1,296,159	100.0%	346,495	100.0%	-99,897	1,050,098	100.0%
NON-CURRENT LIABILITIES	3	89.4%	824,754	63.6%	39,538	11.4%	-99,897	98	56.4%
TOTAL ASSETS	319,485	100.0%	1,296,159	100.0%	346,495	100.0%	-100,757	1,861,382	100.0%
Current liabilities									
Financial liabilities	0		241,830	18.7%	70,503	20.3%	-20,343	291,990	15.7%
Operating liabilities	12,886	4.0%	389,978	30.1%	254,643	73.5%	-476	657,031	35.3%
TOTAL CURRENT LIABILITIES	12,886	4.0%	631,808	48.7%	325,146	93.8%	-20,819	949,021	51.0%
Non-current liabilities									
Financial liabilities	69,650	21.8%	259,980	20.1%	6,455	1.9%	0	336,085	18.1%
Other non-current liabilities	13,411	4.2%	172,298	13.3%	17,025	4.9%	0	202,734	10.9%
NON-CURRENT LIABILITIES	83,061	26.0%	432,278	33.4%	23,480	6.8%	0	538,819	28.9%
TOTAL LIABILITIES	95,947	30.0%	1,064,086	82.1%	348,626	100.6%	-20,819	1,487,840	79.9%
TOTAL SHAREHOLDERS' EQUITY	223,538	70.0%	232,073	17.9%	-2,131	-0.6%	-79,938	373,542	20.1%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	319,485	100.0%	1,296,159	100.0%	346,495	100.0%	-100,757	1,861,382	100.0%

B) Other information

Net revenues, including changes in contracts in progress (wholly referable to the Rodriguez group) may be broken down by geographical area as follows:

In '000 euro	Financial year 2004		Financial year 2003	
	Amount	%	Amount	%
Italy	553,751	46.7%	70,271	52.6%
Rest of Europe	461,814	39.0%	51,243	38.3%
Rest of the World	169,182	14.3%	12,118	9.1%
TOTAL	1,184,747	100.0%	133,632	100.0%

Research and Development

The Immsi Group undertakes research and development activities through its subsidiaries Piaggio and Rodriquez. A summary of the main activities underway in the two sectors is provided below:

Industrial sector (Piaggio group)

In 2004, Piaggio Group continued its policy of consolidating its technological leadership in the sector, by allocating resources of 38.7 million euro to R&D (of which 35.2 million euro to Piaggio & C. S.p.A. and 3.5 million euro to Nacional Motor), equivalent to around 3.6% of turnover, 23.9 million euro of which were capitalised as intangible fixed assets. The Indian subsidiary, Piaggio Vehicles Pvt Ltd. uses the research projects developed by Piaggio & C. S.p.A. in Pontedera in the LTV business area.

Research activities involving innovative product and production technology projects, absorbed resources worth 5.4 million euro (13.7% of the total), while development activities, for the remaining 33.3 million euro, focussed particularly on new ecological vehicles and engines.

As a result of the new two-wheeled product development activities, at a cost of 26.2 million euro in 2004 (26.4 million euro in 2003), during the year the company's offer was able to benefit from the start of production of completely new vehicles, significant "restyling" and from the introduction of new engines for products already in the range, for the following vehicles:

- Liberty RST;
- Fly;
- NRG Power;
- Derbi GPR;
- Derbi Senda DRD Racing.

Engine development regarded:

- smaller engines: the start of production of the euro2 compliant 100 4T version;
- medium sized engines (125-200 cc). start of production of the LEADER 200 air version. In parallel, the extension of euro2 engine compliance to the various applications was completed, and activities to verify the extension of euro3 compliance have begun. The new QUASAR family (250 cc 4T 4V water) compliant with euro2 has started production in the various versions planned.
- larger engines: adaptation of the MASTER family (4 stroke 4 valve 500 cc) to the euro3 standards and development activities on the new family of two cylinder 4T 8V scooter engines.

In 2004, the total expenditure for LTV activities was 9 million euro, compared to 8.4 million euro in 2003. Of the 9 million euro spent in 2004, 6.9 million were capitalised.

The projects carried forward in 2004 involved mainly the development of the following products, which will come into production during 2005:

- Quargo: marks Piaggio's return to the heavy quad segment with a product for the european market.
- Quargo India: derived from the same platform as the Quargo, this will be suitable adapted to the specific needs of the Indian market in terms of engine and functional content. Starting in 2005, Piaggio intends to consolidate its presence on the Indian continent with this vehicle, a highly innovative product compared to those currently available on the market.
- NUV (New Utility Vehicle): a vehicle developed in three different models with four and six wheels and three different engines.

Shipbuilding sector (Rodriquez group)

The principal current research programmes are described below:

- “Submerged wing hydrofoil” project – This is a project worth about 24.800 million euro that is expected to be completed in early 2006 at the latest. The aim of the project is to study, design and create two prototype of a new type of hydrofoil with submerged wings. This will allow the company to propose a product with such innovative characteristics as to restore competitive advantage and economic operation to this type of craft. The new wing system will give the hydrofoil perfect stability in any sea conditions, greater passenger comfort, higher speeds at the same installed power, and will increase its capacity for use compared to comparably sized craft currently in use. The Management Decree of admission dated 5 May 2003 provides a maximum grant of 15.057 million euro.
- The “Enviroaliswath” Project – This is a project worth 18.600 million euro whose objective is to study, design, and produce an innovative naval vessel, primarily in terms of its environmental impact. In fact this project, by means of a careful study of the reduction of wave motion formation, aims to reduce this problem, particularly in applications in closed bodies of water (rivers, lakes and protected bays) and in close proximity to crowded tourist areas (such as the Greek Islands). For this project, approved with a Decree dated 2 August 2002, a grant of 12.300 million euro has been awarded, 1.900 million euro of which to fully cover the costs of professional training for over 30 specialised technicians and engineers.
- The “Pia-Lightprop” Project – The aim of this project is to study, design and produce, at a total cost of 2.400 million euro, a new concept of stern-mounted marine engines.

The “*Submerged wing hydrofoil*” and “*Enviroaliswath*” projects will result in usable prototypes at the end of the project. Currently negotiations to sell these prototypes (two hydrofoils and a swath) are at an advanced stage, and will be concluded in the phase in which the dimensions, characteristics, performance and load capacity of the vessels produced have a more precise specification.

The Parent Company

Reclassified income statement of Immsi S.p.A.

Amounts in '000 euro	Financial year		Financial year	
	2004		2003	
Net revenue	12,478	100.0%	14,705	100.0%
Operating costs				
Labour	-1,428	-11.4%	-915	-6.2%
Materials and services	-8,906	-71.4%	-6,097	-41.5%
Adjustments and provisions for risks and charges	-546	-4.4%	-68	-0.5%
Other net (costs) income	1,556	12.5%	-782	-5.3%
EBITDA (before extraordinary items)	3,154	25.3%	6,843	46.5%
Extraordinary income				
Gains and contingent assets	33,895	271.6%	898	6.1%
Extraordinary expenses				
Losses and other charges	-13,202	-105.8%	-399	-2.7%
EBITDA	23,847	191.1%	7,342	49.9%
Depreciation of tangible fixed assets	-2,346	-18.8%	-5,329	-36.2%
Amortisation of intangible fixed assets:	-1,002	-8.0%	-268	-1.8%
EBIT	20,499	164.3%	1,745	11.9%
Net income from equity investments	462	3.7%	536	3.6%
Net financial income and expenses	-3,750	-30.1%	-1,160	-7.9%
Pre-tax earnings	17,211	137.9%	1,121	7.6%
Taxation	-5,375	-43.1%	-954	-6.5%
Net earnings for the year	11,836	94.9%	167	1.1%

Comments on the income statement

The net earnings for 2004 were 11.836 million euro, equivalent to 94.9% of turnover, 11.669 million euro higher than in the corresponding period in 2003.

This result mainly benefits from the gains made from the sale of properties during the year performed according to the disposals plan resolved by the Board of Directors in July 2003. The earnings are compared with a more limited impact for this income component in the 2003 financial year.

Below are some detailed comments:

- net revenues totalled 12.478 million euro in the 2004 financial year, a decrease of about 15% compared to 2003 (14.705 million euro), mainly due, as mentioned above, the advanced phase of execution of the disposals plan. It should also be noted that activities to renegotiate rental contracts, and to earn income from unrented space allowed the fall to be limited to the amount indicated above;
- operating costs and other net charges in 2004 totalled 9.324 million euro, 1.462 million euro more than in the 2003 financial year (7.862 million);

- staff costs totalled 1.428 million euro, equal to 11.4% of turnover, compared to 915 thousand euro for the previous year (6.2%). The average number of employees for the period was 18, against 17 for the previous year. At 31 December 2004, there were 18 employees. The difference in costs reflects the changes during the year that has just closed and in the preceding year, following the arrival of new personnel to meet the different requirements of the Company in terms of skills and the consequent departures relating to positions no longer needed;
- materials and services costs totalled 8.906 million euro, equal to 71.4% of turnover, compared to 41.5% in the preceding year (6.097 million euro). The increase, in both absolute (2.809 million euro) and percentage (46.1%) terms, should be attributed to the impact of the costs for property sales intermediaries, the costs incurred by the Company for the project developed with AIG-Lincoln for the competition for the ex-Fiera di Milano area, the higher costs of rented property recharged to tenants, the costs incurred on behalf of group companies and recharged, and, in general, to the higher structural costs the company incurred in 2004 compared to the previous year.
- adjustments were 546 thousand euro and refer to a provision for doubtful debt;
- other net income and charges generated a positive net balance of 1.556 million euro, compared to a 782 thousand euro negative net balance for the previous year. This year's balance comprises 809 thousand euro for accrued ICI - a local property tax - (885 thousand in 2003) and 371 thousand euro of other net charges, while the largest income component (2.621 million euro) consists of costs re-charged to Group companies against services rendered or costs incurred on their account;
- EBITDA before extraordinary items showed a profit of 3.154 million euro, equivalent to 46.5% of turnover, a 25.3% improvement on the previous year;
- extraordinary income, at 33.895 million euro, consisted mainly of gains achieved on property sales for 27.487 million euro, compared to 829 thousand euro in the previous year, and 6.370 million euro of extraordinary income due to the reversal of accumulated depreciation posted at 31 December 2003, according to Legislative Decree no. 6 dated 17 January 2003 on the subject of "disinquinamento fiscale" (i.e. the reversal of tax-driven adjustments).
- the extraordinary costs, totalling 13.202 million euro, include losses on property sales totalling 11.860 million euro, and deferred taxation referring to the 840 thousand euro of accumulated depreciation on the above property, corresponding to the portion pertaining to the properties posted to the balance sheet at year-end. In 2003 this item consisted of charged incurred for fiscal amnesties concerning direct and indirect taxation (319 thousand euro) and for staff incentives to leave (80 thousand euro);
- EBITDA totalled 23.847 million euro (191.1% of income), compared to 7.342 million euro in 2003 (49.9%), an increase of 16.505 million euro;
- depreciation and amortisation totalled 3.348 million euro (26.8% of turnover), 2.249 million euro down on the previous year due to the reduced value of assets as a result of the disposals of property made during the year. The amount comprises 1.002 million euro of amortisation and 5.329 million euro of depreciation;
- Earnings Before Interest and Taxation (EBIT) totalled 20.499 million euro (164.3% of turnover) compared to 1.745 million euro the previous year (11.9%);

- the financial income and expenses item generated a negative net balance of 3.288 million euro (26.4% of turnover) and includes 4.114 million euro for interest paid relating to the loan secured by mortgages on property as the main expense item, while the major components of financial income were interest received on loans advanced to group companies totalling 406 thousand euro, dividends on Capitalia shares (223 thousand euro), gains on the sale of its own shares (239 thousand euro), income from government securities (87 thousand euro), and accrued interest on bank balances (126 thousand euro);
- pre-tax earnings totalled 17.211 million euro, equivalent to 137.9 % of turnover, compared to 1.121 million euro (7.6% of earnings) in the previous year;
- taxation accounted for 5.375 million euro, of which 8.411 million for deferred tax, 2.651 million euro for advance taxation and 385 thousand euro (posted as an income item) for deferred tax pertaining to the financial year. The tax burden on the pre-tax results was 31.2%, compared to 85.1% the previous year. The reduction may be attributed to the low percentage incidence of non-deductible costs on the pre-tax results for the 2004 financial year, compared to 2003, to the posting of deferred taxation pertaining to the reversal accumulated depreciation for the quota corresponding to the properties posted at year end (equal to 840 thousand euro) and to the incidence of gains posted in instalments for tax purposes.

Balance sheet of Immsi S.p.A.

Amounts in '000 euro	31.12.2004	in %	31.12.2003	in %
Current assets				
Cash and cash equivalents	11,491	3.8%	25,247	9.8%
Operating assets	7,141	2.3%	3,795	1.5%
TOTAL CURRENT ASSETS	18,632	6.1%	29,042	11.3%
Fixed assets				
Financial fixed assets	9,000	3.0%		
Intangible fixed assets	1,125	0.4%	1,078	0.4%
Tangible fixed assets	43,357	14.3%	103,822	40.4%
Other assets	232,091	76.3%	123,090	47.9%
TOTAL FIXED ASSETS	285,573	93.9%	227,990	88.7%
TOTAL ASSETS	304,205	100.0%	257,032	100.0%
Current liabilities				
Financial liabilities	2,000	0.7%	0	
Operating liabilities	10,925	3.6%	9,256	3.6%
TOTAL CURRENT LIABILITIES	12,925	4.2%	9,256	3.6%
Non-current liabilities				
Financial liabilities	63,650	20.9%	112,659	43.8%
Other non-current liabilities	9,927	3.3%	1,051	0.4%
NON-CURRENT LIABILITIES	73,577	24.2%	113,710	44.2%
TOTAL LIABILITIES	86,502	28.4%	122,966	47.8%
TOTAL SHAREHOLDERS' EQUITY	217,703	71.6%	134,066	52.2%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	304,205	100.0%	257,032	100.0%

Comments on the balance sheet

- Current assets at 31 December 2004 were 16.632 million euro, compared to 29.042 million euro at 31 December 2003.
- In particular, net trade receivables (2.031 million euro) decreased by 338 thousand euro compared to the previous year, while receivables from group companies totalled 1.140 million euro, an increase of 930 thousand euro over the balance at 31 December 2003. The other assets, consisting of other receivables for 3.790 thousand euro, and accrued income and prepayments for 180 thousand euro, increased by 3.014 million euro; the main component of the other receivables is receivables from the tax authority for advance payments on account of 1.054 thousand euro and advance taxation calculated on the tax loss on the year for 2.433 million euro.
- Cash and cash equivalents were 11.491 million euro at 31 December 2004, a fall of 13.756 million euro compared to the previous year and essentially comprise 11.481 million euro in bank accounts; fixed assets totalled 285.573 million euro, an increase of 57.583 million euro over the 227.990 million euro at 31 December 2003. In particular, the change in tangible assets (60.465 million euro) is a result of the net technical disposals made in the period, for 66.420 million euro, and depreciation of 2.346 million euro. Again, with reference to the fixed assets, it should be recalled that this total increased by 6.370 million euro after the reversal of accumulated depreciation consequent on the adjustment envisaged in Legislative Decree no. 6 dated 17 January 2003. The investments refer

mainly to the purchase of the holding in the Rodriguez group for 33 million euro (18 million euro in May and a further 15 million euro in December), the purchase and subsequent increase in the capital of Is Molas S.p.A. for 9 million euro, the investment in Piaggio Holding Netherlands B.V. shares for 45 million euro, the subscription of the increase in the capital of Piaggio & C. S.p.A. for about 20 million euro and the injection of capital in Apuliae S.p.A. for 2 million euro

- The current liabilities at 31 December 2004 were 12.925 million euro, compared to 9.256 million euro at 31 December 2003, an increase of 3.669 million euro. In particular, trade payables at 31 December 2004 totalled 2.946 million euro, a 2.804 million euro decrease compared to 31 December 2003. The amount also includes 6.658 million euro due to the tax authority (6.256 million of which is VAT payable received mainly on property sales, 153 thousand euro due to staff and for social security payments 89 thousand euro for miscellaneous accounts payable, and 2 million euro for an amount payable to Apuliae S.p.A. Accruals include 1.039 million euro for interest payable on a loan.
- Long-term liabilities totalled 73.577 million euro, a 40.133 million euro decrease on the 113.710 million euro at 31 December 2003. In particular, medium- to long-term financial debt totalled 63.650 million euro at 31 December 2004 and this refers to the outstanding portion of the 150 million euro loan obtained from Efibanca – Banca Agricola Mantovana and Interbanca. Long-term liabilities includes the provision for risks and charges constituted wholly from the deferred taxation provision, equal to 9.719 million euro, 8.833 million euro higher than at 31 December 2003. This increase is the result of provision made for deferred taxation on the gains generated by the property sales completed during the year, and for the fiscal impact of the reversal of accumulated depreciation performed to eliminate tax-driven adjustments for the balance sheet pursuant to Legislative Decree no. 6 dated 17 January 2003. Finally, the staff severance reserve, which was 209 thousand euro at 31 December, increased by 44 thousand euro over the figure at 31 December 2003.
- Total shareholders' equity was 217.704 million euro, an 83.637 million euro increase compared to 31 December 2003 following the 78.393 million increase in capital (about 99% of the whole operation, which was completed in January 2005), the results for the period (11.836 million euro) and after the dividend pay out of 6.591 million euro.

Analysis of the capital employed by Immsi S.p.A.

Amounts in '000 euro	31.12.2004	in %	31.12.2003	in %
Current operating assets	7,141	2.6%	3,795	1.7%
Current operating liabilities	-10,925	-4.0%	-9,256	-4.2%
Net operating working capital	-3,784	-1.4%	-5,461	-2.5%
Intangible fixed assets	1,125	0.4%	1,078	0.5%
Tangible fixed assets	43,357	15.9%	103,822	46.7%
Other assets	232,091	85.1%	123,090	55.3%
Capital employed	272,789	100.0%	222,529	100.0%
Non-financial medium- to long-term liabilities	9,927	3.6%	1,051	0.5%
Minority interests' shareholders' equity	0	0.0%	0	0.0%
Group shareholders' equity	217,703	79.8%	134,066	60.2%
Total non-financial sources	227,630	83.4%	135,117	60.7%
Net financial indebtedness / Net liquidity	45,159	16.6%	87,412	39.3%

- *As illustrated above*, capital employed increased by 50.260 million euro compared to 31 December 2003, from 222.529 million euro to 272.789 million euro at 31 December 2004. 83.4% was funded by non-financial sources, i.e. 79.8% by shareholders' equity and 3.6% by other long term liabilities;
- *net financial indebtedness*, the details of which are provided below, was 45.159 million euro at 31 December 2004, a 42.253 million increase compared to the negative balance of 87.412 million euro at 31 December 2003.

Cash flow statement of Immsi S.p.A.

Amounts in '000 euro	Financial year 2004	Financial year 2003
A. Initial net liquidity (Net financial indebtedness)	-87,412	20,281
B. Net cash inflow (outflow) from operating activities		
Earnings for the year	11,836	167
Depreciation and amortisation	3,348	5,597
(Gains) or losses on the disposal of fixed assets	-15,627	-829
Net revaluation of fixed assets	0	0
Change in net operating working capital	-1,677	11,357
Net change in the "Staff severance reserve"	44	-16
Other changes	2,690	-165
	614	16,111
C. Net cash inflow (outflow) from returns on investments		
Investments in fixed assets		
- intangible	-1,049	-903
- tangible	-2,234	-1,583
- financial	-109,014	-123,045
Sale price, or repayment value, of fixed assets	82,135	8,318
	-30,162	-117,213
D. Net cash inflow (outflow) from financial activities		
Increases in share capital	78,392	0
Contributions of capital	0	0
	78,392	0
E. Dividends paid	-6,591	-6,591
F. Net financial flow for the period (B+C+D+E)	42,253	-107,693
G. Final net liquidity (Net financial indebtedness) (A+F)	-45,159	-87,412

The investments refer mainly to the acquisition of the holding in the Rodriguez group for 33 million euro (18 million in May in the acquisition phase and a further 15 million in December as an increase in share capital), the acquisition and subsequent increase in the capital of Is Molas S.p.a. for 9 million euro, the acquisition of the holding in Piaggio Holding Netherlands B.V. for 45 million euro, the subscription of the increase in the capital of Piaggio & C S.p.A. for about 20 million euro and the capital injection to Apuliae S.p.A. for 2 million. The 1 million euro investment in intangible assets, of which 0.7 million euro for the costs of the operation to increase capital are to be added to these investments. The investments in tangible assets refer essentially to the refurbishment and restructuring work carried out on properties in Rome – via Abruzzi, Milan – via Valtorta, and Cusano Milanino (MI) – via Manzoni, for 2.2 million euro.

The progressive implementation of the property disposals plan has generated net resources against the sale of 12 properties totalling 82 million euro.

The cash flows generated by the disposal activities, together with those involved in the increase in share capital (78.4 million euro) and from operations (0.6 million euro), allowed the group to

finance both its technical and its financial investments (totally 112.3 million euro overall), and to distribute 6.6 million euro in dividends, generating a net inflow of 42.3 million euro for the year, which reduce the net indebtedness at the start of the year (87.4 million euro) to 45.2 million euro at 31 December 2004.

INTRA-GROUP AND RELATED PARTY TRANSACTIONS

As concerns the information regarding related party dealings as per Article 2428 of the Italian Civil Code, as well as the Consob announcements on the matter and IAS 24 (Related party disclosure), transactions with those parties were carried out at normal market conditions or in accordance with specific regulatory provisions and no atypical or unusual transactions are reported for the year 2004 by either the company or the directors.

It should be noted that the accounting effects of consolidated infragroup operations are eliminated in the consolidated data.

The main accounting effects of transactions with associated parties on the consolidated data of the Immsi S.p.A. Group at 31 December 2004 are detailed below:

Main accounting items	Amounts in '000 euro	Description of the nature of the transactions
Transactions with associated parties:		
<i>Other fixed assets</i>	73	<i>Accessory charges relating to the loan, portion of Interbanca S.p.A.</i>
<i>Owed to banks</i>	21,217	<i>Syndicated loan, portion of Interbanca S.p.A.</i>
<i>Trade accounts payable</i>	998	<i>Legal consultancy services provided to the Group by Studio D'Urso.</i>
	12	<i>Tax-related consultancy services provided by Studio Girelli</i>
<i>Accrued expense</i>	346	<i>Accrued interest relating to the syndicated loan, portion of Interbanca S.p.A.</i>
<i>Interest paid and other financial expenses</i>	1,371	<i>Accessory charges relating to the loan, portion of Interbanca S.p.A.</i>
<i>External services</i>	1,020	<i>Legal consultancy services provided to the Group by Studio D'Urso.</i>
	67	<i>Occasional tax-related consultancy services provided by Studio Girelli</i>
<i>Depreciation and amortisation</i>	141	<i>Amortisation of charges relating to the loan, portion of Interbanca S.p.A.</i>
<i>Memorandum items: guarantees</i>	75,000	<i>Mortgage on properties to guarantee the loan, portion of Interbanca S.p.A.</i>
Intra-group transactions:		
<i>External services</i>	94	<i>Corporate and tax advice provided by the parent company Omniainvest S.p.A.</i>
<i>Rentals paid</i>	16	<i>Use of furnished premises provided by parent company Omniainvest S.p.A.</i>
	63	<i>Rental of offices in Mantua provided by Omniaholding S.p.A.</i>
Transactions with consolidated companies:		
<i>Receivable from subsidiaries</i>	9,000	<i>Loan granted to Is Molas S.p.A.</i>
<i>Receivable from subsidiaries</i>	853	<i>Consultancy and service contract with Piaggio & C S.p.A. and re-charged costs</i>
	108	<i>Receivables from Is Molas S.p.a. for re-charged expenses and interests on loan granted by Immsi S.p.A.</i>
	97	<i>Receivables from RCN Finanziaria S.p.A. for re-charged expense</i>
	82	<i>Receivables from Rodriguez Cantieri Navali S.p.A. for interest</i>
<i>Owed to subsidiaries</i>	2,000	<i>Interest-bearing deposit granted by Apuliae S.p.A. to Immsi S.p.A.</i>
<i>Accrued expense</i>	23	<i>Accrued interest on the interest-bearing deposit granted by Apuliae S.p.A. to Immsi S.p.A.</i>
<i>Interest received</i>	230	<i>Interest on the short term loan to Piaggio & C. S.p.A.</i>
	12	<i>Interest on the short term loan to RCN Finanziaria. S.p.A.</i>
	82	<i>Interest on the short term loan to Rodriguez Cantieri Navali S.p.A.</i>
	82	<i>Interest on the short term loan to Is Molas. S.p.A.</i>
<i>- Miscellaneous interest paid</i>	52	<i>Interest on the interest-bearing deposit granted by Apuliae S.p.A. to Immsi S.p.A.</i>
<i>Other revenue and income</i>	2,487	<i>Consultancy and service contract with Piaggio & C S.p.A. and re-charged costs</i>
	96	<i>Income from RCN Finanziaria S.p.A. for re-charged expense</i>
	40	<i>Income from Is Molas S.p.A. for re-charged expense</i>
<i>Rental assets</i>	33	<i>Rental of offices in Rome provided by Omniaholding S.p.A.</i>

INFORMATION ON EMPLOYEE STOCK OPTION SCHEMES

Immsi S.p.A. has not resolved any employee stock option plans, while, so far as group companies are concerned, it should be noted that on 12 March the Board of Directors of Piaggio & C. S.p.A. approved the guidelines of its Management Incentive Plan, prepared and approved by the Incentive Plan Committee. On 4 May 2004 the Board of Directors approved the Plan Regulations. On 7 June 2004 the Meeting of the Shareholders of Piaggio granted the Board of Directors the power (to be exercised by 6 June 2009) to increase the share capital up to a total maximum sum of 10,587,241.60 euro by issuing a maximum of 20,360,080 ordinary shares each of 0.52 euro face value, to be reserved for payment to a share incentive plan for the Managing Director and the managers of the company and its subsidiaries.

This stock option plan envisages that the options assigned by the Incentive Plan Committee to the Managing Director, Mr. Rocco Sabelli, and by the Managing Director to the managers he identifies, may be exercised after the verifications made by the Plan Committee based on the consolidated financial statements at 31 December 2007 approved by the Board of Directors, subject to the achievement of the Equity Value objectives.

EQUITY INVESTMENTS OF DIRECTORS, AUDITORS AND GENERAL MANAGERS

The information required by the implementation rules of Legislative Decree 24 February 1998 n°. 58, adopted by Consob (resolution n°. 11971/99) is provided below:

SURNAME AND NAME	COMPANY INVESTED IN	NUMBER OF SHARES OWNED AT YEAR END 2003	NUMBER OF SHARES PURCHASED	NUMBER OF SHARES SOLD	NUMBER OF SHARES OWNED AT YEAR END 2004
Colaninno Roberto (*)	IMMSI S.p.A.	120,568,588	36,170,574	-	156,739,162

(*) Indirectly held through Omniaholding S.p.A., Omniainvest S.p.A. and Omniapartecipazioni S.p.A..

OTHER INFORMATION

OWN SHARES

It should be noted that on 18 November 2004 Immsi S.p.A. sold 285,491 of its own shares on the market, for a total price of 436,059 euro. The operation, performed to simplify the ways in which the increase in share capital resolved by the Board of Directors on 27 October 2004 would be executed, was performed by virtue of the resolution authorising the buying and selling of the company's own shares moved by the shareholders' meeting on 17 March 2003. As a result the Company does not hold any of its own shares, directly or indirectly, as at 31 December 2004.

The Company neither holds nor purchased or sold shares in the parent company either directly or through trustees or other third parties during 2004.

AUDITING COSTS

The statutory and consolidated financial statements for 2004 were audited by Deloitte & Touche S.p.A. as per the mandate granted to them for the period 2003 – 2004 – 2005 by the shareholders' meeting of 05.05.2003, which was supplemented on 10 December 2003 as regards the audit of the consolidated financial statements.

In compliance with the provisions of CONSOB announcement n. 3558 dated 18 April 1996, the fee invoiced by the independent auditor for the audit of the statutory financial statements for the year 2004 and the hours worked as well as the fee invoiced by the independent auditor for the audit of the consolidated financial statements for the year 2004 and the hours worked were:€ 30,400 for 400 hours worked on the statutory financial statements was , and € 10,780 for 120 hours worked on the consolidated financial statements .

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

Reform of company law

The reform of company law introduced with Legislative Decree no. 6 dated 17 January 2003 came into force on 1 January 2004. As a result of this regulation, and of the later Legislative Decree no. 37 of 6 February 2004, which introduced significant innovations to the regulations governing listed companies, Immsi S.p.A. submitted the adoption of some changes to its by-laws to make them comply with the imperative provisions while at the same time taking advantage of some opportunities offered by the reform to its shareholders, in an Extraordinary General Meeting on 29 September 2004.

Corporate purpose

The corporate purpose is the owning of equity investments in other Italian or foreign companies, i.e. the purchase, ownership and management of the rights, whether represented by shares or otherwise, on the share capital of other companies; the purchase, sale and management of bonds; the provision of loans, mortgages, guarantees.

The Company may also carry out all property activities and transactions, both in Italy and abroad, for its own account and for third parties, including but not limited to, the purchase, sale, exchange, construction, restructuring, management, administration (if of condominiums), the leasing (non-finance) and the maintenance of buildings and properties in general of whatever nature, as well as the construction, purchase, sale and exchange of the rights relating to property, except for agency activities and property brokerage.

With reference to the Immsi Group, we would point out that, in compliance with the recent reform of company law which introduced articles 2497 to 2497 septies of the Civil Code, the subsidiary companies have made known through their directors that they are subject to the management and coordination activities of Immsi S.p.A.

Board of Directors

The Board of Directors is vested with the widest powers to manage the Company. To achieve the corporate purpose, it may take any action it considers opportune, of both ordinary and extraordinary administration, with no exclusions and no exceptions apart from those actions that by current law or by the Company by-laws are reserved to the Shareholders' Meeting.

The Board of Directors is therefore at the heart of the corporate organisation, being responsible for strategy and organisation. The Board supervises the general management of operations and approves transactions of a significant nature, especially when a related party is involved or where there is a potential conflict of interest.

Transactions carried out by the company with related parties are made at market conditions, i.e. at those conditions which would be applied between two independent parties acting at arm's length. Should directors have even a potential or indirect interest in a related party transaction, they: inform the Board of any interest and of its nature and abstain from voting at the meeting.

The wide powers granted the Board of Directors makes it exclusively responsible for the functions governed by Article 1.2 of the Code of Conduct.

The Company by-laws establish that the Board of Directors may comprise between 5 and 13 directors, who are appointed by the shareholders.

Directors remain in office for the period decided by the shareholders – no longer than three years, however – their appointment expires on the date the shareholders decide to approve the financial reports for the third year of their appointment, and they are eligible for re-election.

The Board of Directors has been in office since 31 January 2003 (with the exception of Mr. Tamburi who has been in office since 28 February 2003) until the date of the shareholders meeting for the approval of the financial statement for the year ending 31 December 2005. It comprises:

- Roberto Colaninno – Chairman – Executive
- Carlo D'Urso – Deputy Chairman – Non-executive
- Rocco Sabelli – Managing Director – Executive
- Luciano La Noce – Director – Non-executive
- Matteo Colaninno - Director – Non-executive
- Giorgio Magnoni - Director – Non-executive
- Mauro Gambaro – Director – Non-executive
- Marco Reboa – Director – Non-executive – Independent
- Giovanni Tamburi – Director – Non-executive – Independent

Particularly insofar as the independent directors are concerned, it is pointed out that in the recent revision of the Code of Conduct such figures have been defined in a more analytical way, and making clear, among other things, that the existence of relevant financial relationships or holdings controlled by companies that are subsidiary to the company, even indirectly, or of which he or she is a director or executive, assumes importance for the purpose of determining the independence of a director.

The Board of Directors of Immsi S.p.a., taking into account the information provided by the individuals involved, periodically evaluates the existence of the requisites for the independence of such Directors, as provided in art. 3.2. of the Code of Conduct.

If by resignation or other reasons the majority of the directors should no longer hold office, the entire Board shall be understood to have resigned, and its cessation of activities shall come into effect the moment the Board of Directors is reconstituted after the acceptance of their positions by at least half of the new directors appointed by the Shareholders Meeting, which must be convened urgently.

Unless otherwise resolved by the Shareholders' Meeting, the directors are not bound by the competition prohibition contained in art. 2390 of the Italian Civil Code.

The emoluments payable to the members of the Board of Directors are determined by the Ordinary General Meeting of the Shareholders, which may assign them an indemnity, which may be annual, that, once established, will remain unchanged until otherwise resolved by the Shareholders' Meeting.

The division of the emoluments among the members of the Board of Directors may be organised by either the Shareholders' Meeting or the Board.

The shareholders' meeting on 14 May 2004 passed a resolution to pay emoluments of 22,000 euro to each member of the Board of Directors for the year 2004, in addition to the reimbursement of expenses incurred for performing their functions as provided in art. 19 of the Company by-laws.

Chairman of the Board of Directors

The Chairman of the Board of Directors, who may currently sign severally for matters of ordinary management, may acquire and sell controlling equity investments and businesses for single amounts not exceeding 25 million euro and carry out property transactions not exceeding 25 million euro. He coordinates Board activities and chairs those meetings, ensuring that the directors have all the documentation and information necessary to make informed decisions regarding all items of the agenda. He essentially acts as guarantor of the rules of Corporate Governance.

In accordance with Article 21 of the company by-laws, the Chairman or another director so mandated reports to the Board of Statutory Auditors on the activities and the most significant transactions carried out by the Company, especially those transactions in which the directors have an interest, on their own account or on that of third parties, or have been influenced by the subject who carries out the activity of management and coordination.

Deputy Chairman of the Board of Directors

The Board of Directors appointed Carlo D'Urso, a non-executive director, as Deputy Chairman. He substitutes the Chairman if he is absent or unwell.

Managing Director

The Managing Director – who has the powers to sign severally on matters of ordinary management, including property transactions not exceeding 25 million euro – reports periodically to the Board of Directors and to the Board of Statutory Auditors regarding the activities carried out in the exercise of his mandate, with particular reference to atypical, unusual or related party transactions and, in all cases, informs the Board of Directors thereof at the first meeting following such activities.

Share Capital and controlling shareholders

The share capital as at 31 December 2004 is 114,400,000.00 euro, divided into 220,000,000 ordinary shares with nominal value of 0.52 euro each. Shares are indivisible and are issued to be dematerialised.

As at 31 December 1994, the Company is directly controlled by Omnipartecipazioni S.p.A., a company which is controlled by Roberto Colaninno through Omniainvest S.p.A. and Omniaholding S.p.A.

Omnipartecipazioni S.p.A. directly owns 111,685,588 Immsi S.p.A. shares, equal to 50.766% of the share capital.

Omniainvest S.p.A., the company which controls Omnipartecipazioni S.p.A., again with reference to 31 December 2004, owns 8,883,000 Immsi S.p.A. shares, equal to 4.038% of the capital.

The reform of company law introduced the possibility that share capital can be increased, including by several injections of cash, by issuing ordinary shares or shares with different rights, or financial instruments with property rights or administrative rights, excluding the right to vote in the Shareholders' Meeting, was introduced with the reform of company law.

Without prejudice to all other provisions on the subject of increasing capital, it can be increased excluding the option right to a limit of 10% of the pre-existing share capital, and provided that the issue price corresponds to the market value of the shares, and that this correspondence is attested by the company appointed to act as auditors in a specific report.

On 27 January 2004 Immsi S.p.A. communicated the conclusion of the operations involved in the increase in share capital resolved by the Board on 27 October 2004 in execution of the mandate conferred by the Extraordinary Meeting of the Shareholders' held on 17 March 2003, pursuant to art. 2443 of the Civil code. During the option period, which started on 29 November 2004 and ended on 20 December 2004, 65,327,880 shares were subscribed, equal to 98.98% of the 66,000,000 Immsi S.p.a. shares offered.

The remaining 2,240,400 option rights, valid for the subscription of a total of 672,120 Immsi S.p.A. shares for a total sum of 806,544.00 euro, were offered on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. by Banca Caboto S.p.A. (Intesa Group) on behalf of Immsi S.p.A. in the meetings held on 17, 18, 19, 20 and 21 January 2005 pursuant to art. 2441 paragraph 3 of the Civil Code; they were all sold and fully exercised with the subscription of 672,120 Immsi S.p.A. shares.

On 24 January 2005 the offer of shares for the increase in share capital had been fully subscribed and a total of 66,000,000 Immsi S.p.A. shares entitled to dividend had been issued, at a unit price of 1.20 euro, of which euro 0.52 nominal value and 0.68 premium each, for a total sum, including the premium, of 79,200,000.00, and a total nominal value of 34,320,000.00, equal to 23.077% of the whole resulting share capital after the increase.

The new share capital of Immsi S.p.A. after the entry in the Mantua Companies Register on 1 February 2005, is 148,720,000.00 euro, and is represented by 286,000,000 Immsi S.p.A. shares, entitled to dividend, of 0.52 euro nominal value each.

Omniainvest S.p.A. and Omnipartecipazioni S.p.A. have fully exercised their option rights, subscribing 2,664,900 Immsi S.p.A. shares, at a total cost of 3,197,880.00 euro and 33,505,674

Immsi S.p.A. shares at a total cost of 40,206,808.80, respectively, in accordance with the undertaking they gave on 19 November 2004. On completion of this operation the holdings of Omniainvest S.p.A. and Omniapartecipazioni S.p.A. remained unchanged at 4.038% and 50.766% of the share capital of Immsi S.p.A. respectively.

Subscription of the increase in share capital was completed successfully without the need for the Banca Caboto S.p.A., the guarantor of the subscription of Immsi S.p.A. shares to intervene for the remaining part of the portion that was the subject of the commitments given by Omniapartecipazioni S.p.A. and Omniainvest S.p.A.

It should be noted that on 18 November 2004 Immsi S.p.A. sold the 285,491 of its own shares in its portfolio on the market, for a total price of 436,059 euro, to simplify the ways in which the increase in capital resolved by the Board of Directors on 27 October 2004 would be executed.

It should be noted that the voting trusts, dated 6 November 2002 and amended on 13 March 2003, between Omniaholding S.p.A., B&L S.r.l., Ruggero Magnoni and Rocco Sabelli, the purpose of which is to govern their relations as shareholders of Omniainvest S.p.A. is still in existence. The shares forming part of the voting trust represent 100% of the share capital of Omniainvest S.p.A.. The second voting trust, dated 15 November 2002, between Omniainvest S.p.A., LM Real Estate S.p.A., Interbanca S.p.A. and Omniapartecipazioni S.p.A., which governs their relations as direct or indirect shareholders of Omniapartecipazioni S.p.A., as well as Immsi S.p.A. is also still in existence. The agreement specifically governs the appointment criteria for the members of the Board of Directors and of the Board of Statutory Auditors of Omniapartecipazioni S.p.A. and Immsi S.p.A. as well as the procedures for transferring Omniapartecipazioni S.p.A. and Immsi S.p.A. shares. As of 19 December 2003, following the disposal of the shares held, Interbanca S.p.A. is no longer a party to the trust. The shares forming part of the voting trust represent 100% of the share capital of Omniapartecipazioni S.p.A..

Directorships

In accordance with Article 1.3 of the Code of Conduct, the directorships and auditor positions held by Company directors in other listed, financial, insurance or large companies and in banks are provided.

ROBERTO COLANINNO

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

CARLO D'URSO

1.	Fonsai MB&A S.p.A.	Director
2.	Fondiarìa –SAI S.p.A.	Director
3.	Banca SAI S.p.A.	Director
4.	Premafin Finanziaria S.p.A.	Director
5.	Micos Banca S.p.A.	Director
6.	Banca BSI Italia S.p.A.	Director

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| 7. | Piaggio Holding Netherlands B.V. | Member Supervisory Board |
| 8. | MB Finstrutture – Intersomer S.p.A. | Director |
| 9. | G.I.M. – Generale Industrie Metallurgiche S.p.A. | Director |

ROCCO SABELLI

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|-----|----------------------------------|--------------------------|
| 1. | Piaggio & C. S.p.A. | Managing Director |
| 2. | Aprilia S.p.A. | Managing Director |
| 3. | Omniainvest S.p.A. | Managing Director |
| 4. | Omnia partecipazioni S.p.A. | Director |
| 5. | Roncadin S.p.A. | Independent Director |
| 6. | Fondazione Piaggio | Director |
| 7. | Piaggio Vehicles PVT Ltd | Director |
| 8. | Nacional Motor S.A. | Director |
| 9. | Piaggio Holding Netherlands B.V. | Member Supervisory Board |
| 10. | RCN Finanziaria S.p.A. | Director |
| 11. | Rodriguez Cantieri Navali S.p.A. | Director |

LUCIANO LA NOCE

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|-----|----------------------------------|--------------------------|
| 1. | Rodriguez Cantieri Navali S.p.A. | Chairman BoD |
| 2. | Is Molas S.p.A. | Chairman BoD |
| 3. | Apuliae S.p.A. | Chairman BoD |
| 4. | Omniainvest S.p.A. | Managing Director |
| 5. | Omnia partecipazioni S.p.A. | Managing Director |
| 6. | B&L S.r.l. | Sole Director |
| 7. | Piaggio & C. S.p.A. | Director |
| 8. | Piaggio Holding Netherlands B.V. | Member Supervisory Board |
| 9. | Aprilia S.p.A. | Director |
| 10. | Gruppo Smile S.r.l. | Director |
| 11. | RCN Finanziaria S.p.A. | Director |
| 12. | LNB Partners S.r.l. | Director |

MATTEO COLANINNO

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|----|----------------------------------|------------------------|
| 1. | Omniaholding S.p.A. | MD and Deputy Chairman |
| 2. | Piaggio & C. S.p.A. | Deputy Chairman |
| 3. | Banca Popolare di Mantova S.p.A. | Deputy Chairman |
| 4. | Omniainvest S.p.A. | Director |
| 5. | RCN Finanziaria S.p.A. | Director |
| 6. | Immobiliare Regis S.r.l. | Director |
| 7. | Bipielle Ducato S.p.A. | Director |
| 8. | Risparmio & Previdenza S.p.A. | Director |

GIORGIO MAGNONI

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|----|--------------------------------------|-----------------|
| 1. | Acqua Blu S.r.l. | Sole Director |
| 2. | Meliorbanca S.p.A. | Director |
| 3. | Giuma S.a.S. di Ruggero Magnoni & C. | Limited Partner |
| 4. | Omnia partecipazioni S.p.A. | Director |
| 5. | Piaggio & C. S.p.A. | Director |
| 6. | LM ETVE | Director |
| 7. | LM IS S.a.r.l. | Director |

MAURO GAMBARO

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|----|---|------------------------|
| 1. | Interbanca Gestione Investimenti SGR S.p.A. | Chairman BoD |
| 2. | Interbanca International Holding S.A. | MD and Deputy Chairman |

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|----|-----------------------------------|----------|
| 3. | F.C. Internazionale Milano S.p.A. | AD |
| 4. | Marsilli & Co. S.p.A. | Director |
| 5. | Fiera Roma S.r.l. | Director |
| 6. | CIS San Marino | Director |

MARCO REBOA

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|----|----------------------------------|-------------------|
| 1. | Saipem S.p.A. | Director |
| 2. | Seat PG S.p.A. | Director |
| 3. | Interpump Group S.p.A. | Director |
| 4. | Schema 28 S.p.A. | Director |
| 5. | Intesa Lease Sec S.r.l. | Director |
| 6. | Intesa Sec. 2 S.r.l. | Director |
| 7. | Nextra Investment Management SGR | Director |
| 8. | Autogrill S.p.A. | Statutory Auditor |
| 9. | Galbani S.p.A. | Statutory Auditor |

GIOVANNI TAMBURI

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|----|------------------------------------|-----------------|
| 1. | Tamburi Investment Partners S.p.A. | MD and Chairman |
| 2. | Tamburi & Associati S.p.A. | MD and Chairman |
| 3. | De Longhi S.p.A. | Director |
| 4. | Also Enervit S.p.A. | Director |
| 5. | E* Finance Consulting Reply | Director |

Nomination Committee

The Company does not deem a Nomination Committee to be necessary for the time being. The current majority shareholders proposed the current directors, who were elected by the shareholders' meeting. It is common practice for the shareholders to present the personal traits and professional qualifications of the candidates at the time of proposing them.

Remuneration committee

The Remuneration Committee envisaged in the Code of Conduct has not yet been set up. In compliance with Article 19 of the Company by-laws, the shareholders' general meeting decides the emoluments of the members of the Board of Directors. The remunerations of the Chairman and the Managing Director are determined by the Board of Directors and, specifically, for the year of reference, in the meeting held on 16 December 2004. The emoluments are not linked to the company results or to the achievement of specific objectives. During the year, the Board of Directors granted Mr. La Noce a one-off consideration for services rendered in relation to the acquisition of the Piaggio Group.

Internal Control Committee

The Code of Conduct (the Preda Code) and Corporate Governance oblige listed companies to define a system able to prevent and manage company risks, attributing the responsibility for their identification to the Board of Directors. Immsi S.p.A. has not so far deemed it necessary to constitute an internal control committee, considering the appointment of a responsible person and the creation of an Internal Audit office by resolution of the Board of Directors on 29 July 2004 to be sufficient. The internal control officer reports directly to the Managing Director and the Statutory Auditors and has sufficient resources to carry out the function independently. The company also decided to avail itself of an external consultant to supply professional Internal Audit services on an outsourcing basis, with a three year contract signed on 8 November 2004. This consultant will perform duties on the basis of an annual reference Audit Plan (periodically updated according to the specific requirements of Immsi S.p.A.) that will be agreed with the

Company Management, discussed with the Board of Auditors, and communicated to the Board of Directors.

The Company has also developed adequate organisational and informational systems to ensure that the administration, the accounting, the organisational structure, the economic and financial situation and the management of typical risks are suitably monitored.

In particular, on 13 September 2004, the Board of Directors of Immsi S.p.A. resolved to approve an "Organization, Management and Control Model" designed to prevent the commission of illegal acts by persons belonging to the Organisation, pursuant to Legislative Decree 231/01.

As is in fact known, the Company's exemption from administrative responsibility provides that the managing body adopts and efficaciously implements suitable organisational and management models to prevent the crimes identified in the above-mentioned Decree, and also provides for the institution of a Supervisory Body with powers of initiative and control.

Corporate functions and procedures

Frequency of the Board of Directors' meetings

The Board of Directors meets regularly and operates so as to ensure that it carries out its functions effectively.

Information is given promptly to the Board of Statutory Auditors and at least quarterly, either at board meetings or by means of a written notice addressed to the Chairman of the Board of Statutory Auditors.

Board of Directors' meetings – should the Chairman or his substitute deem it necessary and so long as no more than one director disagrees – may also be by conference call and/or video conference, conditional upon being able to identify all those eligible to attend and participate, as well as ensuring that they may follow the meeting and intervene in real time in discussions.

The Board of Directors met 11 times in 2004, in the presence of the Board of Statutory Auditors. The average overall attendance of the Directors was 88%; average attendance of the independent directors was 73%.

The by-laws do not fix a minimum frequency for meetings, but the Board of Directors is expected to meet at least eight times in 2005. In compliance with the provisions of Article 2.6.2, paragraph 1 sub-paragraph c) of the Italian Exchange (Borsa Italiana S.p.A.) regulations, Immsi S.p.A. announced the annual timetable of shareholder events for 2004 to the Company regulating the market on 24 January 2004.

Handling of confidential information

The company has drawn up and approved, in the meeting of the Board of Directors on 3 March 2004, a procedure that adopts the principles enunciated in the "Guide to the disclosure of information to the market" (Guida per l'informazione al Mercato) published by the Borsa Italiana S.p.A.. In compliance with the indications contained in Article 6 of the Code of Conduct drawn up by the Committee for the Corporate Governance of companies listed on Borsa Italiana S.p.A., the Company has implemented procedures in order to regulate the process of internal management and the disclosure of important documents and information regarding Immsi S.p.A., in particular regarding price sensitive information, so as to ensure that such information is not disclosed in a selective, untimely, incomplete or inadequate manner.

In summary, the Chairman, the Managing Director and the Finance Manager are responsible for the disclosure of important information to the market and monitoring the compliance with the procedures. The text of the release is first presented to the Finance Division, as well as to the Legal Services and Corporate Finance Departments to ensure compliance with any legal obligations and its relevance, is then submitted to the Chairman and the Managing Director for approval and is finally inserted in the NIS circuit to be notified to Borsa Italiana S.p.A., Consob and two news agencies through the 'Communication and Public Relations' function.

Code of Conduct regarding Internal Dealing

In compliance with the regulation issued by Borsa Italiana S.p.A., the Board of Directors has adopted the Code of Conduct on Internal Dealing, which obliges the company to inform the market of any transactions carried out by 'Insiders' involving shares of the Company and its subsidiaries.

The Company has adopted and promoted the Code of Conduct regarding Internal Dealing in accordance with the provisions of the Regulations of the markets organised and managed by Borsa Italiana S.p.A..

Its key elements are summarised in its definitions of Insiders, Financial Instruments, transactions for sums of at least 50,000 euro in the quarter, and significant transactions for amounts of at least 250,000 euro. Insiders report the amount of any significant transactions without delay on a quarterly basis. There are limits, which are different for non-executive directors and statutory auditors and for other Insiders, placed on transactions during the period financial information is released.

Transactions of substantial financial importance, transactions involving potential conflicts of interest (intra-group and related parties) and atypical or unusual transactions.

During the meeting held on 16 December 2003, the Board of Directors approved the rules of conduct for carrying out the transactions described above by means of a specific notification procedure.

The procedure specifically defines the type of transaction in question, the size of transactions, the persons involved and the method and timing of notification.

Its key elements are summarised in the definition of "parties directly related" to Immsi S.p.A. which reports to the Investigator at three monthly intervals if transactions with Immsi S.p.A. or with the subsidiaries of Immsi S.p.A. worth over 0.1 million euro, or if less, concluded at non-standard conditions, have been made directly and/or through them by the "parties directly related" to Immsi S.p.A, including through third parties.

It also specifies that transaction that individually might not reach the threshold sum indicated, but are found to be linked to a single relationships and therefore exceed the cited thresholds when considered together must also be taken into account. In this case the transactions are also relevant if carried out over a period of time greater than the three months on which the report is made.

Related party transactions, including intra-group transactions, are submitted for prior approval to the Board of Directors, except for transactions that are typical, usual or carried out at standard market conditions.

Internal control system

Responsibility for the internal control system lies with the Board of Directors, which establishes guidelines for internal control and the management of corporate risks.

The Company has decided for the moment not to establish an Internal Control Committee and an Internal Audit function, deeming the appointment of the Finance Manager as internal control officer to be sufficient.

The internal control officer reports directly to the Managing Director and the Statutory Auditors and has sufficient resources to carry out the function independently.

The company also decided to avail itself of an external consultant to supply professional Internal Audit services on an outsourcing basis.

In this context, the role of Internal Audit is to support top management and the process managers themselves in the phases of risk identification and measurement, identification of controls and evaluation of the risk inherent in the process. In analysing the risks, Internal Audit: 1) ensures the company processes are fully mapped; 2) performs a Risk Assessment for each company process: i.e. it identifies the risks associated with each process, determines the related controls and evaluates the residual risk; 3) ensures adequate monitoring of the principal corporate risks.

This consultant will carry out its duties on the basis of an annual reference Audit Plan (periodically updated according to the specific requirements of Immsi S.p.A.) which will be agreed with the

Company Management, discussed with the Board of Auditors, and communicated to the Board of Directors.

The Company has adequate organisational and informational systems to ensure that the administration, the accounting, the organisational structure, the economic and financial situation and the management of typical risks are suitably monitored.

In particular, on 13 September 2004, the Board of Directors of Immsi S.p.A. resolved to approve an "Organization, Management and Control Model" designed to prevent the commission of illegal acts by persons belonging to the Organisation, pursuant to Legislative Decree 231/01.

As is in fact known, the Company's exemption from administrative responsibility provides that the managing body adopts and efficaciously implements suitable organisational and management models to prevent the crimes identified in the above-mentioned Decree, and also provides for the institution of a Supervisory Body with powers of initiative and control.

This Organ., composed of three directors appointed by the Board of Directors, operates at the top of the company according to principles of independence, autonomy and impartiality, and on the basis of Rules approved by the Board; the Organ reports periodically on its activities, the reports made to it and the sanctions it has applied to the Board of Directors and the Board of Auditors.

Since Immsi S.p.A. intends to operate according to ethical principals intended to guide the execution of company activities, the pursuit of its aims and development in accordance with the current laws, the Company has drawn up a Code of Ethics to define a series of principles of "company ethics" that Immsi S.p.A. recognises as its own, and which it requires its company organs, employees and anyone cooperating in any way in the pursuit of the aims of the company to respect.

In this context, we have also formalised Corporate Job Descriptions for some management positions, and Company Procedures for the areas Immsi S.p.A. works in, to create procedures for those company activities considered to be at higher risk. These procedures supplement the pre-existing internal regulations of the Company.

Investor relations

Upon the Chairman's indication, the Board of Directors has identified and approved a manager for relations with institutional and other investors, so as to implement – in cooperation with the company's management – constructive discussions based on an understanding of the respective positions.

To ensure the widest possible distribution of company information among investors, the company uses its website "www.immsi.it" to provide periodic and extraordinary financial information to the public.

Shareholders' Meetings

The Board of Directors convenes ordinary and extraordinary shareholders' meetings, which need not be held at the company's registered offices but must be in Italy, by legal notice. The reform of company law permits Shareholders' Meetings to be convened by publishing a notice in any daily newspaper indicated in its by-laws as an alternative to publication of a notice in the Gazzetta Ufficiale della Repubblica (Official Gazette). Immsi S.p.A. has opted to use the following newspapers: "Il sole 24 Ore" or "MF" – "Milano Finanza".

The period of notice required for convening a Shareholders' Meeting has also been revised, from four to six months, 120 to 189 days, and further convocations after the second one have been envisaged. In fact, pursuant to art. 11 of the Company by-laws, if no further convocations are indicated after a second one, the Shareholders' Meeting convened after a third or later convocation may be convened within 30 days of the preceding convocations, with a reduction in the period of notice required to 8 days.

The Company actively encourages the widest possible shareholder presence at meetings and uses the meetings as an opportunity for discussion and as a link between the Company and investors.

To discipline the legitimacy to speak at company Shareholders' Meetings, it has resolved that subjects with voting rights may speak at the Shareholders' Meeting provided that: 1) they exhibit

the certificate issued by the intermediary pursuant to the current regulations, and notified to the company at its registered offices. 2) that the aforementioned communication has been received by the company at least two days before the date set for the meeting.

It is the duty of the Chairman of the meeting to ascertain the correctness of the proxies and the right of those present to attend the meeting as well as to lay down the rules for the meeting, including the time allocated to questions.

The adoption of regulations governing meetings was proposed at the Shareholders' Meeting of 5 May 2003, which resolved not to adopt them.

Board of Statutory Auditors

The first Board of Statutory Auditors was appointed in the articles of association.

Subsequently, the shareholders appointed the Board of Statutory Auditors, comprising three statutory auditors and two substitute auditors. The auditors are eligible for re-election.

The auditors have the functions and duties as per the applicable laws.

The by-laws envisage voting lists for the appointment of the Board of Statutory Auditors, so as to ensure that minority shareholders are represented.

Shareholders who, alone or together with other shareholders, own shares representing at least one percent of the voting capital may submit lists.

The by-law regulations require that the names proposed be deposited 10 days prior to the date of the first convocation of the shareholders' meeting.

Appointment proposals are accompanied by the acceptance of the candidate, the curriculum vitae and evidence that the candidate is proper, independent and professionally suitable.

Candidates who are incompatible by law and those who are already statutory auditors in more than five companies listed on Italian regulated markets (the parent company and its subsidiaries are not counted) cannot be appointed auditors and, if elected, must stand down.

The elected auditors act independently from those who appointed them and conform to the Company procedures regarding public disclosure of confidential information.

The Board of Statutory Auditors, appointed on 5 May 2003, will remain in office until the date of the shareholders' meeting which will approve the financial statements at 31 December 2005. There are no statutory auditors appointed by minority shareholders in that no such lists were submitted.

Below is a list of the other directorships and auditor positions held by the Company's statutory auditors in listed companies:

ANGELO GIRELLI (Chairman Board of Statutory Auditors)

- | | | |
|----|---------------|--------------------------------------|
| 1. | Sogefi S.p.A. | Chairman Board of Statutory Auditors |
|----|---------------|--------------------------------------|

ALESSANDRO LAI (Statutory Auditor)

- | | | |
|----|--|-------------------|
| 1. | Soc. Coop. arl Cattolica Assicurazione | Statutory Auditor |
|----|--|-------------------|

MARCO SPADACINI (Statutory Auditor)

- | | | |
|----|-----------------------------|--------------------------------------|
| 1. | Sorin S.p.A. | Chairman Board of Statutory Auditors |
| 2. | SNIA S.p.A. | Statutory Auditor |
| 3. | Fondiarria SAI S.p.A. | Statutory Auditor |
| 4. | Autostrade S.p.A. | Statutory Auditor |
| 5. | A. Mondadori Editore S.p.A. | Independent Director |

MAURO GIRELLI (Substitute Auditor)

- | | | |
|----|---------------|--------------------|
| 1. | Sogefi S.p.A. | Substitute Auditor |
|----|---------------|--------------------|

MARIA LUISA CASTELLINI (Substitute Auditor)

-

The overall percentage of the auditors' attendance at meetings of the Board of Statutory Auditors in 2004 was 95%.

Legal proceedings

There are no current disputes involving the parent company Immsi S.p.A..

With reference to the industrial sector (Piaggio group), we report that the company's claim against Pirelli Pneumatici S.p.a. has been settled, with a compensation award to Piaggio.

On 17 February 2005 the Company was notified of a writ issued against it by Leasys S.p.A., to appear at the Pisa Court, after the Monza court had been declared territorially incompatible, in the proceedings started by Europe Assistance against Lease Planm S.p.A., Europcar Lease S.p.A. and Savarent/Leasys S.p.A. in which Piaggio had been called as a third party in the proceedings.

So far as the tax aspects are concerned, the Company has settled all the potential claims by amnesty, and exploited the possibility of returning the terms of expiry for all years from 1997 to 2002 to normal, using the re-opening of terms to 16 March 2004.

Furthermore some companies in which Piaggio &C S.p.A., P&D S.p.A. and Almec S.p.A. have holdings are still involved in tax disputes for which no charges are envisaged for the company or the group. Consequently, no provisions have been made for the following disputes since the risk is considered to be remote, nor was it deemed appropriate to apply for the amnesty.

We would also report that on 11 October 2004, after the expiry of the term of suspension of the law instituting the tax amnesty, the Pisa Provincial Tax Commission granted the appeals of the company for the years 1996 and 1997, as it already had for the year 1995.

The Direzione Regionale delle Entrate (Regional Tax Collection Body), in documents notified on 26 January 2005, contested the opinions of the second-tier judges for the years 1993 and 1994, which it had lost.

Concerning the tax inspection at Almec S.p.A., and the subsequent dispute, for which guarantees were assumed in the sales contract to the end of the 1999 financial year, we would point out that the entire claim is likely to have a positive outcome, and no further action by the Government is likely.

With reference to the shipbuilding sector (Rodriquez group), we would highlight the upcoming arbitration on 26 May 2003, with customer Sea Spin Shipping, concerning the contract to build a ship commissioned on 25 July 2001 from Rodriquez Cantieri Navali.

The value of this dispute, some 6.2 million euro, corresponds to the total amount paid by customer Sea Spin Shipping to the shipyard during the phases of work in progress. At present, since the arbitration is still in an early phase, we are unable to express an opinion about its outcome.

Rodriquez Cantieri Navali S.p.A. applied to the Rome Court on 16 June 2003 ex-art 700 of the Code of Civil Procedure for an urgent order to prevent Assitalia paying the guarantee policies it had issued in favour of Sea Spin Shipping to guarantee the payments made by the latter to Rodriquez and on which Sea Spin Shipping levied execution.

The Deputy Judge granted the application and issued the emergency order requested.

At present, since the case is still in an early phase (full hearing set for 16 March 2005), we are unable to express an opinion about its outcome.

Lalgain Limited applied to the Messina Court, and obtained, on 20 July 2004, a formal injunction to pay in the fees for intermediation activities provided to Rodriquez for the sale of a Motor Yacht for the sum of 523,700 euro. On 16 October 2004 Rodriquez notified the appellant it summons opposing the injunctive decree, citing the territorial incompetence of the judge and claiming that the amount claimed from the court was not due by virtue of the conditions contained in the brokerage contract between the parties. At present, since the case is still in an early phase, we are unable to express an opinion about its probable outcome.

Nauta Ferrys has claimed to Rodriquez Cantieri Navali that there are hidden defects in the engines fitted on the ship called "Ramon Llull" which make them unusable. Rodriquez has asked Paxman, the manufacturer of the engines, to intervene several times, and this company has performed numerous operations under the guarantee, but has only been able to partially repair the defects encountered, not to eliminate them definitively.

Nauta Ferrys has therefore asked for the engines to be replaced with other products from M.T.U. This replacement would involve a disbursement of some 4 million euro that Rodriguez has agreed to sustain (if replacement is necessary) in equal measure with Nauta Ferrys itself, and both intend to act jointly against Paxman for reimbursement of the expense. Considering that the contracts in question are subject to English law and to possible arbitration in London, the company has engaged a local lawyer to obtain an opinion on the possibility of cancelling the engine supply contract and on the possibility of obtaining compensation for the damages incurred.

Significant post-balance sheet events

With reference to the property activities, and in particular to the disposals plan started during the 2003 financial year by Group parent Immsi S.p.A., the following property sales were completed early in the 2005 financial year. Milan – Via Pirelli, Cassina de' Pecchi (MI) – Via Fermi and Rome – Via del Maggiolino. In particular, the preliminary contract for the sale of the properties in Milan – Via Pirelli and Cassina de' Pecchi (MI) – Via Fermi – was signed in January 2005, and the conveyance should be complete by 30 September 2005. The price achieved from the sale of these properties is expected to total 25 million euro, with a total net gain of 12.2 million euro. The preliminary contract for the sale of the property in Rome – Via del Maggiolino– was signed in February 2005, and the conveyance should be complete by 30 July 2005. The price achieved from the sale of these properties is expected to total 27.5 million euro, with a total net gain of 4.8 million euro.

We would also report that, on 27 January 2005, Immsi S.p.A. announced the full subscription of its share offer to increase its capital to 34.320 million euro, resolved by the Board of Directors on 27 October 2004.

The operation, completed on 24 January 2005, involved the issue of a total of 66 million Immsi S.p.A. shares entitled to dividend at a unit price of 1.20 euro each, of which euro 0.52 nominal value and 0.68 premium each,

The new share capital of Immsi S.p.A. after the entry in the Mantua Companies Register on 1 February 2005, is 148,720 euro, and is represented by 286 million Immsi S.p.A. shares, entitled to dividend, of 0.52 euro nominal value each.

With reference to the industrial sector, it should be noted that in early 2005, after execution of the investment contract by which Piaggio & C. S.p.A. has become the sole shareholder of subsidiary Aprilia S.p.A., the new executive team of the company started work within the group companies. Particular attention was paid to marketing, giving new impetus for the re-starting of the sales network.

The activity that will see the launch of new models during this year, including the Pegaso 650 and the Brevia 110 in April, has continued.

Again, early in 2005, the company signed an agreement with BMW for Aprilia to develop and produce a range of new products, in which BMW itself will participate in terms of research and development costs. The products will be sold from 2007 for a period of five years.

It should also be noted that on 10 February 2005 Piaggio signed a sales contract with Almec, by which Piaggio's remaining holding in Almec will be sold for a price equal to 30% of the share capital, and a fee of 991,158.92 euro.

With reference to the shipbuilding sector, we can announce that on 4 March 2005 the Board of Directors of Rodriquez Cantieri Navali S.p.A. appointed Mr. Marco Ragazzini as Managing Director of the Company. This appointment, to replace Mr. Giovanni Morace, who is stepping down, is in line with the start of the process to relaunch and develop the Rodriquez group.

Business outlook for the year 2005.

With reference to the Group parent, and in particular, to the property sector, the substantial conclusion of the property disposals plan started by Immsi in July 2003 is of note.

Remaining in the property sphere, we would point out that the design activities for the relaunch and development of the tourism, hotel and residential complex in the Comune of Pula, near Cagliari, are starting in the 2005 financial year.

So far as Apuliae S.p.A. is concerned, 2005 will see the progress, within defined schedules, of the restructuring work on the tourist property in S. Maria di Leuca.

With reference to the industrial sector (the Piaggio group), after the start of the strategic plan to relaunch the company, which allowed it to close the year in profit, in 2005 we expect to consolidate these results and strengthen the leadership position of the group. The aim is to acquire new market shares, in both the two-wheeler sector and in light transport, thanks too to the new Piaggio and Derbi products.

So far as the newly acquired Aprilia S.p.A. is concerned, after restoration of the company's economic and financial balance, the 2005 financial year will see the relaunch of the brand, thanks to the availability of new products, already in production or in the launch phase (Pegaso 650 Strada, Atlantic 500 Sprint), with which we expect to see the Aprilia group, and with it, Moto Guzzi, to recover their competitiveness..

There are good prospects for scooter sales, given the complete range available and the favourable response to the new models. In particular, the market has great expectations of the new Moto Guzzi models, which will constitute an important base to strengthen and develop the image of the company. Greater difficulties are likely for the large engined Aprilia motorcycles, which will suffer a longer period before the market accepts them and they regain their competitiveness.

So far as the shipbuilding sector is concerned (Rodriquez group), the company reorganisation project, an essential condition for grasping the opportunities for growth and profitability in the markets the group works in, is expected to be completed in the first half of the 2005 financial year. This process involves both company processes and structure.

Consolidated Financial Statements

of the

Immsi Group

at

31 December 2004

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2004

(Amounts in '000 euro)

ASSETS	31.12.2004	31.12.2003
A) RECEIVABLE FROM SHAREHOLDERS FOR CONTRIBUTIONS OF CAPITAL	2	210
B) FIXED ASSETS		
I INTANGIBLE FIXED ASSETS		
1, Start-up and expansion costs	1,136	1,099
2, Research, development and advertising costs	46,339	22,082
3, Industrial patent rights and use of intellectual property	4,778	4,948
4, Concessions, licences, trademarks and similar rights	50,032	382
5, Goodwill	291	-
6, Construction in progress and advances to suppliers	42,091	20,383
7, Other	9,534	6,878
8, Consolidation differences	492,963	408,537
TOTAL	647,164	464,309
II TANGIBLE FIXED ASSETS		
1, Land and buildings	160,590	171,362
2, Plant and machinery	66,775	50,408
3, Industrial and commercial equipment	50,452	37,587
4, Other assets	11,738	7,084
5, Construction in progress and advances to suppliers	26,697	19,622
6, Freely assignable assets	7,761	0
TOTAL	324,013	286,063
III FINANCIAL FIXED ASSETS		
1, Equity investments in:		
a, subsidiaries	982	30
b, associated companies	1,141	1,218
c, from parent companies	-	-
d, from others	18,115	17,947
Total	20,238	19,195
2, Receivables:	(*)	(*)
a, from subsidiaries	- 342	15,449 15,449
b, from associated companies	6,459 9,760	- -
c, from parent companies	- -	- -
d, from others	12,142 13,336	1,935 2,704
Total	23,438	18,153
3, Other securities	-	-
4, Own shares	-	-
TOTAL	43,676	37,348
TOTAL FIXED ASSETS	1,014,853	787,720

	31.12.2004		31.12.2003	
C) CURRENT ASSETS				
I INVENTORY				
1, Raw materials, consumables and goods for resale		89,789		38,732
2, Work in progress and semi-finished goods		48,865		13,111
3, Contracts in progress		211,626		-
4, Finished goods and merchandise		119,915		79,964
5, Advances received		5,148		215
TOTAL		475,343		132,022
II RECEIVABLES	(**)		(**)	
1, Trade receivables	5,083	193,176	503	78,261
2, Due from subsidiaries	124	124	-	5,015
3, Due from associated companies	-	579	-	507
4, Due from parent companies	-	-	-	-
4 bis, Tax receivables	1,926	27,501	5,657	15,462
4 ter, Advance taxation (reclassified for uniform comparison)	40,779	46,064	30,095	30,484
5, Due from others	5,932	31,823	1,960	12,992
TOTAL		299,267		142,721
III CURRENT FINANCIAL ASSETS				
1, Equity investments in subsidiaries		-		-
2, Equity investments in associated companies		-		-
3, Equity investments in parent companies		-		-
4, Other equity investments		-		-
5, Own shares		-		197
6, Loans to associated companies		159		192
7, Loans to other companies and other financial assets		10,774		9,338
TOTAL		10,933		9,727
IV CASH AT BANK AND IN HAND				
1, Cash at bank		51,024		23,805
2, Cheques		290		-
3, Cash in hand		142		50
TOTAL		51,456		23,855
TOTAL CURRENT ASSETS		836,999		308,325
D) PREPAYMENTS AND ACCRUED INCOME				
1, Issue discounts and other similar costs related to loans		1		1
2, Other prepayments and accrued income		9,527		2,566
TOTAL PREPAYMENTS AND ACCRUED INCOME		9,528		2,567
TOTAL ASSETS		1,861,382		1,098,822

(**) Of which amounts falling due beyond 12 months

LIABILITIES	31.12.2004		31.12.2003	
A) SHAREHOLDERS' EQUITY				
I Share capital		114,400		114,400
II Share premium account		-		-
III Revaluation reserve		4,602		4,602
IV Legal reserve		217		209
V Reserve for own shares held		-		197
VI Statutory reserves		-		-
VII Other reserves		54,140		14,589
VIII Retained earnings		-		-
IX Profit/(Loss) for the year		13,284		(32,138)
SHAREHOLDERS' EQUITY				
CONSOLIDATED GROUP EQUITY		186,643		101,859
MINORITY INTEREST SHAREHOLDERS' EQUITY		186,899		150,520
TOTAL SHAREHOLDERS' EQUITY (A)		373,542		252,379
B) PROVISIONS FOR RISKS AND CHARGES				
1. For pensions and similar obligations		892		878
2a. For deferred taxation (reclassified for uniform comparison)		15,049		2,754
2b. For other taxes		4,438		2,255
3. Other		93,736		59,176
TOTAL (B)		114,115		65,063
C) STAFF SEVERANCE RESERVE		78,079		54,574
D) LIABILITIES	(**)		(**)	
1. Bonds	-	100,000	-	-
2. Convertible bonds	-	-	-	-
3. Owed to shareholders for loans	6,000	6,000	-	-
4. Owed to banks	316,170	483,871	318,059	374,825
5. Owed to other lenders	13,915	38,204	14,108	26,163
6. Advances received	-	174,418	-	1,366
7. Trade accounts payable	1,352	382,220	16	247,025
8. Securities payable	-	-	-	-
9. Owed to subsidiaries	-	-	-	618
10. Owed to associated companies	-	3,092	-	3,215
11. Owed to parent companies	-	-	-	84
12. Tax liabilities	1,167	24,791	3,959	18,348
13. Social security liabilities	1,421	14,263	2,150	7,884
14. Other liabilities	6,600	45,502	12,880	40,295
TOTAL (D)		346,625	1,272,361	351,172
E) ACCRUED EXPENSE AND DEFERRED INCOME				
1. Issue premiums and other similar costs related to loans		-		-
2. Other accrued expense and deferred income		23,285		6,983
TOTAL (E)		23,285		6,983
TOTAL LIABILITIES (A+B+C+D+E)		1,861,382		1,098,822

(**) Of which amounts falling due beyond 12 months

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2004

(Amounts in '000 euro)

	31 December 2004	31 December 2003
A) VALUE OF PRODUCTION		
1. Revenue from sales and services	1,136,833	133,632
2. Variation in stocks of finished goods, work in progress and semi-finished goods +(-)	(6,198)	12,772
3. Variation in contracts in progress +(-)	47,914	-
4. Increases in capitalised internal construction costs	19,321	1,704
5. Other revenue and income	-	
a. grants pertaining to the period	6,085	736
b. other	71,779	3,124
Total (5)	77,864	3,860
TOTAL (A)	1,275,734	151,968
B) COST OF PRODUCTION		
6. Raw materials, consumables and goods for resale	646,569	69,941
7. Services	251,656	35,825
8. Use of assets not owned	8,086	1,284
9. Staff costs:		
a. Salaries and wages	120,085	17,520
b. Social security contributions	38,671	6,013
c. Staff severance paid	7,893	1,427
d. Pensions and similar obligations	-	-
e. Other costs	1,534	466
Total (9)	168,183	25,426
10. Amortisation, depreciation and write-downs:		
a. Amortisation of intangible fixed assets	52,116	11,676
b. Depreciation of tangible fixed assets	39,841	11,928
c. Other write-downs of fixed assets	3,281	1,471
d. Write-down of receivables included in current assets and cash at bank and in hand	8,726	1,233
Total (10)	103,964	26,308
11. Variation in stocks of raw materials, consumables and goods for resale +(-)	(1,612)	20,232
12. Provisions for risks	9,497	1,773
13. Other provisions	10,917	2,055
14. Miscellaneous operating costs	18,111	5,176
TOTAL (B)	1,215,371	188,020
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)	60,363	(36,052)

	31 December 2004	31 December 2003
C) FINANCIAL INCOME AND EXPENSES		
15. Income from equity investments:		
a. subsidiaries	3	-
b. associated companies	-	-
c. other companies	462	565
Total (15)	465	565
16. Other financial income:		
a. from receivables included in the fixed assets	12	-
b. from securities included in the fixed assets which are not equity investments	-	-
c. from securities included in the current assets which are not equity investments	87	-
d. income and expenses other than the above		
- interest and fees received from others and miscellaneous income	2,060	2,601
Total (d)	2,060	2,601
Total (16) (a+b+c+d)	2,159	2,601
17. Interest paid and other financial costs		
a. paid to subsidiaries	-	-
b. paid to parent companies	-	-
c. paid to associated companies	7	11
d. from other companies	27,992	26,749
Total (17)	27,999	26,760
17 bis. Foreign exchange profits and gains		
a. profits on foreign exchange	6,125	5,012
b. losses on foreign exchange	6,309	2,044
Total (17 bis)	(184)	2,968
TOTAL FINANCIAL INCOME AND EXPENSES (C) (15+16-17+17 bis)	(25,559)	(20,626)
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS		
18. Revaluations		
a. of equity investments	-	5
Total (18)	-	5
19. Write-downs		
a. of equity investments	197	9,839
Total (19)	197	9,839
TOTAL ADJUSTMENTS (D) (18-19)	(197)	(9,834)
E) EXTRAORDINARY ITEMS		
20. Income		
a. gains on disposals	2,029	4,776
b. other	15,364	1,997
Total (20)	17,393	6,773
21. Expenses		
a. losses on disposals	160	-
b. taxation relating to previous years	490	416
c. other extraordinary charges	10,418	40,030
Total (21)	11,068	40,446
TOTAL EXTRAORDINARY ITEMS (E) (20-21)	6,325	(33,673)
PRE-TAX EARNINGS (A-B+C+D+E)	40,932	(100,185)
22. Taxation for the year		
a. current	14,404	2,179
b. deferred	10,777	781
c. anticipated	(2,836)	0
Total (22)	22,345	2,960
PRE-TAX EARNINGS INCLUDING MINORITY INTERESTS	18,587	(103,145)
23. Minority interests' earnings (losses) for the year	(5,303)	71,007
GROUP PROFIT/(LOSS)	13,284	(32,138)

Content of the Consolidated Financial Statements

The Immsi Group consolidated financial statements, comprising Balance Sheet, Income Statement and Notes to the financial statements, are prepared in compliance with the relevant regulations regarding consolidated financial statements, as per Legislative Decree (D. Lgs.) N°. 127 dated 9 April 1991, Legislative Decree (D. Lgs.) N°. 6 dated 17 January 2003 and subsequent amendments thereof .

The purpose of the notes to the financial statements is to illustrate, analyse and in some cases add to the data in the financial statements. They contain all the additional information deemed necessary in order to provide a true and proper presentation of the financial situation of the Group. A report listing the companies included in the area of consolidation at 31 December 2004 is attached to these notes to the financial statements.

The financial statements are prepared in thousands of euro.

The financial statements used for the consolidation are those prepared by the Boards of Directors for approval by the shareholders of the individual companies at 31 December 2004. Companies that are not operating or not significant are excluded, pursuant to the provisions of art. 28 of Legislative Decree no. 127/91. The financial statements were adjusted, where necessary, to reverse items of a tax nature and to adapt them to the accounting principles established in Article 2426 of the Italian Civil Code, the same throughout the Group, interpreted and supplemented by the accounting principles recommended by the Italian association of accountants (Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri) and, in their absence, by the I.A.S.B. – International Accounting Standards Board. The value adjustments and provisions made by the individual companies included in the consolidation in order to obtain tax benefits allowed by current laws have been eliminated, taking into account the corresponding tax effects.

The perimeter of consolidation has changed since 31 December 2003 due to the acquisition by Immsi S.p.A. of:

- a controlling share (59.73%) in RCN Finanziaria S.p.A., which in turn controls 66.46% of Rodriquez Cantieri Navali S.p.A., the working holding company of the Rodriquez group. In the second half of the year Immsi increased its holding in RCN Finanziaria to 65.82%. The Rodriquez group became part of the consolidation area from the date of its acquisition/subsorption with the parent company consolidation method. If significant, the financial impacts are illustrated in the notes to the individual entries on the balance sheet, listed below.
- a controlling share (60%) in Is Molas S.p.A.;
- total control of the Aprilia Group by Piaggio & C. S.p.A. the contract was formally concluded at the end of 2004 and for this reason the asset balances of the Aprilia Group companies have been consolidated.

The consolidation area comprises the parent company, Immsi S.p.A. and the following directly controlled companies:

- Piaggio Holding Netherlands B.V., the group's ownership of which increased from 31.25% to 40.10% in the second half of the year. This company owns 86.92% of Piaggio & C.

S.p.A., which in turn controls various companies (refer to the detailed list in the attachments);

- Apuliae S.p.A. (85% owned).
- RCN Finanziaria S.p.A., acquired in May 2004 and 65.82% owned at the end of the year;
- Is Molas S.p.A., 60% owned since October 2004.

The Balance Sheet and Income Statement have been drawn up according to the binding schemes specified in 2424 and 2425 of the Civil Code, amended and supplemented by Legislative Decree no. 6 dated 17 January 2003.

The financial results of Piaggio Holding Netherlands B.V. are 31.25% consolidated, since the Immsi S.p.A.'s operation to purchase a further quota was performed on 30 December 2004.

Consolidation principles

The consolidation principles and accounting policies applied in drawing up the consolidated financial statements of the Immsi Group for the year ended on 31 December 2004 comply with the provisions of Legislative Decree 127/91 and are the same as those used at 31 December 2003.

Consolidation methodology

The financial statements were consolidated using the line-by-line method, including all the assets, liabilities, costs and income of the individual companies, irrespective of the percentage equity investment held, eliminating the book value of the consolidated equity investments held by the parent company and other consolidated companies against the corresponding shareholders' equity.

The portions of shareholders' equity and net earnings pertaining to minority interests are stated in specific items of the consolidated balance sheet and income statement.

The difference between the purchase cost and the portion of shareholders' equity in the companies acquired during the year is, where possible, stated in specific balance sheet items of the companies invested in. Any unallocated balance is stated among the assets in the consolidated balance sheet under the "Consolidation difference" item, if positive, and is amortised on a straight-line basis over the estimated future useful life and, in any case, for a period no longer than 20 years, in line with the accounting principles issued by the Italian association of accountants (Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri) and the International Accounting Standard Board (I.A.S.B.). If there is no future use, the residual element is recognised in the income statement.

The items of receivables and liabilities, income and costs, and unrealised profits or losses between the consolidated companies are eliminated. Significant unrealised profits arising from transactions between Group companies consolidated using the line-by-line method and the equity method have been eliminated.

The entries in the financial statements of the individual companies in order to obtain tax benefits which would not otherwise be allowed have been eliminated in the consolidation process, taking into account the relevant taxation effects.

Translation into euro of the financial statements of foreign companies

Translation into euro of the financial statements of consolidated foreign companies is made by using the rates applicable at the year-end for balance sheet items and the average rates for the year for income statement items. Exchange differences arising from the translation of the initial shareholders' equity, at the rates applicable at the year-end against those applicable at the end of the previous year, and the exchange differences arising from the different translation of net

earnings, at the year-end for balance sheet items and at the average rates for the year for income statement items, are stated in a specific shareholders' equity item 'translation reserve'.

The exchange rates for currencies not in the euro zone, used for the conversion of the half-yearly financial reports expressed in other currencies are listed below. The translation rates applied are the following:

	31/12/2004	AVERAGE 2004	31/12/2003	AVERAGE 2003
US Dollar	1,3621	1,2439	1,2629	1,1311
Pound Sterling	0,70505	0,67867	0,7048	0,692
Indian Rupee	59,7404	56,3378	57,5705	53,0532
Singapore Dollar	2,2262	2,10156	2,145	1,9703
Croatian Kuna	7,69424	7,4893	7,6493	7,5572
Chinese RMB	11,2781	10,2992	10,458	9,366
Brazilian Real	3,67282	3,6335	3,6627	3,46804
Japanese Yen	139,65	134,4450	135,05	130,971

Accounting policies

The most significant accounting policies adopted in drawing up the consolidated financial reports compliant with art. 2426 of the Civil Code applied during the year are indicated below. The above policies do not differ from those used in the previous year, unless specifically indicated.

Intangible fixed assets

Stated at purchase cost including accessory costs or at cost of internal production and are amortised over the estimated future useful life.

Start-up and expansion costs, goodwill, the consolidation difference and expenses incurred in connection with obtaining medium- to long-term loans have been stated among the assets.

Research and development costs that regard specific products referring to projects where income is expected to cover costs are capitalised.

The depreciation rates applied are indicated below in the comments on the balance sheet items.

Tangible fixed assets

Stated at purchase or production cost and, in the case of some assets, adjusted in accordance with any specific laws. The cost includes accessory costs, as well as direct and indirect costs for the portion reasonably attributable to the asset.

Tangible fixed assets are depreciated every year on a straight-line basis according to the residual use of the assets.

Ordinary maintenance costs are charged in their entirety to the income statement, or if they add value or lengthen the economic life of the asset are added to the assets they refer to .

Tangible fixed assets in progress are valued at cost and start being depreciated in the year in which start working.

The depreciation rates applied are indicated below in the comments on the balance sheet items.

If, irrespective of the depreciation already posted, there should be a lasting loss of value, the asset is corresponding written down; if in later years the assumptions on which the write-down was based no longer apply, the original value of the assets will be restored in those financial years.

Financial fixed assets

Investments in subsidiaries that have not been fully consolidated, and in affiliated companies, are valued using the equity method, apart from holdings in companies that are irrelevant for the purposes of the consolidated balance sheet, for which the cost method has been used, and the cost is reduced if lasting losses of value occur in cases where the companies invested in have

sustained losses and profits such as to absorb the losses incurred cannot reasonably be foreseen in the immediate future. If in future years the reasons on which the write-downs have been made should no longer exist, the original book value of the holdings will be restored in those years.

If holdings consolidated by the equity method should show a loss greater than the net equity in their balance sheets, the amount of this excess loss is posted in the consolidated balance sheet under "write-downs" and "provision for risks and charges".

Securities are valued at purchase cost including directly chargeable accessory costs.

Receivables stated in the fixed assets are valued at their assumed realisable value.

Inventory

Inventory is stated at the lower of purchase or production cost and the assumed realisable value, estimated using market references.

The purchase or production cost is calculated by attributing the directly incurred costs to the products as well as that portion of indirect costs which may reasonably be associated with the production process in conditions of normal use of the production capacity. The purchase or production cost is calculated using the FIFO method or according to the average weighted storage cost if not significantly different from the result obtained using the FIFO method.

The assumed realisable value of semi-finished and finished goods is calculated by considering both manufacturing costs yet to be incurred and direct sales costs. Contracts in progress for buildings covered by a regular contract are valued at income on the basis of the state of progress at the end of the financial year, reduced by a specifically allocated provision to take the contractual risks on the execution of the works into account.

A write-down based on market conditions is reversed in later years if those conditions no longer apply.

Inventory which is obsolete, slow moving and/or surplus to requirements is valued according to its possible use or future realisable amount by allocation to a specific inventory write-down reserve.

With reference to the hotel business, products in production are represented by identifiable areas that are the object of the property business and are stated at the purchase cost determined from the business sector transfer document.

Receivables

Receivables are stated at their assumed realisable value by creating a provision for doubtful debt which directly reduces the value of those receivables.

The without recourse sale of receivables by factoring determines a reversal of the corresponding amounts in the balance of the trade receivables upon receipt of payment from the factor. With recourse sales of receivables are treated in the same way, with the risk of recourse highlighted in the memorandum items.

Current financial assets

Current financial assets are stated at the lower of purchase cost and the assumed realisable value, estimated using market references. This lesser value is not maintained in subsequent years of the reasons for the write-downs made no longer exist.

Accruals and deferrals

Accruals and deferrals are calculated on an accrual basis.

Provision for risks and charges

Provisions for risks and charges are made to cover losses or liabilities of a certain or probable nature for which, however, the amount or the timing could not be determined at the year-end. The provisions reflect the best possible estimation on the basis of the commitments undertaken and of the elements available.

Staff severance reserve

Represents the liability accrued with respect to all employees of consolidated companies at the year-end. The allocations are made in compliance with current legislation and employment contracts applicable to the individual companies consolidated. This liability may be index-linked. The portion pertaining to the year has been recognised in the income statement.

Liabilities

Liabilities are stated at nominal value, considered representative of their settlement value.

Income and costs

Costs and income are recognised on a prudent basis in the period when payable/receivable, with accruals and deferrals duly indicated. Revenue and income, costs and expenses are stated net of returns, discounts, rebates and premiums. Income and costs for services are recognised in the period when the service is provided or received.

Contracts in progress to order are posted, until delivery, recognising the income on the basis of the state of progress at the end of the year, determined from the costs actually incurred on the basis of updated estimates.

Intra-group and related party transactions were carried out at normal market conditions.

Grants

Grants for capital projects are stated in the balance sheet when title to their receipt is certain and are recognised in the income statement according to the useful life of the asset for which they are received.

Grants pertaining to the period are stated in the balance sheet when title to their receipt is certain and are recognised in the income statement under the cost items for which they were received.

Grants for plant equipment are entered by competence in proportion to the state of progress of the reference constructions.

Dividends

Dividends recognised in the income statement that arise from minority equity investments are recognised when the shareholders of the subsidiary have approved the right to receive them.

Taxation

Taxation stated in the financial statements of the individual companies consolidated and payable on the basis of the estimated taxable income calculated in accordance with local legislation at the year-end is stated in the consolidated financial statements, after taking into account any applicable exemptions and possible tax credits.

It is stated in the "Tax liabilities" item, net of any withholdings and advances paid.

Also stated are advanced and deferred taxation relating to timing differences between the balance sheet accounting values and the corresponding tax amounts, as well as consolidation adjustments and are calculated on the basis of the rates which should be applicable to the period in which the differences will arise.

Advanced taxation is not recognised when there is the reasonable certainty that there will be taxable income equal to or greater than the amount of such differences in the years in which the advanced timing differences arise.

In observance of the same principle, advanced taxation relating to tax losses to be carried forward to lower taxable income in future years is stated only when its recovery is certain.

Advanced and deferred taxation are indicated separately in the financial statements in that it is foreseeable that the related effects will occur in different years.

Derivative contracts

These contracts are stated in the commitments at nominal value valued at future price. For forward currency purchases taken out to hedge a net currency liability exposure associated with specific transactions, the gains and losses have been calculated on the basis of the exchange rate at the

year end and have been recognised in the income statement. Interest rate swap contracts that hedge the underlying cost of financing of loans are described in the memorandum items in the notes to the financial statements and the related financial costs are recognised in the income statement. Should they not be hedging instruments, they are marked to market at the year-end and any loss is recognised.

Translation of currency items

Receivables and liabilities originally expressed in foreign currency other than E.M.U. currencies are translated into euro at the historical rates at the date of the underlying transactions. Exchange differences which emerge at the time of collecting receivables and paying liabilities in foreign currency are recognised in the income statement among financial income and expenses.

Receivables and liabilities at 31.12.04 that are expressed in the currency of countries outside the euro zone have been translated at the exchange rates applicable at the year-end. Any difference arising has been ascertained and recognised in the income statement for the period, along with a corresponding receivable or payable counter-entry.

The risk of losses from foreign exchange fluctuations is dealt with using a specific provision, including in the "other finds for risks and charges" in the liabilities.

Accounting policies for the instruments involved in the Aprilia operation

So far as the financial instruments issued by the Piaggio group for the operation to purchase the Aprilia group, detailed in the comments to the memorandum items, it should be noted that, for the Finanziaria EMH and Warrant Piaggio Instruments, since the asset rights of these instruments was determined by the prospective value of the Piaggio group, and since in the current situation there are no bases to determine this prospective value, the commitment corresponding to the minimum sum guaranteed was stated.

With reference to the Aprilia Shareholders Financial Instruments, it was decided that no liabilities would be stated, since exercising these instruments would be strictly subordinate to the payment in full of the maximum amount of the Warrants and EMH Financial Instruments.

Derogations pursuant to Article 2423, paragraph 4 of the Italian Civil Code

There were no exceptional cases which warranted derogations of the laws relating to financial statements in accordance with Article 2423, paragraph 4 of the Italian Civil Code.

Significant post-balance sheet events

No events occurred after 31.12.04 that warranted adjustments or additional notes to the consolidated financial statements.

Reference should be made to the Report on Operations for any significant post-balance sheet events and for the business outlook.

Currency used for the presentation of the figures

The figures presented in the consolidated financial statements, the additional tables and the notes to the financial statements are expressed in thousands of euro.

Transition to international accounting standards (IFRS)

Regulation (CE) No. 1606/2002 of the European Parliament and Commission dated 19 July 2002 imposes on European companies listed in any market regulated by the European Union to draw up their consolidated financial reports using International Accounting Principles (IAS and IFRS), issued by the International Accounting Standard Board, and approved by the EU. The obligation starts for each financial year starting on 1 January 2005, or a later date. The Italian Council of Ministers, with Legislative Decree no. 38 dated 28 February 2005, extended the sphere of application of the international accounting principles to the balance sheets of listed companies, banks, and other regulated financial institutions and to the consolidated financial reports of unlisted banks, regulated financial institutions and insurance companies, optionally for financial years starting in 2005 and obligatorily for those starting in 2006.

The International Accounting Principles that will be applied to financial reports from 2005 were first adopted by the European Commission in 2003, with regulation CE 1725/2003, which approved and incorporated into community regulations some of the International Accounting Principles issued by the IASB, in compliance with Regulation CE 1606/2002. The approval process, however, was completed in December 2004, and partly modified some of the principles incorporated in 2003.

Despite the evident delay in defining a stable regulatory framework, in 2004 Immsi started a project for the transition to IAS/IFRS, which involved the parent company and all Group subsidiaries, apart from the companies belonging to the Aprilia group, purchased in December 2004, for which the transition project started in February 2005.

The first phase of the project, completed in May 2004, resulted in the identification of all components of the financial reports, company areas, process and systems that could potentially be affected by the transition to the new International Accounting Principles.

The second phase of the project, completed in December 2004, involved a more detailed evaluation of areas of the financial reports, identified in the preceding phase, resolving accounting issues and defining the ways in which the new accounting principles would be applied.

The third phase of the project, currently still underway, has the aim of completing the total conversion to the new International Accounting Principles, by quantifying their impacts and preparing the first transition financial reports, as well as making the necessary changes to the information systems and organizational procedures that are needed to manage IAS/IFRS financial reports continuously.

The various phases of the project have encountered difficulties due to the uncertain regulatory framework, the evident difficulties of applying the IAS/IFRS principles and last, but not least, the recent acquisition of the Aprilia group. As a result, the phase to define the quantitative impacts that the transition to IAS/IFRS will generate on the Immsi financial reports is still being developed.

However, on the basis of the work done so far, it is already possible to identify the principal areas which have effects on the consolidated financial reports of the Group after the introduction of the new IAS/IFRS principles.

Presentation of the financial reports: The current layouts of the Income Statement, Balance Sheet, Movements in Shareholder Equity and Cash Flow Statement will be modified as needed to incorporate the changes to the financial items envisaged in IAS 1 "Presentation of the Financial Reports". So far as the options envisaged by IAS 1 are concerned, Immsi has made the following choices:

- the Income Statement will be classified by nature;
- The Balance Sheet will be classified on the basis of the use of current and non-current assets and liabilities;
- The Cash Flow Statement will be organised on the basis of the indirect method.

Informative Notes on the Sector: On the basis of the provisions of IAS 14 "Informative Notes on the Sector", the Immsi Group in accordance with its own organisational structure, and based on the source and nature of the risks and benefits to the company, has identified that this type of information should be arranged firstly by business, and secondarily by geographical area based on the location of its customers.

Aggregations of enterprises: The Immsi Group has decided to avail itself of the exemption granted from IFRS 1 "First adoption of IFRS", which envisages the possibility of not applying the current International Accounting Principles retroactively to aggregations of enterprises created before the date the IFRS were approved.

Intangible fixed assets: the treatment of intangible fixed assets, and particularly Research & Development costs and several long term capital charges will in some circumstances no longer be compatible with the provisions of IAS 38 "Intangible assets".

Tangible fixed assets: the treatment envisaged in IAS 16 "Fixed Assets" has involved recalculating the value of properties, because of the need to determine the value of the land on which buildings stand so as to allow them to be posted separately and differently.

Financial liabilities on the basis of the provisions of IAS 39 "Financial instruments: reporting and valuation" the so-called amortised cost method will be applied to financial liabilities, and they will therefore no longer be posted in the balance sheet at their nominal value.

Own shares IAS 32 "Statement in the balance sheet and supplementary information" requires that own shares are no longer listed among the assets in the financial reports, but are listed to reduce the Net Capital.

Staff severance reserve according to the provisions of IAS 19 "Employee benefits", the value of the posting for staff severance reserve and other deferred remuneration will be reactivated by applying actuarial methods.

The Immsi company, in compliance with the definitions contained in the Consob consultation applying the accounting policies and contents established in the previously applicable regulations, but will draw up its report on the first half-year of 2005 applying the International Accounting Principles, as envisaged in the consultation document mentioned above.

The company is in the process of confirming the appointment of its external auditors, in the terms and ways indicated definitively by Consob, for the auditing of the data resulting from the process of transition to the International Accounting Principles.

COMMENTS ON THE MAIN ITEMS AMONG THE ASSETS

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

A) RECEIVABLE FROM SHAREHOLDERS FOR CONTRIBUTIONS OF CAPITAL

2

Receivables from shareholders refer to receivables due from the minority shareholder of Progetto Smeb, represented by the bankruptcy trustee of the Smeb company.

B) FIXED ASSETS

1,014,853

I. Intangible fixed assets

At 31 December 2004 the intangible fixed assets totalled 647.164 million euro and may be broken down as follows:

	Gross value				<i>Balance at 31.12.2004</i>
	<i>Balance at 31.12.2003</i>	<i>Increases</i>	<i>Change in area of consolidation</i>	<i>Other changes</i>	
Start-up and expansion costs	40,928	1,976	3,338	(34,382)	11,860
Research, development and advertising costs	88,890	14,492	74,487	(3,975)	173,894
Industrial patent rights and use of intellectual property	55,249	2,691	10,576	764	69,280
Concessions, licences, trademarks and similar rights	12,556	362	100,861	(7)	113,772
Goodwill	1,411	0	1,887	(655)	2,643
Construction in progress and advances to suppliers	20,383	12,235	18,397	(8,910)	42,105
Other	25,525	1,989	28,931	(3,876)	52,569
Consolidation differences	411,970	105,998	0	0	517,968
TOTAL	656,912	139,743	238,477	(51,041)	984,091

The table below highlights the changes in the depreciation and amortisation provisions corresponding to the financial statement items indicated above:

	Depreciation and amortisation provisions				Net value	
	<i>Balance at 31.12.2003</i>	<i>Depreciation and amortisation</i>	<i>Change in area of consolidation</i>	<i>Other changes</i>	<i>Balance at 31.12.2004</i>	<i>Balance at 31.12.2004</i>
Start-up and expansion costs	39,829	1,813	3,338	(34,256)	10,724	1,136
Research, development and advertising costs	66,808	20,374	49,548	(9,175)	127,555	46,339
Industrial patent rights and use of intellectual property	50,301	4,177	10,069	(45)	64,502	4,778
Concessions, licences, trademarks and similar rights	12,174	333	51,228	5	63,740	50,032
Goodwill	1,411	0	1,596	(655)	2,352	291
Construction in progress and advances to suppliers	0	0	0	14	14	42,091
Other	18,647	3,847	24,866	(4,325)	43,035	9,534
Consolidation differences	3,433	21,572	0	0	25,005	492,963
TOTAL	192,603	52,116	140,645	(48,437)	336,927	647,164

Start-up and expansion costs item totalled 1.136 million euro at 31 December 2004 and includes costs which are amortised due to their residual use for a period of 3 to 5 years.

Research, development and advertising costs totalled 46.339 million euro as at 31 December 2004, and refer for 39.504 million euro to costs incurred for the design of new Piaggio and Aprilia products and engines and for 6.835 million euro to costs incurred for two research projects, 'Aliscafi ad ala immersa' (submerged wing hydrofoils) and 'Enviroaliswath' and naval propellers by the Rodriguez group. The changes in the consolidation perimeter on account of the Aprilia group and of Rodriguez totalled 17.576 million euro and 7.363 million euro respectively.

Research and development costs are amortised for a period of between 3 and 5 years.

Costs for which the conditions for capitalisation exist but which relate to products that will subsequently be manufactured are included in the "Construction in progress and advances to suppliers" item.

The Industrial patent rights and use of intellectual property item at 31 December 2004 includes capitalised costs for the outright purchase of software licences and know how for a total of 4.778 million euro.

Costs relating to industrial patent rights and the use of intellectual property are amortised over a period of from 3 to 5 years.

The item Concessions, licences, trademarks and similar rights, totalling 50.032 million euro, is much higher than in 2003 because of the change in the consolidation perimeter caused by the entrance of the Aprilia group (49.589 million euro), and relates mainly to the Aprilia, Moto Guzzi and Moto Laverda brands.

This item is amortized over a period of 5 years.

The Construction in progress and advances to suppliers item, 42.091 million euro, mainly refers to research and development costs relating to Piaggio group vehicles and engines which will be manufactured and sold in future years the value of which is about 22 million euro. The principle component is to impute to the following projects: the two cylinder engine (1.260 million euro), the X10 vehicle (1.079 million euro), the New Utility Vehicle and Quargo India (2.556 million euro), the new euro 3 engines (1.049 million euro), the Vespa ET and GT Restyling models (1.269 million euro) and the Tridder vehicle (1.413 million euro). Construction in progress and advances to suppliers also includes the change in the perimeter because of the entrance of the Aprilia group, 18.383 million euro of which refers to capitalised group costs mainly for: the Breva vehicle (3.391 million euro), project 904 and 905 (1.882 million euro) and the Pegaso 650 I.E. MY vehicle (943 million euro). This item does not include the accessory charges and costs incurred for the execution of building restructuring works carried out for the tourism/hotel project by Apuliae S.p.A. for 1.773 million euro.

The item Other intangible assets, 9.534 million euro, mainly refers to the Piaggio group (8.735 million euro) and as at 31 December 2004 it mainly consists of: grants to suppliers for 2.115 million euro, accessory charges for long term loans for 3.682 million euro and capitalised costs of the Aprilia group for 3.694 million euro.

Other intangible fixed assets are amortised over 5 years or over the specific life of the contract.

The Consolidation difference item arises from the higher price paid at the acquisition compared to the corresponding portion of consolidated shareholders' equity net of accumulated amortisation. Changes in this item during the 2004 financial year are reported below.

	Gross value			
	Balance at 31.12.2003	Increases	Depreciation and amortisation	Balance at 31.12.2004
Purchase of 100% of Piaggio & C. S.p.A. (by Piaggio Holding N. BV)	405,057		(20,423)	384,634
Purchase of 31.25% of Piaggio Holding Netherlands B.V. (by Immsi)	3,480		(175)	3,305
Purchase of 5.23% of Piaggio & C. S.p.A. (by Immsi)		7,869		7,869
Purchase of 8.85% of Piaggio Holding Netherlands B.V. (by Immsi)		17,331		17,331
Purchase of 100% of Aprilia. S.p.A. (by Piaggio & C. S.p.A.)		47,502		47,502
Purchase of 66.49% of Rodriquez S.p.A. (by RCN Finanziaria S.p.A.)		33,120	(966)	32,154
Other purchases:		176	(8)	168
TOTAL	408,537	105,998	(21,572)	492,963

Based upon market observations and the expected period of use, the useful economic life of the higher price paid at acquisition is deemed to be in line with the maximum 20-year amortisation period permitted by the accounting principles of the Italian accounting association (Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri) and the accounting standards of the International Accounting Standards Board (I.A.S.B.).

The directors will periodically monitor the recoverability of this Group consolidation difference on the basis of the objectives achieved over the next years.

With reference of the consolidation difference on the acquisition by RCN Finanziaria S.p.A. of 66.49% of Rodriquez Cantieri Navali S.p.A., equal to 33.120 million euro, it should be noted that this sum is derived from the difference between the value of the shareholding and the net capital of pertinence, as determined at 31 May 2004, equal to a negative balance of 3.169 million euro. This value incorporates write-downs and extraordinary cost items determined at the acquisition against which the net capital was reduced by 39.063 million euro. The need to determine the value of the initial net capital, net of these write-downs, emerged after the in-depth investigations made after the half-yearly report and the quarterly report at 30 September 2004 had been drawn up; these reports highlighted how these items should be attributed to a time preceding the purchase.

The net earnings for the subsequent period were positive, as detailed in the Report on Operations with the consolidated financial statements.

II. Tangible fixed assets

At 31 December 2004 the intangible fixed assets totalled 324.013 million euro and consist mainly of property assets: Immsi S.p.A. for 43.357 million euro, Piaggio group for 237.256 million euro, Rodriguez group for 23.348 million euro and Is Molas for 20.052 million euro. A summary of this item follows:

	Gross value					Balance at 31.12.2004
	Balance at 31.12.2003	Increases	Decreases	Change in area of consolidation	Other changes	
Land and buildings	254,771	14,354	(102,774)	71,380	(11,179)	226,552
Plant and machinery	251,722	10,577	(22,086)	56,768	8,035	305,016
Industrial and commercial equipment	328,305	15,562	(7,656)	108,437	2,249	446,897
Other assets	37,367	3,704	(1,181)	21,351	(230)	61,011
Construction in progress and advances to suppliers	19,622	21,169	(1)	3,577	(17,670)	26,697
Freely assignable assets	0	495	0	16,249	0	16,744
TOTAL	891,787	65,861	(133,698)	277,762	(18,795)	1,082,917

The table below highlights the changes in the depreciation and amortisation provisions corresponding to the financial statement items indicated above:

	Depreciation and amortisation provisions					Net value	
	Balance at 31.12.2003	Depreciation and amortisation	Utilisation	Change in area of consolidation	Other changes	Balance at 31.12.2004	Balance at 31.12.2004
Land and buildings	83,409	4,806	(31,160)	23,972	(15,065)	65,962	160,590
Plant and machinery	201,314	11,327	(19,477)	45,565	(488)	238,241	66,775
Industrial and commercial equipment	290,718	19,834	(7,199)	92,440	652	396,445	50,452
Other assets	30,283	3,326	(827)	16,446	45	49,273	11,738
Construction in progress and advances to suppliers	0	0	0		0	0	26,697
Freely assignable assets	0	548	0	8,435	0	8,983	7,761
TOTAL	605,724	39,841	(58,663)	186,858	(14,856)	758,904	324,013

Land and buildings refers mainly to Piaggio group production plant for 100.144 million euro, and also considers the change in the consolidation perimeter generated by the acquisition of the Aprilia group (32.776 million euro), property owned by Immsi for 42.303 million euro, the Is Molas tourism-hotel complex for 11.413 million euro, and Rodriguez group buildings worth 14.491 million euro (consolidation perimeter change 14.632 million euro) Buildings are depreciated on a straight-line basis at the following rates:

- production facilities: from 3% to 5%;
- light constructions: from 7% to 10%;
- sports facilities-golf courses: 5%.

Land is not depreciated.

Plant and machinery (66.775 million euro) refers substantially to the production plant of the Piaggio group, for 57.522 million euro, and the Rodriguez group for 5.164 million euro., as well as to the plant located at the tourism-hotel complex managed by Is Molas, for 3.479 million euro. The

change in the consolidation perimeter totals 5.721 million euro referring to the Aprilia group and 5.482 million euro referring to the Rodriguez group.

Plant and machinery are depreciated at the following rates:

- general/specific plant facilities: from 7.5% to 17.5%;
- electrolytic cells: 20%;
- ovens and accessories: 15%;
- robotic work centres: 22%;
- control, testing and alarm instruments: 30%;
- miscellaneous and sundry equipment: 25%.

The value of Industrial and commercial equipment, 50.452 million euro, is composed essentially of the production equipment of Piaggio & C. S.p.A., P&D S.p.A., Nacional Motor S.A. and Piaggio Vehicles Pvt. Ltd, the change in the area of consolidation deriving from the acquisition of the Aprilia group (14.405 million euro), and the equipment owned by the Rodriguez group (1.592 million euro change in the consolidation perimeter).

Industrial and commercial equipment is depreciated at the following rates:

- control and testing instruments: 30%;
- miscellaneous and sundry equipment: 25%.

Other assets are stated at 11.738 million euro net of depreciation as at 31 December 2004, of which 9.388 million euro referred to the Piaggio group, and consists mainly of IT systems, office furnishings and motor vehicles. The change in the consolidation perimeter totals 3.445 million euro referring to the Aprilia group and 1.460 million euro referring to the Rodriguez group.

Construction in progress and advances to suppliers, worth 26.697 million euro at the end of the financial year, consists mainly of advances for investments made by the Piaggio group (21.412 million euro) in new assembly lines, equipment for new vehicles and engines, and advances for the supply of new plant and equipment made to the Aprilia group (2.434 million euro change in the consolidation perimeter).

During the year, the Group made no significant purchases of tangible fixed assets through finance leases.

However, it should be noted that after the entry of the Aprilia group, property with a net value of 26.257 million euro as at 31 December 2004 was posted with the methods envisaged in IAS 17.

In addition to these sums, we would point out that in the financial statements of Moto Guzzi S.p.A., a security deposit (8.605 million euro) for the guarantee opened in favour of Holdipar S.p.A., lessor of the building rented to Moto Guzzi is posted among the financial assets of Moto Guzzi S.p.A. Here it should be noted that according to the agreements signed for the purchase of Aprilia S.p.A., Moto Guzzi S.p.A. is due to take over the financial leasing contract from Holdipar S.p.A. (with Locat S.p.A.).

III. Financial fixed assets

The financial fixed assets at 31 December 2004 totalled 43.676 million euro and comprise:

	<i>Balance at 31.12.2004</i>	<i>Balance at 31.12.2003</i>
Equity investments in subsidiaries	982	30
Equity investments in associated companies	1,141	1,218
Equity investments in other companies:	18,115	17,947
Receivable from subsidiaries	342	15,449
Receivables from associated companies	9,760	0
Receivable from others	13,336	2,704
TOTAL	43,676	37,348

Equity investments

The detailed equity investments are as follows:

	31/12/2004	
	% Group ownership	Book Value
Subsidiaries – Valued using the cost method		
Piaggio Argentina SA (in liquidation)	99.99%	41.0
Subsidiaries – Valued using the equity method		
Custom Insurance Company LTD (in liquidation)	100.00%	930.0
Piaggio China Co. LTD	99.99%	0
Aprilia World Service Holding do Brasil LTDA	99.99%	0
Universal Dynamic Investment LTD (in liquidation) PN	99.99%	0
Rodriquez USA LLC	100.00%	1.0
Rodriquez Charter & Broker	100.00%	10.0
Total subsidiaries		982.0
Associated companies - Valued using the cost method		
S.A.T. Société d'Automobile et Triporteurs S.A.	20.00%	45.0
D.E.V. Diffusione europea Veicoli S.r.l.	20.00%	5.0
Motoride S.p.A. (in liquidation)	28.29%	519.0
Marker S.r.l.	49.00%	20.0
Pont-Tech - Pontedera & Tecnologia S.c.r.l.	20.00%	21.0
Associated companies – Valued using the equity method		
Almec S.p.A.	30.00%	509.0
Mitsuba F.N. europe S.p.A.	20.00%	0
Piaggio Foshan Motorcycle Co. Ltd	45.00%	0
Rodriquez Logtec S.r.l.	55.00%	8.5
Rodriquez Mexico	50.00%	1.0
Italsistemi S.r.l.	24.00%	12.0
Total associated companies		1,140.5
Other companies – Valued using the cost method		
Capitalia S.p.A.	0,50%	17,836.0
Other Piaggio group companies	-	235.0
Other Rodriquez group companies	-	44.4
Total other companies		18,115.4
TOTAL		20,237.9

Receivable from subsidiaries

The value of non-current receivables from subsidiaries, 342 million euro, consists of the receivable due to Aprilia S.p.A. from Aprilia World Service Holding do Brasil Ltd.

Receivable from associated companies

The value of non-current receivables from associated companies, equal to 9.760 million euro, consists of the receivable claimed by Piaggio & C S.p.A. from Piaggio Foshan Motorcycle Co. Ltd. This receivable, which at 31 December 2003 totalled 15.449, and was classified as a receivable from associated companies, has decreased by 5.689 million euro.

Receivable from others

The 13.336 million euro of non-current receivables from others is higher than this item at 31 December 2003 (2.704 million euro), mainly because of the change in the consolidation perimeter (Aprilia) for 12.794 million euro, deposits placed as security relating to Moto Guzzi S.p.A. (8.605 million euro), and other residual Aprilia group receivables totalling 2.814 million euro.

C) CURRENT ASSETS

836,999

I INVENTORY

This item comprises:

	<i>Balance at 31.12.2004</i>	<i>Balance at 31.12.2003</i>
Raw materials, consumables and goods for resale	89,789	38,732
Work in progress and semi-finished goods	48,865	13,111
Contracts in progress	211,626	0
Finished goods and merchandise	119,915	79,964
Advances received	5,148	215
TOTAL	475,343	132,022

Inventory includes sums related to the change in the area of consolidation for the companies owned by the Aprilia group and the Rodriguez group, acquired during 2004, totalling 83.028 million euro and 206.543 million euro respectively. The increase in stocks, net of the effect of the change in consolidation perimeter, totalled 53.750 million euro and is mainly attributable to the increase in the Rodriguez group (45.046 million euro) and in Is Molas S.p.A. (11.271 million euro).

The Piaggio group inventory, net of the change in consolidation perimeter, was 2.577 million euro less than at the previous year-end.

The largest item in the Rodriguez group inventory is "contracts in progress", which at 31 December 2004 constituted the whole consolidated value of the Immsi Group. At year end this item represented about 84% of the Rodriguez inventory.

The write-downs as at 31 December 2004 of 54.414 million euro comprise provisions mainly for stocks of raw materials unusable for current production (25.705 million euro) and obsolete or slow moving finished products and goods (23.805 million euro).

II. RECEIVABLES:

Receivables in current assets consist of:

	<i>Balance at 31.12.2004</i>	<i>Balance at 31.12.2003</i>
Trade receivables	193,176	78,261
Receivable from subsidiaries	124	5,015
Receivable from affiliates	579	507
Receivable from parent companies	-	-
Tax receivables	27,501	15,462
Advance taxation	46,064	30,484
Receivable from others	31,823	12,992
TOTAL	299,267	142,721

Trade receivables as at 31 December 2004, totalling 193.176 million euro, were 114.915 million euro higher than at the end of the previous financial year, mainly because of the change in the area of consolidation (141.570 million euro in total, 80.258 of which related to the Aprilia group and 61.312 million euro to the Rodriguez group).

The provision for doubtful debt totalled 59.141 million euro at 31 December 2004.

At 31 December 2004, receivables sold with recourse to factoring companies but not yet matured, present in the Piaggio group, and therefore posted as "trade receivables", totalled 5.950 million euro, while receivables sold with recourse discounted by the factor, for which there is a risk of recourse are highlighted in the memorandum accounts.

Trade receivables due beyond 12 months total 5.083 million euro, of which 2.450 million euro due beyond 5 years.

The breakdown of current and non-current receivables by geographical area shows that 147.637 are from Italy, 96.368 from the rest of Europe, and 32.777 million from other parts of the world.

The value of receivables from subsidiaries as at 31 December 2004, 124 million euro, consists of the receivable claimed by Aprilia S.p.A. from Aprilia World Service Holding do Brasil Ltd.

The value of receivables from associated companies as at 31 December 2004, 579 million euro, consists of trade receivables from Piaggio Foshan Motorcycle Co. (59 thousand euro), Fondazione Piaggio (515 thousand euro) and Almec (5 thousand euro).

Tax receivables at the end of the financial year, at 27.501 million euro, had increased by 12.039 million euro compared to the 2003 figure. This sum consists of receivables from the tax authority for VAT totalling 12.776, receivables from the tax authority for income tax totalling 14.160 million euro, and 565 thousand in other receivables from the authorities. The increase in this item after the new consolidation perimeter totalled 12.742 million euro, of which 9.730 relating to the entrance of the Aprilia group and 3.012 million euro to the entrance of the Rodriguez group.

Advance taxation totalled 46.064 million euro at 31 December 2004, an increase of 15.580 million euro over the figure at 31 December 2003. This sum relates mainly to deferred tax assets which should be recovered through future taxable earnings before their expiry date, and refer to group parent Immsi S.p.A. for 2,653 million euro, the Piaggio group for 38.351 million euro, the Rodriguez

group for 4.875 million euro, RCN Finanziaria S.p.A. for 37 thousand euro and Is Molas S.p.A. for 149 thousand euro.

The increase in this item after the new consolidation perimeter was a total of 17.034 million euro, of which 11.017 relating to the entrance of the Aprilia group and 6.017 million euro to the entrance of the Rodriguez group.

III. CURRENT FINANCIAL ASSETS

Loans to associated companies

This item, which totalled 159 million euro, refers to a loan by Piaggio & C. S.p.A. to associate Fondazione Piaggio.

Receivable from others

This item, at 10.774 million euro, refers for 9.558 million euro to financial receivables to Piaggio & C. S.p.A. from Scooter Holding S.p.A, concerning the loan granted to the latter by virtue of the contractual agreements for the purchase of the Piaggio group, for 1.151 million euro, and financial investments made by Rodriguez S.p.A. The remaining 65 thousand euro refers to miscellaneous receivables of the Aprilia group.

IV. CASH AT BANK AND IN HAND

Cash at bank and in hand at 31 December 2004 totalled 51.456 million euro, divided as follows:

	<i>Balance at 31.12.2004</i>	<i>Balance at 31.12.2003</i>
Cash at bank	51,024	23,805
Cheques	290	0
Cash in hand	142	50
TOTAL	51,456	23,855

Compared to the figure at 31 December 2003 (23.855 million euro), cash at bank and in hand increased by 27.601, and was divided as follows: 11.491 million euro in Immsi S.p.A., 35.198 million euro in the Piaggio group, 1.627 million euro in the Rodriguez group, 2.709 million euro in Is Molas S.p.A. and the remainder in the other group companies.

D) PREPAYMENTS AND ACCRUED INCOME**9,528**

Prepayments and deferred income totalled 9.528 million euro at 31 December 2004, compared to 2.567 million euro the previous year, and consisted of the following:

	<i>Balance at 31.12.2004</i>	<i>Balance at 31.12.2003</i>
Interest rate hedges	30	1,497
Interest subsidies	0	166
Rentals received	66	63
Other	175	157
TOTAL PREPAYMENTS	271	1,883
Rentals and instalments paid	790	350
Other	8,466	333
TOTAL ACCRUALS	9,256	683
Issue discounts	1	1
TOTAL	9,528	2,567

“Other” accrued income includes 4.676 million euro posted by Aprilia S.p.A. for advertising services for the financial years 2005 and 2006. This prepayment was generated by trade-in agreements signed by Aprilia S.p.A. as part of motorcycle supplies, payable against purchase of advertising services. It is pointed out that provision of the same sum was allocated to the risk funds against this transaction.

COMMENTS ON THE MAIN ITEMS AMONG THE LIABILITIES

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

A) SHAREHOLDERS' EQUITY

373,542

At 31 December 2004 shareholders' equity totalled 373.542 million euro, of which 186.643 million euro referred to the consolidated net equity of the Group and 186.899 thousand euro referred to minority capital and reserves.

With reference to the consolidated net equity of the Group, the variations during the year are reported below:

	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Legal reserve</i>	<i>Reserve for own shares in portfolio</i>	<i>Other reserves</i>	<i>Group Earnings</i>	<i>Total</i>
<i>Balance at 31 December 2004</i>	114,400	4,602	209	197	14,589	(32,138)	101,859
Use of group earnings - Legal reserve			8			(8)	0
Use of group earnings - Dividends					(6,432)	(159)	(6,591)
Use of group earnings - Carried over losses					(32,305)	32,305	0
Contributions of capital					78,393		78,393
Sale of own shares in portfolio				(197)	197		0
Exchange differences from translation					(302)		(302)
Earnings for the year						13,284	13,284
<i>Balance at 31 December 2004</i>	114,400	4,602	217	0	54,140	13,284	186,643

Below are the comments on the main items of the shareholders' equity and the relevant changes.

I. Share capital

The fully paid-up share capital of IMMSI S.p.A. as at 31 December 2004 comprises 220 million ordinary shares of nominal value 0.52 euro each, for a total of 114.400 million euro. The majority shareholder is Omniapartecipazioni S.p.A..

It should be recalled that at the end of the year the increase in the capital of Immsi S.p.A. by a total of 66 million shares for 34.320 thousand euro was underway, and was concluded in February 2005.

III. Revaluation reserve

This reserve of 4.602 million euro includes the revaluations of the tangible fixed assets relating to the parent company, made in accordance with Law 413/91 by Sirti S.p.A. and transferred to Immsi S.p.A. following the demerger of the business.

IV. Legal reserve

At 31 December 2004 this reserve totalled 217 thousand euro, 8 thousand higher than at 31 December 2003.

VII. Other reserves

At 31 December 2004 this item totalled 54.140 million euro, 39.550 million higher than at 31 December 2003.

	Balance at 31.12.2004	Balance at 31.12.2003
Extraordinary reserve	7,102	13,338
Reserve under Article 74 Tuir	369	369
Reserve under Article 18 Law 675/77	119	119
Reserve for capital grants	526	526
Reserve under Article 15 LD 429/82	139	139
Share premium reserve	44,423	0
Contributions for increase in share capital	33,970	0
Losses of previous years brought forward	(32,305)	0
Translation reserve	(203)	98
Total other reserves	54,140	14,589

Total Group shareholders' equity

The following table reconciles the Group's consolidated shareholders' equity with the parent company's shareholders' equity at 31 December 2004:

	Shareholders' Equity	Earnings for the year
Shareholders' equity and earnings for the year as listed in the Parent company's financial statements	217,704	11,836
Elimination of book value of consolidated equity investments		
Pro quota financial results of subsidiary companies (*)	1,097	1,097
Net depreciation/amortisation of consolidation differences	680	351
Differences between book values and pro quota value of net shareholders' equity	(32,536)	-
Exchange differences from translation	(302)	-
Group shareholders' equity and results	186,643	13,284

MINORITY INTEREST SHAREHOLDERS' EQUITY

At 31 December 2004 the minority interest shareholders' equity totalled 186.899 million euro, a increase of 36.379 million euro compared to 31 December 2003, mainly as a consequence of the

entrance of new minority shareholders in Is Molas S.p.A., in the Rodriquez group and in Piaggio & C. S.p.A.

B) PROVISIONS FOR RISKS AND CHARGES

114,115

The composition of these provisions at 31 December 2004 is indicated below, and compared with the figures for the previous year:

	Balance at 31.12.2003	Provisions	Utilisation	Other changes	Change in area of consolidation	Balance at 31.12.2004
Provisions for pensions and similar obligations	878	73	-59	0	0	892
Provision for deferred taxation	2,754	9,679	-1,461	-72	4,149	15,049
Provisions for other taxes	2,255	1,311	-151	0	1,023	4,438
Other provisions:						
- provision for risks on equity investments	20,443	0	-9,307	1	791	11,928
- provision for risks on interest rate hedges	12,220	0	-4,505	0		7,715
- provision for product warranties	13,305	7,140	-7,745	0	9,489	22,189
- provision for restructuring costs	7,325	550	-2,925	0	4,945	9,895
- other	5,883	18,659	-5,307	-47	22,821	42,009
Total other provisions	59,176	26,349	-29,789	-46	38,046	93,736
TOTAL	65,063	37,412	-31,460	-118	43,218	114,115

The provisions for pensions and similar obligations mainly comprise provisions for payments due to agents in the event an agency agreement is terminated for reasons not attributable to them.

Provisions for deferred taxation comprise deferred taxation allocated against components of income recorded in the financial statements of the consolidated companies, the taxation of which is, by law, deferred to years subsequent to the period in which the income is recognised. The most significant increase of the period is attributable to parent company Immsi S.p.A. (8.833 million euro) after primarily the posting of deferred taxation assets calculated on the gains generated by the property disposals.

The provision for other taxes refers to provisions made by Piaggio Espana S.A. (1.283 million euro), Piaggio Deutschland GmbH (418 thousand euro), Nacional Motor S.A. (1.402 million euro) and the Aprilia group (1.023 thousand euro) against possible tax liabilities.

The provision for product warranties relates to provisions for estimated work on products during their period under guarantee.

This period depends on the type of goods sold and the local market, as well as the number of clients who sign a maintenance contract.

The provision for risks on equity investments mainly refers to Piaggio Foshan Motorcycle Co. Ltd (11.745 million euro).

The provision for company restructuring costs relates to costs that will be incurred in future years in connection with the restructuring plans of various Group companies (mainly Aprilia group with 4.945 million euro, Piaggio & C. S.p.A. with 3.210 million euro and Nacional Motor S.A. with 1.604 million euro).

With reference to the provision for risks on interest rate hedges, which decreased by 4.505 million euro, refer to the comments on the memorandum accounts.

The other funds mainly consist of provisions for risks on disputes of a legal nature (5.084 million euro) and risks on goods and service supply contracts (23.442 million euro).

C) STAFF SEVERANCE RESERVE

78,079

This item refers to payments to be made at the termination of employment, in compliance with the local laws and employment contracts in the individual countries where consolidated companies operate.

The balance of the staff severance reserve, at 78,079 million euro, is 23.505 million euro higher than at the end of the previous year.

The increase attributable to the change in the consolidation perimeter totals 21.177 million euro, of which 14.657 refers to the Aprilia group and 6.520 million euro the Rodriguez group.

Allocations made to the fund during the period total 8.481 million euro, while utilisation totalled 6.153 million euro.

D) LIABILITIES

1,272,361

Liabilities totalled 1,272.362 million euro at 31 December 2004, an increase of 552.538 million euro compared to the previous year. The change due to the new perimeter of consolidation totalled 630.707 thousand euro. The portion of accounts payable falling due beyond 12 months is indicated in the comments to the individual items in the financial statements.

The breakdown of accounts payable by geographical area shows that 1,045.972 million are due from Italy, 189.420 million from the rest of Europe, and 36.969 million from the rest of the world.

1. Bonds

This refers to the 100 million euro debenture loan granted in 2002 by Aprilia Luxembourg S.A., due on 2 May 2005. Repayment of this loan is planned by bonds of at least five years issued and guaranteed by Piaggio & C. S.p.A. and for which Immsi S.p.A. has undertaken to guarantee placement.

3. Owed to shareholders for loans

This item refers to the Is Molas S.p.A. debit for the loan granted by the minority shareholders.

4. Owed to banks

This totals 483.871 million euro, compared to 374.825 million euro the previous year, and comprises:

	<i>Balance at 31.12.2004</i>	<i>Balance at 31.12.2003</i>
Other current account debts	150,086	32,194
Loans with real guarantees		
- due within 1 year	17,615	24,572
- due within 1 to 5 years	230,883	202,679
- due beyond 5 years	78,832	115,380
Total loans with real guarantees	327,330	342,631
Other loans		
- due within 1 year	0	0
- due within 1 to 5 years	6,455	0
- due beyond 5 years	0	0
Total other loans	6,455	0
TOTAL	483,871	374,825

At 31 December 2004 bank debt totalled 483.871 million euro, an increase over the 109.046 million euro of 31 December 2003. The increase attributable to the change in the consolidation perimeter totals 100.825 million euro, of which 44.665 refers to the Aprilia group and 56.160 million euro to the Rodriguez group.

Loans with real guarantees includes the remaining 63.650 million euro of the loan taken out in the previous year by parent company Immsi S.p.A. for a total of 150 million euro, and with reference to the Piaggio group, to the syndicated loan in which a pool of 27 financial institutions have participated for a total of 165.300 million euro and the opening of a 27 million euro credit line with Banca Intesa S.p.A. The syndicated loan was restructured in 2003 after the contract that enabled Immsi S.p.A. to acquire management control of the activities of Piaggio group companies

The real guarantees on loans, which increased by 1.045 million compared to the end of the previous year, refer mainly to the mortgage on properties provided by parent company Immsi S.p.A. for 225 million euro, real guarantees (pledges and mortgages) on Piaggio group company assets for 743.4 million euro, and a 192.3 million euro pledge on the shares in Piaggio group held by Piaggio Holdings Netherlands B.V. against the loans granted to the group. Loans with real guarantees totalled 327.330 million euro at 31 December 2004.

5. Owed to other lenders

This totals 38.204 million euro, compared to 26.163 million euro the previous year, and comprises:

	<i>Balance at 31.12.2004</i>	<i>Balance at 31.12.2003</i>
- due within 1 year	24,289	12,055
- due within 1 to 5 years	7,764	6,009
- due beyond 5 years	6,151	8,099
Total owed to other lenders	38,204	26,163

At 31 December 2004 debt to other lenders totalled 38.204 million euro, an 28.204 million euro increase compared to the figure at 31 December 2003. The increase due to the change in the consolidation area totalled 21.858 million euro, almost wholly attributable to the Rodriguez group. The largest components of this are 17 million euro owed by Piaggio group subsidiary Nacional

Motor S.A. to the Catalan Finance Institute and a debt relating to advances received by the Rodriquez group from the Ministry of Transport related to the progress of motor patrol boats that have not yet been delivered (15.781 million euro).

6. Advances received

At 31 December 2004 advances totalled 174.418 million euro, compared to 1.366 million euro at 31 December 2003. The change in the consolidation perimeter caused a rise of 151.127 million euro, of which 149.900 thousand referred to the Rodriquez group.

7. Trade accounts payable

At 31 December 2004 trade accounts payable totalled 382.220 million euro, compared to 247.025 million euro at 31 December 2003. The change in the consolidation perimeter caused a rise of 165.750 million euro, of which 85.524 million referred to the Rodriquez group and 80.226 million euro to the Aprilia group. The change in the trade accounts payable, net of the effect of the changed perimeter of consolidation, was negative for 30.555, mainly because of the reduction of trade accounts payable in the Piaggio group (10.876 million euro) and the Rodriquez group (17.322 million euro).

10. Owed to associated companies

Debts to associated companies refer for 2.993 million to trade payables to Almec, and 99 thousand euro to the Fondazione Piaggio.

12. Tax liabilities

This item totals 24.791 million euro, 6.443 million euro higher than the balance at 31 December 2003, and it is detailed below:

	<i>Balance at 31.12.2004</i>	<i>Balance at 31.12.2003</i>
Corporation tax for the year	4,121	6,171
Non-income tax payable	86	239
Due to the tax authority:		
- VAT	10,380	2,760
- Taxes with-held	6,288	4,981
- Other	3,916	4,197
Total tax liabilities	24,791	18,348

The change in tax liabilities linked to the changed perimeter of consolidation is equal to 5.741 million euro, 3.467 million euro of which refers to the Aprilia group and 2.274 million euro to the Rodriquez group..

13. Social security liabilities

This item totalled 14.263 million euro at 31 December 2004, 6.379 million euro rise higher than the preceding year's figure.

This liability also includes the amounts estimated and allocated for the early retirement (mobilità lunga) plan for Piaggio & C. S.p.A. employees as part of the restructuring plan.

The change in these liabilities linked to the changed perimeter of consolidation is equal to 6,874 million euro, 3.939 million euro of which refers to the Aprilia group and 2.935 million euro to the Rodriquez group..

14. Other liabilities

At 31 December 2004 this item totalled 45.502 million euro, 5.206 million higher than at 31 December 2003, and may be broken down as follows:

	<i>Balance at 31.12.2004</i>	<i>Balance at 31.12.2003</i>
Deposits received as security	3,391	4,881
Due to employees	27,845	20,726
Miscellaneous third party liabilities	14,266	14,688
Total other liabilities	45,502	40,295

The amounts due to employees include the amounts for holidays accrued but not taken and other payments to be made.

E) ACCRUED EXPENSE AND DEFERRED INCOME

23,285

This item comprises the following:

	<i>Balance at 31.12.2004</i>	<i>Balance at 31.12.2003</i>
Interest payable on secured loans	6,388	2,518
Insurance	609	0
Other	2,477	3,067
TOTAL ACCRUED EXPENSE	9,474	5,585
Rentals and payment instalments receivable	16	18
Other	13,795	1,380
TOTAL DEFERRED INCOME	13,811	1,398
TOTAL	23,285	6,983

Deferred income mainly refers to the sum of 5.350 million euro posted by Piaggio & C. S.p.A. for the Warrant Piaggio & C 2004/2009 instrument, subscribed by financial institutions as part of the acquisition of Aprilia S.p.A. The rights deriving from this instrument are posted in the memorandum accounts.

MEMORANDUM ITEMS

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

	<i>Balance at 31.12.2004</i>	<i>Balance at 31.12.2003</i>
PERSONAL GUARANTEES PROVIDED		
Guarantees in favour of:		
- third parties, provided by Piaggio & C. S.p.A. on behalf of Piaggio group companies	103,515	25,032
- third parties, provided by Aprilia S.p.A. on behalf of Aprilia group companies	2,053	0
- third parties, provided by banks on behalf of Piaggio group companies	16,936	24,923
- third parties, provided by the Rodriguez group.	13,149	0
TOTAL PERSONAL GUARANTEES PROVIDED	135,653	49,955
CONTINGENT LIABILITIES:		
For risk of recourse on factored Piaggio group receivables	57,831	75,129
Other risks and Rodriguez mobile assets in leasing	2,677	0
TOTAL CONTINGENT LIABILITIES:	60,508	75,129
TOTAL MEMORANDUM ITEMS	196,161	125,084

Among the guarantees issued by Piaggio & C. S.p.A. to third parties is the guarantee to the pool of Banks that signed the Framework Agreement to grant lines of operating credit for 78 million euro to Aprilia S.p.A. (limited to the sum not yet used by the Aprilia company).

In addition, 57.831 million euro are included in the memorandum items for the risk of recourse relating to Piaggio group receivables discounted with recourse by factoring companies and refers to amounts credited at maturity by these companies.

Commitments

The contract for the disposal of the equity investment in Almec S.p.A. envisages a 900 thousand euro commitment to sell/buy the outstanding equity investment in our possession within 2005. On 10 February 2005 Piaggio & C. S.p.A. exercised its right to sell its investment for the sum of 991 thousand euro.

Operation Aprilia

Financial instruments were issued for the purchase of the Aprilia group; their forward commitments are summarised below:

- Warrant Piaggio 2004/2009 for a total issue price of 5,350.5 million euro that envisages a realizable value that can never exceed 12 times the total issue price. So the maximum commitment at maturity can never exceed 64.206 million euro.
- Financial instruments EMH 2004/2009 for a total nominal value of 10 million euro, which will entitle holders to payment on maturity of a minimum guaranteed sum of 3.5 million euro, already mentioned in the note to "owed to banks", and a maximum realisable value that can never exceed 6.5 million euro;
- Financial instruments Azionisti Aprilia 2004/2009, which envisage a realisable value that can never exceed 10 million euro.

The above financial instruments will be valued each financial year, and if the conditions of inscription, the corresponding worth will go to increase the corresponding cost of the investment, changing the consolidation difference.

Commitments relating to forward contracts

At 31 December 2004, there were forward purchase contracts totalling JPY 142 million and USD 1.530 million, corresponding to 2.17 million euro (at the forward rate) and forward sales contracts worth USD 5.3 million, corresponding to 3.912 million euro (at the forward rate). These contracts were taken out to hedge the currency risk on receivables and liabilities in foreign currency and fall due in the first half of 2005.

So far as the Aprilia group is concerned, at 31 December 2004 there were forward sales transactions worth USD 10 million, corresponding to 7.398 million euro, GMP 6.4 million, corresponding to 9.044 million euro, and JPY 200 million, corresponding to 1.419 million euro in existence, performed to hedge current and future trade positions, referred to the budget foreign currency balance.

Off-balance sheet commitments

At 31 December 2004 the Piaggio group had maintained the three interest rate swap contracts, two due on 29 June 2005 and one due on 29 June 2006. The three contracts envisage payment of interest rate differentials, assuming a notional principle amount of 180.7 million euro and two of the contracts mirror one another i.e.:

	Payable by the Group	Payable by the Counterparty
New quanto gap floater swap in arrears	A fixed rate of 5.15% (if 6-month US LIBOR in arrears < 5.75%) or 6-month US LIBOR in arrears + 0,50% for 2003 and 2004. As of 2005, the rate payable by the Counterparty will be 5.20% (if 6-month US LIBOR in arrears < 6%) or 6-month US LIBOR in arrears + 0.75%.	6-month Euribor
New quanto gap	6-month Euribor	A fixed rate of 5.15%

<p>floater swap in arrears- mirror trade</p>	<p>(if 6-month US LIBOR in arrears < 5.75%) or 6-month US LIBOR in arrears + 0,50% for 2003 and 2004. As of 2005, the rate payable by the Counterparty will be 5.20% (if 6-month US LIBOR in arrears < 6%) or 6-month US LIBOR in arrears + 0.75%.</p>
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As a result, the two contracts essentially cancel one another out.

At 31 December 04, Piaggio Group also had a “3.5 years Eur quanto basis collar swap – new trade” contract in place for a notional principle amount of 180.7 million euro, with the following characteristics:

Payable by the Piaggio group	Payable by the Counterparty
1.7 * 12-month US LIBOR set in arrears < with the following characteristics:	6-month Euribor with a maximum uplift of 0.30% compared to the previous coupon
Floor: 3%	
<u>Cap: 5.20%</u>	
<u>European type knock out barrier:</u>	
5.50% from 29.12.02 to 28.06.04;	
5.75% from 29.06.04 to 28.06.05;	
6.10% from 29.06.05 to 28.06.06	
Option: at any time after 30.06.04, the bank may transform the floating rate paid by Piaggio to a fixed rate of 4.40% for the residual life of the swap.	

These hedging operations refer to the medium term financial liabilities allocated to Piaggio & C. S.p.A. and Nacional Motor S.A. In detail, the reference is to loans and credit lines in favour of Piaggio & C. S.p.A. falling due in 2010 with repayments starting in 2006 and opening of credit (syndicated and bilateral with Banca Intesa) granted to Nacional Motor S.A., with a residual debt of 18 million euro falling due in 2013. The companies pay semi-annual interest with a spread over the Euribor for the period, generating an interest rate exposure on the above loans. The derivative contracts taken out are characterised by having a nominal amount significantly lower than the net liability exposure and also lower than the current loans mentioned, a shorter timescale than the underlying financial liabilities, as well as a flow of coupons which is mirror-like both by date and the reference financial parameter (Euribor). At 31 December 2004, the valuation of the derivative contract called "3.5 years Eur quanto basis collar swap – new trade" posted a negative net balance substantially in line with the risk provision stated in the Balance Sheet after the utilisations during the year, and thus we consider no further provision is necessary.

COMMENTS ON THE MAIN ITEMS OF THE INCOME STATEMENT

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

So far as the details of the main items of the income statement for the 2004 financial year, it should be noted that they include the financial results of parent company Issmi S.p.A. and of the Piaggio group for the whole of the period in question, and include the accounting entries of the Rodriguez group from the month of June, after its acquisition at the end of May. The values of Is Molas S.p.A., after its creation at the end of September, are included in the consolidation from the month of October 2004. It should also be recalled that, so far as the Aprilia group, acquired at the end of 2004, is concerned, only the balance sheet items have been consolidated. The accounting results for the other group companies, and specifically, for Apuliae S.p.A., Piaggio Holding Netherlands B.V. and RCN Finanziaria S.p.A., included for the whole year, have negligible impact on the aggregate total. Finally, with reference of the accounting entries for the 2003 financial year, indicated below, it should be recalled that they only include the financial results of the Piaggio group for the months of November and December 2003, and do not include the values of the Rodriguez group.

A) VALUE OF PRODUCTION

1,275,734

Revenue from sales and services

Below is an analysis of sales and service revenues (including contracts in progress) by business sector - property (substantially referring to the parent company), industrial (Piaggio group), and shipbuilding (Rodriguez group) and by geographical area.

By business sector

	<i>Financial year 2004</i>		<i>Financial year 2003</i>	
	Amount	%	Amount	%
Property sector	12,745	1.1%	14,705	11.0%
Industrial sector (Piaggio group)	1,084,239	91.5%	118,927	89.0%
of which 2-wheeled vehicle sector (Piaggio, Gilera, Vespa)	617,059	52.1%	49,700	37.2%
of which 2-wheeled vehicle sector (Derbi)	95,700	8.1%	15,100	11.3%
of which Light Transport Vehicles	237,800	20.1%	35,200	26.3%
other	133,680	11.3%	18,927	14.2%
Shipbuilding sector (Rodriguez group)	87,763	7.4%	0	0.0%
TOTAL	1,184,747	100.0%	133,632	100.0%

By geographical area

In '000 euro	<i>Financial year 2004</i>		<i>Financial year 2003</i>	
	Amount	%	Amount	%
Italy	553,751	46.7%	70,271	52.6%
Rest of europe	461,814	39.0%	51,243	38.3%
Rest of the World	169,182	14.3%	12,118	9.1%
TOTAL	1,184,747	100.0%	133,632	100.0%

Although comparisons of the consolidated data for the same periods cannot be made, it can be pointed out that the revenues of the property sector decreased by about 1.9 million euro compared to the same period of 2003, due to the sale of properties which reduced revenues from rental assets. The revenues of the Piaggio group show an increase (compared to the corresponding period of 2003) of about 17.2% and are 85% generated by the sale of vehicles and separated parts (CKD) and 11.3% by sales of spare parts and accessories. The Piaggio group generates 57.4% of its revenues from sales abroad.

Variation in stocks of work in progress, semi-finished and finished goods

The negative figure for variations in stocks of work in progress, semi-finished and finished goods of 6.198 million euro is generated by an allocation of 2.898 million euro made by the Piaggio group to the stock obsolescence provision, to reflect the real value of the inventor, as well as an ordinary reduction in inventory. The decrease is partially compensated for by the positive change totalling some 3 million euro recorded by the Rodriquez group.

Increases in capitalised internal construction costs

Increases in capitalised internal construction costs totalled 19.321 million euro, and are mainly related to research and development projects capitalised during the year, particularly the costs incurred by Piaggio & C. S.p.a. and Nacional Motor S.p.A. for internal construction for about 16.1 million euro.

Other revenue and income

This comprises:

	<i>Financial year 2004</i>	<i>Financial year 2003</i>
Grants pertaining to the year	6,085	736
Miscellaneous income and revenue:		
Rentals received	115	102
Gains on fixed assets	27,665	416
Disposal of various materials	677	89
Recovery of miscellaneous costs	32,675	1,562
Payment for damages	1,215	257
Licence and know-how rights	1,352	339
Other revenue	8,080	359
TOTAL	77,864	3,860

This item includes the gains generated by the sale of assets for 27.665 million euro, almost all generated by the sale of properties by parent company Immsi S.p.A. and "Recovery of miscellaneous costs" for 32.625 million euro, entirely due to the recovery of transportation and advertising costs from Piaggio dealers.

B) COST OF PRODUCTION

(1,215,371)

Cost of purchases

The purchases of raw materials total 646.569 million euro and refer mainly to materials and components used by the Piaggio group, and particularly in the production process by Piaggio & C. S.p.A., Nacional Motor S.A. and Piaggio Vehicles Pvt. Ltd. Ltd for 602.231 million euro, and by the Rodriguez group for 43.717 million euro.

Costs for services

This item comprises the following:

	<i>Financial year 2004</i>	<i>Financial year 2003</i>
Miscellaneous staff costs	8,221	705
Accessory costs for purchases	3,348	18
External maintenance and repair costs	9,523	5,306
Costs for electricity/gas, telephones, telex and other utilities	12,342	2,038
Commissions paid	2,374	464
Advertising and promotional expenses	32,109	841
Consultancy and technical, legal and tax-related services	47,951	2,329
Directors and auditors	4,188	623
Insurance	3,370	697
Subcontracting	52,375	4,355
Transport expenses, vehicles and spare parts	31,713	7,178
Vehicle registration documents	1,322	989
Miscellaneous marketing costs	9,715	2,100
Condominium, cleaning, security and porter costs	643	788
Product warranties	20,670	4,918
Other	11,792	2,476
TOTAL	251,656	35,825

The costs for consultancy and services comprise mainly costs for technical consultancy, legal and tax-related services, outsourcing costs and warehouse management costs.

The directors and auditors item, totalling 4.188 million euro, refers to 388 thousand in fees paid to auditors and the remainder to the directors' emoluments paid by consolidated companies.

Subcontracting relates mainly to mechanical work, painting and metalwork for fittings carried out by third parties, commissioned by the Piaggio group for 35.329 million euro and by the Rodriguez group for 16.983 million euro.

Use of assets not owned

This item comprises 6.291 million of property rentals paid and 656 thousand of rental payments for cars, computers, photocopiers.

Staff costs

Personnel costs totalled 168.183 million euro. The numbers of employees by category at 31 December 2004 compared to 31 December 2003 in the companies consolidated with the line-by-line method are detailed below.

N°. of employees	31/12/2004	31/12/2003
Managers	138	78
Clerical staff	2,278	1,387
Workers	4,183	3,233
TOTAL	6,599	4,698

The above table shows that there was a total increase of 1,901 employees, 404 of these additional staff were due to the entrance of the Rodriguez group into the perimeter of consolidation and 1,257 to the Aprilia group. The remaining increase is essentially due to short-term contracts used by Piaggio to cope with increased production in 2004 and to the human resources working at Is Molas.

The average number of employees during the 2004 financial year totalled 5,506, consisting of 101 managers, 1,630 clerical staff and 3,775 workers.

Amortisation, depreciation and write-downs

▪ Depreciation and amortisation

The table below summarises amortisation and depreciation for the year by category. The rates applied can be found in the comments on the specific balance sheet item.

<i>Amortisation of intangible fixed assets</i>	<i>Financial year 2004</i>	<i>Financial year 2003</i>
Start-up and expansion costs	1,813	1,620
Research, development and advertising costs	20,374	4,333
Industrial patent rights and use of intellectual property	4,177	1,824
Concessions, licences, trademarks and similar rights	333	22
Goodwill	0	63
Other	3,847	381
Consolidation differences	21,572	3,433
TOTAL	52,116	11,676

Amortisation of intangible fixed assets

	<i>Financial year 2004</i>	<i>Financial year 2003</i>
Land and buildings	4,806	5,391
Plant and machinery	11,327	2,428
Industrial and commercial equipment	19,834	3,590
Other assets	3,326	519
Freely assignable assets	548	0
TOTAL	39,841	11,928

- Write-downs

This item mainly comprises the research project write-downs performed by the Piaggio group for 2.241 million euro and provision for bad debt totalling 8.726 million euro, 7.670 by the Piaggio group, 510 thousand by the Rodriguez group and 546 million euro by the parent company.

Variation in the stocks of raw materials, consumables and goods for resale

The increase in the stocks of raw materials, consumables and goods for resale was 1.612 million euro, generated by the 7.411 million euro increase in Piaggio group inventory, partially compensated by the decrease of 5.828 million euro recorded for the Rodriguez group.

Provisions for risks

This item primarily includes the provisions made by Piaggio & C. S.p.A. for risks on guarantees provided for 3.2 million euro and for risks in the renegotiation of a supply contract for 5 million euro.

Other provisions

This item wholly consists of provisions made by the Piaggio group. Its main component is the provision for product warranties relating to estimated work on products under guarantee sold during the year by the Piaggio group for about 3.656 million euro. It is also pointed out that Piaggio & C. S.p.A. prudently allocated 4.063 million euro to the provision for promotional expense risks

Miscellaneous operating costs

This income statement item comprises:

	<i>Financial year 2004</i>	<i>Financial year 2003</i>
Non-income taxes	3,335	2,560
Losses on the disposal of assets	11,877	9
Membership dues	872	141
Losses on receivables	0	1,245
Other operating costs	2,027	1,221
TOTAL	18,111	5,176

The main component of this item is the 11.860 million euro loss made by the parent company on the sale of properties.

C) FINANCIAL INCOME AND EXPENSES

(25,559)

Income from equity investments:

The main component is the gain achieved by Immsi after the sale of its own shares and dividends received on Capitalia shares in the Immsi portfolio.

Other financial income

The Other financial income item totals 8.284 million euro and is summarised below:

	<i>Financial year 2004</i>	<i>Financial year 2003</i>
From receivables included in the fixed assets	12	0
From non-equity securities in current assets	87	0
Other financial income:		
Interest received from customers	116	23
Interest received on bank accounts	384	327
Interest received on commercial paper	0	66
Income on interest rate hedges	1,024	631
Income on call/put share option transactions	0	689
Other	540	865
Other financial income:	2,060	2,601
TOTAL	2,159	2,601

Profits on foreign exchange, previously included in the balance of this item, are stated separately in a specific entry in the income statement, pursuant to the provisions of Legislative Decree no. 6 dated 17 January 2003. The balances of the previous year have been reclassified to provide a proper comparison.

Interest paid and other financial costs

Interest paid and other financial costs totalled 27.999 million euro at 31 December 2004, an increase of 1.239 million euro compared to the previous year, and consisted of the following:

	<i>Financial year 2004</i>	<i>Financial year 2003</i>
Financial expenses paid to associated companies	7	11
Financial expenses paid to others:		
Interest paid on bank accounts	1,477	1,035
Interest paid on bank loans	16,438	3,868
Owed to other lenders	2,885	557
Interest paid to suppliers	40	10
Interest rate hedge expenses	1,024	6,157
Call/put share option transaction expenses	0	1,195
Cash discounts granted to customers	1,543	866
Other	4,585	13,061
Total financial expenses paid to others	27,992	26,749
TOTAL	27,999	26,760

The largest component of interest paid and other financial costs is interest on bank loans, 4.114 million euro of which paid by parent company Immsi S.p.A., 10.674 million euro by the Piaggio group and 1.650 million by the Rodriguez group. Losses on foreign exchange were reclassified in the same way as the “other financial revenues” item.

Foreign exchange losses and gains

The net balance of this item was a loss of 184 million euro, composed of 6.125 million euro profits and 6.309 million euro losses. The net balance at 31 December 2003 was a profit of 2.969 million.

D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS (197)

Write-downs

The item “value adjustments to financial assets” is composed exclusively of write-down by the Piaggio group, and refer particularly to coverage of the probable financial losses of Mitsuba and the write-down of the equity investment in Piaggio Argentina, to adjust the cost of the investment to the value of the shareholders’ equity at the end of the year.

E) EXTRAORDINARY ITEMS (6,325)

Miscellaneous extraordinary income

Extraordinary income at 31 December 2004 totalled 17.393 million euro and comprised:

	<i>Financial year 2004</i>	<i>Financial year 2003</i>
Extraordinary gains on the disposal of fixed assets	2,029	4,643
Gains on the disposal of equity investments	0	133
Other extraordinary income:		
Contingent assets	3,681	1,779
Deferred tax assets	0	44
Miscellaneous extraordinary income	11,683	174
Other financial income:	15,364	1,997
TOTAL	17,393	6,773

The gains on the disposal of fixed assets refer to the sale of the Arganda building (Madrid) by Piaggio Espana S.A..

The other items are: 2.800 million euro in damages, 2.371 million euro in contingent assets and 1.056 million to reduce the provision for future dispute risks.

Extraordinary charges

The extraordinary charges item, equal to 11.068 million euro, has decreased 29.378 million euro compared to the preceding year, which incorporated the costs incurred during the 2003 financial

year for the restructuring plans approved by the Piaggio group companies. These charges are composed as follows:

	<i>Financial year 2004</i>	<i>Financial year 2003</i>
Losses on the disposal of assets	160	0
Taxation for previous years	490	416
Extraordinary expenses for corporate restructuring	787	6,293
Extraordinary expenses for transactions	100	0
Contingent liabilities	4,483	8,418
Miscellaneous extraordinary charges	5,048	25,319
TOTAL	11,068	40,446

The contingent liabilities and other extraordinary charges items essentially reflect the costs incurred to close relations with ex Piaggio Holdings S.p.A. (as part of the contracts to sell the Piaggio group to Immsi S.p.A.), legal costs for disputes filed by the Piaggio group and adjustments to the costs or revenues of previous financial years sustained by the Piaggio group, such as the provision of 686 thousand euro made by Piaggio Deutschland GmbH for costs that might be incurred to top up the pensions of some employees by virtue of contracts signed in previous years.

Taxation for the year

The amount of 22.345 million euro is the sum of the taxation calculated by the companies consolidated using the parent company method (14.404 million euro), deferred taxation for the period (10.777 million euro) and advance taxation (2.836 million euro).

PROFIT FOR THE YEAR

13,284

Attachments:

- List of equity investments in subsidiary and associated companies

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATES AND EQUITY INVESTMENTS AT 31 DECEMBER 2004 PURSUANT TO ARTICLES 38 AND 39 of Lgs. N. 127/1991

Company Name	Currency	Share Capital	% investment in the share capital	% voting (if different)
COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS USING THE LINE-BY-LINE METHOD				
Piaggio Holding Netherlands B.V. Prof. J H Bavincklaan 7, 1183 AT Amstelveen, Amsterdam - Holland Equity investment of Immsi S.p.A.	euro	320,000.00	40.10%	75.00% *
Apuliae S.p.A. p.zzetta Riccardi, 11 - 73100 Lecce - Italy Equity investment of Immsi S.p.A.	euro	2,000,000.00	85.00%	
Is Molas S.p.A. P.zza Vilfredo Pareto, 3 -46038 Mantua Equity investment of Immsi S.p.A.	euro	3,760,000.00	60.00%	
RCN Finanziaria S.p.A. P.zza Vilfredo Pareto, 3 -46038 Mantua Equity investment of Immsi S.p.A.	euro	25,070,828.00	65.82%	
Piaggio & C. S.p.A. v. Rinaldo Piaggio, 25 - 56025 Pontedera (PI) – Italy Equity investment of Immsi S.p.A. (5.23%) Equity investment of Piaggio Holding Netherlands B.V. (86.92%)	euro	194,827,431.24	92.15%	
Derbi Italia S.r.l. v. Rinaldo Piaggio, 25 - 56025 Pontedera (PI) – Italy Equity investment of Nacional Motor S.A.	euro	21,000.00	100.00%	
Derbi Racing S.L. Calle La Barca, 5-7 - 08107 Martorelles Barcelona - Spain Equity investment of Nacional Motor S.A. (99.90%) Equity investment of Moto Sport S.A. (0.10%)	euro	1,263,000.00	100.00%	
Derbi Retail Madrid S.L. Gran Via de las Cortes Catalanas, 411 - 08015 Barcelona - Spain Equity investment of Nacional Motor S.A. (99.90%) Equity investment of Moto Sport S.A. (0.10%)	euro	603,000.00	100.00%	
Motor Sport S.A. Gran Via de las Cortes Catalanas, 411 - 08015 Barcelona - Spain Equity investment of Nacional Motor S.A.	euro	60,200.00	100.00%	
Nacional Motor S.A. Calle Barcelona, 19 - 08107 Martorelles Barcelona - Spain Equity investment of Piaggio & C. S.p.A.	euro	9,182,190.00	100.00%	
P & D S.p.A. ** v. dello Scolmatore, s.n. - 56025 Pontedera (PI) - Italy Equity investment of Piaggio & C. S.p.A.	euro	15,600,000.00	100.00%	
Piaggio Asia Pacific PTE Ltd. 19, Genting Road - 349478 SINGAPORE Equity investment of Piaggio Vespa B.V.	SGD	100,000.00	100.00%	

Company Name	Currency	Share Capital	% investment in the share capital	% voting (if different)
Piaggio Benelux B.V. Hoevestein, 48 - 4903 SC Oosterhout - Holland Equity investment of Piaggio Vespa B.V.	euro	45,378.00	100.00%	
Piaggio Deutschland GmbH Marie-Curie Strasse 8 50170 Kerpen (Germany) Equity investment of Piaggio Vespa B.V. (70%) Equity investment of Piaggio Espana S.A. (30%)	euro	5,113,500.00	100.00%	
Piaggio Espana S.A. Calle Rosario Pino, 14-16 Edificio Rioja-28020 Madrid - Spain Equity investment of Piaggio Vespa B.V.	euro	2,898,000.00	100.00%	
Piaggio France S.A. 32, Rue d'Armaillé, 75017 Paris (France) Equity investment of Piaggio Vespa B.V.	euro	1,209,900.00	99.82%	
Piaggio Hellas EPE 259, Imitu Street - 11631 Athens GREECE Equity investment of Piaggio Vespa B.V.	euro	7,080,000.00	99.99%	
Piaggio Hrvatska D.o.o. Put Brodarice 6 - 21000 Split CROATIA Equity investment of Piaggio Vespa B.V.	HRK	400,000.00	75.00%	
Piaggio Indochina PTE Ltd. 19, Genting Road - 349478 SINGAPORE Equity investment of Piaggio Asia Pacific PTE Ltd	SGD	100,000.00	100.00%	
Piaggio Limited 1 Boundary Row - London SE1 8HP UNITED KINGDOM Equity investment of Piaggio Vespa B.V. (99.9996%) Equity investment of Piaggio & C. S.p.A. (0.0004%)	GBP	250,000.00	100.00%	
Piaggio Portugal Limitada Campo Grande n. 35 - 5° B Lisbon 16003100 - PORTUGAL Equity investment of Piaggio Vespa B.V.	euro	5,000.00	100.00%	
Piaggio USA Inc. 20003 South Rancho Way Rancho Dominguez, CA 90220 - USA Equity investment of Piaggio Vespa B.V.	USD	13,082,977.00	100.00%	
Piaggio Vehicles Private Limited E-2, MIDC Area Baramati 413-133 Dist. Pune, Maharashtra - INDIA Equity investment of Piaggio & C. S.p.A. (97.50%) Equity investment of Piaggio Vespa B.V. (0.000003%)	INR	340,000,000.00	97.50%	
Piaggio Vespa B.V. c/o MeesPierson Intertrust Rokin 55, 1012KK Amsterdam - HOLLAND Equity investment of Piaggio & C. S.p.A.	euro	91,000.00	100.00%	
Aprilia S.p.A. v. Galileo Galilei, 1 - 30033 Noale (VE) - Italy Equity investment of Piaggio & C. S.p.A.	euro	10,000,000.00	100.00%	

Company Name	Currency	Share Capital	% investment in the share capital	% voting (if different)
Moto Guzzi S.p.A. v. E.V. Parodi , 57 - 23826 Mandello del Lario (LC) - Italy Equity investment of Aprilia S.p.A.	euro	2,500,000.00	100.00%	
D.E.V. - Diffusione europea Veicoli S.r.l. ** v. Galileo Galilei, 33 - 30033 Noale (VE) - Italy Equity investment of Aprilia S.p.A. (20%)	euro	100,000.00	20.00%	
CIS Custom International Services Ltd. ** 4th floor, 25-28 Adelaide Road, Dublin 2 - Ireland Equity investment of Aprilia S.p.A. (100%)	euro	928,265.00	100.00%	
Aprilia Luxembourg S.A. 5, Rue Eugène Ruppert - 2453 Luxembourg Equity investment of Aprilia World Service b.v. (80%) Equity investment of Aprilia S.p.A. (20%)	euro	31,000.00	100.00%	
Aprilia Finance Limited West Block 1, Dublin 1 - Ireland Equity investment of Aprilia S.p.A. (50%) Equity investment of Aprilia Luxembourg S.A (50%)	euro	2,615,000.00	100.00%	
Aprilia Leasing S.p.A. v. Nirone n° 19 - 20123 Milan - Italy Equity investment of Aprilia S.p.A.	euro	516,500.00	100.00%	
Kodex S.r.l. v. della Bova, 33/3 - 30033 Noale (VE) - Italy Equity investment of Aprilia S.p.A.	euro	50,000.00	100.00%	
Moto Laverda S.r.l. v. Galileo Galilei, 15 - 30033 Noale (VE) - Italy Equity investment of Aprilia S.p.A.	euro	80,000.00	100.00%	
Motocross Company S.r.l. v. Sempione, 26 - 21029 Vergiate (VA) Equity investment of Aprilia S.p.A.	euro	10,000.00	100.00%	
Aprilia World Service USA, inc. 109 Smokehill Lane, Suite 190, Woodstock, GA 30188, USA Equity investment of Aprilia S.p.A. (6%) Equity investment of Aprilia World Service b.v. (94%)	USD	1,150,000.00	100.00%	
Aprilia World Service B.V. Koperstraat 4 - 4823 AE Breda - Holland Equity investment of Aprilia S.p.A.	euro	30,000,000.00	100.00%	
Aprilia Research & Development S.A. v. Vitalis di Giovanni n° 28/G, 47891 Galassano – Republic of San Marino Equity investment of Aprilia World Service b.v. (100%)	euro	260,000.00	100.00%	
Marker S.r.l. v. Nirone n° 19 -20121 Milan - Italy Equity investment of Aprilia World Service b.v. (49%)	euro	10,400.00	49.00%	

Company Name	Currency	Share Capital	% investment in the share capital	% voting (if different)
Aprilia Hellas S.A. 4, Rizariou Street & 3-5 Aghiou Ioannou Street - 152 33 Chalandri - Greece Equity investment of Aprilia World Service b.v. (99%)	euro	60,000.00	99.00%	
Aprilia Motorrad GmbH Am Seestern 3 - 40547 Dusseldorf - Germany Equity investment of Aprilia World Service B.V.	euro	2,125,000.00	100.00%	
Aprilia Moto UK Limited 15, Gregory Way - SK5 7ST Stockport - Cheshire - UK Equity investment of Aprilia World Service B.V.	LST	1,950,325.00	100.00%	
Aprilia Japan Corporation 3-22-5-402 Shinyokohama Kouhoku-ku Yokohama shi - Kanagawa 222-0033 – Japan Equity investment of Aprilia World Service B.V.	YEN	3,000,000.00	100.00%	
Aprilia Brasil S.A. Av.da Carvalho Leal n° 1336, 2° andar, Manaus - Brazil Equity investment of Aprilia World Service Holding do Brasil Ltda (51%)	R\$	2,020,000.00	51.00%	
Rodriquez Cantieri Navali S.p.A. v. S. Raineri, 22 - 98122 Messina Equity investment by RCN Finanziaria S.p.A.	euro	16,170,731.20	66.49%	
Rodriquez Engineering Srl v. S. Raineri, 22 - 98122 Messina Equity investment of Rodriquez Cantieri Navali S.p.A.	euro	208,000.00	98.74%	
Intermarine S.p.A. Via Alta - 19038 Sarzana (SP) Equity investment of Rodriquez Cantieri Navali S.p.A.	euro	10,000,000.00	100.00%	
Conam S.p.A. Via Provinciale Pianura - Loc. S. Martino, 15 - 80078 Pozzuoli (NA) Equity investment of Rodriquez Cantieri Navali S.p.A.	euro	2,080,000.00	60.00%	
Rodriquez Cantieri Navali do Brasil Ltda. Praça XV de Novembro, 21 Sobrado Centro-200010-010 Rio de Janeiro (BRAZIL) Equity investment of Rodriquez Cantieri Navali S.p.A.	R\$	1,068,150.00	95.00%	
Rodriquez Marine System Srl v. S. Raineri, 22 - 98122 Messina Equity investment of Rodriquez Engineering S.r.l.	euro	46,800.00	70.00%	
Progetto Smeb Srl v. S. Raineri, 2 - 98122 Messina Equity investment of Rodriquez Cantieri Navali S.p.A.	euro	10,000.00	75.00%	

* with reference to Piaggio Holding Netherland B.V., 75% voting rights on all issues for which a higher quorum for approval is required, for example, Immsi has a sufficient majority to approve the financial statements, appoint 5 of the 9 members of the Supervisory Board and appoint the Managing Director.

Company Name	Currency	Share Capital	% investment in the share capital	% voting (if different)
EQUITY INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES VALUED USING THE EQUITY METHOD				
Almec S.p.A. Z.I. F.1 - 83051 Nusco (AV) – Italy Equity investment of Piaggio & C. S.p.A.	euro	12,189,400.00	30.00%	
Mitsuba F.N. europe S.p.A. Loc. Mortellini v. Aurelia sud - Pisa – Italy Equity investment of Piaggio & C. S.p.A.	euro	500,000.00	20.00%	
Piaggio China Co. LTD 24th Floor, 1901 Queen's Road Central - Hong Kong Equity investment of Piaggio & C. S.p.A.	USD	12,500,000.00	99.99%	
Piaggio Foshan Motorcycle Co. Ltd Zhenxing Road, Foshan City, Guangdong Province 528000 – CHINA Equity investment of Piaggio & C. S.p.A. (32.5%) Equity investment of Piaggio China Co. LTD (12.5%)	USD	29,800,000.00	45.00%	
U.D.I. Universal Dynamic Investment Limited ** 24th Floor, 1901 Queen's Road Central - Hong Kong Equity investment of Piaggio & C. S.p.A.	HKD	57,847,000.00	99.99%	
Aprilia World Service Holding do Brasil LTDA Equity investment of Aprilia World Service b.v. (99.999951000%) Equity investment of Immsi S.p.A. at 0.000049291%	R\$	2,028,780.00	99.99%	

Company Name	Currency	Share Capital	% investment in the share capital	% voting (if different)
EQUITY INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES VALUED USING THE COST METHOD				
Motoride S.p.A. ** v. Monte Napoleone, 21 - Milan - Italy Equity investment of Piaggio & C. S.p.A.	euro	1,989,973.00	28.29%	
Piaggio Argentina S.A. ** Calle Lavalle, 715 piso4 - 1047 Buenos Aires - Argentina Equity investment of Piaggio Vespa B.V.	ARS	100,000.00	99.99%	
Pont - Tech , Pontedera & Tecnologia S.c.r.l. v. Rinaldo Piaggio, 25 - 56025 Pontedera (PI) – Italy Equity investment of Piaggio & C. S.p.A.	euro	104,000.00	20.00%	
S.A.T. Societé d'Automobile et Triporteurs S.A. 128 Avenue Jugurtha, Mutueville, 1082 Tunisi TUNISIA Equity investment of Piaggio Vespa B.V.	TND	210,000,00	20.00%	
Fondazione Piaggio Onlus v. Rinaldo Piaggio, 7 - 56025 Pontedera (PI) - Italy Equity investment of Piaggio & C. S.p.A.	euro	103,291,38	50.00%	
Acciones Depuradora Agrupacio d'Industrials del Baix Valles Doctor Lluís duran, 76 2° 08100 Mollet Barcelona, Spain Equity investment of Nacional Motor S.A.	euro	60,101,00	22.00%	
MOTOLOG Soc. Limited responsibility cooperative v. Mestrina, 46 - 30033 Noale (VE) - Italy Equity investment of Aprilia World Service b.v. (10%)	euro	15,000,00	10.00%	
Rodriquez Logtec Srl Via Mercadante, 4C - 89026 S. Ferdinando (RC) Equity investment of Rodriquez Cantieri Navali S.p.A.	euro	60,000,00	55.00%	
Rodriquez Mexico Altamirano 750 Col El Esterito La Paz, BCS CP 23020 MEXICO Equity investment of Rodriquez Cantieri Navali S.p.A.	Pesos	50,000.00	50.00%	
Rodriquez USA LLC 7270 NW 12th Street - 33126 Miami (Florida), USA Equity investment of Rodriquez Cantieri Navali S.p.A.	USD	1,681.02	100.00%	
Rodriquez Yachts Srl v. S. Raineri, 22 - 98122 Messina Equity investment of Rodriquez Cantieri Navali S.p.A. (95%) Equity investment of Rodriquez Marine System S.r.l. (5%)	euro	96,900.00	100.00%	
Rodriquez Charter & Broker Srl v. S. Raineri, 22 - 98122 Messina Equity investment of Rodriquez Yachts S.r.l.	euro	10,000.00	100.00%	

** Companies that are not operating or in liquidation

IMMSI S.p.A.
Financial statements at 31 December 2003

BALANCE SHEET

Amounts in euro

ASSETS	31/12/2004	31/12/2003	
A) RECEIVABLE FROM SHAREHOLDERS FOR CONTRIBUTIONS OF CAPITAL	-	-	
B) FIXED ASSETS			
I Intangible fixed assets			
1) Start-up and expansion costs	710,125	221,195	
3) Industrial patent rights and use of intellectual property	56,214	-	
6) Construction in progress and advances to suppliers	-	-	
7) Other	358,812	857,000	
TOTAL (INTANGIBLE FIXED ASSETS)	1,125,151	1,078,195	
II Tangible fixed assets			
1) Land and buildings	42,303,686	101,452,984	
2) Plant and machinery	610,359	1,711,807	
4) Other assets	443,279	354,355	
5) Construction in progress and advances to suppliers	-	302,482	
TOTAL II (TANGIBLE FIXED ASSETS)	43,357,324	103,821,628	
III Financial fixed assets			
1) Equity investments	232,057,599	123,044,560	
2) Receivables:	9,033,336	45,799	(2)
TOTAL III (FINANCIAL FIXED ASSETS)	241,090,935	123,090,359	
TOTAL FIXED ASSETS B)	285,573,410	227,990,182	
C) CURRENT ASSETS			
I Inventory	-	-	
II Receivables:			
1) Trade receivables	2,031,304	2,369,242	
2) From subsidiaries	1,139,749	209,916	
5) Tax receivables	1,085,761	548,645	
Advance taxation	2,653,190	33,968	(1)
From others	51,742	147,823	
TOTAL II (RECEIVABLES)	6,961,746	3,309,594	
III Current financial assets			
5) Own shares (nominal value € 148,000)	-	196,989	
7) Loans to subsidiaries	-	15,000,000	
TOTAL III (CURRENT FINANCIAL ASSETS)	-	15,196,989	
IV Cash at bank and in hand			
1) Cash at bank	11,480,908	10,244,771	
3) Cash in hand	9,977	1,957	
TOTAL IV (CASH AT BANK AND IN HAND)	11,490,885	10,246,728	
TOTAL CURRENT ASSETS C)	18,452,631	28,753,311	
D) D) PREPAYMENTS AND ACCRUED INCOME	179,936	288,562	
TOTAL ASSETS (A + B + C + D)	304,205,977	257,032,055	
(1) reclassification for uniform comparison			
(2) due beyond 12 months	33,336	45,799	

BALANCE SHEET

Amounts in euro

LIABILITIES	31/12/2004	31/12/2003	
A) SHAREHOLDERS' EQUITY			
I Share capital	114,400,000	114,400,000	
III Revaluation reserves	4,602,247	4,602,247	
IV Legal reserve	217,295	208,949	
V Reserve for own shares held	-	196,989	
VII. Other reserves	86,648,174	14,490,611	
Extraordinary reserve	7,101,690	13,337,584	
Reserve for capital grants	525,844	525,844	
Reserve under Article 74 Tuir	369,244	369,244	
Reserve under Article 15 Law 429/82	139,281	139,281	
Reserve under Article 18 Law 675/77	118,658	118,658	
Share premium reserve	44,422,958	-	
Contributions for increase in share capital	33,970,498	-	
VIII Retained earnings (losses) brought forward	-	-	
IX Operating profit (loss)	11,835,973	166,899	
TOTAL SHAREHOLDERS' EQUITY A)	217,703,689	134,065,695	
B) PROVISIONS FOR RISKS AND CHARGES			
2) for deferred taxation	9,718,906	886,005	(1)
TOTAL PROVISIONS FOR RISKS AND CHARGES B)	9.718.906	886.005	
C) STAFF SEVERANCE RESERVE	208,531	164,842	
D) LIABILITIES			
Owed to banks	63,650,187	112,659,317	(2)
Trade accounts payable	2,945,755	5,749,889	
Owed to subsidiaries	2,000,000	1,190,000	
Owed to parent companies	-	83,589	
Tax liabilities	6,658,193	996,192	
Social security liabilities	64,817	71,400	
Other liabilities	177,929	172,150	
Owed to staff	88,534	55,180	
Owed to others	89,395	116,970	
TOTAL LIABILITIES D)	75,496,881	120,922,537	
E) ACCRUED EXPENSE AND DEFERRED INCOME	1,077,970	992,976	
TOTAL LIABILITIES (A + B + C + D + E)	304,205,977	257,032,055	
(1) reclassification for uniform comparison			
(2) due beyond 12 months	63,650,187	112,659,317	

INCOME STATEMENT

Amounts in euro

	2004 FINANCIAL YEAR	2003 FINANCIAL YEAR
A) Value of production		
1) Revenue from sales and services	12,478,074	14,704,738
2) Changes in inventory	-	-
3) Variation in contracts in progress +(-)	-	-
4) Increases in capitalised internal construction costs	-	-
5) Other revenue and income	30,223,168	1,120,853
a) Miscellaneous income and revenue:	2,736,517	292,323
b) gains on sales of tangible fixed assets	27,486,651	828,530
TOTAL VALUE OF PRODUCTION A)	42,701,242	15,825,591
B) COST OF PRODUCTION		
6) Raw materials, consumables and goods for resale	485,642	486,011
7) Costs for services	7,911,374	5,319,455
8) Use of assets not owned	509,130	292,043
9) Owed to staff	1,427,747	914,627
a) Salaries and wages	1,049,292	649,823
b) Social security costs	308,251	214,822
c) Staff severance reserve	70,204	49,982
10) Amortisation, depreciation and write-downs	3,893,978	5,664,381
a) Amortisation of intangible fixed assets	1,002,430	267,523
b) Amortisation of tangible fixed assets	2,345,425	5,329,048
d) Write-down of receivables included in current assets	546,123	67,810
11) Changes in inventory	-	-
12) Provisions for risks	-	-
13) Other provisions	-	-
14) Miscellaneous operating costs	13,040,210	1,073,976
TOTAL COST OF PRODUCTION B)	27,268,081	13,750,493
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)	15,433,161	2,075,098
C) FINANCIAL INCOME AND EXPENSES		
15) Income from equity investments:	461,846	536,141
16) Other financial income:	635,417	1,020,184
a) From receivables included in the fixed assets from securities included in the current assets which do not constitute equity investments	205	309
c) Income not listed above	87,400	-
d) Income not listed above	547,812	1,019,875
17) Interest paid and other financial expenses	4,385,181	2,180,848
a) Interest and fees received from subsidiaries	51,762	-
d) Interest and fees received from others and miscellaneous income	4,333,419	2,180,848
TOTAL FINANCIAL INCOME AND EXPENSES (15 + 16 - 17)	(3,287,918)	(624,523)
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS		
18) Revaluations	-	-
19) Write-downs	-	-
TOTAL VALUE ADJUSTMENTS TO FINANCIAL ASSETS (18 - 19)	-	-
E) EXTRAORDINARY ITEMS		
20) Extraordinary income	6,408,180	-
21) Extraordinary charges	1,342,600	329,706
TOTAL EXTRAORDINARY ITEMS (20 - 21)	5,065,580	(329,706)
PRE-TAX EARNINGS (A - B +/- C +/- D +/- E)	17,210,823	1,120,869
22) Taxation for the year	5,374,850	953,970
Current taxation	(385,480)	734,408
Deferred taxation	8,410,915	219,562
Advance taxation	(2,650,585)	-
26) Operating profit (loss)	11,835,973	166,899

Notes to the financial statements and related attachments

Dear Shareholders,

Before illustrating and commenting on the single financial items in the financial statements of Immsi S.p.A. as at 31 December 2004, which we submit for your approval, we would inform you that the financial statements have been prepared in compliance with the provisions of the Italian Civil Code and of Consob resolution no. 11971 dated 14 May 1999 and subsequent amendments. The accounting policies adopted in preparing the postings of the balance sheet and the adjustments of value comply with the provisions of art. 2426 of the Civil Code. The accounting principles and policies outlined below have not changed from those adopted to prepare the financial states for the 2003 financial year. There were no exceptional cases which warranted the envisaged in Article 2423 of the Italian Civil Code. The comparisons envisaged by Article 2423 ter, paragraph 5 of the Italian Civil Code have been made; The items in the balance sheet have been valued adopting prudence, accruals and going concern principles, and taking the financial function of the element of assets and liabilities considered into account (art. 2423-bis).

The following statements are reported and commented in relation to operations for the 2004 financial year:

- analysis of the income results;
- analysis of the balance sheet structure;
- analysis of the capital employed;
- cash flow statement;

Details of the following are appended to the notes to the financial statements:

- changes in shareholders' equity;
- receivables and accrued income by maturity and nature;
- liabilities, accrued expense and deferred by maturity and nature;
- details of the equity investments;
- information regarding emoluments and fees paid to the Directors, Auditors and General Managers (CONSOB Regulation n° 11971/99).

Accounting Policies

The accounting policies adopted by the Company in preparing the financial statements are the following:

Intangible fixed assets:

Intangible fixed assets are stated at their purchase cost and are amortised on a straight-line basis over their useful life. In general, amortisation is over 3 years for industrial patents and intellectual property rights, 5 years for start-up and expansion costs, unchanged compared to the previous year.

Costs incurred in relation to loans are amortised over the life of the loan, in decreasing instalments, in line with the outstanding amount.

Tangible fixed assets:

the tangible fixed assets acquired from Sirti following the demerger on 7 February 2000 are stated at the historical cost recognised in the recognitory act dated 28 April 2000, while new assets are stated at purchase cost, inclusive of directly chargeable accessory costs. The tangible fixed assets take into account legal revaluations and are stated net of depreciation.

Costs for ordinary maintenance and repairs are recognised in the income statement in the year they are incurred. The depreciation rates of the tangible fixed assets are determined on the basis of the normal useful life of the assets and their residual use.

Financial fixed assets:

Equity investments are stated at cost inclusive of accessory costs (i.e. financial and banking brokerage costs, charges and fees, stamp duty and all those charges which the Company incurred in relation to the acquisition of the equity investment) unless written down in the event of impairment. Write-downs are reversed if the underlying assumptions are no longer correct.

Receivables and liabilities:

Receivables are stated at their estimated realisable value, corresponding to the nominal value adjusted by any provision for doubtful debt.

Liabilities are stated at nominal value.

Accruals and deferrals:

Accruals and deferrals are determined on an accrual basis.

Risks and charges for deferred taxation provision:

The provision for risks and charges for deferred taxation are the provisions made for direct taxation relating to income items subject to deferred taxation.

Staff severance reserve:

The staff severance reserve represents the amount accrued and due to the staff at the year-end . Provisions are made in compliance with the law and current employment contracts. The portion pertaining to the year has been recognised in the income statement.

Memorandum items:

in accordance with Accounting Principle 22 of the Italian association of accountants (Consiglio Nazionale dei Dottori Commercialisti and the Consiglio Nazionale dei Ragionieri), purchase and sale commitments entered into in the normal course of business, company assets used by third parties, personal guarantees provided by third parties on account of the Company, as well as

security and personal guarantees received are no longer stated in the memorandum items. This information can be found in the notes to the financial statements.

Taxation:

Taxation for the year is calculated on the basis of current legislation and is stated in the amounts due to the tax authority net of any tax credits, withholdings and advances already paid. Moreover, on the basis of accounting principle 25 regarding the accounting treatment of taxation, the amount relating to deferred taxation stated in previous years is systematically adjusted.

Revenue and costs:

Revenues and costs are stated using the matching concept.

BALANCE SHEET

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

CURRENT ASSETS

Intangible fixed assets **1,125**

The movements in intangible fixed assets are summarised as follows:

	Start-up and expansion costs	Ind.patent rights and use of intellect. property	Other fixed assets	Construction in progress	Total
Situation at 31 December 2003	221	0	857	0	1,078
- Cost	1,105	10	903	0	2,018
- Amortisation and depreciation provision	(884)	(10)	(46)	0	(940)
Increases for investments	888	9	77	75	1,049
Decreases for amortisation and depreciation	(399)	(28)	(575)	0	(1,002)
Reclassifications	0	75	0	(75)	0
Decreases for disposals	0	0	0	0	0
- Cost	0	0	0	0	0
- Amortisation and depreciation provision	0	0	0	0	0
Situation at 31.12.04	710	56	359	0	1,125
- Cost	1,993	94	980	0	3,067
- Amortisation and depreciation provision	(1,283)	(38)	(621)	0	(1,942)

The outstanding value of start-up and expansion costs includes 710 thousand euro relating to accessory charges for the operation to increase the capital, still incomplete as at 31 December 2004, resolved by the Board of Directors on 27 October 2004 in execution of the power conferred pursuant to art. 2443 of the Italian Civil Code by the Extraordinary Shareholders' Meeting held on 17 March 2003. During 2004 the expenses of the Sponsor connected to the listing on the Stock exchange were amortised for the last year for 207 thousand euro.

Industrial patent rights and use of intellectual property refer to the outright purchase of software licences.

The other fixed assets include 290 thousand euro in charges on the loan granted by the pool of banks during 2003 not yet depreciated, and 68 thousand euro in improvements to property owned by others.

Tangible fixed assets**43,357**

The movements in tangible fixed assets are summarised as follows:

	Land and buildings	Plant and machinery	Other assets	Construction in progress and advances to suppliers	Total
Situation at 31 December 2003	101,453	1,713	354	302	103,822
– Capital value	134,249	31,037	1,119	302	166,708
– Revaluations	31,796	0	0	0	31,796
– (Amortisation and depreciation provision exc. technical)	(58,135)	(29,324)	(765)	0	(88,224)
– (Amortisation and depreciation provision)	(6,457)	0	0	0	(6,457)
Increases for investments	1,433	586	214	0	2,233
Reclassifications – Reversal of advance depreciation/amortisation provision	(6,370)	0	0	(302)	(6,672)
Decreases for admortisation and depreciation	(2,171)	(104)	(71)	0	(2,346)
Decreases for disposals	(64,781)	(1,584)	(55)	0	(66,420)
– (Capital value)	(86,046)	(19,351)	(448)	0	(105,844)
– (Revaluations)	(8,967)	0	0	0	(8,967)
– Amortisation and depreciation provision exc. technical	30,232	17,767	393	0	48,392
Situation at 31.12.04	42,304	610	443	0	43,357
– Capital value	49,637	12,272	886	0	62,795
– Revaluations	22,829	0	0	0	22,829
– Amortisation and depreciation provision exc. technical	(30,162)	(11,662)	(443)	0	(42,267)

* The amount of the advance depreciation/amortisation fund existing at 31.12.2003 was reversed in compliance with the provisions of Legislative Decree no. 6 dated 17 January 2003 concerning the reversal of tax-driven adjustments.

The investments in industrial buildings and land, for 1.433 million euro refer essentially to the refurbishment and restructuring work and extraordinary maintenance carried out on properties in Milan – via Valtorta, and Cusano Milanino (MI) – via Manzoni, and Rome via Abruzzi.

Investments in plant and machinery (586 thousand euro) refer essentially to the installation and updating of fire prevention, security and air conditioning equipment.

Investments in other assets (214 thousand euro) regard mainly furniture, fixtures and electronic office equipment.

After the sale of 12 properties, the value of the revaluations received from Sirti concerning the land and buildings item fell from 31.796 million euro to 22.829 million euro as detailed below:

	31.12.2004	31.12.2003
Financial revaluation performed in 1970	258	259
Allocations pursuant to Law no. 823 dated 19-12-1973	175	532
Revaluation Law no. 576 dated 2-12-1975	1,674	1,674
Revaluation Law no. 72 dated 19-3-1983	6,457	9,683
Revaluation Law no. 413 dated 30-12-1991	14,265	19,648
Total	22,829	31,796

Financial fixed assets

241,091

Financial fixed assets consisted of: equity investments in subsidiary companies totalling 214.222 million euro, equity investments in Capitalia S.p.A. for 17.836 million euro, loan granted to Is Molas S.p.A. for 9 million euro and miscellaneous non-current receivables for 33 thousand euro.

The change in equity investments in subsidiary companies compared to 31 December 2003 is illustrated below:

	31.12.2003	31.12.2004
Piaggio Holding Netherlands B.V.	103,509	148,523
Apuliae S.p.A.	1,700	3,700
RCN Finanziaria S.p.A.	-	33,001
Is Molas S.p.A.	-	9,006
Piaggio & C. S.p.A.	-	19,992
Total	105,209	214,222

Details of equity investments in subsidiary companies:

Amounts in euro

Company Name	Registered Offices	Share Capital	Shareholders' equity	Net Earnings	% Directly Owned	N° of Shares	Book Value
Apuliae S.p.A.	Lecce	2,000,000	3,877,073	-109,329	85%	2,000,000	3,700,000
Piaggio Holding Netherlands B.V.	Amsterdam - Holland	320,000	320,252,722	134,857	40.1%	320,000	148,523,154
Is Molas S.p.A.	Mantua	3,760,000	14,663,933	-346,066	60%	3,760,000	9,006,000
Piaggio & C. S.p.A.	Pontedera (Pisa)	194,827,431	192,214,877	3,408,039	5.23%	374,668,137	19,992,000
RCN Finanziaria S.p.A.	Mantua	25,070,828	49,679,165	-452,490	65.82%	50,141,656	33,000,927

APULIAE S.p.A.

The investment in Apuliae S.p.A., comprising 85% of the capital, is stated in the balance sheet at the value subscribed when the company was founded, in December 2003, increased by the sum paid in pertaining to the future increase in capital in January 2004. The company was awarded the tender posted by the Province of Lecce for the concession relating to the executive plans, works and management of the "ex Colonia Scarciglia" property located in Santa Maria di Leuca to be converted into a tourist resort. The restructuring the property, temporarily suspended after the appeal by the company that was classified second in the tender process, resumed in August after the outcome of this appeal in the company's favour.

PIAGGIO HOLDING NETHERLANDS B.V.

The book value of the equity investment, 148.523 million euro, increased by 45.014 million euro compared to the book value at the end of the previous financial year (103.509 million euro) after the acquisition of a further 28,334 class C shares from partner Scooter Holding 3 B.V. The value of the shareholding is 51.332 million euro higher than the valuation made using the equity method (97.191 million euro). As they did in the 2003 financial reports, at 31 December 2004 the Directors continue to consider this difference to be recoverable in relation to the industrial relaunch of Piaggio & C. S.p.A., as outlined in the 2004-2007 Plan; in consequence they perceive no loss of value with respect to the cost valuation.

Piaggio & C. S.p.A.

The equity investment, 5.23% of the capital, is recorded at a value of 19.992 million euro in the financial statements at 31 December 2004; this corresponds to the sum paid in after the increase in capital resolved by Piaggio & C S.p.A. in December 2004 relating to the operation to purchase the Aprilia group had been subscribed. The equity investment's book value is over 7.869 million euro higher than the valuation using the equity method (12.123 million euro). The Directors estimate this difference to be recoverable in relation to the industrial relaunch of Piaggio & C. S.p.A., as outlined in the 2004-2007 Plan.

RCN Finanziaria S.p.A.

The equity investment, 65.82% of the capital, is recorded at a value of 33.001 million euro in the financial statements at 31 December 2004; this corresponds to the sum paid in when vehicle T.F. Partners S.r.l was purchased, and includes the subsequent increases in capital involved in its transformation into RCN Finanziaria S.p.A and the capitalisation of the latter. By these transactions RCN Finanziaria S.p.A. was able to acquire 20,676,422 shares, representing 66.49% of the capital, in Rodriquez Cantieri Navali S.p.A., a company that in turn controls the Rodriquez group. We would point out that in December 2004 a further 15 million euro increase in the capital of RCN Finanziaria S.p.A. was subscribed and paid in by Immsi S.p.A., to ensure the company had the financial resources required by the plant to relaunch its subsidiary Rodriquez Cantieri Navali S.p.A., to which these resources have been transferred. The book value of the equity investment at the end of the financial year was over 416 thousand euro higher than the valuation using the equity method (32.585 million million euro). Given the relaunch aims of the Rodriquez group we consider this difference to be recoverable.

IS MOLAS S.p.A.

On 29 October 2004 Immsi, through its subsidiary Is Molas S.r.l., successfully bid in a liquidation auction for a business complex in the Comunes of Pula and Villa San Pietro (CA) that includes a hotel-sports complex, and ancillary systems. The equity investment, 60% of the capital, is recorded in the financial statements at 31 December 2004 at a value of 9.006 million ; this corresponds to the sum paid in when Is Molas s.r.l was purchased, and includes the subsequent increases in capital involved in its transformation Is Molas S.p.A. and the capitalisation of the latter.

Income from equity investments in other companies

Amounts in euro

CAPITALIA S.p.A.

This item includes 11,138,789 shares of Capitalia S.p.A., acquired during the previous year at an average unit price of 1.60 euro, for a total of 17,835,518 euro, corresponding to a holding of about 0.5% in the company.

The table below compares the book value and the market value obtained by referring to the average price during the last six months of 2004. The equity investment forms part of a shareholder voting trust.

	Book Value		Market Value	
	Mean unit price	Total price	Mean unit price	Total price
Capitalia S.p.A.	1.60	17,835,518	2.82	31,363,403

During 2004 there were no movements with respect to the end of the previous financial year.

Receivable from others:

The composition of other financial assets, and a comparison with the balances at the end of the previous year, is reported below:

	31.12.2003	31.12.2004
Advance taxation on SSR	10	8
Deposits received as security	4	2
Advances on utility costs	3	20
Miscellaneous third party liabilities	29	3
Total	46	33

Receivable from others:

Immsi has granted Molas S.p.A. with 9 million euro in the form of a long-term loan.

CURRENT ASSETS

Trade receivables

2,031

Trade receivables net of bad debt provision decreased by 338 thousand euro compared to 31 December 2003. This item essentially consists of receivables against rental contracts and condominium expenses re-charged to tenants.

The company has to trade receivables from foreign companies

The balance stated is net of the bad debt provision, equal to 546 thousand euro, prudently calculated on those pending sums for which debt recovery activities has determined their difficult and uncertain recoverability.

Receivable from subsidiaries

1,140

Receivables from subsidiaries, 930 thousand euro higher than at 31 December 2003, refer to receivables from: Piaggio & C. S.p.A. for 853 thousand euro for expenses incurred by Immsi on its behalf; Rodriquez Cantieri Navali S.p.A. for 82 thousand euro for interest on loans granted during the year; Is Molas S.p.A. for 108 thousand euro of which 69 thousand euro for interest on current loans and the remaining 39 thousand euro for expenses incurred on behalf of this subsidiary and re-charged; RCN Finanziaria S.p.A. for 96 thousand euro also for expenses incurred by the parent company and re-charged to this subsidiary.

Receivables from the tax authority:

1,086

The receivables from the tax authority of 1.054 million euro for IRES (advance corporation tax) and IRAP (regional business tax) paid during the year and 32 thousand euro for with-holding taxes applied to bank accounts.

The balance is a total of 537 thousand euro higher than at 31 December 2003.

Advance taxation

2,653

Amounts in euro

The increase in the positive advance taxation balance compared to 31 December 2003 is 2.585 million euro, and is substantially due to the reporting of the receivable calculated on the tax loss matured during the year.

In euro	<i>Aliquot</i>	<i>Balance at 31.12.2003</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance at 31.12.2004</i>
Advance taxation on entertainment expenses	38.25%	3,618	2,873	(356)	6,135
Advance taxation on professional services	38.25%	13,589	25,728	(15,751)	23,566
Advance taxation on write-downs of receivables	33.00%	16,761	177,069	(16,791)	177,039
Advance taxation on tax loss in 2004 financial year	33.00%		2,432,734		2,432,734
Advance taxation of charges deductible in subsequent years	38.25%		13,716		13,716
TOTAL		33,968	2,652,120	(32,898)	2,653,190

Receivable from others	52
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Other current receivables at the end of the year are essentially security deposits paid by Immsi.

Cash at bank and in hand	11,491
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Cash at bank and in hand at 31 December 2004 consisted of 10 thousand euro in cash in hand and 11.481 million euro in current account balances. This item was 1.244 million euro higher than at 31 December 2003 mainly as a consequence of the property sales made in the month of December.

Prepayments and accrued income	180
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The balance of this item at the end of the 2004 financial year includes accrued income totalling 82 thousand euro, essentially consisting of different rental payments and rents for 2005, and 98 thousand euro relating to the outstanding amount of expenses incurred by Sirti S.p.A. for the early departure from premises in Rome which were subsequently rented at better conditions, the effects of which (positive income-wise, yet negative cost-wise) were assigned to Immsi S.p.A. at the demerger.

SHAREHOLDERS' EQUITY

Share Capital	114,400
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The fully paid-up share capital of Immsi S.p.A. as at 31 December 2004 comprises 220 million ordinary shares of nominal value 0.52 euro each, for a total of 114.400 million euro, fully subscribed and paid in.

The majority shareholder is Omniapartecipazioni S.p.A. following the events described in the report on operations.

It should be recalled that at the end of the year the increase in the capital of Immsi S.p.A. which offered shareholders the right to underwrite 66 million shares at a price of 1.2 euro, of which 0.58 euro capital increase, was underway at the end of the year. The option rights expired on 20 December 2004. At the end of this period 98.98% of the shares had been optioned. The new share capital of Immsi, totalling 148.72 million euro, was entered in the Mantua Register of Companies in February 2005. See the report on operations for more details.

Revaluation reserve	4,602
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Includes the revaluations of the tangible fixed assets, carried out by Sirti S.p.A. on the basis of Law 413/91 and transferred to the Company following the demerger.

Legal reserve**217**

This reserve comprises the allocations approved when distributing the earnings of the years 2000, 2001 2002 and 2003, in compliance with current legislation.

Other reserves**86,648**

The other reserves are detailed below, and compared with the figures at 31 December 2003:

	31.12.2003	31.12.2004
Extraordinary reserve	13,338	7,102
Reserve for capital grants	526	526
Reserve under article74 TUIR	369	369
Reserve under Article 15 Law 429/82	139	139
Reserve under Article 18 Law 675/77	119	119
Share premium reserve	-	44,423
Contributions for increase in share capital	-	33,970
Total	14,491	86,648

The extraordinary reserve has decreased by 6.236 thousand euro since 31 December 2003, due to two operations performed during the financial year. the payment of dividends on the 2003 financial year for 6.432 million euro, as resolved in the shareholders' meeting held on 14 May 2004, and the sale of the company's own shares held, the 197 thousand reserve for which, allocated in 2003, was stated in the extraordinary reserve.

As stated under share capital, at the end of the year the increase in the capital of Immsi S.p.A. which offered shareholders the option to subscribe new shares in the company at a price of 1.2 euro, of which 0.52 euro capital increase and 0.68 euro share premium, was underway at the end of the year. At 31 December 2004 a total of 65,327,880 shares, equal to 98.98%, had been subscribed. The share premium reserve and contributions of capital include the consideration for the shares subscribed at the end of the period by corresponding unit values.

Profit for the year**11,836****Provision for risks and charges:****9,719**

The provision for risks and charges consists exclusively of the deferred taxation provision. Compared to 31 December 2003, the balance has increased after the posting of the taxation on the gains generated by the property disposals, posted in instalments for tax purposes, for which the provision registered a net increase of 7.993 million euro. The higher value is also justified by the recognition at the end of the financial year of deferred taxation liabilities calculated on the value

of the depreciation provision for properties still owned at 31 December 2004, in compliance with the provisions of Legislative Decree no. 6 dated 17 January 2003, intended to reverse tax-driven adjustments.

A table summarising of the movements in the provision for deferred taxation during the 2004 financial year is reported below:

Amounts in euro	<i>Aliquot</i>	<i>Balance at 31.12.2003</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance at 31.12.2004</i>
Deferred taxation of gains from property disposals	38.25%	886,005	8,410,915	(418,379)	8,878,541
Deferred taxation on reversal of tax-driven adjustments (Legislative Decree no. 6 dated 17/01/03)	38.25%	0	840,365	0	840,365
					0
TOTAL		886,005	9,251,280	(418,379)	9,718,906

Staff severance reserve

209

The movements in the staff severance reserve during the financial year were as follows:

Balance at 31 December 2004	165
Provision made during the year	62
Utilisation for terminations of staff contracts	(18)
Balance at 31 December 2004	209

LIABILITIES

Owed to banks

63,650

This item includes the residual debt to the banks Efibanca, Interbanca and Banca Agricola Mantovana for a loan guaranteed by a mortgage on properties owned by the company for a total of 150 million euro. Compared to 31 December 2003 this balance has fallen considerably, after the sale of properties during the financial year that involved the repayment of the loan for a sum of 49.009 million euro. Immsi used the remaining 30 million euro of the loan during the month of May 2004.

Trade accounts payable

2,946

Trade accounts payable refer to invoices received and not yet paid and invoices to be received ascertained on an accrual basis. This figure decreased by 2.804 million euro, mainly as a result of

the reduction in maintenance and management of properties owned by the company and to the presence of sums payable to consultants and professionals responsible for the Piaggio acquisition in the figure at 31 December 2003.

At the end of the year no trade payables to foreign companies were stated.

Owed to subsidiaries 2,000

This item refers to the interest-bearing bailment between Immsi S.p.A. and Apuliae S.p.A. for a total of 2 million euro. During the month of October 2004 the parent company contributed 1.190 million euro in subscribed capital as requested by the subsidiary.

Tax liabilities 6,658

The tax liabilities in existence at the end of the financial year are detailed below and compared to the figures at 1 December 2003:

	31.12.2003	31.12.2004
REGIONAL TAX ON PRODUCTION ACTIVITIES (IRAP)	-	-
ADVANCE CORPORATION TAX (IRES)	-	-
VAT	845	6,256
Income tax collected from staff	119	338
Miscellaneous taxation	32	64
Total	996	6,658

Social security contributions 65

Payables to social security decreased by about 6 thousand euro compared to 31 December 2003 and concern contributions due from the Company and from employees.

Other payables 178

The other payables figure is essentially in line with the figure at 31 December 2003. This item is composed of payables to employees, totalling 89 thousand euro, and payables for emoluments to directors and auditors not yet settled for the remaining 89 thousand euro.

Accrued expense and deferred income 1,078

Accrued expense and deferred income, 85 thousand euro higher than that at 31 December 2003, refer to mainly to: deferred income for rental payments pertaining to 2005 for 16 thousand euro, accrued expense for 1.062 thousand euro, 1.039 million of which relating to interest matured on the loan granted by the parent company to Apuliae S.p.A.

Memorandum items

As part of the additional information to be provided in compliance with Accounting Principle 22, the Company has provided real guarantees (mortgages) of 225 million euro as security for the loan from Efibanca, Banca Agricola Mantovana and Interbanca, and has received personal guarantees totalling 2.378 million euro as security on existing rental contracts.

INCOME STATEMENT

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

The analysis of the individual items of the Income Statement takes into account the comments already made in the Report on Operations and the analytical presentation of the positive and negative income components in the specific tables together with the comments on the Balance Sheet items, which enables this section to focus on the main items only.

Value of production **42,701**

This item includes the following typical operating income:

	31.12.2003	31.12.2004
Revenue from sales and services	14,705	12,478
Rental income	11,598	9,784
Revenue for re-charges expenses	3,107	2,694
Other revenue	1,121	30,223
- Gains on disposals	829	27,487
- Recharged to subsidiaries	175	2,621
- Other revenue	117	115
Total	15,826	42,701

Rental income was 4.105 million euro (42%) in Northern Italy, 5.577 million euro (57%) in Central Italy and 102 thousand euro (1%) in Southern Italy and the islands.

Other revenue includes the gain created during the financial year after the sale of the following properties: Cassina de' Pecchi (MI), via Galilei n.5 - Mareno di Piave (TV), via Cittadella n.17 - Milan, via Valtorta n.48 - Guidonia (Rome), via Montenero n.21 - L'Aquila, via Falcone n.25.

The income from costs re-charged to subsidiaries totalled 2.621 million euro and refers to assistance and consultancy provided by the parent company to Piaggio & C. S.p.A., and the re-charging of expenses incurred by Immsi on behalf of group companies.

Cost of production**(27,268)**

The composition of the cost of production in the 2004 financial year is detailed in the table below:

	31.12.2003	31.12.2004
- Costs of raw materials and consumables	486	486
- Costs for services	5,319	7,911
- Use of assets not owned	292	509
- Staff costs	915	1,428
- Amortisation, depreciation and write-downs	5,664	3,894
- Miscellaneous operating costs	1,074	13,040
Total	13,750	27,268

The raw materials and consumables costs include fuel costs for heating totalling 408 thousand euro, mostly re-charged to tenants. This item was 14 thousand euro higher than the corresponding figure for the 2003 financial year. The remaining 78 thousand euro represents the cost of fuel and lubricants (25 thousand euro), stationary and printed materials (35 thousand euro) and miscellaneous consumables (18 thousand euro).

The details of the service costs incurred during the 2004 financial year are reported below:

	31.12.2003	31.12.2004
- Miscellaneous maintenance and repair costs	1,334	1,298
- Utilities (electricity, gas water, postal services, telephones)	990	803
- Condominium, cleaning, security and porter costs	788	703
- Miscellaneous staff costs (canteen, training, insurance)	28	54
- Listing rights, certification, miscellaneous administrative costs	152	184
- Consultancy and technical, legal and tax-related services	923	2,670
- Remuneration and reimbursement directors and auditors	517	1,366
- Communication, advertising, publicity and promotion	439	542
- Insurance, transport and travel expenses	148	291
Total	5,319	7,911

The maintenance and repair costs, referred to the management of properties owned by the company, decreased after the sale of assets during the financial year.

The expenses incurred for professional and legal consultants were sustained mainly for intermediation in the sale of property.

The use of assets not owned item mainly includes rental payments for hardware, software and services totalling 212 thousand euro, a 62 thousand euro increase over the preceding year. Lease payments on company cars totalling 53 thousand euro, and rental payments due totalling 244

thousand euro are also included. This last item increased by 153 thousand euro compared to 2003, mainly because of payment of rentals on offices which Immsi owned in 2003 and which it now rents after their sale in 2004.

Personnel costs totalled 1.428 million euro, an increase of about 513 thousand euro over the figure for the previous financial year, after the employment of qualified staff and to use of temporary service contracts during the year, and includes salary costs of 1.049 million euro, social security for 308 thousand euro and the allocation of 71 thousand euro to the staff severance reserve. The average salaried workforce during the year totalled 18 people, consisting of 3 managers and 15 employees. At 31 December 2004 the company employed 18 people.

The depreciation, amortisation and write-downs item consists of:

	31.12.2003	31.12.2004
- Intangible fixed assets	267	1,002
- Tangible fixed assets	5,329	2,346
- Write-downs of bad debt	68	546
Total	5,664	3,894

Depreciation of intangible fixed assets was 735 thousand euro higher than the figure for the preceding year, essentially because of the expenses incurred for the operation to increase the share capital, capitalised and amortised over 5 years, and the higher depreciation rate for the accessory costs of the loan obtained during 2003, in application of the financial amortisation method.

The movements in tangible fixed assets are summarised as follows:

	31.12.2003	31.12.2004	Annual aliquot.
Buildings	4,968	2,171	3%
Plant and machinery	165	76	9%
Lifting equipment	56	4	8%
Alarm system	101	26	30%
Personal computers and printers	11	10	20%
Miscellaneous equipment	-	2	15%
Vehicles	6	10	25%
Office furniture and ordinary equipment:	22	46	12%
Total	5,329	2,345	

This item decreased by 2.983 million euro because of the property sales concluded during 2004. For investments made during the year the depreciation rate indicated for the category of asset was applied, reduced by 50% in consideration of their limited use during the year.

The company considered it prudent to write-off trade receivables for 546 thousand euro that had proved difficult to recover.

Other operating costs includes:

	31.12.2003	31.12.2004
- Losses on the disposal of assets	-	11,860
- ICI (local property tax)	885	809
- Losses on receivables	-	108
- Other taxation	12	39
- Miscellaneous operating costs	177	224
Total	1,074	13,040

Losses on sales totalled 11.860 million euro and refer to the sales of the following properties during 2004: Ancona, via Girombelli n.6 – Piacenza, via Piemonte n.1.3.5 Ed.3 - Cassina de' Pecchi (MI), via Vinci n.1 - Cusano Milanino (MI), via Manzoni n.44 - Golfo Aranci (SS), via Marconi - Sestu (CA), S.S.131 km 8,200 and Pintoreddu – Bari, via Zippitelli n.22.

Miscellaneous operating costs includes memberships and fees, subscriptions to books and magazines, fines and penalties for a total of 224 thousand euro.

Financial income and expenses**(3,288)**

Financial income and expense is detailed below:

	31.12.2003	31.12.2004
Financial income	1,556	1,096
Income from equity investments:	536	462
Income from Government Securities	-	87
Interest received from subsidiaries	102	406
Interest received on bank accounts	221	126
Other revenue	697	15
Financial expense	(2,181)	(4,384)
Overdraft interest paid	(11)	(68)
Interest and commissions paid to subsidiaries	-	(52)
Interest and commissions paid on loan	(975)	(4,114)
Other financial expense	(1,195)	(150)
Balance of financial income and expense	(625)	(3,288)

Financial income includes:

- revenue from equity investments for 462 thousand euro. This includes dividends for the 2003 financial year distributed by Capitalia S.p.A. for 223 thousand euro, and the gain achieved from the sale of the company's own shares held for 239 thousand euro;
- income from Government Securities for 87 thousand euro;
- interest paid by subsidiaries for 406 thousand euro. Referred to loans granted by Immsi to subsidiaries during the financial year. In particular, the income includes: 82 thousand euro from Rodriguez Cantieri Navali S.p.A., 12 thousand euro from subsidiary RCN Finanziaria S.p.A., 82 thousand euro paid by Is Molas S.p.A. and the remaining 230 thousand euro from Piaggio & C. S.p.A.;
- interest received on bank accounts for 126 thousand euro.
- other financial income for 15 thousand euro. There was a decrease of 682 thousand euro compared to the same period of 2003, mainly because of the absence of gains from negotiation of Capitalia shares and transactions relating the Capitalia shares performed during 2003.

Financial expense essentially consists of: interest due paid on an accrual basis during the year for the 159 million euro loan granted to Immsi by the pool consisting of Interbanca S.p.A., Efibanca S.p.A., and Banca Agricola Mantovana S.p.A., partially repaid at 31 December 2004, interest due accrued on the interest-bearing deposit account granted by Apuliae S.p.A. to Immsi, interest due paid to Banca Intesa against the opening of short term lines of credit. Other financial expense recorded a decrease of 1,045 thousand euro compared to the same period of 2003, mainly because of the absence of gains from negotiation of Capitalia shares and transactions relating the Capitalia shares performed during 2003.

Extraordinary items**(5,066)**

Extraordinary income includes a 6.370 million euro adjustment consequent on the reversal of accumulated depreciation consequent on the adjustment envisaged in Legislative Decree no. 6 dated 17 January 2003 designed to eliminate tax-driven adjustments, and 38 thousand euro in other contingent assets.

Extraordinary expense includes 840 thousand euro referred to the value of deferred taxation of an extraordinary nature, determined by reference to the above extraordinary income and referring solely to property owned at 31 December 2004, while the remaining 502 thousand euro include the value of contingent liabilities of an extraordinary nature, mainly concerning tax amnesties, and 2003 costs not allocated at 31 December 2003.

Taxation for the year**(5,375)**

Taxation for the 2004 financial year is composed of:

Current taxation for 385 thousand euro to reduce the tax balance. The positive effect generated by the release of the deferred taxation for the quota pertaining to the financial year, and the receivable for advance taxation allocated at 31 December 2003 for taxes pertaining to 2004;

Deferred taxation for 8.411 million euro relating to the tax levied on the gains generated by the property sales made during the financial year.

Advance taxation for 2.651 million euro concerning taxes pertaining to future years concerning charges incurred in 2004 and IRES (advance corporation tax) calculated on the tax loss matured at 31 December 2004.

Reconciliation between theoretical taxation and taxation stated in the accounts

ADVANCE CORPORATION TAX (IRES)	Result	Timing components	Taxation	
			Current	Deferred
Pre-tax earnings	17,211			
Theoretical tax charge (benefit)			5,680	
Timing differences taxable in future years	-21,989	21,989	-7,256	7,256
Timing differences deductible in future years	643	-643	212	-212
Cancellation of timing differences arising in previous years			0	
Permanent differences which will not cancel out in future years	-3,237		-1,068	
Total differences	-24,583		-8,112	7,044
Taxable income	-7,372			
Total tax charge (benefit) on earnings for the year			-2,433	7,044

REGIONAL TAX ON PRODUCTION ACTIVITIES (IRAP)	Result	Timing components	Taxation	
			Current	Deferred
Gross value of production	14,119			
Theoretical tax charge (benefit)			741	
Timing differences taxable in future years	-21,989	21,989	-1,154	1,154
Timing differences deductible in future years	107	-107	6	-6
Cancellation of timing differences arising in previous years			0	
Permanent differences which will not cancel out in future years	5,482		288	
Total differences	-16,400		-861	1,149
Taxable income	-2,281			
Total tax charge (benefit) on earnings for the year			n/a	1,149

Earnings per share

Earnings per ordinary share, which were calculated in accordance with Italian accountants' accounting principle (PCDC) no. 28, which applies International Accounting Standard (IAS 33), were the following for 2004:

Earnings per share entirely attributable to ordinary shares ('000 euro):	11,836
Average number of ordinary shares before the increase in capital	220,000,000
Earnings per share (€)	0.0538
Average number of ordinary shares after the increase in capital	286,000,000
Earnings per share (€)	0.0414

Attachments to the Notes to the Financial Statements

- Movements in shareholders' equity
- Receivables and liabilities by nature and maturity
- Remuneration of Directors and Auditors

SHAREHOLDERS' EQUITY

	31 of 2001	Change	31 Dec 2002	Change	31 Dec 2003	Subscribe d by sharehold ers	Distribi ution	Use of funds & advanc es	Dividen ds	Reserve for own shares	Earnings for the year	31 Dec 2004	
Share capital (1)	114,400		114,400		114,400							114,400	
Revaluation reserves	4,602		4,602		4,602							4,602	**
Legal reserve	60	80	140	69	209		8					217	*
Reserve for own shares held	0		0	197	197			(197)				0	
Other reserves	18,460	1,512	19,972	(5,482)	14,491	78,393	0	0	(6,432)	197	0	86,649	
- Extraordinary reserve	17,307	1,512	18,819	(5,482)	13,338				(6,432)	197		7,103	***
- Reserve under Article 74 Tuir	369		369		369							369	**
- Reserve under Article 18 Law 675/77	119		119		119							119	**
- Reserve for capital grants	526		526		526							526	**
- Reserve under Article 15 DL 429 /82	139		139		139							139	**
Share premium reserve	0		0		0	44,423						44,423	*
Contributions for increase in share capital	0		0		0	33,970						33,970	
Earnings for the year	1,591		1,376		167		(8)		(159)		11,836	11,836	
TOTAL	139,114	1,591	140,490	(5,216)	134,066	78,393	0	-	(6,591)	197	11,836	217,704	

(1) At 31 December 2004 the share capital was composed of 220,000,000 ordinary shares of nominal value €0.52 each.

2): 2002 financial year= Distribution of profits
2003 financial year = 5,285 euro
Dividend distribution 197 euro

Allocated to Reserve for own shares held

* Not available

** Distributable in suspension of taxation

*** Distributable

PAYABLES - ACCRUED EXPENSE AND DEFERRED INCOME CLASSIFIED BY MATURITY AND NATURE

(Amounts in '000 euro)	31.12.2003 Sums due				31.12.2004 Sums due			
	Within one year	Within 2 to 5 years	Beyond 5 years	Total	Within one year	Within 2 to 5 years	Beyond 5 years	Total
Medium- to long-term loans	-	112,659	-	112,659	-	63,650	-	63,650
- Owed to banks		112,659		112,659		63,650		63,650
- Owed to others				-				-
LIABILITIES	8,263	-	-	8,263	11,847	-	-	11,847
Current liabilities	-	-	-	-	-	-	-	-
- to parent companies				-				-
Financial liabilities	5,834	-	-	5,834	2,946	-	-	2,946
- owed to suppliers	5,750			5,750	2,946			2,946
- owed to parent companies	84			84	-			-
Miscellaneous liabilities	2,429	-	-	2,429	8,901	-	-	8,901
- to parent companies	1,190			1,190	2,000			2,000
- tax liabilities	996			996	6,658			6,658
- to social security	71			71	65			65
- to others								
- staff	55			55	89			89
- other	117			117	89			89
PREPAYMENTS AND ACCRUED INCOME	993	-	-	993	1,078	-	-	1,078
TOTAL	9,256	112,659	-	121,915	12,925	63,650	-	76,575

RECEIVABLES – PREPAYMENTS AND DEFERRED INCOME CLASSIFIED BY MATURITY AND NATURE

(Amounts in '000 euro)	31.12.2003				31.12.2004			
	Sums due				Sums due			
	Within one year	Within 2 to 5 years	Beyond 5 years	Total	Within one year	Within 2 to 5 years	Beyond 5 years	Total
RECEIVABLES IN FINANCIAL ASSETS	-		46	46	-		33	33
- from others			46	46			33	33
RECEIVABLES IN CURRENT ASSETS	18,310	-	-	18,276	6,928	9,000	-	15,928
Other financial receivables	15,000	-	-	15,000	-	9,000	-	9,000
- from subsidiaries	15,000			15,000	9,000			9,000
Trade receivables:	2,579	-	-	2,579	3,171	-	-	3,171
- from customers	2,369	-	-	2,369	2,031			2,031
- from subsidiaries	210			210	1,140			1,140
Miscellaneous receivables	731	-	-	731	3,757	-	-	3,757
- from subsidiaries	-	-	-	-	-	-	-	-
- from others								
. tax authority	549	-	-	549	1,086			1,086
. Advance taxation	34	-	-	34	2,619			2,619
. other	148	-	-	148	52			52
PREPAYMENTS AND ACCRUED INCOME	289			289	180			180
TOTAL	18,599	-	46	18,645	7,108	9,000	33	16,141

EMOLUMENTS AND FEES PAID TO THE DIRECTORS, AUDITORS AND GENERAL MANAGERS (Consob. Resolution 11971/99)

Amounts in euro

OFFICER	DETAILS OF THE OFFICE HELD		INCOME				
			Emoluments / fees	Non-monetary benefits	Bonus and other incentives	Other income	
Name and surname	Office held	Period in Office					
BOARD OF DIRECTORS (from 01.01.2004 to 31.12.2004)							
Rocco Sabelli	Managing Director	01/02/03 – until approval of 2005 financial statements	22,000		250,000	1,220,000	2
Roberto Colaninno	Chairman BoD	01/02/03 – until approval of 2005 financial statements	22,000		250,000	520,000	2
Matteo Colaninno	Director	01/02/03 – until approval of 2005 financial statements	22,000			20,000	2
Luciano La Noce	Director	01/02/03 – until approval of 2005 financial statements	22,000		200,000	331,940	2
Giorgio Magnoni	Director	01/02/03 – until approval of 2005 financial statements	22,000			20,000	2
Mauro Gambaro	Director	01/02/03 – until approval of 2005 financial statements	22,000				
Carlo D' Urso	Vice-Chairman BoD	01/02/03 – until approval of 2005 financial statements	22,000				1
Marco Reboa	Director	01/02/03 – until approval of 2005 financial statements	22,000			2,123	3
Giovanni Tamburi	Director	01.03.03 – until approval of 2005 financial statements	22,000				
BOARD OF AUDITORS (from 01.01.2004 to 31.12.2004)							
Angelo Girelli	Chairman	06.05.03 – until approval of 2005 financial statements	32,000			13,934	2
Alessandro Lai	Statutory Auditor	06.05.03 – until approval of 2005 financial statements	24,635			38,579	4
Marco Spadacini	Statutory Auditor	06.05.03 – until approval of 2005 financial statements	24,526				

It should be noted that there is no General Manager in the Company.

N.B.:

- 1: Cf. the notes on related party transactions
- 2: Emoluments for the office held in subsidiary companies
- 3: Fee for acting as a member of the Supervisory Body
- 4: Fee for the office held in subsidiary companies and for acting as a member of the Supervisory Body