AUDITORS' REPORT

To the Shareholders of
Piaggio & C. S.p.A.

1. We have audited the consolidated financial statements of Piaggio & C. S.p.A. and its subsidiaries (the "Group") as of December 31, 2004. These consolidated financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by law, reference should be made to the auditor's report issued by us on March 29, 2004.

3. In our opinion, the consolidated financial statements present fairly the financial position of the Group as of December 31, 2004, and the results of its operations for the year then ended in accordance with the Italian regulations governing financial statements.

4. In order to better understand the consolidated financial statements, it should be noted that on December 30, 2004 the acquisition of the Aprilia group was concluded, as explained in detail in the Report on Operations and in the Explanatory Notes. In the context of this acquisition, the outstanding financing contracts were redefined in order to adapt them to the Group's greater financial requirements, and financial instruments were issued to the creditor banks and to the Aprilia S.p.A.'s former shareholders for a maximum amount of Euro 84 million, the valuation of which depends on the Group's economic and financial performance in the period 2007–2009. Piaggio & C. S.p.A. has also undertaken to issue a debenture bond within May 1, 2005, the funds of which are designated to fully redeem Aprilia S.p.A.'s outstanding debenture bond of Euro 100 million.

DELOITTE & TOUCHE S.p.A.

Signed by
Vincenzo Mignone

Milan, Italy
April 5, 2005

This report has been translated into the English language solely for the convenience of international readers.

PIAGGIO HOLDING AND PIAGGIO GROUP

CONSOLIDATED BALANCE SHEETS

(Millions of Euro)

	Note	Year ended December 31, Piaggio Holding 2002	Piaggio Group 2003	Piaggio Group 2004	*Piaggio Group 2003 Aggregated and adjusted Unaudited*
Assets					
Fixed Assets					
Intangible fixed assets, net	3	503.7	421.4	533.4	421.4
Tangible fixed assets, net	4	191.7	182.2	237.3	182.2
Financial fixed assets	5	20.6	19.5	25.7	19.5
Total fixed assets		***716.0***	***623.1***	***796.4***	***623.1***
Current assets					
Inventories	6	169.3	132.0	212.5	132.0
Receivables:					
Trade	7	112.3	78.3	154.9	78.3
Other	7	68.5	61.3	80.7	61.3
Total receivables		180.8	139.6	235.6	139.6
Financial receivables	8	5.1	9.5	9.8	9.5
Cash and cash equivalents	9	27.0	12.4	35.2	12.4
Total current assets		***382.2***	***293.5***	***493.1***	***293.5***
Accrued incomes and prepaid expenses	10	***4.2***	***2.3***	***6.7***	***2.3***
Total assets		**1,102.4**	**918.9**	**1,296.2**	**918.9**
Liabilities and Shareholders' Equity					
Shareholders' Equity					
Group Interest	11	90.2	179.0	231.8	177.5
Minority interest	11	16.0	1.0	0.3	1.0
Total Shareholders' Equity		***106.2***	***180.0***	***232.1***	***178.5***
Provisions for liabilities and charges	12	***40.9***	***64.2***	***90.2***	***64.2***
Provisions for employee severance indemnities	13	***52.3***	***54.4***	***71.6***	***54.4***
Payables					
Financial Payables	14	604.6	303.8	501.8	305.3
Trade Payables	14	232.1	245.1	315.5	245.1
Other Payables	14	61.7	65.4	67.6	65.4
Total Payables		***898.4***	***614.3***	***884.9***	***615.8***
Accrued expenses and deferred incomes	15	***4.6***	***6.0***	***17.4***	***6.0***
Total Liabilities and Shareholders' Equity		**1,102.4**	**918.9**	**1,296.2**	**918.9**

The notes from pages F-11 to F-62 are an integral part of these consolidated financial statements.

PIAGGIO HOLDING AND PIAGGIO GROUP
CONSOLIDATED INCOME STATEMENT
(Millions of Euro)

	Note	Year ended December 31, Piaggio Holding 2002	Piaggio Group 2003	Piaggio Group 2004	*Piaggio Group 2003 Aggregated and adjusted Unaudited*
Revenues from sales and services		952.7	925.1	1,084.2	990.7
Change in work in progress, semi finished and finished product inventories		(0.6)	(17.2)	(9.2)	(18.0)
Additions to assets by internal production		18.4	15.4	17.3	16.8
Other income and revenues		48.2	42.1	45.6	42.2
Total Value of Production	17	***1,018.7***	***965.4***	***1,137.9***	***1,031.7***
Raw materials and supplies		(542.7)	(510.2)	(602.2)	(547.9)
Services		(212.1)	(202.1)	(217.8)	(212.8)
Leases and rentals		(9.0)	(7.0)	(7.4)	(8.0)
Personnel		(146.1)	(134.6)	(155.4)	(145.2)
Depreciation, amortization and write-downs		(113.0)	(103.0)	(97.9)	(107.5)
Change in inventories of raw materials and supplies		(11.7)	(16.8)	7.4	(16.2)
Provision for risk and other accruals		(7.5)	(8.9)	(19.2)	(9.3)
Other operating costs		(5.2)	(6.7)	(4.5)	(6.9)
Total Cost of production	18	***(1,047.3)***	***(989.3)***	***(1,097.0)***	***(1,053.8)***
Operating Income (loss)		(28.6)	(23.9)	40.9	(22.1)
Interest incomes		2.7	5.2	1.8	5.1
Interest and other financial expenses		(35.1)	(50.2)	(21.6)	(51.2)
Exchange gains (losses), net		(1.2)	(0.4)	(0.2)	(0.6)
Financial incomes (expenses)	19	***(33.6)***	***(45.4)***	***(20.0)***	***(46.7)***
Adjustments to value of financial assets	5	***(31.1)***	***(13.4)***	***(0.2)***	***(13.4)***
Extraordinary incomes (expenses)	20	***(25.4)***	***(42.2)***	***0.1***	***(44.0)***
Income (loss) before tax		(118.7)	(124.9)	20.8	(126.2)
Income taxes	21	(10.5)	(13.2)	(16.8)	(13.5)
Income before minority interest		(129.2)	(138.1)	4.0	(139.7)
Minority interest		(1.1)	(0.3)	(0.3)	(0.3)
Profit (loss) for the year		**(130.3)**	**(138.4)**	**3.7**	**(140.0)**

The notes from pages F-11 to F-62 are an integral part of these consolidated financial statements.

PIAGGIO HOLDING AND PIAGGIO GROUP

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Millions of Euro)

	Share Capital	Share Premium Reserve	Revaluation Reserve	Legal Reserve	Other reserve	Retained Earnings and Reserves	Profit (Loss) after minority Interest	Consolidation Reserve	Shareholders' equity of the Group
Balance as of December 31, 2001— Piaggio Holding	27.2	290.8	0.0	0.0	2.8	1.2	(100.4)	0.0	221.6
Allocation of net loss						(100.4)	100.4		0.0
Decrease in translation reserve					(1.1)				(1.1)
Profit (loss) for the year							(130.3)		(130.3)
Balance as of December 31, 2002— Piaggio Holding	27.2	290.8	0.0	0.0	1.7	(99.2)	(130.3)	0.0	90.2
Adjustments arising from changes in the consolidation area—Unaudited	**(10.6)**	**(80.1)**	**0.0**	**0.7**	**39.3**	**(89.0)**	**130.3**	**0.0**	**(9.4)**
Increase in share capital with share premium	152.7	82.3							235.0
Change in translation reserve					0.6				0.6
Change in consolidation reserve								1.0	1.0
Profit (loss) for the year							(138.4)		(138.4)
Balance as of December 31, 2003— Piaggio Group	169.3	293.0	0.0	0.7	41.6	(188.2)	(138.4)	1.0	179.0
Allocation of net loss		(293.0)			(40.4)	242.2	91.1		0.0
Retained loss at 31.12.2003						(47.3)	47.3		0.0
Increase in share capital with share premium	25.5	24.5							50.0
Change in translation reserve					(0.9)				(0.9)
Profit (loss) for the year							3.7		3.7
Balance as of December 31, 2004— Piaggio Group	194.8	24.5	0.0	0.7	0.3	6.7	3.7	1.0	231.8

The notes from pages F-11 to F-62 are an integral part of these consolidated financial statements.

PIAGGIO HOLDING AND PIAGGIO GROUP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Millions of Euro)

	Note	Year ended December 31, Piaggio Holding 2002	Piaggio Group 2003	Piaggio Group 2004	*Piaggio Group 2003 Aggregated and adjusted Unaudited*
Cash flow provided by changes in consolidaton area:					
Piaggio Holding S.p.A		—	—	—	96.5
Starting indebtedness of companies acquired		—	(27.0)	(120.9)	(27.0)
Net assets (liabilities) of acquired companies		—	(2.2)	(40.9)	(2.2)
Paid goodwill		—	(32.9)	(47.5)	(32.9)
	(A)	***—***	***(62.1)***	***(209.3)***	***34.4***
Cash flow provided by (used in) operating activities:					
Profit (loss) for the year		(130.3)	(138.4)	3.7	(140.0)
Depreciation and amortization		106.1	96.1	87.0	96.1
Change in provision for employee severance indemnities and other reserves		(11.0)	27.4	3.4	27.4
(Gain) loss on disposals		(3.7)	(12.9)	(2.0)	(12.9)
(Revaluation) or write-down of investments		26.7	18.3	3.2	18.3
Change in current assets and liabilities:					
Trade receivables		56.4	60.4	(32.2)	60.4
Inventories		15.5	37.4	2.6	37.4
Account payables		(22.0)	(15.0)	(24.8)	(15.0)
Other payables, receivables, accruals and deferrals		(1.5)	2.6	3.7	2.6
	(B)	***36.2***	***75.8***	***44.6***	***74.3***
Cash flow provided by (used in) investing activities:					
Investments in:					
Intangible fixed assets		(38.8)	(32.7)	(29.0)	(32.7)
Tangible fixed assets		(25.1)	(49.0)	(41.5)	(49.0)
Investments		8.9	(1.2)	0.9	(1.2)
Proceeds from sale of fixed assets		6.5	38.8	10.0	38.8
Change for conversion		2.5	2.9	1.0	2.9
	(C)	***(46.0)***	***(41.2)***	***(58.6)***	***(41.2)***
Cash flow provided by (used in) financial activities:					
Increase in capital and share premium reserve		0.0	235.0	50.0	235.0
Dividends paid		0.0	0.0	0.0	0.0
Foreign exchange translation adjustment		(1.1)	0.6	(0.9)	0.6
Change in consolidation structure		17.4	1.0	0.0	1.0
Change in owners' net investment (third party)		(10.3)	(15.0)	(0.7)	(15.0)
	(D)	***6.0***	***221.6***	***48.4***	***221.6***
Cash flow for the Year	A+B+C+D	***(3.8)***	***194.1***	***(174.9)***	***289.1***
Net debt at January 1		***(568.7)***	***(476.0)***	***(281.9)***	***(572.5)***
Net debt at December 31		**(572.5)**	**(281.9)**	**(456.8)**	**(283.4)**

The notes from pages F-11 to F-62 are an integral part of these consolidated financial statements.

PIAGGIO HOLDING AND PIAGGIO GROUP
CONSOLIDATED STATEMENT OF CHANGE IN FINANCIAL POSITION
(Millions of Euro)

Note A—Net debt

	Year ended December 31,			
	Piaggio Holding 2002	Piaggio Group 2003	Piaggio Group 2004	*Piaggio Group 2003* *Aggregated and adjusted— Unaudited*
Cash and cash equivalents	27.0	12.4	35.2	12.4
Financial receivables	5.1	9.5	9.8	9.5
Financial payables	(604.6)	(303.8)	(501.8)	(305.3)
Net debt	**(572.5)**	**(281.9)**	**(456.8)**	**(283.4)**

The notes from pages F-11 to F-62 are an integral part of these consolidated financial statements.

Note 1—The consolidated operation

On October 23, 2003, after the necessary formalities and corporate procedures had been completed, the former business ceased pursuant to the contract signed on September 24, 2003 by Immsi S.p.A., the "Dep IV" Fund (managed by Morgan Grenfell Private Equity Ltd), Morgan Grenfell Development Capital Syndications Ltd (a member of the Deutsche Bank group of companies), Piaggio Holding S.p.A. and PB s.r.l. (a company created by the banks financing the Piaggio Group). As a result, control of Piaggio Group activities in Italy and abroad was transferred to Immsi. Under the Group's new structure, Piaggio & C. S.p.A. is now controlled 100% by the newly incorporated Dutch company Piaggio Holding Netherlands B.V., which has fully subscribed a share capital increase in Piaggio & C. S.p.A.. Immsi holds the majority of voting rights at the Piaggio Holding Netherlands B.V. Shareholders' meeting, as well as the majority among the members of the Supervisory Boards of both the latter company and Piaggio & C. S.p.A.. Among the other formalities envisaged under the contract for the acquisition of the Piaggio Group, Piaggio & C. S.p.A. has acquired the Nacional Motor S.A. company, owner of the DERBI trademark, from the former Piaggio Holding S.p.A. as well as the company division of Piaggio Holding S.p.A. responsible for all the Group's administration, finance and control activities.

As a result of the above mentioned acquisition, Piaggio & C. S.p.A. and its subsidiaries and associated companies (hereinafter referred to as the "Piaggio Group") operate in the same core businesses of the predecessor Piaggio Holding S.p.A. (hereinafter referred to as "Piaggio Holding"). As the consolidation perimeter of Piaggio Holding's 2002 financial statements does not differ materially from the consolidation perimeter in 2003, such consolidated financial statements as of December 31, 2002 have been included.

The 2003 Piaggio Group financial statements are therefore the first consolidated financial statements presented by the Group as it is now structured and where the Derbi Group is concerned, the statement of operations of the Group was only included for the last two months of the year, in accordance with Accounting Principle no. 17 of the National Boards of "Dottori Commercialisti" and "Ragionieri", because the ownership of the Group changed at the end of October 2003.

In order to provide a clearer picture of our company's performance in 2003, it was decided to prepare aggregated and adjusted consolidated financial statements for the 2003 operating year (hereinafter referred as "*aggregated and adjusted Piaggio Group financial statements—Unaudited*").

The aggregated and adjusted Piaggio Group financial statements have been drafted with the consolidation perimeter as of December 31, 2003 and where the Derbi Group is concerned, the income statement of the Group was included for the twelve months of the year.

The aggregated and adjusted Piaggio Group financial statements have no statutory value, are unaudited and have been drafted purely to complete the information in the consolidated financial statements.

The aggregate and adjusted financial statements have been derived by applying the following adjustments to the Piaggio Group's audited consolidated financial statements for 2003:

1) inclusion of the results of operations of Nacional Motor for the 10 months ended October 31, 2003; and

2) elimination of all intercompany transactions.

Note 1—The consolidated operation (Continued)

As a result of these adjustments loss for the year increased by €1.5 million as compared to the Piaggio Group's audited consolidated financial statements.

On the aggregate and adjusted balance sheet as goodwill accounted for in the audited consolidated financial statement has not been changed, the increased loss for the year has been accounted for as a financial payable.

As a result, shareholders' equity in the 2003 aggregate and adjusted balance sheet is lower by €1.5 million as compared to the Piaggio Group's audited consolidated financial statement.

The 2003 other minor changes in the Piaggio Group consolidation perimeter and Group structure are the following:

- in January 2003, Piaggio & C. S.p.A. acquired the investments held in P&D S.p.A. by Daihatsu Motor Co. Ltd., equal to 49% of the capital stock. As a result of this acquisition, the company now owns 100% of P&D S.p.A.;
- in November 2003, with the approval of the courts of New Delhi and Mumbai, the merger between Piaggio India Pvt. Ltd. and Piaggio Vehicles Pvt. Ltd. was finalized. The legal effects of this merger were backdated to April 1, 2002;
- in December 2003, Piaggio Espana SA, a subsidiary of Piaggio Vespa BV, acquired an investment in the subsidiary Piaggio Deutschland Gmbh equal to 30% of the latter's capital stock;
- Piaggio & C. S.p.A. sold the shares (20%) held in the Swiss company Otto Frey Fin. AG;
- the formal liquidation of Piaggio TRC (Turkey) and Pro-Ind Ltda (Brazil) was concluded.

Piaggio's products consist primarily of two-wheeled vehicles and LTVs, sold under internationally recognized brands: Piaggio, Vespa, Gilera, and Derbi.

Piaggio's production activities are performed in facilities located in Italy (Pontedera), Spain (Barcelona) and India (Baramati).

On December 30, 2004, Piaggio & C. S.p.A. purchased Aprilia S.p.A. (hereinafter referred to as the "Aprilia Group"). The Aprilia Group sells its products under the internationally recognized brands Aprilia, Scarabeo and Moto Guzzi. Aprilia's production activities are performed in facilities located in Italy.

The Piaggio Group acquired all of the issued and outstanding ordinary shares of Aprilia S.p.A. for a purchase price of 88.5 million Euro and the issuance of warrants and other financial instruments. With respect to the cash payment, a capital increase of 50.0 million Euro was subscribed in new Aprilia shares, and indebtedness owed by Aprilia was purchased from certain Aprilia creditors in exchange for 34.4 million Euro, after which such indebtedness was cancelled. In order to provide for the latter payment, Piaggio has subscribed a loan amounting to 29.0 million Euro. The deal has involved the issuance of the following warrants and other financial instruments:

- warrants to certain Aprilia creditors exercisable from 2007 to 2009 that may, depending on the financial performance, require Piaggio & C. S.p.A. to pay up to 64.2 million Euro;

Note 1—The consolidated operation (Continued)

- warrants to certain holders of liens on Aprilia shares, in exchange for release of such liens, exercisable from 2007 to 2009 that will require payment of a minimum of 3.5 million Euro and may, depending on the financial performance, require payment of up to 10.0 million Euro;
- an earn-out to Ivano Beggio, the prior owner of Aprilia, that may require payment of up to 10.0 million Euro during the period from 2007 to 2009.

For further information see paragraphs "Aprilia Acquisition" and "Description of other Indebtedness".

From an accounting perspective, the operating results of the Aprilia Group for the period ended December 31, 2004 have not been consolidated, and the balance sheet as of December 31, 2004 has not been consolidated.

The other minor 2004 changes in the Piaggio Group consolidation perimeter and in the Group structure are the following:

- in June 2004, Piaggio & C. S.p.A. acquired the investments held in Piaggio Vehicles Pvt. Ltd by Simest S.p.A., equal to 8.49% of the capital stock. As a result of this acquisition, the company now owns 100% of Indian subsidiary;
- on April 15, 2004, Piaggio & C. S.p.A. signed a joint venture agreement with Zongshen Industrial Group Company Limited. As a consequence the investments in Piaggio Foshan Motorcycles has been reduced to 45%;
- the formal liquidation of Derbi Allemania Gmbh was concluded.

Note 2—Basis of presentation and significant accounting policies

(a) Basis of presentation—The year ended December 31, 2004

The consolidated financial statements as of December 31, 2004, comprise the audited consolidated financial statements of Piaggio & C. S.p.A. and the companies in which the Piaggio Group holds the majority of the voting shares, and all the companies in which it has a dominant influence, listed in note 23, consolidated on a line-by-line basis.

The Piaggio Foshan Motorcycle Co. and Piaggio China are consolidated applying the equity method.

Had these two subsidiaries been consolidated applying proportionate method, fixed assets would be greater by 6.7 million Euro, working capital would be less by 0.6 million Euro and net indebtedness would be greater by 6.1 million Euro.

We remind that, as far as the Aprilia Group is concerned, the consolidated income statement is not included, in accordance with Accounting Principle no. 17 of the National Boards of "Dottori Commercialisti" and "Ragionieri", as it was acquired at the end of December 2004.

(b) Basis of presentation—The year ended December 31, 2003

The consolidated financial statements as of December 31, 2003 comprise the audited consolidated financial statements of Piaggio & C. S.p.A. and the companies in which the Piaggio Group holds the

Note 2—Basis of presentation and significant accounting policies (Continued)

majority of the voting shares, and all the companies in which it has a dominant influence, listed in note 23, consolidated on a line-by-line basis.

The Piaggio Foshan Motorcycle Co., Universal Dynamic and Piaggio China subsidiaries are consolidated applying the equity method because their operations were not significant.

Had these three subsidiaries been consolidated applying line-by-line method, fixed assets would be greater by 17.7 million Euro, working capital would be less by 3.6 million Euro and net indebtedness would have been increased by 14.2 million Euro.

We remind that, as far as the Derbi Group is concerned, the statement of operations is included only for two months, in accordance with Accounting Principle no. 17 of the National Boards of "Dottori Commercialisti" and "Ragionieri", as it was acquired at the end of October 2003.

(c) Basis of presentation—The year ended December 31, 2002

The consolidated financial statements as of December 31, 2002, comprise the audited consolidated financial statements of Piaggio Holding S.p.A. and the companies in which Piaggio Holding holds the majority of the voting shares, and all the companies in which it has a dominant influence, listed in note 23, consolidated on a line-by-line basis.

General

As the consolidation area changed between 2002 and 2003 at a Parent Company level, differences and movements in consolidated financial statements are not necessarily indicative of those that would have resulted had Piaggio & C. S.p.A. operated since 2002 as Parent Company. This must be considered particularly for changes in shareholders' equity and in cash flow.

Such changes have been computed as a difference between the two years (hereinafter referred to as "*Adjustments arising from changes in the consolidation area—Unaudited*).

As explained above, the acquisition of the Derbi group in October 2003 meant that these companies are only included in the income statement for the months of November and December.

Because of the significant impact on some of the more important items in the Income Statement, when useful, we will give an indication of what the situation would be if the first ten months of the income statement were not excluded.

(d) Significant accounting policies

The consolidated financial statements as of December 31 for the years ended 2002, 2003 and 2004 have been prepared in conformity with Italian Accounting Principles, as above described.

Italian Accounting Principles differs in certain significant respects from accounting principles generally accepted in other countries.

Even if accounting principles used by Piaggio Holding for the year ended December 31, 2002 are substantially the same used by the Piaggio Group for the year ended December 31, 2003, in comparing the financial statements for such year, the effects of the acquisition of the Derbi Group on October 23, 2003 should be considered. As part of the acquisition, goodwill and debts and the related amortization and interest charges affected the consolidated financial statements as of December 31, 2003.

Note 2—Basis of presentation and significant accounting policies (Continued)

The balance sheet and the income statement have been condensed from the original Italian Consolidated financial statements format in order to conform more closely with international practice.

Principles of consolidation

The consolidated financial statements include, on the basis described above, the financial statements of Piaggio Holding and of Piaggio & C. S.p.A. as previously indicated. The financial statements of the subsidiaries in which such entities hold more than 50% of voting capital are consolidated on a line-by-line basis as of December 31, 2004, 2003 and 2002. All other investments in associated companies (ownership between 20% and 50%) are accounted for applying the equity method. Investments in other companies and in subsidiaries which are being wound—up or not operating are accounted for at cost.

Assets, liabilities, revenues and expenses of the legal entities that are consolidated on a line-by-line basis are included fully in the consolidated financial statements, after eliminating the carrying value of the investment against the related shareholders' equity at the consolidated balance sheet date. The minority shareholders' interest in the equity and net result of the companies consolidated on a line-by-line basis are classified separately in the consolidated balance sheet and income statement.

Differences arising on elimination of the investments against the related shareholders' equity at the date of acquisition are allocated, where applicable, to the assets and liabilities of the company being consolidated, up to the limit of their fair value. Positive residual amounts, if any, are capitalized as intangible assets under "Difference on Consolidation" and are amortized on a straight-line basis over their 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 (Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri). If there is no future use, the residual element is recognized in the income statement.

Significant unrealized intercompany profits and losses are eliminated, net of the related tax effects, together with all intercompany receivables, payables, revenues and expenses arising from transaction between consolidated entities.

Tangible fixed assets on lease are recorded in the consolidated financial statements by the "financial method", as envisaged by the IFRS.

The financial statements of consolidated foreign companies are translated into Euro 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 deriving from the translation of the opening shareholders' equity, at 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".

Note 2—Basis of presentation and significant accounting policies (Continued)

Set out below are the exchange rates for financial years 2004, 2003 and 2002 used to translate the balance sheets and income statements denominated in currency other than euro:

	Exchange rate					
Foreign currency	**December 31, 2002**	**December 31, 2003**	**December 31, 2004**	**2002 average**	**2003 average**	**2004 average**
U.S. Dollar	1.049	1.263	1.362	0.946	1.131	1.244
Pound Sterling	0.651	0.705	0.705	0.629	0.692	0.679
Indian Rupee	50.507	57.571	59.740	47.125	53.053	56.338
Singapore Dollar	1.820	2.145	2.226	1.691	1.970	2.102
Croatian Kuna	7.452	7.649	7.694	7.395	7.557	7.489
Chinese RMB	8.683	10.458	11.278	7.829	9.366	10.299
Argentine Peso	3.541	—	—	3.001	—	—
Brasilian Real	—	—	3.673	—	—	3.634
Japanese Yen	—	—	139.65	—	—	134.445

Use of estimates

The preparation of financial statements in conformity with Italian Accounting Principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and to decide whether to disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Some of the more significant estimates relate to depreciation, amortization and impairment of long-lived assets, deferred tax asset valuation, allowance and reserve for inventories, doubtful accounts, guarantees and legal liabilities. Actual results could differ from those estimates.

Intangible fixed assets

These are recorded at purchase cost, including related expenses, or internal production cost and amortized on a straight-line basis over the period of their expected useful lives.

Where, irrespective of amortization already charged, an intangible fixed asset undergoes a permanent loss of value, it is written down accordingly; if, in subsequent years, the reasons for the write-down cease to be present, the original value is restored adjusted to account for amortization.

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 which regard specific products referring to projects where income is expected to cover costs are capitalized.

Advertising costs are included in the consolidated income statement for the period in which such costs are incurred.

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

Note 2—Basis of presentation and significant accounting policies (Continued)

Tangible fixed assets

These are recorded at purchase or production cost, adjusted for some assets in accordance with specific monetary revaluation laws.

The cost includes related expenses, as well as direct and indirect costs for the portion reasonably attributable to the asset.

Tangible fixed assets are depreciated annually on a straight-line basis according to technical and economic rates in relation to the remaining useful life of the assets.

Where, irrespective of depreciation already charged, a tangible fixed asset undergoes a permanent loss of value, it is written down accordingly; if, in subsequent years, the reasons for the write-off cease to be present, the original value is restored adjusted to account for depreciation.

Ordinary maintenance expenses are charged to the income statement during the year in which they are incurred. Extraordinary maintenance costs which increase the value or extend the useful life of fixed assets are allocated to the asset to which they refer.

Tangible fixed assets in progress are valued at cost and start being depreciated in the year in which they are put to use.

Assets held under financial leasing agreements are accounted for at the criteria in IFRS 17, disclosing in the balance sheet the assets and the corresponding liability to the lessor; finance costs represent the difference between the total leasing commitments and the fair value of the assets acquired, and depreciation costs are charged to the income statement.

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

Financial fixed assets

Investments in subsidiary companies which are not consolidated on a line-by-line basis and in associated companies are valued using the equity method, except for those investments in companies which are irrelevant in terms of the consolidated financial statements, for which the cost method is adopted.

The equity method envisages that investments are recorded in the financial statements for a sum equal to the corresponding portion of shareholders' equity recorded in the last financial statements, having deducted the dividends and net of the adjustments required by the current accounting principles for the drafting of consolidated financial statements.

Should the financial statements of the subsidiary consolidated with the equity method reveal a loss higher than shareholders' equity, the excess amount is recorded in the consolidated financial statements under "write-downs" and under the "provisions for liabilities and charges".

Investments in other companies are accounted for with the cost method.

Under this method, the value recorded in the financial statements is determined by the purchase or subscription price or the value attributed to the assets paid for.

Note 2—Basis of presentation and significant accounting policies (Continued)

The cost is reduced for permanent losses of value when the subsidiaries have incurred losses, and sufficient profits to absorb these losses are not foreseeable in the near future. The original value is restored in subsequent periods when the reasons for the write-down cease to be present.

Securities are valued at the lower of cost and market value at year end.

Receivables are recorded under fixed assets at their estimated realizable value.

Inventories

Inventories are valued at the lower of purchase or production cost, calculated by attributing to products any costs incurred directly over and above indirect costs reasonably attributable to the performance of manufacturing activities in normal operating conditions, and the market value at the date of the financial statements.

For raw materials and work in progress, the market value is represented by the estimated net realizable value of the corresponding finished products, after deducting the cost of completing them, and by the estimated net realizable value for finished products.

Any write-downs that are made are reversed in subsequent periods if the reasons for them cease to be present.

The purchase or production cost is determined by applying the FIFO method or by the average weighted warehouse cost when this does not differ significantly from the result obtained by valuing the inventories with the FIFO method.

Obsolete, slow-moving inventories and/or those in excess of normal requirements are written down on the basis of their possible future use or sale and recorded in an inventory write-down reserve.

Receivables

Account receivables are stated at their estimated realizable value by means of a provision for doubtful accounts. This provision reflects the risk relating to specific doubtful accounts and the general risk of unpaid amounts, estimated on the basis of prudence taking into account past experience, debtor solvency and guarantees.

Other current financial assets

Securities are valued at the lower of cost and market value at year end; the original value is restored in subsequent periods when the reasons for a write-off cease to be present.

Factoring operations

Receivables transferred to third parties, pursuant to a factoring arrangement, without risk of recourse, are treated as sold and therefore removed from the balance sheet.

A similar procedure is adopted in most cases for factoring operations with risk of recourse. In this case the risk is disclosed under the off-balance arrangements.

Note 2—Basis of presentation and significant accounting policies (Continued)

Cash and cash equivalents

Cash comprises cash in hand and cash held at calls with banks.

Accruals and deferrals

This item includes quotas of costs and revenues, relating to two or more periods, respecting the principle of economic and temporal pertinence.

Provision for liabilities and charges

Provisions for liabilities and charges 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 provision represents the best estimate possible based on the information at that time available.

Any risks for which the occurrence of a liability is only possible are indicated in the notes to the provisions, without actually providing for them.

Provision for employee severance indemnities

The provision for employees severance indemnities relates to severance indemnity legislation in force in Italy. This liability, which is indexed for inflation in accordance with Italian law, is accrued at the year end for each employee and is determined in accordance with labour legislation and with the employee's annual salary. The provision therefore reflects the total amount of the severance indemnities, net of any advances taken, that the employees would be entitled to receive if termination were to occur, for virtually any reason, as of the balance sheet date.

Payables

Payables are stated at their nominal value, considered representative of their collection value.

Costs and revenues

They are recorded in the financial statements according to the principle of prudence and pertinence, with the relative accruals and deferrals.

Income and revenues, expenses and charges are recorded net of returns, discounts, allowances and bonuses. Revenues and expenses for services are recognized at the moment the service is rendered or received.

All operations with related parties are regulated at normal market conditions.

Grants

Grants related to assets are stated in the balance sheet when the entitlement to receive them is certain and are recognized in the income statement over the useful life of the assets to which they relate.

Note 2—Basis of presentation and significant accounting policies (Continued)

Grants related to income are stated in the balance sheet when the entitlement to receive them is certain and are disclosed in the income statement to match the related expenditure that they are intended to compensate.

Dividends

Dividends recorded in the income statement for the year, received from minority investments, are recorded on the basis of pertinence, at the moment in which the relative entitlement arises, as resolved by the subsidiary.

Extraordinary items

Transactions are recorded as extraordinary items when they arise from the restructuring process or are not directly related to the ordinary activities of Piaggio Holding or Piaggio Group.

Income taxes

Current taxation has been recorded based on a reasonable estimate of the taxable income of each consolidated company in compliance with the applicable legislation in force at the date of the financial statements, taking account of available exemptions and tax credits. The tax provision is recorded under "Tax payables" net of any advances paid and deductions.

No provision has been made for any tax liabilities arising in the event of the distribution of "pending tax reserves" indicated in the financial statements of individual Group companies, because no such distribution is envisaged.

Deferred tax liabilities and deferred tax assets are determined on the timing differences between the combined assets and liabilities and the corresponding tax bases and on consolidation adjustments; the tax rate in force at the time these differences will reverse is applied.

Such taxes have been calculated on the basis of Accounting Principle no. 25 of the National Boards of "Dottori Commercialisti" and "Ragionieri".

Under the principle of prudence, deferred tax assets are not recorded when reasonable certainty does not exist for taxable income of at least the differences in question in the years when the anticipated timing differences will reverse.

In observance of the same principle, deferred tax assets related to tax losses available to be carried forward are recorded in the financial statements only if there is a reasonable certainty of their future recovery.

Deferred tax liabilities and deferred tax assets have been recorded separately in the financial statements because it is foreseeable that the related effects will occur in different years.

Criteria for the translation of items in foreign currencies

Receivables and payables originally expressed in foreign currencies other than those of the EMU are translated into Euro at the rates valid at the date of the respective transactions. The exchange rate differences arising from the collection of receivables and the payment of accounts in foreign currencies are charged to the income statement among financial income and expense.

Note 2—Basis of presentation and significant accounting policies (Continued)

Receivables and payables in currencies of countries not in the Euro and still outstanding at balance sheet date have been translated at the exchange rate at year end, taking into account any existing hedging contracts. The difference arising from said operations (whether profit or loss) is accrued and reflected in the Income Statement for the period, with the respective receivable or payable as a balancing item.

Derivative contracts

Such contracts are disclosed in the off-balance arrangements at their nominal value according to the spot price. For forward currency purchases as to cover accounts due in foreign currency, related to specific transactions, the exchange gains and losses have been calculated at the year-end exchange rate and reported in the income statements.

The interest swap contracts hedging the financial charges foreseen on indebtedness are described in the off-balance arrangements, and the related effects are entered in the income statement according to the related financial charges. If they do not deal with hedging, they are valued at the year-end market value, and if this results in a loss, it is disclosed in the financial statements.

Commitments and guarantees

Contract commitments and guarantees are recorded at the value resulting from the contract commitment in the off-balance arrangements.

Subsequent events

On January 5, 2005, AON S.p.A. filed a lawsuit against Piaggio for the unjustified cancellation of the brokerage contract and claimed for damages of 0.2 million Euro in addition to the greater damages to be determined as equitable. Piaggio deems AON's charges to be groundless and plans to appear before the court at the initial hearing scheduled for March 23, 2005.

On February 10, 2005 Piaggio signed a contract with Almec S.p.A. for the sale to Almec of the remaining stake held by Piaggio in Almec, equal to 30% of the capital stock, for an amount of approximately 1.0 million Euro.

On February 17, 2005, a lawsuit was filed against Piaggio by Leasys S.p.A., part of the "Raggruppamento Temporaneo di Imprese" (Temporary Grouping of Companies). It manages the Poste contract, with which the Court of Pisa, Pontedera location, reassumes the lawsuit filed by Europe Assistance against Lease Plan S.p.A., Europcar Lease S.p.A. and Savarent/Leasys S.p.A.. In this Piaggio had been called as a supporting witness, and which had concluded in 2004 when the Monza judge stated his lack of territorial jurisdiction, with respect to the claim for damages by the rental companies against Piaggio.

Note 3—Intangible fixed assets, net

Intangible assets are stated in the consolidated balance sheet, net of accumulated amortization, as reported in the following table (amounts in millions of Euro):

	Year ended December 31,								
	2002			2003			2004		
	Piaggio Holding			Piaggio Group			Piaggio Group		
	Gross value	Amortisation	Net value	Gross value	Amortisation	Net value	Gross value	Amortisation	Net value
Start-up and expansion costs	42.8	(26.5)	16.3	32.8	(31.9)	0.9	7.0	(6.6)	0.4
Research and development costs	56.0	(35.9)	20.1	76.5	(54.6)	21.9	148.8	(109.3)	39.5
Industrial patents and intellectual property rights	53.2	(43.8)	9.4	54.7	(49.8)	4.9	58.2	(54.7)	3.5
Concessions, licenses, trademarks and similar rights	4.7	(4.4)	0.3	8.1	(7.6)	0.5	110.2	(60.3)	49.9
Intangible assets in progress	29.2	0.0	29.2	20.0	0.0	20.0	40.3	0.0	40.3
Goodwill	0.9	(0.9)	0.0	0.8	(0.8)	0.0	2.6	(2.3)	0.3
Other	20.3	(13.4)	6.9	22.1	(16.0)	6.1	46.5	(37.7)	8.8
Consolidation difference	521.1	(99.6)	421.5	479.8	(112.7)	367.1	527.4	(136.7)	390.7
Total	**728.2**	**(224.5)**	**503.7**	**694.8**	**(273.4)**	**421.4**	**941.0**	**(407.6)**	**533.4**

The movement for the periods on net values is reported in the following table (amounts in millions of Euro):

	Piaggio Group December 31, 2003	Addition	Transfer from assets under construction/ reclass	Change in consolidation area	Amortisation	Write-down	Disposal, foreign change effects and other movements	Piaggio Group December 31, 2004
Start-up and expansion costs	0.9	0.0	0.0	0.0	(0.5)	0.0	0.0	0.4
Research and development costs	21.9	14.6	7.6	17.6	(20.4)	(2.2)	0.4	39.5
Industrial patents and intellectual property rights	4.9	2.0	0.7	0.0	(4.2)	0.0	0.0	3.5
Concessions, licenses, trademarks and similar rights	0.5	0.2	0.0	49.5	(0.3)	0.0	0.0	49.9
Intangible assets in progress	20.0	10.7	(8.4)	18.3	0.0	0.0	(0.3)	40.3
Goodwill	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.3
Other	6.1	1.2	0.4	3.7	(2.5)	0.0	(0.1)	8.8
Consolidation difference	367.1	47.7	0.0	0.0	(24.0)	0.0	0.0	390.7
Total	**421.4**	**76.4**	**0.3**	**89.4**	**(51.9)**	**(2.2)**	**0.0**	**533.4**

Note 3—Intangible fixed assets, net (Continued)

The 2004 changes in the consolidation area mainly refer to the Aprilia acquisition.

	Piaggio Holding December 31, 2002	Addition	Transfer from assets under construction/ reclass	Change in consolidation area	Amortisation	Write-down	Disposal, foreign change effects and other movements	Piaggio Group December 31, 2003
	Adjustments arising from changes in the consolidation area—Unaudited.							
Start-up and expansion costs	16.3	0.5	0.7	(1.3)	(8.1)	(7.2)	(0.0)	0.9
Research and development costs	20.1	12.6	21.2	0.0	(19.7)	(12.3)	0.0	21.9
Industrial patents and intellectual property rights	9.4	2.0	0.1	0.0	(6.0)	(0.6)	0.0	4.9
Concessions, licenses, trademarks and similar rights	0.3	0.4	1.0	0.0	(0.2)	(1.0)	0.0	0.5
Intangible assets in progress	29.2	13.2	(22.4)	0.0	0.0	0.0	0.0	20.0
Goodwill	0.0	0.6	0.0	0.0	0.0	(0.6)	0.0	0.0
Other	6.9	3.4	1.9	0.0	(2.7)	(2.5)	(0.9)	6.1
Consolidation difference	421.5	32.9	0.0	(62.4)	(24.4)	(0.5)	0.0	367.1
Total	**503.7**	**65.6**	**2.5**	**(63.7)**	**(61.1)**	**(24.7)**	**(0.9)**	**421.4**

Start-up and expansion costs: the item mainly includes corporate charges relating to investment acquisitions; the reduction between 2003 and 2002 derives from the write-down of the outstanding amount capitalized in 1999, still to be amortised, and relating to the acquisition of the Piaggio Group by the previous shareholders.

These costs are amortised on a straight-line basis over 3/5 years, in consideration of their residual estimated useful lives

Research, development and advertising costs relates to costs incurred for new products, models and engines, that are expected to give sufficient revenues, during their useful life, to recover the costs incurred.

Research and development costs are amortised over 3 years.

Industrial patent and intellectual property rights include SAP and internal software projects developed by Piaggio & C. S.p.A. in the areas of logistics, marketing and parts.

Industrial patent rights and intellectual property rights are amortised over three years.

Concessions, licenses, trademarks and similar rights: the account as of December 31, 2004 mainly refers to trademarks belonging to the Aprilia Group: the Aprilia brand (net value 13.9 million Euro), the Guzzi brand (net value 31.7 million Euro) and the Laverda brand (net value 0.7 million Euro).

The Aprilia and Guzzi brands are amortised over a period of 20 years, whilst Laverda brand over a period of 10 years.

Intangible assets in progress mainly refers to research and development costs relating to vehicles and engines which will be manufactured and sold in future years. This item also includes contributions to suppliers for their participation in projects to develop new engines and new vehicles.

Other intangible fixed assets mainly refer to commissions due to banks for the restructuring of the medium/long-term term loan and grants to suppliers to purchase tools for manufacturing activities performed on behalf of the Group. The other intangible fixed assets are amortised over five years.

Note 3—Intangible fixed assets, net (Continued)

Consolidation difference: the item relates to the differences between the purchase cost and the relative portion of shareholders' equity resulting from the following:

- acquisition of the Piaggio & C. Group by MOD S.p.A. in 1999 and 2000 (net value as of December 31, 2004: 308.5 million Euro),
- acquisition by Piaggio & C. S.p.A. of 49% of Piaggio Vehicles Pvt. Ltd. from its partner Greaves Ltd. finalised in 2001 (net value as of December 31, 2004: 5 million Euro);
- acquisition by Piaggio & C. S.p.A. of 100% of Nacional Motor S.A. in October 2003 (net value as of December 31, 2004: 29.5 million Euro);
- acquisition of the Aprilia Group in December 2004, with a consolidation difference of 47.5 million Euro.

Consolidation differences are amortised on a straight-line basis over twenty years.

Note 4—Tangible fixed assets, net

Tangible fixed assets are stated in the consolidated balance sheets, net of the accumulated depreciation, as reported in the following table (amount in millions of Euro):

	Year ended December 31,								
	2002			2003			2004		
	Piaggio Holding			Piaggio Group			Piaggio Group		
	Gross value	Accumulated depreciation	Net value	Gross value	Accumulated depreciation	Net value	Gross value	Accumulated depreciation	Net value
Land & buildings	98.2	(20.2)	78.0	88.7	(18.8)	69.9	132.4	(32.2)	100.2
Plant and Machinery	231.5	(175.7)	55.8	220.7	(171.9)	48.8	260.3	(202.8)	57.5
Industrial and commercial equipments	313.5	(271.7)	41.8	325.1	(287.5)	37.6	433.2	(384.4)	48.8
Other tangible assets	38.8	(30.4)	8.4	36.2	(29.6)	6.7	52.8	(43.4)	9.4
Assets under construction and payments on account	7.7	0.0	7.7	19.3	0.0	19.3	21.4	0.0	21.4
Total	**689.7**	**(498.0)**	**191.7**	**690.0**	**(507.8)**	**182.2**	**900.1**	**(662.8)**	**237.3**

Note 4—Tangible fixed assets, net (Continued)

The variation for the periods, in gross value and accumulated depreciation, respectively, is reported in the following tables (amounts in millions of Euro):

Gross Value	Piaggio Group December 31, 2003	Additions	Change in consolidation area	Disposals, foreign exchange effects and other movements	Piaggio Group December 31, 2004
Land & buildings	88.7	1.5	44.8	(2.6)	132.4
Plant and Machinery	220.7	6.2	27.8	5.6	260.3
Industrial and commercial equipment	325.1	15.1	97.3	(4.3)	433.2
Other tangible assets	36.2	2.1	15.6	(1.1)	52.8
Assets under construction and payments on account	19.3	16.6	2.4	(16.9)	21.4
Total	**690.0**	**41.5**	**187.9**	**(19.3)**	**900.1**

Accumulated depreciation	Piaggio Group December 31, 2003	Depreciation	Change in consolidation area	Disposals, foreign exchange effects and other movements	Piaggio Group December 31, 2004
Land & buildings	(18.8)	(2.5)	(12.2)	1.3	(32.2)
Plant and Machinery	(171.9)	(10.8)	(22.2)	2.1	(202.8)
Industrial and commercial equipment	(287.6)	(19.4)	(83.0)	5.5	(384.4)
Other tangible assets	(29.5)	(2.4)	(12.1)	0.7	(43.4)
Total	**(507.8)**	**(35.1)**	**(129.5)**	**9.6**	**(662.8)**

Gross Value	Piaggio Holding December 31, 2002	Addition	Change in consolidation area	Disposals, foreign exchange effects and other movements	Piaggio Group December 31, 2003
		Adjustments arising from changes in the consolidation area—Unaudited.			
Land & buildings	98.2	5.0	0.0	(14.5)	88.7
Plant and Machinery	231.5	5.7	0.0	(16.5)	220.7
Industrial and commercial equipment	313.5	17.2	0.0	(5.6)	325.1
Other tangible assets	38.8	1.8	0.0	(4.4)	36.2
Assets under construction and payments on account	7.7	19.3	0.0	(7.7)	19.3
Total	**689.7**	**49.0**	**0.0**	**(48.7)**	**690.0**

Note 4—Tangible fixed assets, net (Continued)

Accumulated depreciation	Piaggio Holding December 31, 2002	Depreciation	Change in consolidation area	Disposals, foreign exchange effects and other movements	Piaggio Group December 31, 2003
		Adjustments arising from changes in the consolidation area—Unaudited.			
Land & buildings	(20.2)	(2.5)	0.0	3.9	(18.8)
Plant and Machinery	(175.7)	(12.6)	0.0	16.4	(171.9)
Industrial and commercial equipment	(271.7)	(21.8)	0.0	6.0	(287.6)
Other tangible assets	(30.4)	(3.0)	0.0	3.8	(29.5)
Total	**(498.0)**	**(39.9)**	**0.0**	**30.1**	**(507.8)**

Land and industrial buildings include plants located in Pontedera (Italy), Barcelona (Spain) and Baramati (India); as of December 31, 2004, the change in the consolidation area is related to the Aprilia Group (plants in Noale, Scorzé and Mandello del Lario).

Industrial buildings are depreciated at rates between 3% and 5%, while light constructions are depreciated at rates between 7% and 10%.

Land is not depreciated.

Plant and Machinery refers to the Group's manufacturing plants.

Plant and machinery are depreciated at the following:

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

Industrial and commercial equipment comprises manufacturing equipment and is depreciated on the basis of rates to reflect the useful life of the assets; in particular:

- measurement and testing equipments: 30%;
- various equipment and small items: 25%.

In 2004 and 2003 the investments in *Plant and machinery* and *Industrial and commercial equipment* mainly relate to dyes and equipment for the expansion of the two-wheel product range.

Note 5—Financial fixed assets

Financial fixed assets in detail are the following (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Investments	3.3	1.4	2.3
Receivables	17.3	18.1	23.4
Total	**20.6**	**19.5**	**25.7**

Investments in detail are the following (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Subsidiaries			
Valued with the equity method:			
Aprilia World Service do Brasil	0.0	0.0	0.0
Valued with the cost method:			
Fase S.p.A.	0.0	0.0	0.0
Custom Insurance Company Ltd	0.0	0.0	0.9
Pro-Ind Brasile Ltda	0.0	0.0	0.0
Shandong Monde	0.0	0.0	0.0
Derbi International Motor	0.0	0.0	0.0
Derbi America Corp	0.0	0.0	0.0
Piaggio Foshan Mortorcycle Co. Ltd(*)	0.0	0.0	—
Piaggio China Cò	0.0	0.0	0.0
Piaggio India Ltd.	0.1	0.0	0.0
Derbi Allemania Gmbh	0.0	0.0	0.0
Universal Dynamic Investment Hong Kong	0.0	0.0	0.0
Derbi Deutschland Gmbh	0.0	0.1	0.0
Piaggio Argentina S.A.	0.0	0.0	0.1
Piaggio TRC-Turkey	0.0	0.0	0.0
Pro. Ind Brasile Ltda	0.0	0.0	0.0
Total subsidiaries	***0.1***	***0.1***	***1.0***

Note 5—Financial fixed assets (Continued)

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Associated			
Valued with the equity method:			
Piaggio Foshan Mortorcycle Co. Ltd Cina(*)	—	—	0.0
Almec S.p.A.	0.5	0.5	0.5
Mitsuba F.N. Europe	0.1	0.1	0.0
Valued with the cost method:			
MV Agusta	0.0	0.0	0.0
Otto Frey Finanz AG	0.5	0.0	0.0
SAT S.A. Tunis	0.1	0.0	0.0
Fondazione Piaggio	0.0	0.0	0.0
Motoride. Com—Milan	0.6	0.6	0.6
Consorzio Ricerche Benevento	0.0	0.0	0.0
D.E.V.	0.0	0.0	0.0
Marker S.r.l.	0.0	0.0	0.0
Pont-Tech Pontedera	0.0	0.0	0.0
Total associated	***1.8***	***1.2***	***1.1***
Other companies			
Valued with the cost method:			
Centro finaziaria—Rome (Cirio Holding dal 2004)	1.0	0.0	0.0
Consorzio Ricerche Benevento	0.0	0.0	0.0
Consorzio Ricerche—Pisa	0.0	0.0	0.1
Centro per l'innovazione—Pisa	0.0	0.0	0.0
Ancma—Milano	0.0	0.0	0.0
Bic Liguria	0.0	0.0	0.0
Consorzio Fiat Media Center	0.0	0.0	0.0
Consorzio Mortolog	0.0	0.0	0.0
S.C.P.S.T.V.	0.0	0.0	0.0
E.Co. For—Pontedera	0.1	0.1	0.1
SAT Soc Aereoporto Toscana S.p.A.	0.3	0.0	0.0
Acciones Banco Santander Central Hispano	0.0	0.0	0.0
Acciones Depuradora	0.0	0.0	0.0
Total other companies	***1.4***	***0.1***	***0.2***
Total	**3.3**	**1.4**	**2.3**

(*) classified in 2003 and 2002 among subsidiaries

Note 5—Financial fixed assets (Continued)

As of December 31, 2003 a provision for liabilities and charges of 20.2 million Euro was entered in the financial statements against the investments in the Piaggio Foshan Motorcycle Co., Piaggio China Co. Ltd, and Universal Dynamic Inv. companies, to balance the Stockholders' deficit of 15.4 million of Euro and to cover losses due to probable equity write-downs.

Receivables in detail are the following (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Receivables from subsidiaries	16.1	15.4	0.4
Receivables from associated	0.0	0.0	9.8
Receivables from others	1.2	2.7	13.2
Total	**17.3**	**18.1**	**23.4**

As of December 31, 2003 and 2002 the *receivables from subsidiaries* refer to amounts due from Piaggio Foshan Motorcycle Co. Ltd, and disclosed at December 31, 2004 in the *receivables from associated companies* pursuant to the agreement, signed in March 2004, with the Zhongshen Group, a leading Chinese operator in the two-wheel vehicle sector. This agreement envisaged a substantial reduction in Piaggio's investment in Piaggio Foshan Motorcycles (from 75% to 45%), a joint venture programme for the marketing and manufacturing recovery of the company and the progressive withdrawal of the financing granted by Italian banks to the Chinese company for 14 million Euro, covered by guarantees from the parent company.

Other receivables are composed as follows (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Public grants	0.0	0.0	0.3
Collateral deposits	0.5	1.6	9.4
Other borrowings	0.2	0.1	0.0
Other	0.5	1.0	3.5
Total	**1.2**	**2.7**	**13.2**

As of December 31, 2004, *other receivables* mainly include a collateral deposit of 8.6 millions of Euro in support of a guarantee given to the owner of the building rented to Moto Guzzi S.p.A..

Note 6—Inventories

The breakdown of inventories, net of the provision for slow-moving and obsolete items, is as follows (amounts in millions of Euro):

	Year ended December 31,								
	2002			2003			2004		
	Piaggio Holding			Piaggio Group			Piaggio Group		
	Gross value	Reserve	Net value	Gross value	Reserve	Net value	Gross value	Reserve	Net value
Raw materials and supplies	55.2	(3.6)	51.6	49.3	(10.6)	38.7	97.5	(22.1)	75.4
Work in progress	20.5	(1.1)	19.4	14.5	(1.4)	13.1	18.6	(1.4)	17.2
Finished goods	108.3	(10.5)	97.8	92.8	(12.8)	80.0	143.7	(23.8)	119.9
Advanced Payments	0.5	0.0	0.5	0.2	0.0	0.2	0.0	0.0	0.0
Total	**184.5**	**(15.2)**	**169.3**	**156.8**	**(24.8)**	**132.0**	**259.8**	**(47.3)**	**212.5**

As of December 31, 2004 the Aprilia balance amounts to 83.1 million Euro.

Net of the Aprilia effects, the 2004 increase concerns raw materials and supplies (12.6 millions of Euro), whilst finished goods decreased 15.4 millions of Euro as a result of the careful management of the warehouse to reflect market trends, combined with the sale of vehicles with a slower turnover.

Note 7—Receivables

Trade receivables

The following is a summary of trade accounts receivable, net of provisions (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Amount falling due within one year:			
Gross Value	123.4	92.8	182.3
Allowance for doubtful accounts	(16.6)	(17.4)	(32.6)
Net Value	***106.8***	***75.4***	***149.7***
Receivables from subsidiaries and associated companies (note 22)	***4.5***	***2.4***	***0.1***
Amount falling due after one year	***1.0***	***0.5***	***5.1***
Total	**112.3**	**78.3**	**154.9**

Receivables transferred to third parties, pursuant to a factoring arrangement, without risk of recourse, are treated as sold and therefore removed from the balance sheet.

A similar procedure is adopted in most cases for factoring operations with risk of recourse. In this case the risk is disclosed under the off-balance arrangements.

Note 7—Receivables (Continued)

Other receivables

The breakdown of other receivables, by maturity date, is as follows (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Amounts falling due within one year:			
Receivables from Tax authorities for VAT	2.4	7.3	10.9
Receivables from Tax authorities for income tax	7.7	3.5	9.9
Other receivables from authorities	0.6	0.3	0.0
Advances to employees	0.7	0.6	0.4
Deferred tax assets	0.0	0.4	0.2
Receivables from subsidiaries and associated companies (note 22)	3.2	3.2	0.5
Other	12.1	8.3	17.0
	26.7	***23.6***	***38.9***
Amounts falling due after one year:			
Receivables from Tax authorities for VAT	0.0	0.0	0.0
Receivables from Tax authorities for income tax	0.0	3.5	1.9
Other receivables from authorities	0.0	0.0	0.0
Advances to employees	0.0	0.0	0.6
Deferred tax assets	33.4	30.1	38.2
Receivables from subsidiaries and associated companies (note 22)	0.0	0.0	0.0
Other	8.4	4.1	1.1
	41.8	***37.7***	***41.8***
Total	**68.5**	**61.3**	**80.7**

Amounts due within one year *from tax authorities* consist primarly of credits for value added tax and income taxes required to be refunded or pertaining to the year, net of payments.

Deferred tax assets, which should be recovered through future taxable earnings before their expiry date, mainly refer to:

- reversal of unrealized intercompany gains (5.9 million Euro as of December 31, 2004);
- provisions to taxable reserves not deductible in the period in which these are charged to the income statement (14.4 million Euro as of December 31, 2004);
- tax losses retained only to the extent that realisation of the related tax benefit is probable (18.1 million Euro as of December 31, 2004). They mainly relate to the Derbi Group (14.6 million Euro as of December 31, 2004). According to current Spanish legislation, these credits may be used to cover taxes for 15 years following the date they are recorded. The first portion, totalling approximately to 3.5 million Euro, will fall due in 2008. Their recovery is

Note 7—Receivables (Continued)

therefore considered feasible on the basis of the strategic plans implemented by the new company management.

Deferred tax assets are calculated according to the method outlined in the accounting policies.

Included in the *Other* item are receivables from suppliers and other receivables, invoices and credit notes to be issued, receivables for the disposal of fixed assets.

Note 8—Financial receivables

The breakdown of financial receivables is as follows (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Securities	0.0	0.0	0.0
Investment in third companies	0.0	0.0	0.0
Receivables from subsidiaries companies	4.7	0.0	0.0
Receivables from associated companies	0.4	0.2	0.2
Receivables from others	0.0	9.3	9.6
Total	**5.1**	**9.5**	**9.8**

At December 31, 2004 these receivables mainly refer to amounts owed to Piaggio & C. S.p.A. by Scooter Holding 1 S.r.l., formerly Piaggio Holding S.p.A., in relation to the loan of 9.3 million Euro granted to it as part of contractual agreements regarding the acquisition of the Piaggio Group.

This loan, covering the MV Augusta transaction, will last 5 years (final payment date September 23, 2008), with a fixed interest rate of 2.5% capitalized annually.

Note 9—Cash and cash equivalents

The following is a summary of Piaggio Group's cash and cash equivalents (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Deposits with banks and post office	26.3	12.4	34.8
Cheques	0.2	0.0	0.3
Cash	0.5	0.0	0.1
Total	**27.0**	**12.4**	**35.2**

Cash and cash equivalents increased considerably as of December 31, 2004; however, this was mainly due to Aprilia consolidation effects (22.6 million Euro) and it must be analysed in connection with the increase in the amounts due to banks.

Note 10—Accrued incomes and prepaid expenses

The following is a summary of accrued incomes and prepaid expenses (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Accrued incomes			
Contributions to interest	0.2	0.2	0.0
Instalments paid	0.0	0.1	0.1
Interest rate swap	0.0	1.5	0.0
Other	0.2	0.1	0.1
Total accrued incomes	***0.4***	***1.9***	***0.2***
Prepaid expenses			
Rent payable	0.1	0.1	0.2
Insurance	0.0	0.0	0.1
Other	3.7	0.3	6.2
Total prepaid expenses	***3.8***	***0.4***	***6.5***
Total	**4.2**	**2.3**	**6.7**

As of December 31, 2004 the item mainly refers to Aprilia's prepaid advertising costs (4.7 million Euro) relating to services to be received over the next years, which have already been invoiced as part of a barter transaction. A provision for liabilities and charges for the same amount is entered in the financial statements as of December 31, 2004.

Note 11—Total Shareholders' equity

The shareholders' equity of the Piaggio Group amounted to 231.8 million Euro as of December 31, 2004.

Note 11—Total Shareholders' equity (Continued)

The movements in the Piaggio Group Shareholders' equity are detailed in the following table (amounts in millions of Euro):

	Capital Stock	Share premium reserve	Legal reserve	Other reserve	Retained earnings	Income (loss) for the year	Consolidation reserve	Total shareholders' equity
Balance as of December 31, 2003	**169.3**	**293.0**	**0.7**	**41.6**	**(188.2)**	**(138.4)**	**1.0**	**179.0**
Ordinary shareholders' meeting as of April 14, 2004: allocation of net loss as of December 31, 2003	0.0	(293.0)	0.0	(40.4)	194.9	138.4	0.0	0.0
Extraordinary shareholders' meeting as of December 22, 2004: capital increase and share premium payments	25.5	24.5	0.0	0.0	0.0	0.0	0.0	50.0
Foreign exchange translation adjustments	0.0	0.0	0.0	(0.9)	0.0	0.0	0.0	(0.9)
Net income pertaining to Piaggio Group	0.0	0.0	0.0	0.0	0.0	3.7	0.0	3.7
Balance as of December 31, 2004	**194.8**	**24.5**	**0.7**	**0.3**	**6.7**	**3.7**	**1.0**	**231.8**

The *capital stock* as of December 31, 2004, fully subscribed and paid in, consists of 374,668,137 ordinary shares with a par value of Euro 0.52 each, after the stock capital increase subscribed and paid in by Piaggio Holding Netherlands B.V., in order to carry out the Aprilia acquisition.

The share premium reserve amounts to 24.5 million Euro and it is due to the surcharge of Euro 0.50 applied to the 49 million ordinary shares issued following the capital stock increase subscribed and paid in by Piaggio Holding Netherlands B.V. as indicated above. This reserve can be used only for capital increase and for covering losses.

The following table details the caption *other reserve* (amounts in millions of Euro):

	Year ended December 31,	
	2003	2004
Advances by shareholders for future capital increase	32.0	0.0
Revaluation reserve	8.4	0.0
Foreign exchange translation reserve	1.2	0.3
Extraordinary reserve	0.0	0.0
Total	**41.6**	**0.3**

Minority interests, amounting to 0.3 million Euro as of December 31, 2004, mainly refer to Piaggio Hrvatska Doo.

Note 12—Provisions for liabilities and charges

The following is a summary of the provisions for liabilities and charges (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Provision for pensions and similar obligations	***0.3***	***0.9***	***0.9***
Tax provisions	***4.8***	***4.1***	***7.6***
Other provisions			
Product warranty	12.6	13.3	20.9
Investment risk	10.8	20.5	11.9
Restructuring charges	11.9	7.3	9.9
Interest rate fluctuations	0.0	12.2	7.7
Other	0.5	5.9	31.3
Total other provisions	***35.8***	***59.2***	***81.7***
Total	**40.9**	**64.2**	**90.2**

Provision for pensions and similar obligations mainly comprises the indemnities due to agents in the event that the agency agreement is concluded for reasons not attributable to them.

Tax provisions refer to deferred taxes attributable to timing differences between profits and losses compiled for tax purposes and results as stated in the financial statements of the consolidated companies and tax provisions to cover tax liabilities.

The product warranty provisions relate to estimated work on products during their period under guarantee. The period depends on the type of goods sold and the local market, as well as the number of clients who sign a maintenance contract. As of December 31, 2004 the Aprilia Group's provision amounts to 8.6 million Euro.

As of December 31, 2003, the increase in the *investment risk provision* was attributable to the funds to cover the operating losses of Piaggio Foshan Motorcycle Co. Ltd..

As of December 31, 2004, the *restructuring charges reserves* provisions include the estimated costs to be incurred in connection with the restructuring plans of the following main consolidated companies: Aprilia Group 4.9 million Euro, Piaggio & C. S.p.A. 3.2 million Euro and Nacional Motor S.A. 1.6 million Euro.

The *provision for interest rate fluctuations* refers to the fair value of the derivative contract called "3.5 year Euro quanto basis collar swap—new trade" which posted a negative net balance of 12.2 million Euro as of December 31, 2003 and has been utilized for 4.5 million Euro in 2004.

Other provisions mainly relate to provisions accrued to cover pending disputes, penalties, maintenance costs and legal litigation. As of December 31, 2004 the amounts charged to the income statement mainly include the provisions for estimated costs to be incurred in relation to the renegotiation of a current supply contract (5 million Euro), provisions for promotional campaigns to reduce the stocks of dealers (4.1 million Euro) and provisions relative to warranties given under the

Note 12—Provisions for liabilities and charges (Continued)

term of a supply contract that provided to buy back used vehicles. As of December 31, 2004 the Aprilia Group's other provisions amount to 15.2 million Euro and include provisions: for risks on prepaid advertising costs (4.7 million Euro); for pending legal litigation (4.3 million Euro); for pending disputes with suppliers (1.4 million Euro); for specific recall campaign (2.5 million Euro).

Note 13—Provision for employee severance indemnities

This provision is for employee severance indemnities amounting to 71.6 million Euro at December 31, 2004, 54.4 million Euro as of December 31, 2003 and 52.3 million Euro as of December 31, 2002.

Increases and decreases in the provisions for employee severance indemnities are due to the difference between the provision for the period and the indemnities paid, staff transfers and changes in the consolidation area.

Note 14—Payable

Financial payables

The following is a summary of the financial payables (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Bonds	0.0	0.0	100.0
Borrowings from banks	561.6	262.2	382.9
Other financial debt	43.0	41.6	18.9
Total	**604.6**	**303.8**	**501.8**

Bonds

Bonds include 100 million Euro following the placement on the Luxembourg Stock Exchange of the Eurobond, maturing in 2005 with interest at 7.5%, issued by Aprilia Luxembourg S.A.

Borrowings from banks

The breakdown by maturity date (in years) is set out as follows (amount in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Amounts falling due within 1 year	315.0	56.8	136.9
Amounts falling due after one year			
From 1 to 5 years	132.6	90.0	167.2
After 5 years	114.0	115.4	78.8
Total	**561.6**	**262.2**	**382.9**

Note 14—Payable (Continued)

As of December 31, 2004, the breakdown by Group's companies and maturity date (in years) of borrowings from banks set out as follows (amounts in millions of Euro):

		Within 1 year	From 1 to 5 years	Over 5 years
Short term debts				
Piaggio & C. S.p.A.	61.5	61.5	0.0	0.0
Piaggio Limited	1.1	1.1	0.0	0.0
Piaggio Vehicles	0.3	0.3	0.0	0.0
Nacional Motor	1.0	1.0	0.0	0.0
Aprilia Group	34.8	34.8	0.0	0.0
Total	***98.7***	***98.7***	***0.0***	***0.0***
Medium term debts				
Piaggio & C S.p.A.	20.5	20.5	0.0	0.0
Total	***20.5***	***20.5***	***0.0***	***0.0***
Medium/long term debts				
Piaggio & C. S.p.A.	237.6	4.2	156.5	76.9
Piaggio Vespa	5.4	5.4	0.0	0.0
Piaggio France	2.4	2.4	0.0	0.0
Piaggio Limited	0.7	0.7	0.0	0.0
Piaggio Vehicles	0.3	0.2	0.1	0.0
Nacional Motor	7.4	3.6	3.8	0.0
Aprilia Group	9.9	1.2	6.8	1.9
Total	***263.7***	***17.7***	***167.2***	***78.8***
Total	**382.9**	**136.9**	**167.2**	**78.8**

As of December 31, 2004 Piaggio & C. S.p.A.'s medium-long term debts include 165.3 million Euro and 27 million Euro respectively for the syndicated loan and the credit line granted by Banca Intesa, which were restructured at the time of the contract which enabled IMMSI S.p.A. to acquire the management control of the Piaggio Group activities (October 23, 2003).

The restructuring involved the agreement of the syndicated loans with 27 banks to the new repayment schedule which, while maintaining 31 December 2010 as the last repayment date, envisaged a 3-year grace period (first principal repayment on 31-12-2006) followed by 9 semi-annual instalments at an interest rate equivalent to 6-month Euribor rate increased by 2.5%. These loans are guaranteed by collateral security on Piaggio & C. S.p.A. real estate linked to the company's core business and on plant and machineries for a total amount of 192.3 million Euro, in addition to a pledge on 100% of the Piaggio & C. S.p.A. shares held by Piaggio Holding Netherlands BV.

The most exposed banks in the pool are as follows: Banca Intesa, Monte Paschi di Siena, Unicredito, Banca Nazionale del Lavoro, Banca Popolare di Lodi, Interbanca, Cassa di Risparmio di Firenze, Capitalia Group and Banche Popolari Unite.

Note 14—Payable (Continued)

The caption also includes:

- 5.1 million Euro relating to a loan from Efibanca expiring in 5 years;
- 29 million Euro, which was a loan obtained in connection with the purchase of €98.1 million face amount Aprilia indebtedness for a net consideration of 34 million Euro; such loan has a fixed annual interest rate (3.69%) and is due in a single repayment (principal plus interest) on December 31, 2009;
- 3.5 million Euro to Interbanca, as transferee of some financial instruments in Aprilia transaction.

In addition to the loans mentioned above, during the execution of the Immsi contract, operative credit facilities had been finalised for an amount of 125 million Euro, to meet the requirements generated by working capital. These credit facilities, granted by the 12 banks in the pool that backed the Piaggio Group, are stated under short term debts for the portion drawn at 31 December 2004.

All the restructured credit lines and syndicated loans are covered by financial covenants; their compliance is verified every six months starting from June 30, 2004, and the thresholds have been decided on the basis of the developments of the Business Plan drawn up by Immsi.

At December 31, 2004, short term debts also comprise 34.8 million Euro due from Aprilia as the residual amount of the restructuring short-term indebtness. This financing debt is secured by collateral on Aprilia tangible assets for an amount of 1 million Euro.

As of December 31, 2004 the breakdown by maturity date (in years) of debt falling due after one year is set out as follows (amounts in millions of Euro):

Maturity date	Amounts falling due after one year
2006	19.0
2007	32.3
2008	36.6
2009	79.3
2010	75.4
2011	1.2
2012	1.1
2013	1.1
Total	**246.0**

Note 14—Payable (Continued)

Other financial debts

As of December 31, 2004 and 2003 and 2002, the breakdown by maturity date (in years) is set out as follows (amount in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Amounts falling within 1 year	3.7	27.1	4.9
Amounts falling after one year:			
From 1 to 5 years	6.0	6.4	7.8
After 5 years	33.3	8.1	6.2
Total	**43.0**	**41.6**	**18.9**

As of December 31, 2003, the item other financial debts mainly comprised payables owed by Nacional Motor S.A. to the Istituto Catalano di Finanza (15.0 million Euro) and relative to the syndicated loan for Nacional Motor S.A., signed in 1998 and restructured in 2000, organised by Santander Central Hispano with the participation of Istituto Catalano di Finanza and Banco Bilbao Vizcaja Argentaria and payables owed by Piaggio & C. S.p.A. to Immsi S.p.A. for a short term loan (15 million Euro), repaid in 2004.

As of December 31, 2004 the financial debt owed by Nacional Motor S.A. to the Istituto Catalano di Finanza amounts to 17 million Euro.

The item includes also 1.5 million Euro for a loan granted by the Ministry for Industry out of the special reserve for technological innovation, under Art. 16 c. III° Law 46/82.

Trade payables

The following is a summary of trade payables, detailed by maturity date (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Payables to suppliers	***224.5***	***240.6***	***309.9***
within 1 year	216.8	240.6	308.5
after 1 year	7.7	0.0	1.4
Advances from customers	***3.8***	***1.4***	***1.7***
Trade Payables to subsidiaries, associated and parent companies (note 22)	***3.8***	***3.1***	***3.9***
within 1 year	3.8	3.1	3.9
after 1 year	0.0	0.0	0.0
Total	**232.1**	**245.1**	**315.5**

Note 14—Payable (Continued)

Trade payables falling due within one year mainly relate to account payables deriving from the purchase of goods and services to perform group activities.

As of December 31, 2004, the Aprilia balance amounts to 80.2 million Euro.

Other payables

The following is a summary of other payables (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Tax payables	20.5	17.3	16.4
Social security payables	8.2	7.8	11.9
Payables from subsidiaries and associated companies (note 22)	0.4	0.0	0.0
Others	32.6	40.3	39.3
Total	**61.7**	**65.4**	**67.6**

Tax payables can be broken down as follows (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Amounts falling due within one year:			
Income taxes	2.7	2.7	3.1
Other Italian tax liabilities	0.7	0.1	0.1
Payables to tax authorities for:			
Vat	1.7	1.9	4.1
Withholdings	3.6	4.4	5.3
Other	4.0	4.2	2.7
	12.7	***13.3***	***15.3***
Amounts falling due after one year:			
Income taxes	3.6	3.4	0.6
Other Italian tax liabilities	0.0	0.0	0.0
Payables to tax authorities for:			
Vat	0.0	0.0	0.0
Withholdings	0.6	0.6	0.5
Other	3.6	0.0	0.0
	7.8	***4.0***	***1.1***
Total	**20.5**	**17.3**	**16.4**

Note 14—Payable (Continued)

Social security payables

The item relates to payables due at the end of the year to social security institutions in accordance with current legislation. This liability also includes the amounts estimated and allocated for the early retirement plan of Piaggio & C. S.p.A. employees as part of the restructuring plan.

Others

The following is a summary of other payables, detailed by maturity date (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Amounts falling due within one year:			
Collateral deposits	0.4	0.4	0.5
Payables to employees	17.5	16.7	22.2
Sundry payables to third parties	7.0	10.3	10.0
	24.9	***27.4***	***32.7***
Amounts falling due after one year:			
Collateral deposits	2.2	4.8	1.5
Payables to employees	3.5	3.9	3.3
Sundry payables to third parties	2.0	4.2	1.8
	7.7	***12.9***	***6.6***
Total	**32.6**	**40.3**	**39.3**

Collateral deposits falling due after one year are composed of the 1.5 million Euro paid to Piaggio & C. S.p.A. in 1997 by T.N.T. Automotive Logistics S.p.A. to guarantee payment of the Employee retirement indemnity matured by the employees of the sold company division.

As of December 31, 2003 collateral deposits falling due after one year included also the confirmative deposit (3 million Euro) received by Piaggio Espana S.A. for the sale of the Arganda (Madrid) plant.

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

Sundry payables include concessionary grants paid by the EU, as well as by Medio Credito Centrale and Medio Credito Toscano under Law 488/92, for research activities not yet finally acquired.

Note 15—Accrued expenses and deferred income

The following is a summary of accrued expenses and deferred incomes (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Accrued expenses			
Interest payable on secured loans	0.2	1.5	5.3
Insurances	0.0	0.0	0.6
Other	3.3	3.1	2.4
Total accrued expenses	***3.5***	***4.6***	***8.3***
Deferred incomes			
Lease income	0.0	0.0	0.0
Other	1.1	1.4	9.1
Total deferred incomes	***1.1***	***1.4***	***9.1***
Total	**4.6**	**6.0**	**17.4**

As of December 31, 2004 *accrued expenses* mainly relate to interest accrued on the Eurobond (5.1 million Euro) whose coupons become payable in May, while *deferred incomes* regards 5.4 million Euro stated by Piaggio and relative to the financial instrument called "Warrant Piaggio & C 2004/2009", subscribed by banks during the Aprilia closing.

Note 16—Off-balance arrangements

The following is the detail of the memorandum account (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Guarantees granted			
Suretyships to third parties			
• issued on behalf of Piaggio & C S.p.A.	50.9	48.3	108.0
• issued on behalf of Aprilia S.p.A.	0.0	0.0	14.2
• issued by others	1.6	1.7	1.7
Total guarantees granted	52.5	50.0	123.9
Risk of recourse for receivables factored	71.3	75.1	57.8
Total off-balance arrangements	**123.8**	**125.1**	**181.7**

Note 16—Off-balance arrangements (Continued)

The detail of guarantees is as follows (amounts in millions of Euro):

	December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Issued on behalf of Piaggio & C. S.p.A.			
Guarantees to bank pool on credit facilities granted to Aprilia S.p.A. by the latter (limited to the amount not yet utilised by the company)	0.0	0.0	88.9
Insurance policies for Pisa VAT office	19.1	10.3	0.8
Guarantee to Daihatsu Motor Co. as collateral on the supply of CKD and other components	1.9	8.2	1.7
Insurance policies for Pontedera Registrar's Office	1.6	1.6	0.0
Guarantees to Banca di Roma and Banca Intesa on credit facilities granted to Piaggio Foshan Motorcycle Co. Ltd.	16.9	14.1	13.1
Guarantees to Banca Intesa on credit facilities granted to the subsidiary Piaggio Vespa BV by the latter (limited to the amount not yet utilised by the company)	3.8	7.5	1.3
Guarantee to Monte dei Paschi di Siena and Ifitalia on credit facilities granted to the subsidiary Nacional Motor S.A. by the latter (limited to the amount not yet utilised by the company)	2.4	3.3	0.0
Guarantee to BNL on credit facilities granted to the subsidiary Piaggio Vehicles Pvt. Ltd by the latter (limited to the amount not yet utilised by the company)	1.7	0.0	0.0
Other minor	3.5	3.3	2.2
Subtotal	***50.9***	***48.3***	***108.0***
Issued on behalf of third parties			
To public authorities as collateral on the sale of vehicles	0.1	0.1	0.1
For tax disputes (Piaggio Espana)	1.5	1.6	1.6
Subtotal	***1.6***	***1.7***	***1.7***
Issued on behalf of Aprilia S.p.A.			
Guarantees to Holdipar on leasing contract granted to Moto Guzzi S.p.A.	0.0	0.0	8.3
Other minor	0.0	0.0	5.9
Subtotal	***0.0***	***0.0***	***14.2***
Total	**52.5**	**50.0**	**123.9**

Note 16—Off-balance arrangements (Continued)

Contract commitments

The contract for the disposal of the investment in Almec S.p.A. envisages the commitment to buy/sell the residual part of the investment still owned by the end of 2005, for a value of 0.9 million Euro. As of February 10, 2005 the put option has been exercised.

Factoring of receivables with recourse

The off-balance arrangements include the risk of recourse for receivables factored to factoring companies with respect to the amounts credited on their due date by these companies, but not yet collected from the customers.

Commitments for forward transactions

On December 31, 2004, forward purchasing transactions were outstanding for a value of Yen 142 million and of US$ 1.5 million, corresponding to a total of 2.2 million Euro (valued at the forward exchange rate) and forward sales transactions for a value of US$ 5.3 million, corresponding to 3.9 million Euro (valued at the forward exchange rate). These contracts were executed to hedge the exchange rate risk on receivables and payables in foreign currencies, and are due in the first half of 2005.

Commitments for off-balance sheet operations

On December 31, 2004, the Group has three derivative interest rate swap contracts outstanding, two due on June 29, 2005 and one due on June 29, 2006.

Note 16—Off-balance arrangements (Continued)

The three contracts envisage the payment of rate differentials, taking as a reference a notional capital of 180.7 million Euro, and two contracts in particular have identically opposite characteristics, as follows:

	Charged to the Group	Charged to the Counterpart	Fair value as of December 31, 2004
Nuovo 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 plus 0.50% for 2003 and 2004. As of 2005, the rate charged to the Counterpart is 5.2% (if 6-month US LIBOR in arrears <6%) or 6-month US LIBOR in arrears plus 0.75%	6 month Euribor	2.7 million Euro
Nuovo quanto gap floater swap in arrears—mirror trade	6 month Euribor	A fixed rate of 5.15% (if 6-month US LIBOR in arrears <5.75%) or 6-month US LIBOR in arrears plus 0.50% for 2003 and 2004. As of 2005, the rate charged to the Counterpart is 5.2% (if 6-month US LIBOR in arrears <6%) or 6-month US LIBOR in arrears plus 0.75%	2.7 million Euro

As of December 31, 2004 the Group also has a "3.5 year Euro quanto basis collar swap—new trade" contract for a notional amount of 180.7 million Euro, with the following characteristics:

Charged to the Group	Charged to counterpart
1.7 * 12-month US LIBOR set in arrears < with the following characteristics: floor: 3% Cap: 5.20% European knock-out barrier: 5.50% from 29.12.02 to 28.06.04; 5.75% from 29.06.04 to 28.06.05; 6.10% from 29.06.05 to 28.06 06. Option: at every deadline from June 30, 2004, the bank is entitled to transform the rate paid by Piaggio from variable to fixed, equal to 4.40% for the residual duration of the swap.	6-month Euribor with maximum increase of 0.30% compared to the previous coupon

As of December 31, 2003 the "3.5 years Eur quanto basis collar swap—new trade" derivative contract had a total negative value of 12.2 million Euro, and a provision for the same amount has been

Note 16—Off-balance arrangements (Continued)

allocated to the Income Statement, in line with the principles of prudence and with Consob recommendation no. DEM/1026875 of 11-4-2001.

Piaggio Warrants 2004 - 2009

In connection with the Aprilia Acquisition, 10,000 Piaggio Warrants 2004 - 2009 were issued with an aggregate nominal value of 5.4 million Euro (the "Warrants"). The warrants may be exercised starting from the date the board approves the financial statements for 2007 through the thirtieth day following the board's approval of the financial statements for 2009, after which date they shall expire and be of no further force and effect.

Upon exercise, the holder of a warrant shall be entitled to receive consideration in cash (the "Cash Consideration") or, at the time of election (provided the shares are listed on the Italian Stock Exchange), a number of the ordinary shares equal in value to the Cash Consideration (the "Share Consideration") which value shall in no event exceed 64.2 million Euro.

EMH Financial Instruments 2004 - 2009

In connection with the Aprilia Acquisition, the EMH Financial Instruments were issued with an aggregate nominal value of 10.0 millon Euro (the "EMH Instruments"). The EMH Instruments may be exercised starting from the date the board approves the financial statements for 2007 through the thirtieth day following the board's approval of the financial statements for 2009, after which date they shall expire and be of no further force and effect.

Upon exercise of the EMH Instruments, the holders thereof shall be entitled to receive cash consideration, calculated in accordance with the valuation mechanism set forth in the EMH Instruments, which, in the aggregate, shall be no less than 3.5 million Euro and no more than 10.0 million Euro.

Note 17—Value of production

The following is the summary of revenues from sales and services (amounts in millions of Euro):

	Year ended December 31,			
	2002	2003	2004	2003
	Piaggio Holding	Piaggio Group	Piaggio Group	*Piaggio Group*
				Aggregated and adjusted Unaudited
Revenues from sales and services	952.7	925.1	1,084.2	990.7
Total	**952.7**	**925.1**	**1,084.2**	**990.7**

Revenues from the sale of goods related to the Group's core activities refer essentially to the sale of vehicles and parts on European and non-European markets; other revenues refer primarily to the sale of engines.

Revenues from sales and services rendered to third parties by the Derbi Group as of December 31, 2002 amounted to about 78.4 million Euro, while the value of the same in the last two months of 2003 included in the statutory financial statements amounted to approximately 12.5 million Euro.

Note 17—Value of production (Continued)

Consequently the sales of the Piaggio Group alone for 2003, net of sales to third parties by Derbi in the last two months, would amount to 912.6 million Euro, increasing by 38.3 million Euro with respect to previous year.

Taking into accounts the 2003 Derbi Group sales for twelve months, the 2004 revenues increased of 93.5 million Euro.

The breakdown of revenues per business units is shown on the following table (amounts in millions of Euro):

	Year ended December 31,			
	2002	2003	2004	2003
	Piaggio Holding	Piaggio Group	Piaggio Group	*Piaggio Group*
				Aggregated and adjusted Unaudited
Vehicles	812.8	759.8	921.2	816.1
Parts and Accessories	113.9	119.3	123.0	128.5
Other	26.0	46.0	40.1	46.1
Total	**952.7**	**925.1**	**1,084.2**	**990.7**

The following table shows a geographical analysis of total revenues (amounts in millions of Euro):

	Year ended December 31,			
	2002	2003	2004	2003
	Piaggio Holding	Piaggio Group	Piaggio Group	*Piaggio Group*
				Aggregated and adjusted Unaudited
Italy	***408.3***	***467.5***	***461.5***	***470.3***
Vehicles	327.3	363.6	361.1	366.1
Parts and Accessories	55.3	60.4	60.5	60.7
Other	25.7	43.5	39.9	43.5
Europe	***470.2***	***340.1***	***460.6***	***402.8***
Vehicles	418.9	290.4	412.1	344.2
Parts and Accessories	51.3	47.3	48.3	56.2
Other	0.0	2.4	0.2	2.4
Rest of the World	***74.2***	***117.5***	***162.1***	***117.5***
Vehicles	66.6	105.8	148.0	105.8
Parts and Accessories	7.4	11.6	14.1	11.6
Other	0.2	0.1	0.0	0.1
Total	**952.7**	**925.1**	**1,084.2**	**990.7**

Note 17—Value of production (Continued)

Other incomes and revenues

The following is a summary of other income and revenues (amounts in millions of Euro):

	Year ended December 31,			
	2002	2003	2004	2003
	Piaggio Holding	Piaggio Group	Piaggio Group	*Piaggio Group*
				Aggregated and adjusted Unaudited
Public grants for operating expenses	***10.1***	***4.0***	***2.2***	***4.1***
Sundry income and revenues:				
Instalment income	0.1	0.5	0.1	0.5
Gains on assets	0.0	0.1	0.2	0.1
Sales of diverse material	1.2	0.5	0.7	0.5
Recovery of sundry costs	32.6	33.6	32.7	33.6
Reimbursement of damages	0.2	1.5	1.2	1.5
Non-operating profit from appraisals	0.5	0.0	0.0	0.0
Licence and know-how rights	0.5	0.8	1.4	0.8
Services rendered by third parties	0.1	0.0	2.3	0.0
Other income	2.9	1.1	4.8	1.1
Total sundry income and revenues	***38.1***	***38.1***	***43.4***	***38.1***
Total	**48.2**	**42.1**	**45.6**	**42.2**

Note 18—Cost of production

The following is a summary of the cost of sales (amounts in millions of Euro):

	Year ended December 31,			
	2002	2003	2004	2003
	Piaggio Holding	Piaggio Group	Piaggio Group	*Piaggio Group*
				Aggregated and adjusted Unaudited
Costs of purchases				
Raw materials and supplies	(542.7)	(510.2)	(602.2)	(547.9)
Change in raw materials and supplies	(11.7)	(16.8)	7.4	(16.2)
Total cost of purchases	***(554.4)***	***(527.0)***	***(594.8)***	***(564.1)***
Services	(212.1)	(202.1)	(217.8)	(212.8)
Leases and rental	(9.0)	(7.0)	(7.4)	(8.0)
Personnel	(146.1)	(134.6)	(155.4)	(145.2)
Depreciation, amortization and writedowns	(113.0)	(103.0)	(97.9)	(107.5)
Provision for risks and other accruals	(7.5)	(8.9)	(19.2)	(9.3)
Other operating costs	(5.2)	(6.7)	(4.5)	(6.9)
Total	**(1,047.3)**	**(989.3)**	**(1,097.0)**	**(1,053.8)**

Note 18—Cost of production (Continued)

Cost of purchases

Purchases of raw materials refer primarily to materials and components used in the manufacturing process by the Piaggio & C. S.p.A., Nacional Motor S.A. and Piaggio Vehicles Pvt. Ltd.

The increase between 2003 and 2004 can be attributed entirely to the increase in manufacturing volumes related to higher sales during the year.

Cost of services

The following is a summary of the costs of services which are mainly related to outsourced activities, consultancy costs, maintenance costs, transportation costs, marketing commissions, (amounts in millions of Euro):

	Year ended December 31,			
	2002	2003	2004	2003
	Piaggio Holding	Piaggio Group	Piaggio Group	*Piaggio Group*
				Aggregated and adjusted Unaudited
Personnel expenses	(6.8)	(6.6)	(8.2)	(6.7)
Accessory purchasing expenses	(2.3)	(2.5)	(3.3)	(2.6)
External maintenance and cleaning expenses	(7.5)	(7.0)	(7.3)	(8.4)
Electricity, telephone, telex expenses	(9.8)	(9.5)	(11.0)	(9.9)
Commission payable	(2.9)	(3.0)	(2.1)	(3.0)
Advertising and promotion	(40.9)	(24.1)	(31.6)	(26.5)
Technical, legal and tax advice and services	(41.4)	(45.1)	(41.8)	(47.7)
Operating costs for company boards	(0.7)	(0.5)	(2.4)	(0.4)
Insurance	(3.0)	(1.6)	(2.4)	(1.7)
Subcontracted activities	(21.8)	(32.1)	(35.3)	(32.2)
Transport of vehicles and parts	(31.0)	(27.2)	(31.2)	(29.1)
Registration documents	(1.7)	(1.7)	(1.3)	(1.7)
Sundry marketing expenses	(7.4)	(9.7)	(9.7)	(10.0)
Product warranties	(28.2)	(25.6)	(20.7)	(26.6)
Other	(6.7)	(5.9)	(9.5)	(6.3)
Total	**(212.1)**	**(202.1)**	**(217.8)**	**(212.8)**

Conditions being equal (the total inclusion of the Derbi Group in 2003 and 2002), the total cost of services purchased in 2003 would have been 212.8 million Euro compared to 212.1 in 2002.

The cost of consultancy and services primarily includes costs for technical, legal and fiscal advice, outsourcing costs and warehouse management.

The subcontracted activities are mainly mechanical operations, painting, sheet metal pressing and outfitting performed by subcontractors.

Note 18—Cost of production (Continued)

Personnel expenses

These consist of the following (amounts in millions of Euro):

	Year ended December 31,			
	2002	2003	2004	2003
	Piaggio Holding	Piaggio Group	Piaggio Group	*Piaggio Group*
				Aggregated and adjusted Unaudited
Wages and salaries	(103.9)	(95.5)	(111.4)	(103.7)
Social contributions	(33.7)	(31.1)	(35.6)	(33.5)
Employee termination indemnities	(7.5)	(7.1)	(7.3)	(7.1)
Other labour expenses	(1.0)	(0.9)	(1.1)	(0.9)
Total	**(146.1)**	**(134.6)**	**(155.4)**	**(145.2)**

Conditions being equal (total inclusion of the Derbi Group in 2003), total personnel costs in 2003 would been 145.2 million Euro, compared to 146.1 million Euro in 2002.

The increase in personnel expenses for 2004 is related to a large number of short-term employment contracts stipulated by Piaggio & C. S.p.A. in order to face greater production than in the previous year.

A breakdown of the average numbers of the various categories of personnel is given below; it refers to companies consolidated on a line-by-line basis, excluding Aprilia's personnel whose operating result is not consolidated for the period ended December 31, 2004:

	Average for year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Management	82	76	81
White-collar employees	1,354	1,372	1,428
Foremen and blue-collars	3,270	3,233	3,492
Total	**4,706**	**4,681**	**5,001**

The Aprilia's average number of the various categories of personnel for the period ended December 31, 2004 is detailed as follows:

- 39 managers;
- 649 white-collar employees;
- 785 foremen and blue-collars.

Note 18—Cost of production (Continued)

Depreciation, amortization and write-downs

Amortizations consist of the following (amounts in millions of Euro):

	Year ended December 31,			
	2002	2003	2004	2003
	Piaggio Holding	Piaggio Group	Piaggio Group	*Piaggio Group*
				Aggregated and adjusted Unaudited
Start-up and expansion costs	(8.2)	(7.9)	(0.5)	(8.1)
Research and development	(17.4)	(18.4)	(20.4)	(19.7)
Industrial patents and intellectual property rights	(7.7)	(6.0)	(4.2)	(6.0)
Concessions, licenses, trademarks and similar rights	(0.2)	(0.1)	(0.3)	(0.2)
Goodwill	(0.8)	(0.1)	0.0	0.0
Other	(2.2)	(2.1)	(2.5)	(2.7)
Consolidation difference	(26.5)	(24.4)	(24.0)	(24.4)
Total	**(63.0)**	**(59.0)**	**(51.9)**	**(61.1)**

Depreciations consist of the following (amounts in millions of Euro):

	Year ended December 31,			
	2002	2003	2004	2003
	Piaggio Holding	Piaggio Group	Piaggio Group	*Piaggio Group*
				Aggregated and adjusted Unaudited
Land & buildings	(2.7)	(2.4)	(2.5)	(2.5)
Plant and Machinery	(13.9)	(11.8)	(10.8)	(12.6)
Industrial and commercial equipment	(23.7)	(20.2)	(19.4)	(21.8)
Other tangible assets	(2.9)	(2.7)	(2.4)	(2.9)
Total	(43.2)	(37.1)	(35.1)	(39.8)

At December 31, 2004, *write-downs* refer to provision for doubtful debt (7.6 million Euro) and write-down relating to research and development project costs capitalized in prior years (3.2 million Euro).

Provision for risks and other accruals

The provision accrued every year is principally due to the estimated risk in relation to the product warranty provision, calculated bearing in mind future work envisaged by contract on products sold during the year.

Note 18—Cost of production (Continued)

Other operating expenses

These consist of the following (amounts in millions of Euro):

	Year ended December 31,			
	2002	2003	2004	2003
	Piaggio Holding	Piaggio Group	Piaggio Group	*Piaggio Group* *Aggregated and adjusted Unaudited*
Taxes other than income tax	(1.5)	(2.2)	(2.1)	(2.2)
Losses on disposals of assets	(0.1)	(0.1)	0.0	(0.1)
Various association membership dues	(0.8)	(0.7)	(0.8)	(0.7)
Losses on receivables	0.0	(1.3)	0.0	(1.3)
Other operating expenses	(2.8)	(2.4)	(1.6)	(2.6)
Total	**(5.2)**	**(6.7)**	**(4.5)**	**(6.9)**

Note 19—Financial incomes (expenses)

The breakdown of this item is as follows (amounts in millions of Euro):

	Year ended December 31,			
	2002	2003	2004	2003
	Piaggio Holding	Piaggio Group	Piaggio Group	*Piaggio Group*
				Aggregated and adjusted Unaudited
Interest incomes				
Income from subsidiary companies	0.2	0.0	0.0	0.0
From third party receivables stated under fixed assets	0.2	0.0	0.0	0.0
Income other than the above from third parties:				
Interest from customers	0.3	0.1	0.2	0.1
Interest on bank and post office accounts	0.4	0.6	0.3	0.7
Interest income on commercial paper	0.0	0.3	0.2	1.2
Income from interest rate hedges	1.0	2.8	1.0	2.8
Other	0.6	1.4	0.1	0.3
Total Interest incomes	***2.7***	***5.2***	***1.8***	***5.1***
Interest expenses				
Financial expense with parent companies	0.0	(2.0)	(0.5)	(2.0)
Financial expense with associated companies	0.0	0.0	0.0	0.0
Financial expense with third parties:				
Interest on bank accounts	(10.0)	(6.1)	(1.4)	(6.2)
Interest on bank loans	(15.9)	(12.8)	(10.7)	(13.4)
Sundry interest payable	(3.6)	(1.9)	(2.4)	(2.2)
Interest to suppliers	0.0	0.0	0.0	0.0
Cash discounts to clientele	(1.5)	(1.7)	(1.6)	(1.7)
Expenses for financial restructuring	0.0	(4.2)	(3.8)	(4.2)
Interest rate hedging expenses	(3.8)	(8.9)	(1.0)	(8.9)
Other	(0.3)	(12.6)	(0.2)	(12.6)
Total Interest expenses	***(35.1)***	***(50.2)***	***(21.6)***	***(51.2)***
Exchange gains (losses), net				
Positive exchange differences	4.2	10.3	6.1	10.3
Negative exchange differences	(5.4)	(10.7)	(6.3)	(10.9)
Totale Exchange gains (losses)—net	***(1.2)***	***(0.4)***	***(0.2)***	***(0.6)***
Total Financial incomes (expenses)	**(33.6)**	**(45.4)**	**(20.0)**	**(46.7)**

Note 19—Financial incomes (expenses) (Continued)

The increase in total financial expenses between 2002 and 2003 is mainly related to the line "Other" which includes the provision for interest rate hedging for 12.2 million Euro.

The decrease in financial expenses for the year ended in December 2004 (26.7 million Euro) is due to an average increase in the cash balance during the year and to the absence of the above mentioned accruals amounting to 12.2 million Euro.

Note 20—Extraordinary incomes (expenses)

The followings are a summary of Piaggio's extraordinary income and expenses (amounts in millions of Euro):

	Year ended December 31,			
	2002	2003	2004	2003
	Piaggio Holding	Piaggio Group	Piaggio Group	*Piaggio Group*
				Aggregated and adjusted Unaudited
Extraordinary gains on disposal of assets	3.0	11.3	2.0	11.3
Gains on disposal of investments	0.0	2.1	0.0	2.1
Other extraordinary income:				
Non-operating profit	6.0	3.7	1.3	3.9
Deferred tax credits	0.0	0.1	0.0	0.0
Sundry extraordinary income	5.1	0.6	5.3	0.6
Total extraordinary incomes	***14.1***	***17.8***	***8.6***	***17.9***
Losses on disposals	(0.1)	(0.5)	(0.1)	(0.5)
Prior years' taxation	(6.4)	(0.6)	(0.5)	(0.6)
Extraordinary transaction expenses	0.0	0.0	(0.1)	0.0
Company restructuring expenses	(12.6)	(9.5)	(0.8)	(10.0)
Non-operating losses	(10.4)	(12.5)	(4.0)	(13.9)
Other	(10.0)	(36.9)	(3.0)	(36.9)
Total extraordinary expenses	***(39.5)***	***(60.0)***	***(8.5)***	***(61.9)***
Total	**(25.4)**	**(42.2)**	**0.1**	**(44.0)**

The main extraordinary expenses of the years ended in December 2002 and December 2003 are related to the business re-structuring programmes and write-off of tangible assets (mainly "Research and development costs") which have no future utility.

At December 31, 2004 the amount is mainly referred to *non operating losses* and *other*.

These amounts are composed of:

- adjustments of incomes and expenses incurred in prior years (2 millions of Euro);
- provision for taxes made by Nacional Motors S.A. (0.5 millions of Euro);
- accruals for additional severance indemnities made by Piaggio Deutschland Gmbh (0.7 millions of Euro);
- expenses connected with the settlement of old contracts with the former parent company (0.9 millions of Euro).

Note 21—Income Taxes

The income taxes recorded in the consolidated statement are follows (amounts in millions of Euro):

	Year ended December 31,			
	2002	2003	2004	2003
	Piaggio Holding	Piaggio Group	Piaggio Group	*Piaggio Group*
				Aggregated and adjusted Unaudited
IRPEG	0.0	0.0	0.0	0.0
IRAP	(6.7)	(10.2)	(14.4)	(10.4)
Other taxes	0.0	0.0	0.0	0.0
Deferred	(3.8)	(3.0)	(2.4)	(3.1)
Total	**(10.5)**	**(13.2)**	**(16.8)**	**(13.5)**

Note 22—Subsidiaries, associated and parent companies transactions

Transactions with associated companies not consolidated on a line-by-line basis

Piaggio & C. S.p.A. sells vehicles, parts and accessories to its associated companies and purchases services from them.

The detail of sales and purchases for 2002, 2003 and 2004 are as follows (amounts in millions of Euro):

	Year ended December 31,			
	2002	2003	2004	2003
	Piaggio Holding	Piaggio Group	Piaggio Group	*Piaggio Group*
				Aggregated and adjusted Unaudited
Sales to associated companies				
Piaggio Foshan Ltd	0.5	0.0	0.1	0.0
Total	**0.5**	**0.0**	**0.1**	**0.0**
Purchases from associated companies				
Mitsuba FN Europe S.p.A.	—	—	(8.4)	—
Almec S.p.A.	—	—	(10.6)	—
Piaggio Foshan motorcycle Ltd	(0.9)	(1.5)	(1.3)	(1.5)
Total	**(0.9)**	**(1.5)**	**(20.3)**	**(1.5)**

Note 22—Subsidiaries, associated and parent companies transactions (Continued)

Receivables from subsidiaries and associated companies not consolidated on a line-by-line basis

Trade receivables are composed as follows (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Trade receivables from subsidiaries companies			
Piaggio Foshan Motorcycles	3.8	2.0	—
Piaggio Argentina	0.6	0.4	0.0
Aprilia Holding do Brazil	—	—	0.1
	4.4	***2.4***	***0.1***
Trade receivables from associated companies			
Almec S.p.A	0.1	0.0	0.0
	0.1	***0.0***	***0.0***
Total	**4.5**	**2.4**	**0.1**

Other receivables are composed as follows (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Other receivables from subsidiaries companies			
Piaggio Foshan Motorcycles	2.5	2.7	—
	2.5	***2.7***	***0.0***
Other receivables from associated companies			
Fondazione Piaggio	0.5	0.5	0.5
Almec	0.2	0.0	0.0
	0.7	***0.5***	***0.5***
Total	**3.2**	**3.2**	**0.5**

Note 22—Subsidiaries, associated and parent companies transactions (Continued)

Payables from subsidiary, associated and parent companies not consolidated on a line-by-line basis

Trade payables are composed as follows (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Trade payables from parent companies			
Immsi S.p.A.	0.0	0.0	0.9
	0.0	***0.0***	***0.9***
Trade payables from subsidiary companies			
Piaggio Foshan Motorcycles	0.0	0.5	0.0
	0.0	***0.5***	***0.0***
Trade payables from associated companies			
Almec	3.8	2.6	2.9
Fondazione Piaggio	0.0	0.0	0.1
	3.8	***2.6***	***3.0***
Total	**3.8**	**3.1**	**3.9**

Other payables are composed as follows (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
	Piaggio Holding	Piaggio Group	Piaggio Group
Trade payables from subsidiaries companies			
Piaggio Foshan Motorcycles	0.4	0.0	0.0
Total	**0.4**	**0.0**	**0.0**

Note 23—List of investments

The following table sets out the list of investments in subsidiaries companies as of December 31, 2004 (amounts in millions of Euro):

Investments in subsidiaries (consolidated line by line)	Registered office	Share capital	% owned directly and indirectly by Piaggio & C. S.p.A
		(millions of Euro)	
Aprilia S.p.A.	Noale (Italy)	10.0	100.00%
Nacional Motor S.A.	Barcelona (Spain)	9.2	100.00%
P&D S.p.A. (winding-up)	Pontedera (Italy)	15.6	100.00%
Piaggio Vespa BV	Amsterdam (Netherlands)	0.1	100.00%
Piaggio Vehicles Pvt Ltd (of which 0.01% through Piaggio Vespa BV)	Pune (India)	5.7	100.00%
Moto Guzzi S.p.A.	Mandello del Lario (Italy)	2.5	100.00%
Motocross Company S.r.l.	Milan (Italy)	0.0	100.00%
Aprilia World Service B.V.	Breda (Netherlands)	6.7	100.00%
Aprilia Finance Ltd (of which 50% through Aprilia Luxembourg S.A.)	Dublin (Ireland)	1.0	100.00%
Kodex S.r.l.	Noale (Italy)	0.0	100.00%
Moto Laverda S.r.l.	Noale (Italy)	0.0	100.00%
Aprilia Leasing S.p.A.	Milan (Italy)	0.5	100.00%
Aprilia Luxembourg S.A. (of which 20% through Aprilia S.p.A.)	Luxembourg	0.0	100.00%
Aprilia Moto UK Ltd	Durangit (UK)	2.8	100.00%
Aprilia Hellas S.A.	Athens (Greece)	0.0	99.00%
Aprilia Motorrad GmbH	Düsseldorf (Germany)	2.1	100.00%
Aprilia Japan Corp.	Yokohama (Japan)	0.0	100.00%
Aprilia Research & Development S.A.	San Marino	0.3	100.00%
Aprilia World Service USA inc.	Wilmington (USA)	0.0	100.00%
Derbi Retail Madrid S.L.	Madrid (Spain)	0.6	100.00%
Moto Sport S.A.	Barcelona (Spain)	0.0	100.00%
Derbi Racing SL	Barcelona (Spain)	1.3	99.90%
Derbi Italia S.r.l.	Bologna (Italy)	0.0	100.00%
Piaggio Deutschland GMBH (of which 30.00% through Piaggio Espana S.A.)	Kerpen (Germany)	5.1	100.00%
Piaggio France S.A.	Paris (France)	1.2	99.82%
Piaggio Espana S.A.	Madrid (Spain)	2.9	100.00%
Piaggio Ltd	London (UK)	0.4	99.99%
Piaggio Portugal Ltda	Lisboan (Portugal)	0.0	100.00%
Piaggio Hellas Epe	Athens (Greece)	7.0	99.98%
Piaggio Asia Pacific	Singapore	0.0	100.00%
Piaggio Indochina	Singapore	0.0	100.00%
Piaggio Benelux BV	Tilburg (Netherlands)	0.0	100.00%
Piaggio U.S.A. Inc.	Wilmington (USA)	9.6	100.00%
Piaggio Hrvatska Doo	Split (Croatia)	0.0	75.00%

Note 23—List of investments (Continued)

Investments in subsidiaries and associated companies (consolidated equity method)	Registered office	Share capital pro quota	% owned directly and indirectly by Piaggio & C. S.p.A.
		(millions of Euro)	
Almec S.p.A.	Nusco (Italy)	3.7	30.00%
Mitsuba F.N. Europe S.p.A.	Pisa (Italy)	0.1	20.00%
Piaggio China Co Ltd.	Hong Kong	8.9	99.99%
Piaggio Foshan Motorcycles Co. Ltd. (of which 12.50% through Piaggio China)	Foshan (China)	10.2	45.00%
Aprilia World Service Holding do Brasil Ltda	Brazil	0.6	99.99%
Aprilia Brasil Industria do Motociclos S.A.	Brazil	0.3	51.00%

Companies excluded from the consolidation area and valued according to the cost method	Registered office	Share capital pro quota	% owned directly and indirectly by Piaggio & C. S.p.A.
		(millions of Euro)	
Universal Dynamic Invest. Ltd. (under voluntary winding-up)	Hong Kong	5.5	99.99%
Pont-Tech S.c.r.l.	Pontedera (Italy)	0.0	20.00%
Motoride S.p.A. (under voluntary winding-up)	Milan (Italy)	0.5	28.29%
Piaggio Argentina S.A. (under voluntary winding-up)	Argentina	0.0	99.99%
SAT S.A.	Tunis (Tunisia)	0.0	20.00%
D.E.V. Diffusione Europea Veicoli S.r.l. (under voluntary winding-up)	Italy	0.0	20.00%
Marker S.r.l.	Italy	0.0	49.00%
C.I.S. Custom International Services Ltd	Dublin (Ireland)	0.9	100.00%

Note 23—List of investments (Continued)

The following table sets out the list of investments in subsidiaries companies as of December 31, 2003 (amounts in millions of Euro):

Investments in subsidiaries (consolidated line by line)	Registered office	Share capital	% owned directly and indirectly by Piaggio & C. S.p.A.
		(millions of Euro)	
Nacional Motor S.A.	Barcelona (Spain)	9.2	100.00%
P&D S.p.A.	Pontedera (Italy)	15.6	100.00%
Piaggio Vespa BV	Amsterdam (Netherlands)	0.1	100.00%
Piaggio Vehicles Pv Ltd	Pune (India)	6.1	91.51%
Derbi Retail Madrid SL	Madrid (Spain)	0.6	100.00%
Moto Sport SA	Barcelona (Spain)	0.1	100.00%
Derbi Racing SL	Barcelona (Spain)	1.3	100.00%
Derbi Italia S.r.l.	Bologna (Italy)	0.0	100.00%
Piaggio Deutschland GMBH	Augsburg (Germany)	5.1	100.00%
Piaggio France S.A.	Paris (France)	1.2	99.82%
Piaggio Espana S.A.	Madrid (Spain)	8.7	100.00%
Piaggio Ltd	London (UK)	0.4	99.99%
Piaggio Portugal Ltda	Lisbon (Portugal)	0.5	100.00%
Piaggio Hellas Epe	Athens (Greece)	7.0	99.98%
Piaggio Asia Pacific	Singapore	0.0	100.00%
Piaggio Indochina	Singapore	0.0	100.00%
Piaggio Benelux BV	Tilburg (Netherlands)	0.0	100.00%
Piaggio USA Inc.	Wilmington (USA)	5.6	100.00%
Piaggio Hrvatska Doo	Split (Croatia)	0.1	75.00%

Investments in subsidiaries and associated companies (consolidated equity method)	Registered office	Share capital pro quota	% owned directly and indirectly by Piaggio & C. S.p.A.
		(millions of Euro)	
Almec S.p.A.	Nusco (Italy)	3.7	30.00%
Mitsuba F.N. Europe S.p.A.	Pisa (Italy)	0.1	20.00%
Piaggio China Co Ltd.	Hong Kong	9.6	99.99%
Piaggio Foshan Motorcycles Co. Ltd. (of which 50% through Piaggio China e Universal Dynamic)	Foshan (China)	18.4	75.00%
Universal Dynamic Invest. Ltd.	Hong Kong	5.9	99.99%

Note 23—List of investments (Continued)

Companies excluded from the consolidation area and valued according to the cost method	Registered office	Share capital pro quota	% owned directly and indirectly by Piaggio & C. S.p.A.
		(millions of Euro)	
C.R.B. Consorzio Ricerche di Benevento	Nusco (Italy)	0.0	33.33%
Pont-Tech Scrl	Pontedera (Italy)	0.0	20.00%
Motoride S.p.A.	Milan (Italy)	0.5	28.29%
Fondazione Piaggio	Pontedera (Italy)	0.1	50.00%
Derbi Deutschland Gmbh (under voluntary winding-up)	Germany	0.0	100%
Piaggio Argentina S.A. (not operating)	Argentina	0.0	99.99%
SAT S.A.	Tunis	0.1	20%

The following table sets out the list of investments in subsidiaries companies as of December 31, 2002 (amounts in millions of Euro):

Investments in subsidiaries (consolidated line by line)	Registered office	Share capital	% owned directly and indirectly by Piaggio & C. S.p.A.
		(millions of Euro)	
Piaggio & C. S.p.A.	Pontedera (Italy)	16.6	100.00%
Nacional Motor S.A.	Barcelona (Spain)	9.2	100.00%
P&D S.p.A.	Pontedera (Italy)	15.6	51.00%
Piaggio Vespa BV	Amsterdam (Netherlands)	0.1	100.00%
Piaggio Vehicles Pv Ltd	Pune (India)	6.7	100.00%
Derbi Retail Madrid SL	Madrid (Spain)	0.6	100.00%
Moto Sport SA	Barcelona (Spain)	0.1	100.00%
Derbi Racing SL	Barcelona (Spain)	1.3	100.00%
Derbi Italia S.r.l.	Bologna (Italy)	0.0	100.00%
Piaggio Deutschland GMBH	Hamburg (Germany)	5.1	100.00%
Piaggio France S.A.	Puteaux (France)	1.2	99.82%
Piaggio Espana S.A.	Madrid (Spain)	8.7	100.00%
Piaggio Ltd	London (UK)	0.4	99.99%
Piaggio Portugal Ltda	Lisbon (Portugal)	0.5	100.00%
Piaggio Hellas Epe	Athens (Greece)	6.9	99.98%
Piaggio Asia Pacific	Singapore	0.1	100.00%
Piaggio Indochina	Singapore	0.1	100.00%
Piaggio Benelux BV	Tilburg (Netherlands)	0.0	100.00%
Piaggio USA Inc.	Wilmington (USA)	1.9	100.00%
Piaggio Hrvatska Doo	Split (Croatia)	0.1	75.00%

Note 23—List of investments (Continued)

Investments in subsidiaries and associated companies (consolidated equity method)	Registered office	Share capital pro quota	% owned directly and indirectly by Piaggio & C. S.p.A.
		(millions of Euro)	
Almec S.p.A.	Nusco (Italy)	3.7	30.00%
Mitsuba F.N. Europe S.p.A.	Pisa (Italy)	0.1	20.00%
Piaggio China Co Ltd.	Hong Kong	11.5	99.99%
Piaggio Foshan Motorcycles Co. Ltd. (of which 50% through Piaggio China e Universal Dynamic)	Foshan (China)	22.1	75.00%
Universal Dynamic Invest. Ltd.	Hong Kong	7.1	99.99%

Companies excluded from the consolidation area and valued according to the cost method	Registered office	Share capital pro quota	% owned directly and indirectly by Piaggio & C. S.p.A.
		(millions of Euro)	
MV Augusta Motorcycles S.p.A.	Varese (Italy)	3.8	20.00%
C.R.B. Consorzio Ricerche di Benevento	Nusco (Italy)	0.0	38.00%
Pont-Tech Scrl	Pontedera (Italy)	0..0	20.00%
Motoride S.p.A.	Milan (Italy)	0.6	28.29%
Pro-Ind Ltda (winding-up)	San Paulo (Brasil)	0.1	100.00%
Piaggio India Pvt Ltd	India	0.1	100.00%
Derbi International Motors Ltd (under voluntary winding-up)	Hong Kong	0.0	100.00%
Derbi Deutschland Gmbh (under voluntary winding-up)	Germany	0.0	100.00%
Shandong Monde	Yinan (China)	7.2	50.00%
Piaggio Argentina S.A. (under voluntary winding-up)	Argentina	0.1	99.99%
SAT S.A.	Tunis	0.0	20.00%
Otto Frey Finanz. A.G.	Zurich (Swiss)	0.2	20.00%
Piaggio TRC (winding-up)	Istanbul (Turkey)	0.0	100.00%

AUDITORS' REPORT

To the Shareholders of
Aprilia S.p.A.

1. We have audited the consolidated financial statements of Aprilia S.p.A. and its subsidiaries (the "Group") as of December 31, 2004. These consolidated financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards generally accepted in Italy. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of prior year, which are presented for comparative purposes as required by law, reference should be made to the auditors' report issued by us on April 24, 2004.

3. In our opinion the consolidated financial statements present fairly the financial position of the Group as of December 31, 2004, and the results of its operations for the year then ended in accordance with the Italian regulations governing financial statements.

4. For a better understanding of the financial statements that we have audited, we would like to highlight the following matters of importance which are better explained in the Directors' Report on Operations and in the Explanatory Notes.

   a. The consolidated financial statements include under intangible fixed assets the net book value of the Aprilia, Moto Guzzi and Laverda trademarks, shown in the balance sheet as of December 31, 2004 for Euro 13.9 million, Euro 31.7 million and Euro 0.7 million respectively. These trademarks were amortized in previous years' consolidated financial statements over a period of 20 years for the Aprilia and Moto Guzzi brands and 10 years for the Laverda brand. The normal amortization charge on these trademarks of Euro 4.5 million was not booked in the consolidated statement of income for the year ended December 31, 2003. The new Directors, appointed after the change of the Shareholders of Aprilia S.p.A. occurred in 2004, have deemed appropriate to recur to the previous amortization plan by charging in the profit and loss account of the year amortizations for about Euro 9 million, of which Euro 4.5 million classified as extraordinary charges related to amortizations unrecorded in the 2003 financial statements. Such accounting approach is supported by an independent appraisal referring to the residual value of Moto Guzzi brand as of December 31, 2004.

   b. The inventories included in the Group financial statements as of December 31, 2004 amount to Euro 83 million, net of a reserve for obsolete and slow-moving inventories of Euro 29 million considered as an adequate provision to reflect their net realizable value. In the financial statements as of December 31, 2003, inventories were shown for Euro 98.9 million, net of obsolescence provision of Euro 13.9 million and included spare parts and accessories with extremely low turnover ratios, reflecting levels of stock far in excess of normal requirements. Our estimates, based on production and sales volume of 2003, had pointed out an understatement of the reserve for obsolete and slow-moving inventories by at least Euro 1.5 million. Such understatement has been overcome by the provision accounted for in the financial statements as of December 31, 2004.

c. The consolidated financial statements as of December 31, 2003 included a receivable of Euro 17.8 million related to the future tax benefit accounted for even though, according to our opinion, not all the conditions required by the reference accounting principles for the allocation of deferred tax liabilities were fulfilled, due to uncertainty on the Company ability to continue as a going-concern at the time of preparation of the financial statements. Since the above mentioned conditions have come true in 2004 as a consequence of the acquisition of Aprilia S.p.A. by new Shareholders, the Directors have deemed reasonable to maintain these deferred tax assets for Euro 11 million, booking in the meantime as extraordinary charge the partial write off the asset previously accounted for in the 2003 financial statements, in line with the new long-range plan which foresees sufficient taxable income to recover the amount shown in the balance sheet as of December 31, 2004.

d. The consolidated financial statements as of December 31, 2004 show a loss for the year of Euro 151.7 million, evidencing the result of a year during which Aprilia Group had to face a serious financial crisis that, starting from the first months of 2004, has made it hard to pay suppliers on a regular basis, forcing the Company to suspend production and rendering it impossible to fulfill customer orders in the period of higher seasonality. The standstill of production plants and the difficulty to meet customer orders caused a relevant reduction in sales of 2004 compared with the previous financial year. The above mentioned financial crisis has found its solution through the acquisition of Aprilia Group from Piaggio & C. S.p.A. executed at the end of 2004 following the preliminary agreement signed in August. Such operation has allowed the restarting of the normal supply conditions, the restructuring of bank debts and the recapitalization of Aprilia S.p.A. and consequently has re-established the capacity to continue as a going-concern previously uncertain due to the critical financial crisis. The loss shown in the consolidated financial statements as of December 31, 2004 has been determined by the above quoted productive and commercial difficulties together with the extraordinary write off and provisions, even due to the new strategies and plans of the new Shareholders, relating to receivables booked in previous years, inventories and intangible assets.

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Moretto

Treviso, Italy,
April 4, 2005

This report has been translated into the English language solely for the convenience of international readers.

AUDITORS' REPORT

To the Shareholders
of Aprilia S.p.A.

1. We have audited the consolidated financial statements of Aprilia S.p.A. and its subsidiaries (the "Group") as of December 31, 2003. These consolidated financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. Except as discussed in the paragraphs 3 and 4 below, we conducted our audit in accordance with Auditing Standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by law, reference should be made to the report issued by Deloitte & Touche Italia S.p.A. on May 6, 2003.

3. As part of the various initiatives taken to lower the stock of vehicles, both on traditional and on alternative markets, the Company sold products during the year for Euro 11.6 million to a specialist operator, agreeing that payment would be partly in cash and partly in advertising services over the next three years. For the part of the sale payable in cash, the Company booked a receivable of Euro 5 million (including VAT), net of amounts already collected of Euro 0.5 million, whereas the receivable in kind in the form of advertising, amounting to Euro 7 million, was treated in the financial statements as a prepaid expense.

   The checks that we carried out and the supporting documentation that we managed to gather for this transaction did not allow us to come to any conclusion as to whether the Company has recorded this receivable in kind correctly at values in line with current prices, also considering the problems involved in obtaining unequivocal information on market prices for the services in question.

4. The item "amounts due from customers" includes, in the portion due beyond 12 months, receivables of Euro 13 million from Motolido Holding S.r.l., an Aprilia dealer up until 2001, for goods supplied in previous years. The debtor company is owned by an entrepreneur who also runs Motolido S.r.l., at present the Aprilia dealer for the Rome area. A repayment plan is currently being agreed with the debtor: this provides for the transfer of buildings owned by the entrepreneur for a value estimated by Aprilia at around Euro 6 million, the acquisition on the part of Aprilia of a controlling interest in the company that runs the dealership, as well as the granting of a medium/long term loan. The allowance for doubtful accounts shown in the financial statements includes an estimate of the loss expected to be incurred on the receivable from Motolido Holding S.r.l., namely Euro 5.5 million. Collection of the net receivable shown in the financial statements (Euro 7.5 million) has to be considered uncertain, as it depends on successful implementation of the agreed repayment plan, which also involves the banks that have financed Motolido Holding, and on Aprilia continuing as a going-concern long enough to complete the plan. It should also be said that, as of December 31, 2003, there were net receivables for current supplies to Motolido S.r.l. totaling Euro 5.7 million. By way of guarantee for these receivables, Aprilia S.p.A. has maintained possession of the vehicles' registration documents and other effects worth around Euro 4.6 million.

The checks that we carried out and the supporting documentation that we managed to gather in connection with the repayment plan agreed with Motolido Holding S.r.l. were not sufficient for us to obtain complete evidence regarding the value of the buildings mentioned above, as updated appraisals are not available; we are therefore unable to come to any conclusion regarding the fairness of the directors' estimate of the possible loss.

5. The consolidated financial statements include under intangible fixed assets the net book value of the Aprilia, Moto Guzzi and Laverda trademarks, shown in the balance sheet as of December 31, 2003 at Euro 18.7 million, Euro 36.5 million and Euro 1 million respectively. These trademarks were amortized in previous years' consolidated financial statements over a period of 20 years for the Aprilia and Moto Guzzi brands and 10 years for the Laverda brand. The normal amortization charge on these trademarks of Euro 4.5 million was not booked in the consolidated statement of income for the year ended December 31, 2003, taking into consideration the current values that the directors believe to be attributable to the brands in question as of December 31, 2003, based on independent expert appraisals and the current market values of comparable brand names. If amortization had been charged on the trademarks according to the straight-line method applied in previous years, in accordance with the reference accounting principles, the loss for the year and the consolidated stockholders' equity shown in the consolidated financial statements as of December 31, 2003 would have been, respectively, Euro 4.5 million higher and lower, prior to the tax effect which is hard to quantify at this stage.

6. The inventories of finished products, spare parts and accessories included in the Group financial statements as of December 31, 2003 amount to Euro 58.8 million, net of a reserve for obsolete and slow-moving inventories of Euro 4.1 million. A significant portion of these spare parts and accessories have extremely low turnover ratios, reflecting levels of stock far in excess of normal requirements. Inventory valuations are based on the assumption that there is a reasonable prospect of the quantities in stock being used or sold within a business's normal operating cycle. According to the reference accounting principles, the Company ought to make an adequate provision to write down slow-moving inventories to their net realizable value. Our analysis using turnover ratios based on the relationship between sales during the last year and the quantities in stock at the end of the year lead us to believe that the reserve for obsolete and slow-moving inventories shown in the financial statements as of December 31, 2003 is understated by at least Euro 1.5 million, according to our estimates, assuming that it will be possible to dispose of such inventories in line with sales volumes achieved in 2003 and launch a special campaign to raise the market share for original spare parts. It follows that if the inventory writedown had been increased by this amount, the loss for the year and the consolidated stockholders' equity as of December 31, 2003 would have been, respectively, Euro 1.5 million higher and lower, prior to the tax effect which is hard to quantify at this stage.

7. As explained in the notes, the consolidated financial statements as of December 31, 2003 include in "amounts due from others" a receivable of Euro 17.8 million for the future tax benefit of deducting carry-forward tax losses and add-backs, net of deferred tax liabilities. Most of this receivable was booked in 2001, just after the start-up of a restructuring plan designed to remove the causes of the operating losses incurred to date. According to the directors, it is reasonable to maintain these deferred tax assets (reduced compared with the previous year for the tax losses no longer deductible according to the latest forecasts) because the new long-range plan already foresees sufficient taxable income in 2005 to recover the amount shown in the balance sheet.

   According to the reference accounting principles, booking and maintaining deferred tax assets in the financial statements requires there to be reasonable certainty that they will be recovered against future taxable income. The Group's current economic and financial difficulties make it uncertain that these tax benefits will be recoverable, which means that the basic conditions required by the accounting principles no longer exist. Consequently, if this receivable had been reversed as required by the accounting principles, booking an equivalent extraordinary expense to the statement of income, the loss reflected in the consolidated financial statements as of December 31, 2003 would have been higher by Euro 17.8 million and stockholders' equity at the same date would have been lower by the same amount.

8. In our opinion, except for the possible effects of the limitations encountered in carrying out our work as discussed in paragraphs 3 and 4, and except for the observations made in paragraphs 5, 6 and 7, the consolidated financial statements present fairly the financial position of the Group as of December 31, 2003, and the results of its operations for the year then ended in accordance with the Italian regulations governing financial statements.

9. For a better understanding of the financial statements that we have audited, we would like to highlight the following matters of importance and situations of uncertainty, which are explained in the Directors' Report on Operations and in the Explanatory Notes:

   a. During 2003, the Group continued to invest in its project to develop new vehicles and engines, which was launched as part of the restructuring and turnaround plan defined during the course of 2001. This project entails investing considerable financial resources. In the consolidated financial statements as of December 31, 2003, the costs incurred on products that have already been designed and are already being produced and sold (Euro 27.4 million) are classified under research and development and then amortized, whereas the costs incurred on models still being designed (Euro 21.5 million) have been booked to assets in process of formation. Recovering these costs that have been capitalized depends on successful marketing of the products in question, and, for the products still being designed, the availability of adequate financial resources to complete the projects. Moreover, this uncertainty also forms part of the wider question of going concern, which is discussed in the next point.

   b. The consolidated financial statements as of December 31, 2003 show a loss for the year of Euro 43 million and net debt of Euro 231 million, which is considerably higher than its own funds, which amount to Euro 34.2 million. The directors have prepared the financial statements on a going-concern basis, making valuations on the assumption that the Company will continue in business.

      The negative performance during the year was aggravated by the persistence of a particularly unfavorable economic scenario that made it impossible to implement the long-range operating plan developed during the course of 2001. The Group now finds itself under considerable financial pressure which has made it hard to pay suppliers on a regular basis. Recently, it also forced the Company to suspend production, which made it impossible to fulfill customer orders in the normal way. As they explained in the Report on Operations, the Directors have prepared another long-range plan, on the basis of which they have asked the Company's banking creditors to provide the financial resources needed to recommence production activities and to meet its short-term financial commitments. It is worth mentioning that these include payment of the annual interest on the bond loan of Euro 100 million, which is due in early May 2004. The plan prepared by the Directors reflects the negative impact on the 2004 results of a temporary interruption of production activities, as well as significant improvements in the Company's economic results and positive cash flow from current operations from 2005. The plan also foresees changes in the stockholder structure that would make available new financial resources sufficient to complete the Company's financial restructuring and repayment of the bond loan of Euro 100 million, which falls due in May 2005.

      Even though the measures planned by the Directors to overcome this difficult financial situation, as explained in the Directors' Report, are based on reasonable assumptions, there are still elements of uncertainty regarding the final response of the banks to the Company's request for financial support. The Company's prospects as a going concern, and hence the realization of the assets shown in the financial statements, will depend on finding the necessary financial resources and on the outcome of the plan mentioned above. The consolidated financial statements do not include any provisions to cover existing uncertainties in the event that the outcome is negative.

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Moretto

Treviso, Italy,
April 24, 2004

This report has been translated into the English language solely for the convenience of international readers.

AUDITORS' REPORT

**To the Shareholders of
Aprilia S.p.A.**

We have audited the consolidated financial statements of Aprilia S.p.A. and its subsidiaries (the "Group") as of December 31, 2002. These consolidated financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by law, reference should be made to auditors' report issued by "Arthur Andersen S.p.A." on June 24, 2002.

In our opinion, the consolidated financial statements present fairly the financial position of the Group as of December 31, 2002, and the results of its operations for the year then ended in accordance with the Italian regulations governing financial statements.

For a better understanding of the consolidated financial statements, we draw your attention on the following information more widely commented in the Explanatory Notes.

The item "other receivables" as of December 31, 2002 includes the assets related to the deferred tax assets deductible in future years for approximately Euro 8,766 thousand and related to the tax benefit obtainable from the deduction of the Company carry-forward losses from future taxable income for approximately Euro 12,951 thousand. The accounting of these receivables has taken into consideration the business plans of Aprilia S.p.A. and its subsidiary Moto Guzzi S.p.A. for the next years and the relevant forecast of taxable income.

DELOITTE & TOUCHE ITALIA S.p.A.

Signed by
Giorgio Moretto

Treviso, Italy,
May 6, 2003

This report has been translated into the English language solely for the convenience of international readers.

APRILIA GROUP
CONSOLIDATED BALANCE SHEETS
(Millions of Euro)

	Note	Year ended December 31, 2002	2003	2004
Assets				
Fixed Assets				
Intangible fixed assets, net	3	105.9	119.9	89.5
Tangible fixed assets, net	4	64.1	62.6	58.8
Financial fixed assets	5	14.4	11.5	12.8
Total fixed assets		***184.4***	***194.0***	***161.1***
Current assets				
Inventories	6	109.3	98.9	83.1
Receivables				
Trade	7	158.7	156.0	81.3
Other	7	42.8	46.4	29.3
Total receivables		201.5	202.4	110.6
Financial receivables	8	15.1	17.2	0.0
Cash and cash equivalents	9	60.8	24.7	23.8
Total current assets		***386.7***	***343.2***	***217.5***
Accrued incomes and prepaid expenses	10	***2.5***	***8.4***	***5.3***
Total assets		***573.6***	***545.6***	***383.9***
Liabilities and Shareholders' Equity				
Shareholders' Equity				
Group Interest	11	76.5	34.2	41.0
Minority interest	11	0.0	0.0	0.0
Total Shareholders' Equity		***76.5***	***34.2***	***41.0***
Provisions for liabilities and charges	12	***22.6***	***24.9***	***30.8***
Provision for employee severance indemnities	13	***12.8***	***13.8***	***14.7***
Payables				
Financial Payables	14	285.8	273.0	144.7
Trade Payables	14	138.4	172.3	127.4
Other Payables	14	35.7	19.9	16.8
Total Payables		***459.9***	***465.2***	***288.9***
Accrued expenses and deferred incomes	15	***1.8***	***7.5***	***8.5***
Total Liabilities and Shareholders' Equity		***573.6***	***545.6***	***383.9***

The notes from pages F-75 to F-105 are an integral part of these consolidated financial statements.

APRILIA GROUP

CONSOLIDATED INCOME STATEMENT

(Millions of Euro)

	Note	Year ended December 31, 2002	2003	2004
Revenues from sales and services		524.3	533.1	318.1
Change in work in progress, semi finished and finished product inventories		23.5	(9.4)	(1.6)
Additions to assets by internal production		10.2	16.3	13.3
Other income and revenues		40.9	44.6	28.0
Total Value of Production	17	***598.9***	***584.6***	***357.8***
Raw materials and supplies		(350.3)	(351.9)	(216.9)
Services		(113.4)	(123.9)	(83.4)
Leases and rentals		(5.8)	(6.1)	(6.1)
Personnel		(73.6)	(74.1)	(60.6)
Depreciation, amortization and write downs		(36.9)	(34.4)	(62.5)
Change in inventories of raw materials and supplies		(10.7)	1.3	(12.3)
Provision for risk and other accruals		(9.0)	(8.8)	(19.3)
Other operating costs		(2.1)	(1.2)	(5.8)
Total Cost of Production	18	***(601.8)***	***(599.1)***	***(466.9)***
Operating Income (losses)		***(2.9)***	***(14.5)***	***(109.1)***
Financial Income (expenses)				
Investment incomes		1.2	0.8	1.2
Interest income		4.8	3.6	1.6
Interest and other financial expenses		(17.9)	(17.2)	(16.7)
Exchange gains (losses), net		(3.6)	(3.2)	(0.9)
Financial Income (expenses)	19	***(15.5)***	***(16.0)***	***(14.8)***
Adjustments to value of financial assets	5	***(0.3)***	***(4.2)***	***0.0***
Extraordinary incomes (expenses)	20	***15.7***	***(0.7)***	***(27.1)***
Income (loss) before taxes		(3.0)	(35.4)	(151.0)
Income taxes	21	(4.8)	(7.7)	(0.7)
Income before minority interest		***(7.8)***	***(43.1)***	***(151.7)***
Minority interest		0.0	0.0	0.0
Profit (loss) for the year		**(7.8)**	**(43.1)**	**(151.7)**

The notes from pages F-75 to F-105 are an integral part of these consolidated financial statements.

APRILIA GROUP

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Millions of Euro)

	Share Capital	Share Premium Reserve	Revaluation reserve	Legal Reserve	Other reserve	Retained Earnings and Reserves	Profit (Loss) after minority Interest	Consolidation Reserve	Shareholders' equity of the Group
Balance as of December 13, 2001	**28.6**	**0.0**	**25.3**	**3.5**	**25.5**	**12.1**	**(20.7)**		**74.3**
Increase in share capital with share premium	2.9	7.0							9.9
Allocation of net loss			(9.8)			(10.9)	20.7		0.0
Profit (loss) for the year							(7.8)		(7.8)
Balance at December 31, 2002	**31.5**	**7.0**	**15.5**	**3.5**	**25.5**	**1.3**	**(7.8)**		**76.5**
Allocation of net loss			(14.1)			6.3	7.8		0.0
Change in translation reserve					0.3	0.5			0.8
Profit (loss) for the year							(43.1)		(43.1)
Balance as of December 31, 2003	**31.5**	**7.0**	**1.5**	**3.5**	**25.8**	**8.0**	**(43.1)**	**0.0**	**34.2**
Allocation of net loss		(7.0)	(1.5)		(25.0)		33.5		0.0
Retained loss of year ended 31.12.03						(9.6)	9.6		0.0
Conversion of convertible bonded loan	2.6	7.4							10.0
Covering of losses (Shareholders' meeting 15.12.04)	(34.1)	(7.4)		(3.5)	44.9				(0.0)
Covering of previous years losses					(4.3)	4.3			0.0
Covering of the current loss					63.7				63.7
Increase in share capital with share premium	10.0	74.4							84.4
Change in translation reserve					(0.1)	0.5			0.4
Profit (loss) for the year							(151.7)		(151.7)
Balance as of December 31, 2004	**10.0**	**74.4**	**(0.0)**	**0.0**	**105.0**	**3.3**	**(151.7)**	**0.0**	**41.0**

The notes from pages F-75 to F-105 are an integral part of these consolidated financial statements.

APRILIA GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of Euro)

	Note	Year ended December 31, 2002	2003	2004
Cash flow provided by (used in) operating activities:				
Profit (loss) of the year		(7.8)	(43.1)	(151.7)
Depreciation and amortization		34.0	29.9	43.6
Change in provision for employee severance indemnities		0.5	1.0	0.9
Change in deferred income taxes		(0.5)	3.9	6.8
(Gain) loss on disposals		(13.2)	0.0	(0.1)
(Appreciation) or writedown of equity investments		(0.4)	0.0	0.0
Change in current assets and liabilities:				
Trade receivables		(59.4)	(2.7)	103.1
Inventories		(6.4)	6.4	0.8
Account payables		16.5	35.5	(90.8)
Other payables, receivables, accruals and deferrals		7.2	(23.1)	11.0
Provisions for liabilities and charges		7.2	10.5	39.2
	(A)	***(22.3)***	***18.3***	***(37.2)***
Cash flow provided by (used in) investing activities:				
Investment in:				
Intangible fixed assets		(24.8)	(34.0)	(16.6)
Tangible fixed assets		(10.3)	(11.7)	(10.3)
Investments		(9.9)	3.0	(1.3)
Proceeds from sale of fixed assets		15.6	3.2	17.6
	(B)	**(29.4)**	**(39.5)**	**(10.6)**
Cash flow provided by (used in) financial activities:				
Increase in Capital		9.9	0.0	12.6
Other movements in Shareholders' Equity		0.0	0.0	81.8
Shareholders' payment (covering of losses)		0.0	0.0	73.7
Bonds		0.0	0.0	(10.0)
Dividends paid		0.0	0.0	0.0
	(C)	**9.9**	**0.0**	**158.1**
Cash flow provided by change in Consolidation Area:	(D)	**22.1**	**0.0**	**0.0**
Cash flow for the Year	(A+B+C+D)	***(19.7)***	***(21.2)***	***110.2***
Net debt at January 1		**(190.2)**	**(209.9)**	**(231.1)**
Net debt at December 31		**(209.9)**	**(231.1)**	**(120.9)**

The notes from pages F-75 to F-105 are an integral part of these consolidated financial statements.

APRILIA GROUP

CONSOLIDATED STATEMENT OF CHANGE IN FINANCIAL POSITION

(Millions of Euro)

Note A—Net debt

	Year ended December 31,		
	2002	**2003**	**2004**
Cash	60.8	24.7	23.8
Financial receivables	15.1	17.2	0.0
Financial payables	(285.8)	(273.0)	(144.7)
Net debt	**(209.9)**	**(231.1)**	**(120.9)**

The notes from pages F-75 to F-105 are an integral part of these consolidated financial statements.

APRILIA GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1—The consolidated operation

On December 30, 2004, Piaggio & C. S.p.A. purchased Aprilia S.p.A.

Piaggio Group acquired all of the issued and outstanding ordinary shares of Aprilia S.p.A. for a cash purchase price of 88.5 million Euro and the issuance of warrants and other financial instruments. With respect to the cash payment, a capital increase of 50.0 million Euro was subscribed in new Aprilia shares, and indebtedness owed by Aprilia was purchased from certain Aprilia creditors in exchange for 34.4 million Euro, after which such indebtedness was cancelled. The deal involved the issuance of the following warrants and other financial instruments:

- warrants to certain Aprilia creditors exercisable from 2007 to 2009 that may, depending on our financial performance, require Piaggio & C. S.p.A. to pay up to 64.2 million Euro;
- warrants to certain holders of liens on Aprilia shares, in exchange for release of such liens, exercisable from 2007 to 2009 that will require us to pay a minimum of 3.5 million Euro and may, depending on our financial performance, require us to pay up to 10.0 million Euro;
- an earn-out to Ivano Beggio, the prior owner of Aprilia, that may require us to make a payment of up to 10.0 million Euro during the period from 2007 to 2009.

For further information see paragraphs "Aprilia Acquisition" and "Description of other Indebtedness".

Note 2—Basis of presentation and significant accounting policies

(a) Basis of presentation—The year ended December 31, 2004

The consolidated financial statements as of December 31, 2004 comprise the audited consolidated financial statements of Aprilia S.p.A. and of the companies in which the Aprilia Group holds the majority of the voting shares, and of all the companies in which it has a dominant influence, listed in note 23, consolidated on a line-by-line basis.

(b) Basis of presentation—The year ended December 31, 2003

The consolidated financial statements as of December 31, 2003 comprise the audited consolidated financial statements of Aprilia S.p.A. and of the companies in which the Aprilia Group holds the majority of the voting shares, and of all the companies in which it has a dominant influence, listed in note 23, consolidated on a line-by-line basis.

(c) Basis of presentation—The year ended December 31, 2002

The consolidated financial statements as of December 31, 2002 comprise the audited consolidated financial statements of Aprilia S.p.A. and of the companies in which the Aprilia Group holds the majority of the voting shares, and of all the companies in which it has a dominant influence, listed in note 23, consolidated on a line-by-line basis.

(d) Significant accounting policies

The consolidated financial statements as of December 31 for the years ended 2002, 2003 and 2004 have been prepared in conformity with Italian Accounting Principles, as above described.

Italian Accounting Principles differs in certain significant respects from accounting principles generally accepted in other countries.

Note 2—Basis of presentation and significant accounting policies (Continued)

The balance sheet and the income statement have been condensed from the original Italian Consolidated financial statement format in order to conform more closely with International practice.

Principles of consolidation

The consolidated financial statements include, on the basis above described, the financial statements of Aprilia S.p.A. as previously indicated. The financial statements of the subsidiaries in which such entities hold more than 50% of voting capital are consolidated on a line-by-line basis as of December 31, 2004, 2003 and 2002. All other investments in associated companies (ownership between 20% and 50%) are accounted for applying equity method. Investments in other companies and in subsidiaries winding up or not operating are accounted for at cost.

Assets, liabilities, revenues and expenses of the legal entities that are consolidated on a line-by-line basis are included fully in the consolidated financial statements, after eliminating the carrying value of the investment against the related shareholders' equity at the consolidated balance sheet date. The minority shareholders' share of the equity and net result of companies consolidated on a line-by-line basis are classified separately in the consolidated balance sheet and income statement.

Differences arising on elimination of the investments against the related shareholders' equity at the date of acquisition are allocated, where applicable, to the assets and liabilities of the company being consolidated, up to the limit of their fair value. Positive residual amounts, if any, are capitalized as intangible assets under "Consolidation difference" and are amortized on a straight-line basis over their estimated future useful life. Negative differences are classified in the consolidation reserve within shareholders' equity.

As far as the Guzzi Group is concerned, the difference between the purchase cost and shareholders' net equity at the time of acquisition was allocated to the value of the brand at the time of preparing the consolidated financial statements.

Significant unrealized intercompany profits and losses are eliminated, net of the related tax effects, together with all intercompany receivables, payables, revenues and expenses arising from transactions between consolidated entities.

Assets and liabilities of foreign subsidiaries whose financial statements are not denominated in Euro are translated to Euro using the year-end rates, while income statement items are translated using the average exchange rates for the year. Exchange differences arising from the translation of foreign currency financial statements are reflected directly in shareholders' equity.

Set out below are the exchange rates for the financial years 2004, 2003 and 2002 used to translate the balance sheets and income statements denominated in currency other than euro:

	Exchange rate					
Foreign currency	**December 31, 2002**	**December 31, 2003**	**December 31, 2004**	**2002 average**	**2003 average**	**2004 average**
U.S. Dollar	1.049	1.263	1.362	0.946	1.131	1.244
Pound Sterling	0.651	0.705	0.705	0.629	0.692	0.679
Brasilian Real	3.694	3.663	3.673	2.788	3.468	3.634
Japan Yen	124.390	135.050	139.650	118.060	130.970	134.445

Note 2—Basis of presentation and significant accounting policies (Continued)

Adjustments and provisions booked by consolidated companies solely to obtain fiscal benefits are reversed on consolidation.

Tangible fixed assets on lease are recorded in the consolidated financial statements with the "financial method", as envisaged by the IFRS.

Intangible fixed assets

These are recorded at purchase or production cost, including related charges and a reasonable allocation of direct and indirect costs, after approval from the Statutory Auditors where required by law. Certain balances were also revalued in prior years in accordance with specific legislation.

Start-up and expansion costs are amortized from the time they start to produce economic benefits for the Group. Such amortization is provided on a straight-line basis over their useful lives but, in any case, over not more than 5 years. Until amortization commences, these costs are classified as "Intangible assets in progress".

Research and development costs incurred during the year for vehicles that entered production during the year, or which will be produced in future years, are capitalized together with the cost of developing new engines, net of any grants received. They are amortized from the time they start to produce economic benefits for the Group over a period not exceeding 5 years. Until amortization commences, these costs are classified as "Intangible assets in progress".

The Aprilia brand, recorded at cost and revalued as a result of mergers and in accordance with Law 342/2000, is amortized directly on a straight-line basis at an annual rate of 5% of the revalued balance.

The Guzzi brand, acquired during 2000, is amortized at the same annual rate of 5%.

The Laverda brand, also acquired during 2000, is amortized at an annual rate of 10%.

The amortization of the mentioned brands was interrupted in the 2003 fiscal year and then recovered in the 2004 fiscal year.

Consolidation differences include the goodwill paid for subsidiary companies at the time of acquisition and are amortized over periods not exceeding 5 years.

Other intangible fixed assets are amortized on a straight-line basis over the period they are expected to benefit, which does not exceed 5 years.

Tangible fixed assets

Tangible fixed assets are recorded at purchase or construction cost, including related charges and a reasonable allocation of direct and indirect costs. The book value also includes the effect of revaluations at the time of mergers and those allowed or required pursuant to Laws 576/65, 72/83, 413/91 and 342/00.

Such assets are depreciated on a straight-line basis using the ordinary fiscal rates which are deemed to reflect their useful lives. These rates are split in half for assets purchased during the year.

Note 2—Basis of presentation and significant accounting policies (Continued)

Ordinary maintenance costs are charged in full to the income statement. Improvement expenditures are allocated to the related fixed assets and depreciated over their residual useful lives and, in any case, over not more than 5 years.

Financial fixed assets

Investments in non-consolidated subsidiaries and in associated companies are valued using the equity method; other equity investments are stated at cost, as written down to take account of any permanent reductions in value. Their original value is reinstated in future accounting periods should the reasons for such write-downs cease to apply.

Financial receivables are stated at their estimated realizable value.

Securities included under fixed assets are recorded at cost and written down to reflect any permanent losses in value.

Inventories

Inventories are stated at the lower of purchase or production cost or their market value. Cost is determined using the weighted average method. Production costs include materials, labor, subcontracted work and other direct and indirect manufacturing expenses.

Obsolete and slow-moving inventories are written down to their estimated realizable value by means of a specific provision.

Receivables

Receivables are stated at their estimated realizable value by means of a provision for doubtful accounts.

Other securities not classified as fixed assets

Securities are stated at purchase cost or their market value at year-end, whichever is the lower; their original value is reinstated in future accounting periods should the reasons for such write-downs cease to apply.

Payables

Payables are stated at face value.

Accruals and deferrals

Accruals and deferrals include the future element of income and costs which span two or more years, in accordance with the matching principle.

Provisions for liabilities and charges

Provisions for liabilities and charges cover known or likely losses or payables, the timing and extent of which cannot be determined at year end. The provisions reflect the best estimate based on the information available.

Note 2—Basis of presentation and significant accounting policies (Continued)

Provision for employees' severance indemnities

The provision for employees' severance indemnities is determined according to current Italian legislation. This liability, which is indexed for inflation in accordance with Italian law, is accrued at the year end for each employee and is determined in accordance with labor legislation on the basis of the employee's annual salary. The provision therefore reflects the total amount of the employees' severance indemnities, net of any advances taken, that the employees would be entitled to receive if termination were to occur, for any reason, as of the balance sheet date.

Criteria for the translation of items in foreign currencies

Receivables and payables originally expressed in foreign currencies other than those of the EMU are translated into Euro at the rates valid at the date of the respective transactions. The exchange rate differences arising from the collection of receivables and the payment of accounts in foreign currencies are charged to the income statement among financial income and expense.

Receivables and payables in currencies of countries not in the Euro and still outstanding at balance sheet date have been translated at the exchange rate at year end, taking into account any existing hedging contracts. The difference arising from said operations (whether profit or loss) is accrued and reflected in the Income Statement for the period, with the respective receivable or payable as a balancing item.

Revenue recognition

Revenue from sales is recognized at the time of the transfer of ownership, which is generally upon delivery or shipment.

Financial revenues are recognized on an accruals basis.

Income taxes

Current taxation is recorded based on a reasonable estimate of the taxable income of each consolidated company in accordance with the current legislation in the countries involved.

Deferred tax liabilities and deferred tax assets are determined on the timing differences between income and the reported results of individual consolidated companies, and on consolidation adjustments.

Deferred tax assets are recorded when there is the reasonable certainty of the existence of a taxable income of at least the differences in question in the years when the anticipated timing differences will reverse.

Subsequent events

In the first quarter of 2005, pursuant to the investment agreement according to which Piaggio & C. S.p.A. has become the sole shareholder of the holding company, the new corporate management began its activity at the group companies.

We have refocused on commercial activities, giving new impetus to the sales network; in this context, a sales convention took place with the dealers in Spain at the beginning of March.

Note 2—Basis of presentation and significant accounting policies (Continued)

Activities continued for launching new models in the current year, among which, in April, the Pegaso 650 and the Breva 1100.

In 2005 an agreement was initialed with BMW for Aprilia's development and manufacture of a new product range, with BMW sharing in the expense of the research and development. The products will be sold starting in 2007 for a period of five years.

Note 3—Intangible fixed assets, net

Intangible assets are stated in the consolidated balance sheet, net of accumulated amortization, as reported in the following table (amounts in millions of Euro):

	Year ended December 31,								
	2002			2003			2004		
	Gross value	Amortisation	Net value	Gross value	Amortisation	Net value	Gross value	Amortisation	Net value
Start-up and expansion costs	10.2	(4.5)	5.7	12.3	(7.7)	4.6	1.4	(1.4)	0.0
Research and development costs	24.7	(10.2)	14.5	45.5	(18.2)	27.3	51.5	(34.0)	17.5
Industrial patents and intellectual property rights	0.7	(0.2)	0.5	0.3	(0.2)	0.1	0.3	(0.3)	0.0
Concessions, licenses, trademarks and similar rights	97.0	(36.7)	60.3	99.8	(39.0)	60.8	100.8	(51.2)	49.6
Intangible assets in progress	19.0	0.0	19.0	21.6	0.0	21.6	18.4	0.0	18.4
Goodwill	1.5	(1.3)	0.2	1.7	(1.4)	0.3	1.9	(1.6)	0.3
Other intangible fixed assets	19.2	(13.5)	5.7	22.0	(16.7)	5.2	24.5	(20.8)	3.6
Total	**172.3**	**(66.4)**	**105.9**	**203.2**	**(83.3)**	**119.9**	**198.8**	**(109.3)**	**89.5**

The movement for the periods on net values is reported in the following table (amounts in millions of Euro):

	December 31, 2003	Addition	Transfer from assets under construction/ reclass	Disposal, foreign change effects and other movements	Amortization	Write-down	December 31, 2004
Start-up and expansion costs	4.6	0.0	(1.2)	0.0	0.0	(3.4)	0.0
Research and development costs	27.3	2.9	4.3	0.0	(15.8)	(1.2)	17.5
Industrial patents and intellectual property rights	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Concessions, licenses, trademarks and similar rights	60.8	1.0	0.0	0.0	(12.2)	0.0	49.6
Intangible assets in progress	21.6	10.8	(5.2)	0.0	(0.0)	(8.8)	18.4
Goodwill	0.3	0.2	0.0	0.0	(0.2)	0.0	0.3
Other intangible fixed assets	5.2	1.7	2.1	(2.3)	(3.1)	0.0	3.7
Total	**119.9**	**16.6**	**0.0**	**(2.3)**	**(31.3)**	**(13.4)**	**89.5**

Note 3—Intangible fixed assets, net (Continued)

	December 31, 2002	Addition	Transfer from assets under construction/ reclass	Disposal, foreign change effects and other movements	Amortization	Write-down	December 31, 2003
Start-up and expansion costs	5.7	1.2	1.0	(0.1)	(3.2)	0.0	4.6
Research and development costs	14.5	15.2	8.0	(1.9)	(8.4)	0.0	27.4
Industrial patents and intellectual property rights	0.5	0.0	(0.4)	(0.0)	0.0	0.0	0.1
Concessions, licenses, trademarks and similar rights	60.3	2.4	0.4	0.1	(2.4)	0.0	60.8
Intangible assets in progress	19.0	12.4	(9.0)	(0.8)	0.0	0.0	21.6
Goodwill	0.2	0.0	0.0	0.1	0.0	0.0	0.3
Other intangible fixed assets	5.7	2.8	0.0	(0.3)	(3.0)	0.0	5.2
Total	**105.9**	**34.0**	**0.0**	**(3.0)**	**(17.0)**	**0.0**	**119.9**

Start-up and expansion costs: at December 31, 2004, the item, relating to costs incurred in the previous years to develop and implement projects of strategic, organizational and operational nature, was totally written down.

Last year expansion costs were amortized over 5 years.

Research and development costs include costs related to projects for the development of new products and engines. At December 31, 2003 the increase was mainly due to the purchase for 8.6 million of Euro of projects owned by Aprilia Engine, an associated company that was then sold.

At December 31, 2004 the average amortization rate changed from 20% to 33.3%.

Concessions, licenses, trademarks and similar rights mainly refer to the following brands: Aprilia (net value of 13.9 million Euro), Guzzi (net value of 31.7 million Euro) and Laverda (net value of 0.7 million Euro).

At December 31, 2004, the amortization that has not been calculated in 2003 has been accounted for in extraordinary expenses. Had amortization been correctly charged last year, the results for the year 2004 (before taxes) would have been greater by 4.5 million Euro.

The Aprilia and Guzzi brands are amortized over a period of 20 years, whilst the Laverda brand over a period of 10 years.

Intangible assets in progress mainly comprise research and development costs for new vehicles and engines.

Other intangible assets mainly relate to the deferral of equipment grants given to suppliers of subcontracted work for the preparation of dyes, to leasehold improvements and to the project to reorganize the European business.

For the year 2004, other intangible assets are amortized at rates between 10% and 33%.

Note 4—Tangible fixed assets, net

Tangible fixed assets are stated in the consolidated balance sheets, net of the accumulated depreciation, as reported in the following table (amounts in millions of Euro):

	Year ended December 31,								
	2002			2003			2004		
	Gross value	Accumulated depreciation	Net value	Gross value	Accumulated depreciation	Net value	Gross value	Accumulated depreciation	Net value
Land & buildings	44.4	(9.2)	35.2	44.8	(10.9)	33.9	44.9	(12.2)	32.7
Plant and Machinery	24.4	(18.8)	5.6	27.5	(20.5)	7.0	28.0	(22.2)	5.8
Industrial and commercial equipments	85.0	(68.7)	16.3	90.0	(76.4)	13.6	97.4	(82.9)	14.5
Other tangible assets	16.5	(11.0)	5.5	17.5	(12.4)	5.1	15.5	(12.1)	3.4
Assets under construction and payments on account	1.5	0.0	1.5	3.0	0.0	3.0	2.4	0.0	2.4
Total	**171.8**	**(107.7)**	**64.1**	**182.8**	**(120.2)**	**62.6**	**188.2**	**(129.4)**	**58.8**

The variation for financial year 2004, of gross value and accumulated depreciation, respectively, is reported in the following tables (amounts in millions of Euro):

Gross Value	December 31, 2003	Additions	Disposals, foreign exchange effects and other movements	December 31, 2004
Land & buildings	44.8	0.0	0.1	44.9
Plant and Machinery	27.5	0.3	0.2	28.0
Industrial and commercial equipment	90.0	7.7	(0.3)	97.4
Other tangible assets	17.5	0.4	(2.3)	15.5
Assets under construction and payments on account	3.0	2.0	(2.6)	2.4
Total	**182.8**	**10.4**	**(5.0)**	**188.2**

Accumulated Depreciation	December 31, 2003	Depreciation	Disposals, foreign exchange effects and other movements	December 31, 2004
Land & buildings	(10.9)	(1.4)	0.1	(12.2)
Plant and Machinery	(20.5)	(1.7)	0.0	(22.2)
Industrial and commercial equipment	(76.4)	(7.6)	1.0	(82.9)
Other tangible assets	(12.4)	(1.6)	1.9	(12.1)
Assets under construction and payments on account	0.0	0.0	0.0	0.0
Total	**(120.2)**	**(12.3)**	**3.0**	**(129.4)**

Land and industrial buildings include plants located in Noale (Italy), Scorzé (Italy) and Mandello del Lario (Italy). Land and Industrial buildings are depreciated at rates between 2% and 4%.

Plant and Machinery refers to the Group's manufacturing plants. The increase for the years 2004 and 2003 relate to new plant and improvements made to existing production lines. Plant and Machineries are depreciated at rates between 2% and 4%.

Note 4—Tangible fixed assets, net (Continued)

Industrial and commercial equipments comprise manufacturing tools and are depreciated on the basis of rates to reflect the useful life of the assets (from 7.5% to 25%). In 2004 and 2003 the investment in industrial and commercial equipment mainly relate to die purchases for new products. Most of the company's own dies, with a net book value of 8.6 million Euro in 2004 and 9.7 million of Euro in 2003, are physically held by third parties.

Other tangible assets include furniture, ordinary and electronic office machines, automobiles and other transport vehicles.

Assets under construction and payments on account include advances to suppliers for new plant and equipment.

The variation for financial year 2003, of gross value and accumulated depreciation, respectively, is reported in the following tables (amounts in millions of Euro):

Gross Value	December 31, 2002	Additions	Disposals, foreign exchange effects and other movements	December 31, 2003
Land & buildings	44.4	0.1	0.3	44.8
Plant and Machinery	24.4	2.8	0.3	27.5
Industrial and commercial equipment	85.0	4.5	0.5	90.0
Other tangible assets	16.5	1.5	(0.5)	17.5
Assets under construction and payments on account	1.5	2.8	(1.3)	3.0
Total	**171.8**	**11.7**	**(0.7)**	**182.8**

Accumulated Depreciation	December 31, 2002	Depreciation	Disposals, foreign exchange effects and other movements	December 31, 2003
Land & buildings	(9.2)	(1.7)	0.0	(10.9)
Plant and Machinery	(18.8)	(1.7)	0.0	(20.5)
Industrial and commercial equipment	(68.7)	(7.7)	0.0	(76.4)
Other tangible assets	(11.0)	(1.8)	0.4	(12.4)
Assets under construction and payments on account	0.0	0.0	0.0	0.0
Total	**(107.7)**	**(12.9)**	**0.4**	**(120.2)**

Note 5—Financial fixed assets

Total financial fixed assets as of December 31, 2004 and 2003 and 2002 are set out in the following table (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Investments	3.6	0.1	1.0
Receivables	10.8	11.4	11.8
Total	**14.4**	**11.5**	**12.8**

Note 5—Financial fixed assets (Continued)

Investments detail as follows (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Subsidiaries			
Custom International Services Ltd (winding-up)	0.0	0.0	0.9
Aprilia Finance Ltd	0.0	0.0	0.0
Aprilia Leasing S.p.A.	0.0	0.0	0.0
Aprilia World Service B.V.	0.0	0.0	0.0
Aprilia Motorrad GmbH	0.0	0.0	0.0
Aprilia UK Ltd	0.0	0.0	0.0
Aprilia World Service USA inc.	0.0	0.0	0.0
Aprilia Research & Development S.A.	0.0	0.0	0.0
Kodex S.r.l.	0.0	0.0	0.0
Moto Laverda S.r.l.	0.0	0.0	0.0
Moto Guzzi S.p.A.	0.0	0.0	0.0
Aprilia Hellas S.A.	0.0	0.0	0.0
Aprilia Japan Corp.	0.0	0.0	0.0
Aprilia Luxembourg S.A.	0.0	0.0	0.0
Motocross Company S.r.l.	0.0	0.0	0.0
	0.0	***0.0***	***0.9***
Associated			
Marker S.r.l.	0.0	0.0	0.0
DEV Distribuzione Europea Veicoli S.r.l.	0.0	0.0	0.0
Aprilia Engines S.A	3.5	0.0	0.0
	3.5	***0.0***	***0.0***
Other companies			
Consorzio Motolog	0.1	0.1	0.1
ANCMA S Coop r.l.	0.0	0.0	0.0
S.C.P.S.T.V.	0.0	0.0	0.0
A.W.S. Racing Competition	0.0	0.0	0.0
I.V.M.	0.0	0.0	0.0
	0.1	***0.1***	***0.1***
Total	**3.6**	**0.1**	**1.0**

The 49% interest in Aprilia Engines S.A., with a book value as of December 31, 2002 of 3.5 million Euro, was sold in December 2003.

Note 5—Financial fixed assets (Continued)

Receivables detail as follows (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Receivables from subsidiaries	0.0	0.2	0.4
Receivables from others	10.8	11.2	11.4
Total	**10.8**	**11.4**	**11.8**

At December 31, 2004 receivables mainly include a restricted deposit of 8.6 million Euro in support of a guarantee given to the owner of the building rented to Moto Guzzi S.p.A. and other receivables totaling 2.8 million Euro.

Note 6—Inventories

The breakdown of inventories, net of the provision for slow-moving and obsolete items, is as follows (amounts in millions of Euro):

	Year ended December 31,								
	2002			2003			2004		
	Gross value	Reserve	Net value	Gross value	Reserve	Net value	Gross value	Reserve	Net value
Raw materials and supplies	43.7	(8.3)	35.4	44.2	(8.0)	36.2	42.4	(18.4)	24.0
Work in progress	4.4	0.0	4.4	4.0	0.0	4.0	3.6	0.0	3.6
Finished goods	71.2	(1.7)	69.5	64.6	(5.9)	58.7	66.0	(10.5)	55.5
Advanced Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**119.3**	**(10.0)**	**109.3**	**112.8**	**(13.9)**	**98.9**	**112.0**	**(28.9)**	**83.1**

Inventories are stated at weighted average cost.

The write-downs comprise provisions mainly for stocks of raw materials unusable for current production and obsolete or slow-moving finished products, goods and supplies.

Note 7—Receivables

Trade receivables

The following is a summary of Aprilia's trade accounts, net of the allowance for doubtful accounts (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Amount falling due within one year:			
Gross Value	145.5	157.8	108.2
Allowance for doubtful accounts	(11.1)	(14.7)	(32.4)
Net Value	***134.4***	***143.1***	***75.8***
Receivables from subsidiary, associated and parent companies (note 22)	***7.0***	***1.2***	***1.0***
Amount falling due after one year	***17.3***	***11.7***	***4.5***
Total	**158.7**	**156.0**	**81.3**

At December 31, 2004, trade receivables amount to 108.2 million Euro, less write-downs of 32.4 million Euro for amounts unlikely to be recovered.

At December 31 2004, the item includes a part of receivables settled in cash from a barter transaction involving advertising services to be received. The amount, in paid cash, decreased from 5 million Euro in 2003 to 2 million Euro in 2004 while the value of services to be received (amounting to 4.7 million Euro) is stated among the prepaid expenses. At December 31, 2004 a provision for liabilities and charges of the same amount (4.7 million Euro) is entered in the financial statements taking into consideration the effectiveness of the advertising services.

At December 31, 2004 and 2003 receivables due after 12 months include amounts due from Motolido Holding S.r.l., a former Aprilia dealership in the Rome area, totaling 13 million Euro in relation to commercial supplies delivered in prior years. This company is owned by the entrepreneur who also manages Motolido S.r.l., a current dealership which owes 6.4 million Euro. The Group is negotiating a debt-recovery plan with the debtor which involves a 60% write-off of the total receivables subject to the collection of 3 million Euro from the transfer of real estate currently owned by Motolido and the granting of a 9-year, interest-bearing loan. At December 31, 2004 the allowance for doubtful accounts includes an estimated loss of 15.8 million Euro (5.5 million Euro at December 31, 2003) on the assumption that the above plan can be positively implemented.

Note 7—Receivables (Continued)

Other receivables

The breakdown of other receivables is as follows (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Receivables from Tax authorities for VAT	5.8	7.9	1.9
Receivables from Tax authorities for income tax	0.7	0.4	0.8
Other receivables from authorities	0.0	6.9	7.0
Deferred tax assets	21.7	17.9	11.0
Advances to suppliers	0.0	0.0	1.4
Other Receivable—*within one year*	13.9	12.6	7.2
Other Receivable—*after one year*	0.7	0.7	0.0
Total	**42.8**	**46.4**	**29.3**

Amounts due within one year from tax authorities consist primarily of credits for value added tax and income taxes required to be refunded or pertaining to the year, net of payments.

Deferred tax assets, which should be recovered through future taxable earnings before their expiry date, mainly refer to:

- provisions to taxable reserves not deductible in the period in which these are charged to the income statement (7.6 million Euro as of December 31, 2004);
- tax losses carried forward only to the extent that realization of the related tax benefit is probable (3.4. million Euro as of December 31, 2004).

Deferred tax assets are calculated according to the method outlined in the accounting policies.

At December 31, 2004 the reversal of deferred tax assets, amounting to 6.8 million Euro, is recorded in the extraordinary expenses.

Other receivables relate to various amounts recoverable from the tax authorities, advances to suppliers and credit notes to be received from suppliers. These amounts are mainly collectible within 12 months

Note 8—Financial receivables

The breakdown of financial receivables is as follows (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Securities	7.8	2.6	0.0
Minor investments	7.3	14.6	0.0
Total	**15.1**	**17.2**	**0.0**

At December 31, 2003 *financial receivables* comprised the short-term loan to D.E.V. (4.2 million Euro) which has been written off in connection with the Aprilia acquisition agreements.

Note 8—Financial receivables (Continued)

The caption also included financial receivables of 7.7 million Euro and 2.7 million Euro, respectively from Aprilia Engine and Holdipar, which has been settled in connection with the Aprilia acquisition.

At December 31, 2003 *securities* also includes 2.5 million Euro in non-transferable registered bonds with guaranteed principal, maturing on March 1, 2007, acquired by Aprilia, which were pledged to a bank in January 2004.

Note 9—Cash and cash equivalents

The following is a summary of Aprilia Group's cash and cash equivalents (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Deposits with banks and post office	40.5	23.7	23.5
Cheques	19.8	0.5	0.3
Cash	0.5	0.5	0.0
Total	**60.8**	**24.7**	**23.8**

Note 10—Accrued incomes and prepaid expenses

The following is a summary of Aprilia's accrued incomes and prepaid expenses (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Accrued incomes			
Contributions to interest	0.1	0.5	0.0
Other	0.0	0.0	0.0
Total accrued incomes	***0.1***	***0.5***	***0.0***
Prepaid expenses			
Lease payment	0.0	0.0	0.0
Rent	0.0	0.2	0.2
Insurance policy	0.1	0.2	0.1
Advertising	0.0	7.0	4.7
Other	2.3	0.5	0.3
Total prepaid expenses	***2.4***	***7.9***	***5.3***
Total	**2.5**	**8.4**	**5.3**

At December 31, 2004 the item mainly refers to prepaid advertising costs (7.0 million Euro in 2003) relating to services to be received over the next two years, which have already been invoiced as

Note 10—Accrued incomes and prepaid expenses (Continued)

part of barter transactions. A provision for risks and charges of the same amount is entered in the financial at December 31, 2004.

Note 11—Total shareholders' equity

The shareholders' equity of the Aprilia Group amounted to 41.0 million Euro as of December 31, 2004.

The movements in the Aprilia Group Shareholders' equity are detailed in the following table (amounts in millions of Euro):

	Capital Stock	Share premium reserve	Revaluation reserve	Legal reserve	Other reserve	Retained earnings	Income (loss) for the year	Consolidation reserve	Total shareholders' equity
Balance as of December 31, 2003	**31.5**	**7.0**	**1.5**	**3.5**	**25.8**	**8.0**	**(43.1)**	**0.0**	**34.2**
Allocation of net loss		(7.0)	(1.5)		(25.0)		33.5		0.0
Retained loss of year ended 31.12.03						(9.6)	9.6		0.0
Conversion of convertible bonded loan	2.6	7.4							10.0
Covering of losses (Shareholders' meeting 15.12.04)	(34.1)	(7.4)		(3.5)	44.9				0.0
Covering of previous years losses					(4.3)	4.3			0.0
Covering of the current loss					63.7				63.7
Increase in share capital with share premium	10.0	74.4							84.4
Change in translation reserve					(0.1)	0.5			0.4
Profit (loss) for the year							(151.7)		(151.7)
Balance as of December 31, 2004	**10.0**	**74.4**	**0.0**	**0.0**	**105.0**	**3.3**	**(151.7)**	**0.0**	**41.0**

Shareholders' equity changed significantly in the year, substantially due to the arrival of the new shareholder. The most significant equity operations are summarized as follows. On December 15, 2004, Aprilia's total shareholders' meeting resolved to clear the share capital of 34.2 million Euro in order to cover the losses of the period from September 30 to October 31, 2004.

Pursuant to the Investment Agreement dated December 28, 2004 signed by Piaggio, Aprilia and the Aprilia shareholders, Piaggio & C. S.p.A. followed through with aforementioned resolution of Aprilia's shareholders by means of:

- full settlement of the Euro 63.7 million Euro losses;
- subscription of a share capital increase of 10,000,000 shares with a nominal value of 1 euro each;
- payment the 74.4 million Euro share premium.

The *share premium reserve*, initially 7.0 million Euro, was fully used to cover the 2003 loss and then increased by 7.4 million Euro following the conversion of the aforementioned bonded loan. It was then totally used to cover losses and reinstated as 74.4 million Euro, paid in by the new shareholder.

The *revaluation reserve*, equal to 1.5 million Euro, was fully used in the period to cover the 2003 losses.

Note 11—Total shareholders' equity (Continued)

The *legal reserve*, which at December 31, 2003 amounted to 3.5 million Euro, was used to cover the current losses.

Other reserves comprise:

- the *extraordinary reserve* used to cover the 2003 loss (25 million Euro);
- the *reserve set up in compliance with Italian Presidential Decree 917/86, Article 55* used to cover losses pursuant to the shareholders' resolution of December 15, 2004;
- the *reserve for covering current losses* which will be used when the 2004 result is determined and the financial statements are approved.

Note 12—Provisions for liabilities and charges

The following is a summary of Aprilia's provisions for liabilities and charges (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Tax provisions	1.1	1.9	2.1
Other Provisions			
Product warranty	10.4	8.6	8.5
Cost of recall campaigns	2.8	0.4	2.6
Maintenance (public vehicles)	0.4	0.8	0.8
Restructuring charges	0.0	2.2	4.9
Write-downs of equity investments	0.4	0.4	0.4
Other risk	7.5	10.6	11.5
Total other provisions	***21.5***	***23.0***	***28.7***
Total	**22.6**	**24.9**	**30.8**

At December 31, 2004 *tax provisions* refer to deferred taxes attributable to timing differences between profits and losses compiled for tax purposes and results as stated in the financial statements of the consolidated companies and tax provisions to cover tax liabilities following tax assessments.

The *product warranty provision* relates to estimated work on products during their period under guarantee. The period depends on the type of goods sold and the local market, as well as the number of customers who sign a maintenance contract.

The *provision for recall campaigns* represents the estimated cost of specific warranty actions taken on products.

The *provision for maintenance (public vehicles)* represents an estimate of the future cost of maintaining vehicles sold to public institutions.

The *provision for restructuring charges* reflects charges to be incurred by the company following the corporate reorganization.

Note 12—Provisions for liabilities and charges (Continued)

The *provision for write-downs of equity investments* reflects the write-down of the investment in Aprilia World Service Holding do Brazil.

At December 31, 2004 *other risks* relate to covering losses on barter transactions that provided unlikely advertising services to be received (4.7 million Euro), legal disputes (4.2 million Euro) and outstanding litigation against suppliers (1.3 million Euro).

Note 13—Provision for employee severance indemnities

This reserve includes the provision for employee severance indemnities amounting to 14.7 million Euro at December 31, 2004, 13.8 million Euro as of December 31, 2003 and 12.8 million Euro as of December 31, 2002.

Increases and decreases in the provision for employee severance indemnities are due to the difference between the provision for the period and indemnities paid, staff transfers and business line disposals.

Note 14—Payables

Financial payables

The following is a summary of Aprilia's financial payables (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Bonds	110.9	110.0	100.0
Borrowings from banks	174.8	162.6	44.7
Other financial debtors	0.1	0.4	0.0
Total	**285.8**	**273.0**	**144.7**

Bonds

Bonds include 100 million Euro for the placement on the Luxembourg Stock Exchange of a Eurobond, maturing in 2005 at 7.5% interest, issued by Aprilia Luxembourg S.A..

	Year ended December 31,		
	2002	2003	2004
Within 1 year	0.9	10.0	100.0
From 1 to 5 years	110.0	100.0	0.0
Over 5 years	0.0	0.0	0.0
Total	**110.9**	**110.0**	**100.0**

At December 31, 2003 the item included 10 million Euro in convertible bonds issued by Aprilia S.p.A. following the Extraordinary Stockholders' Meeting held on April 11, 2002. These bonds, with a par value of 1 euro each, were converted into Aprilia S.p.A. shares in May 2004; as a result, share capital and the share premium reserve increased respectively 2.6 million Euro and 7.4 million Euro.

Note 14—Payables (Continued)

Borrowings from banks

As of December 31, 2002 and 2003 and 2004, the breakdown by maturity date (in years) is set out as follows (amounts in millions of Euro):

	Year ended December 31,		
	2002	**2003**	**2004**
Within 1 year	93.8	122.4	35.9
From 1 to 5 years	81.0	40.2	8.8
Over 5 years	0.0	0.0	0.0
Total	**174.8**	**162.6**	**44.7**

At December 31, 2004, *borrowings from banks* within 1 year include current account overdrafts and short-term loans, equal to 34.7 million Euro, as a residual amount of the short-term indebted restructuring and 1.2 million Euro related to the short-term installments of long-term loans.

The short-term financing debt is secured by collateral on Aprilia tangible assets for an amount of 1 million Euro.

The decrease in short and long-term borrowings from banks compared to last year, equal respectively to 86.5 million Euro and 31.4 million Euro, is due to the assumption of "no liquid financial debt" by Piaggio & C. S.p.A. in connection with the Aprilia closing and to the reduction in the operating activities.

Other financial debts

As of December 31, 2002 and 2003 and 2004, the breakdown by maturity date (in years) is set out as follows (amounts in millions of Euro):

	Year ended December 31,		
	2002	**2003**	**2004**
Within 1 year	0.1	0.4	0.0
From 1 to 5 years	0.0	0.0	0.0
Over 5 years	0.0	0.0	0.0
Total	**0.1**	**0.4**	**0.0**

Note 14—Payables (Continued)

Trade payables

The following is a summary of Aprilia's trade payables, detailed by maturity date (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Payables to suppliers	***133.4***	***171.1***	***80.2***
within 1 year	133.4	170.8	79.3
after 1 year	0.0	0.3	0.9
Advances from customers	***1.6***	***1.2***	***1.2***
Trade payables to subsidiary, associated and parent companies (note 22)	***3.4***	***0.0***	***46.0***
Total	**138.4**	**172.3**	**127.4**

At December 31, 2004 the decrease in trade payables is attributable to the interruption of production for several months during the peak of the production cycle.

Trade payables to subsidiary, associated and parent companies refer to Piaggio & C. S.p.A.; they also include the economic penalties (4.4. million Euro) on supplying agreements.

Other payables

The following is a summary of Aprilia's other payables (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Tax payables	12.1	4.6	3.5
Social security payables	2.7	2.6	3.9
Others	20.9	12.7	9.4
Total	**35.7**	**19.9**	**16.8**

Tax payables

The following is a summary of Aprilia's *tax payables* (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Payable for income tax for the year	1.6	0.1	0.2
Payables to Tax authorities for:			
VAT	5.4	2.1	1.1
Tax	2.8	2.4	2.1
Others	2.3	0.0	0.1
Total	**12.1**	**4.6**	**3.5**

Note 14—Payables (Continued)

Social security payables

The item relates to payables due at the end of the year to social security institutions in accordance with current legislation. At December 31, 2004 the increase compared to last year is attributable to the payment by monthly installments (interest included) of social security due from Aprilia and Moto Guzzi.

Others

The following is a summary of Aprilia's other payables, detailed by maturity date (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Payables to employees	8.2	7.2	6.3
Sundry payables to third parties	7.2	5.5	3.1
Guarantee deposit	3.9	0.0	0.0
Payables to parent companies	1.6	0.0	0.0
Total	**20.9**	**12.7**	**9.4**

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

Note 15—Accrued expenses and deferred incomes

The following is a summary of Aprilia's accrued expenses and deferred incomes (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Accrued expenses			
Interest payable on secured loans	0.6	5.3	5.1
Insurances	0.8	0.5	0.5
Other	0.1	0.5	0.1
Total accrued expenses	***1.5***	***6.3***	***5.7***
Deferred incomes			
Grants	0.0	1.0	0.7
Licence Know-How	0.0	0.0	1.8
Other	0.2	0.2	0.3
Total deferred incomes	***0.2***	***1.2***	***2.8***
Total	**1.7**	**7.5**	**8.5**

As of December 31, 2004 *accrued expenses* mainly relate to the interest accrued on the Eurobond (5.1 million Euro) the coupons of which become payable in May.

Note 16—Off-balance arrangements

Guarantees issued to third parties

The guarantees issued to third parties amounting to 2.1 million Euro refer to sureties granted to suppliers and supplementary agreements were signed for the G.E. Commercial Distribution Finance (Transamerica) Group which foresee setting up cash collateral of one million dollars in the form of stand-by letters of credit in the United States and fixed-term deposit accounts of 0.9 million Euro and 200 thousand pounds sterling (0.3 million Euro) in order to cover risks present in Germany and the United Kingdom.

Property collateral

This item amounts to 4.2 million Euro and refers to Group property put up as collateral to a bank on research financing.

Guarantees issued by third parties

This item includes 8.3 million Euro for the sureties given to the landlord of the Guzzi building on behalf of Moto Guzzi S.p.A. and 3.8 million Euro in guarantees received from banks for transactions with the Public Administration and with various suppliers.

Commitments for leasing payments due

Commitments on operating leases (chiefly for plant and equipment) amount to 1.2 million Euro and represent the total amount of the leasing instalments due to the leasing companies.

The payments shown by the year they fall due are set forth as follows:

2005	0.3 million Euro
2006	0.3 million Euro
After	0.6 million Euro

Commitments for forward foreign currency operations

At December 31, 2004 forward foreign currency contracts were outstanding for an amount of 22.2 million Euro. The operations deal with hedging currency fluctuations.

Note 17—Value of production

The following is the summary of Aprilia's revenues from sales and services (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Revenues from sales and services	524.3	533.1	318.1
Total	**524.3**	**533.1**	**318.1**

Note 17—Value of production (Continued)

Aprilia has two business units. The breakdown of revenues per business unit is shown in the following table (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Two-wheeled Vehicles	461.7	466.8	273.6
Spare parts and Accessories	62.6	66.3	44.5
Total	**524.3**	**533.1**	**318.1**

The following table shows a geographical analysis of revenues from sales and services (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Italy	233.6	264.2	146.2
E.U.	235.8	214.2	143.1
U.S.A.	40.7	36.5	18.0
Rest of the World	14.2	18.2	10.8
Total	**524.3**	**533.1**	**318.1**

Foreign sales at December 2004 represent 53% of total Group sales.

Other income and revenues

The following is a summary of Aprilia's other income and revenues (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Revenues from sponsorship	2.2	3.0	2.3
Revenues from services	6.2	3.7	0.1
Revenues from sales of raw materials	1.5	5.4	1.8
Revenues from services under guarantee	4.1	4.4	3.0
Other revenues	26.9	28.1	20.8
Total	**40.9**	**44.6**	**28.0**

Other revenues primarily include the recovery of packaging, transport and registration number costs.

Note 18—Cost of production

The following is a summary of the cost of sales (amounts in millions of Euro):

	Year ended December 31, 2002	2003	2004
Cost of purchases			
Raw materials and supplies	(350.3)	(351.9)	(216.9)
Change in inventories of raw materials and supplies	(10.7)	1.3	(12.3)
Total cost of purchases	***(361.0)***	***(350.6)***	***(229.2)***
Cost of services			
consultancy	(15.5)	(24.7)	(20.6)
transport	(18.6)	(23.6)	(15.0)
subcontracted work	(11.4)	(9.3)	(5.3)
warranty	(8.2)	(7.2)	(6.6)
advertising and promotion	(32.7)	(35.4)	(16.6)
emoluments of directors	(0.9)	(0.9)	(0.6)
emoluments of statutory auditors	(0.1)	(0.2)	(0.2)
other	(26.0)	(22.6)	(18.5)
Total cost of services	***(113.4)***	***(123.9)***	***(83.4)***
Leases and rentals	(5.8)	(6.1)	(6.1)
Personnel	(73.6)	(74.1)	(60.6)
Depreciation, amortization and write-downs	(36.9)	(34.4)	(62.5)
Provision for risk and other accruals	(9.0)	(8.8)	(19.3)
Other operating costs	(2.1)	(1.2)	(5.8)
Total cost of sale	**(601.8)**	**(599.1)**	**(466.9)**

Personnel expenses

These consist of the following (amounts in millions of Euro):

	Year ended December 31, 2002	2003	2004
Wages and salaries	(54.4)	(54.0)	(44.7)
Social contributions	(14.2)	(14.9)	(11.8)
Employee severance indemnities	(2.9)	(3.0)	(3.0)
Other labor expenses	(2.1)	(2.2)	(1.1)
Total	**(73.6)**	**(74.1)**	**(60.6)**

Note 18—Cost of production (Continued)

The following table sets out, divided by category, the average number of employees of the Aprilia Group in the last three years:

	Avarage for year ended December 31,		
	2002	2003	2004
Management	64	54	39
White-collar workers	737	708	649
Blue-collar workers	907	895	785
Total	**1,708**	**1,657**	**1,473**

Amortization, depreciation and write-downs

Amortizations of the last three years consist of the following (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Start-up and expansion	(1.8)	(3.2)	0.0
Research and development	(5.8)	(8.4)	(15.8)
Industrial patents and intellectual property rights	(0.1)	0.0	0.0
Concessions, licenses, trademarks and similar rights	(7.4)	(2.4)	(7.8)
Goodwill	(0.1)	0.0	(0.2)
Other intangible fixed assets	(3.2)	(3.0)	(3.1)
Total	**(18.4)**	**(17.0)**	**(26.9)**

At December 31, 2004, the caption doesn't include the brands amortization for the year ended December 31, 2003; the amount, equal to 4.5 million Euro, is classified in the extraordinary items.

Depreciation of the last three years consists of the following (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Land & buildings	(1.7)	(1.7)	(1.4)
Plant and Machinery	(3.4)	(1.7)	(1.7)
Industrial and commercial equipment	(8.5)	(7.7)	(7.6)
Other tangible assets	(1.9)	(1.8)	(1.6)
Total	**(15.5)**	**(12.9)**	**(12.3)**

At December 31, 2004, *write-downs*, equal to 23.3 million Euro, relate to the allowance for doubtful accounts.

Other provisions

At December 31, 2004, other provisions, equal to 19.3 million Euro, mainly related to provisions to cover risks for losses on barter transactions (4.2 million Euro), likely future liabilities connected with

Note 18—Cost of production (Continued)

D.E.V. (3.0 million Euro), warranty works and recall campaigns (2.8 million Euro), restructuring costs (3.6 million Euro) and legal disputes (2.2 million Euro).

Other operating costs

The following is a summary of the "other operating costs" (amounts in millions of Euro):

	Year Ended December 31,		
	2002	2003	2004
Taxes other than income tax	(0.5)	(0.5)	(0.4)
Losses on disposals of assets	0.0	0.0	0.0
Various association membership dues	0.0	0.0	0.0
Losses on receivables	(0.5)	(0.1)	(0.1)
Piaggio penalty	0.0	0.0	(4.4)
Other operating expenses	(1.1)	(0.6)	(0.9)
Total	**(2.1)**	**(1.2)**	**(5.8)**

At December 31, 2004 other operating costs include 4.4 million Euro related to economic penalties due to Piaggio & C. S.p.A. (now the holding company) due to less raw material purchases than the quantities agreed.

Note 19—Financial income (expenses)

The breakdown of the item is as follows (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Incomes from Investment			
Financial income from investments in subsidiary companies	0.0	0.2	1.2
Other income from equity investments	0.0	0.0	0.0
Other income from receivables held as fixed assets			
subsidiary companies	0.0	0.1	0.0
other	1.1	0.4	0.0
Other income from securities held as fixed assets, not equity investments	0.1	0.1	0.0
Total incomes from investment	***1.2***	***0.8***	***1.2***
Income other than the above from third parties:			
bank interest income	1.4	0.9	0.3
other	3.4	2.7	1.3
Total interest incomes	***4.8***	***3.6***	***1.6***
Interest and other financial expenses			
bank interest expense	(2.2)	(2.4)	(2.7)
bond interest expense	(5.6)	(7.1)	(7.9)
other	(10.1)	(7.7)	(6.1)
Total interest and other financial expenses	***(17.9)***	***(17.2)***	***(16.7)***
Exchange gains (losses), net			
exchange gains	0.7	5.8	4.8
exchange loss	(4.3)	(9.0)	(5.7)
Total Exchange gains (losses)—net	***(3.6)***	***(3.2)***	***(0.9)***
Total	**(15.5)**	**(16.0)**	**(14.8)**

Note 20—Extraordinary income (expense)

The followings are a summary of Aprilia's extraordinary income and expenses (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Extraordinary incomes			
Out-of-period income	0.5	0.4	0.2
Interests on deferred tax credits	0.0	0.0	0.4
Sundry extraordinary incomes	2.9	2.2	1.7
Extraordinary gains on disposal of assets	13.0	0.0	0.0
Total extraordinary incomes	***16.4***	***2.6***	***2.3***
Extraordinary expenses			
Prior years' taxation	0.0	0.0	(6.8)
Out-of-period expense and other charges relating to foreign companies	(0.2)	(3.3)	(3.9)
Other charges	(0.5)	0.0	(4.4)
R&D extraordinary expenses (stopped projects)	0.0	0.0	(14.3)
Total extraordinary expenses	***(0.7)***	***(3.3)***	***(29.4)***
Total	**15.7**	**(0.7)**	**(27.1)**

At December 31, 2004 extraordinary expenses mainly comprise the reversal of deferred expenses (6.8 million Euro) and the write-down of intangible assets (14.3 million Euro) capitalized in prior years.

Note 21—Income Taxes

Income taxes recorded in the consolidated income statement are follows (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
IRPEG	(3.7)	(0.5)	(0.5)
IRAP	(3.0)	(2.7)	(0.0)
Other taxes	1.4	1.1	(0.2)
Total current taxes	***(5.3)***	***(2.1)***	***(0.7)***
Deferred tax	***0.5***	***(5.6)***	***0.0***
Total	**(4.8)**	**(7.7)**	**(0.7)**

Note 22—Subsidiaries, associated and parent companies transactions

Transactions with associated companies not consolidated on a line-by-line basis

The details of transactions in 2002, 2003 and 2004 with associated companies are as follows:

	Year ended December 31,		
	2002	**2003**	**2004**
Purchases			
Dev S.r.l.	0.0	3.4	3.0
Custom insurance Company	0.9	0.8	0.0
Total	**0.9**	**4.2**	**3.0**

Receivables from subsidiary, associated and parent companies not consolidated on a line-by-line basis

The balance relates to amounts due from the following companies (amounts in millions of Euro):

	Year ended December 31,		
	2002	**2003**	**2004**
Trade receivables from parent companies			
Piaggio & C. S.p.A.	0.0	0.0	0.9
	0.0	***0.0***	***0.9***
Trade receivables from associated companies			
D.E.V. S.r.l.	4.4	1.1	0.0
	4.4	***1.1***	***0.0***
Trade receivables from associated companies			
Aprilia Brasil and Aprilia World Service Holding do Brasil	2.6	0.1	0.1
	2.6	***0.1***	***0.1***
Total	**7.0**	**1.2**	**1.0**

Note 22—Subsidiaries, associated and parent companies transactions (Continued)

Payables from subsidiary, associated and parent companies not consolidated on a line-by-line basis

The balance is composed as follows (amounts in millions of Euro):

	Year ended December 31,		
	2002	2003	2004
Trade payables to parent companies			
Piaggio & C. S.p.A.	0.0	0.0	46.0
	0.0	***0.0***	***46.0***
Trade payables to subsidiaries companies			
D.E.V. S.r.l	3.4	0.0	0.0
	3.4	***0.0***	***0.0***
Total	**3.4**	**0.0**	**46.0**

Note 23—List of investments

The following table sets forth the list of Group's investments in subsidiaries and associated companies, as of December 31, 2004 (amounts in millions of Euro):

Investments in subsidiaries (consolidated line by line)	Registered office	Capital stock	% owned directly and indirectly by Aprilia S.p.A.
		(millions of Euro)	
Moto Guzzi S.p.A.	Mandello del Lario (Italy)	2.5	100.00%
Motocorss Company S.r.l.	Milan (Italy)	0.0	100.00%
Aprilia World Service B.V.	Breda (Netherlands)	6.7	100.00%
Aprilia Finance Ltd (50% of which through Aprilia Luxembourg S.A.)	Dublin (Ireland)	1.0	100.00%
Kodex S.r.l.	Noale (Italy)	0.1	100.00%
Moto Laverda S.r.l.	Noale (Italy)	0.1	100.00%
Aprilia Leasing S.p.A.	Milan (Italy)	0.5	100.00%
Aprilia Luxembourg S.A. (20% of which through Aprilia S.p.A.)	Luxembourg	0.0	100.00%
Aprilia Moto UK Ltd	Durangit (UK)	2.8	100.00%
Aprilia Hellas S.A.	Athens (Greece)	0.1	99.00%
Aprilia Motrrad GmbH	Dusseldorf (Germany)	2.1	100.00%
Aprilia Japan Corp.	Yokohama (Japan)	0.0	100.00%
Aprilia Research & Development S.A.	San Marino	0.3	100.00%
Aprilia World Service USA inc.	Wilmington (USA)	0.0	100.00%

Note 23—List of investments (Continued)

Investments in subsidiaries (consolidated by the equity method)	Registered office	Capital stock pro quota	% owned directly and indirectly by Aprilia S.p.A.
		(millions of Euro)	
Aprilia World Service Holding do Brasil Ltda	Brasil	0.6	99.99%

Companies excluded from the consolidation area and valued according to the cost method	Registered office	Capital stock pro quota	% owned directly and indirectly by Aprilia S.p.A.
		(millions of Euro)	
D.E.V. Diffusione Europea Veicoli S.r.l. (winding-up)	Italy	0.0	20.00%
Marker S.r.l.	Italy	0.0	49.00%
C.I.S. Custom International Services Ltd	Dublin (Ireland)	0.9	100.00%

The following table sets forth the list of Group's investments in subsidiaries and associated companies, as of December 31, 2003 (amounts in millions of Euro):

Investments in subsidiaries (consolidated line by line)	Registered office	Capital stock	% owned directly and indirectly by Aprilia S.p.A.
		(millions of Euro)	
Aprilia Finance Ltd	Dublin (Ireland)	124.7	100%
Custom Insurance Company Ltd	Dublin (Ireland)	1.0	100%
Aprilia Leasing S.p.A.	Milan (Italy)	0.5	100%
Aprilia World Service B.V.	Breda (Netherlands)	6.7	100%
Aprilia Motorrad GmbH	Dusseldorf (Germany)	2.1	100%
Aprilia UK Ltd	Durangit (Scotland)	2.0	100%
Aprilia World Service USA Inc	Wilmington (Usa)	1.1	100%
Aprilia Research and Development SA	San Marino	0.3	100%
Kodex S.r.l.	Noale (Italy)	0.0	100%
Moto Laverda S.r.l.	Noale (Italy)	0.0	100%
Moto Guzzi S.p.A.	Mandello del Lario (Italy)	8.9	100%
Aprilia Hellas	Athens (Greece)	0.1	99%
Aprilia Japan Corp.	Japan	3.0	100%
Aprilia Luxembourg SA	Luxembourg	0.0	100%

Note 23—List of investments (Continued)

The following table sets forth the list of Group's investments in subsidiaries and associated companies, as of December 31, 2002 (amounts in millions of Euro):

Investments in subsidiaries (consolidated line by line)	Registered office	Capital stock	% owned directly and indirectly by Aprilia S.p.A.
		(millions of Euro)	
Aprilia Finance Ltd	Dublin (Ireland)	124.7	100%
Custom Insurance Company Ltd	Dublin (Ireland)	1.0	100%
Aprilia Leasing S.p.A.	Milan	0.5	100%
Aprilia World Service B.V.	Breda (Netherlands)	6.7	100%
Aprilia Motorrad GmbH	Dusseldorf (Germany)	2.1	100%
Aprilia UK Ltd	Durangit (Scotland)	2.0	100%
Aprilia USA Inc	Wilmington (USA)	1.1	100%
Aprilia Research and Development SA	San Marino	0.3	100%
Kodex S.r.l.	Noale (Italy)	0.0	100%
Moto Laverda S.r.l.	Noale (Italy)	0.0	100%
Moto Guzzi S.p.A.	Mandello del Lario (Italy)	8.9	100%
Guzzi North America Inc.	Angier (USA)	6.0	100%
Guzzi France sarl	Villepinte (France)	0.4	100%
Aprilia Japan Corp.	Japan	0.3	100%
Aprilia Luxembourg SA	Luxembourg	0.0	100%