PIAGGIO & C. s.p.a.

IMMSI Group

Share capital 194,827,431.24= Euro fully paid up
Registered office: viale R. Piaggio, 25 Pontedera (PI)
Pisa Register of Companies and Tax Code 04773200011
Pisa Economic and Administrative Repertory 134077

Quarterly Report

First Quarter 2006

COMPANY BOARDS

Board of Directors	**Chairman**	Roberto Colaninno
	Deputy Chairman	Matteo Colaninno
	Chief Executive Officer	Rocco Sabelli
	Directors	Graham Clempson
		Daniele Discepolo
		Luciano La Noce
		Giorgio Magnoni
		Gaetano Micciché
		Carlo Pirzio Biroli
	Secretary to the Board of Directors	Alberto Casacchia
Board of Statutory Auditors	**Chairman**	Giovanni Barbara
	Standing auditors	Attilio Francesco Arietti
		Alessandro Lai
	Alternate auditors	Mauro Girelli
		Maurizio Maffeis
Supervisory Body as per Legislative Decree 231/2001		Enrico Ingrillì
		Giovanni Barbara
		Gianclaudio Neri
Incentive Plan Committee		Roberto Colaninno
		Graham Clempson
		Gaetano Micciché
General Manager		Gianclaudio Neri
Independent Auditors		Deloitte & Touche S.p.A.

PIAGGIO GROUP FINANCIAL HIGHLIGHTS

Income Statement (reclassified) (1)		March 31,		December 31, 2005
(in ML €)		2006	2005	
Net Sales		**374.2**	**312.3**	**1,451.8**
Gross Industrial Margin		**112.9**	**91.9**	**438.2**
Operating Costs		-89.9	-90.8	-343.9
Operating Profit		**23.0**	**1.1**	**94.3**
Income Before Tax		**15.2**	**-5.9**	**64.0**
Net income		**10.2**	**-10.9**	**38.1**
.Minority Interest		**0.0**	***0.0***	***0.2***
.Group		**10.2**	***-10.9***	***37.9***
Gross Margin on Net Sales	%	30.2	29.4	30.2
Operating Earnings on Net Sales	%	6.1	0.4	6.5
Net income on Net Sales	%	2.7	-3.5	2.6
EBITDA (operating)		**43.0**	**24.5**	**184.8**
EBITDA on Net Sales	%	11.5	7.8	12.7
Balance Sheet				
Net Working Capital		47.2	162.5	44.0
Net Tangible Assets		253.6	253.1	260.1
Net Intangible Assets		624.7	576.4	624.7
Investments		7.2	8.8	7.4
Provisions		-175.7	-173.7	-176.3
Net Capital Employed		**757.0**	**827.2**	**759.9**
Net Financial Position		397.7	586.3	411.4
Shareholders’ Equity		359.3	240.8	348.5
Sources of Funds		**757.0**	**827.2**	**759.9**
Minority Equity Interest		0.3	0.4	0.3
Change in Net Financial Position				
Opening Net Financial Position		**-411.4**	**-521.5**	**-521.5**
Operating Cash Flow (Earnings + Amortisation & Depreciation)		30.2	12.5	128.6
(Increase)/Decrease in Working Capital		-3,2	-48.4	70.2
(Increase)/Decrease in Investments		-13.3	-15.9	-136.9
Net Change Severance Indemnities provision and other provisions		-0.6	-13.5	-10.9
Change in Shareholders’ Equity		0.6	0.5	59.2
Total Change		***13.7***	***-64.8***	***110.1***
Closing Net Financial Position		**-397.7**	**-586.3**	**-411.4**

(1) All the above information is presented in accordance with IFRS

GROUP HIGHLIGHTS FOR THE FIRST QUARTER 2006

Consolidated net sales grew to 374.2 ML€ (+19.8% compared to the first quarter of 2005), 97.0 ML€ of which from the Aprilia and Guzzi brands and 275.5 ML€ relating to the Piaggio, Gilera and Vespa brands, as well as Light Transportation Vehicles (LTV). Piaggio sales increased from 223.4 ML€ in the first quarter of 2005 to 275.5 ML€ (+23.3%) in the first quarter of 2006, including 34.6 ML€ relating to a contract with Poste Italiane (the Italian Post Office), while sales relating to Aprilia and Guzzi increased from 82.8 ML€ in the first quarter of 2005 to 97.0 ML€ in the first quarter of 2006 (+17.1%).

Consolidated EBITDA increased 75%: 43.0 ML€ for 11.5% of Sales compared to 24.5 ML€ in the first quarter of 2005, equal to 7.8% of Sales.

The operating profit was 23.0 ML€, compared to 1.1 ML€ in the first quarter of 2005.

The Piaggio Group's profit for the first quarter of 2006 was 10.2ML€ compared to 38.1 ML€ for the year 2005 and compared to a 10.9 ML€ loss in the first quarter of 2005.

The consolidated Net Financial Position improved from –411.4 ML€ at December 31, 2005 to –397.7 ML€ at March 31, 2006, a net improvement of 13.7 ML €, compared to a 64.8 ML€ absorption of financial resources in the first quarter of 2005.

EVENTS AFTER MARCH 31, 2006

No relevant events occurred between the date of this quarterly report and the date of its approval which may have substantially changed the content thereof.

FULL-YEAR BUSINESS OUTLOOK

In March, the company applied for a listing on the Borsa Italiana (Italian Stock Exchange).

At the date of approval of this quarterly report, Consob and the Borsa Italiana were still reviewing the application and a decision is expected in May this year. If the application is approved, the listing could be finalised by this June.

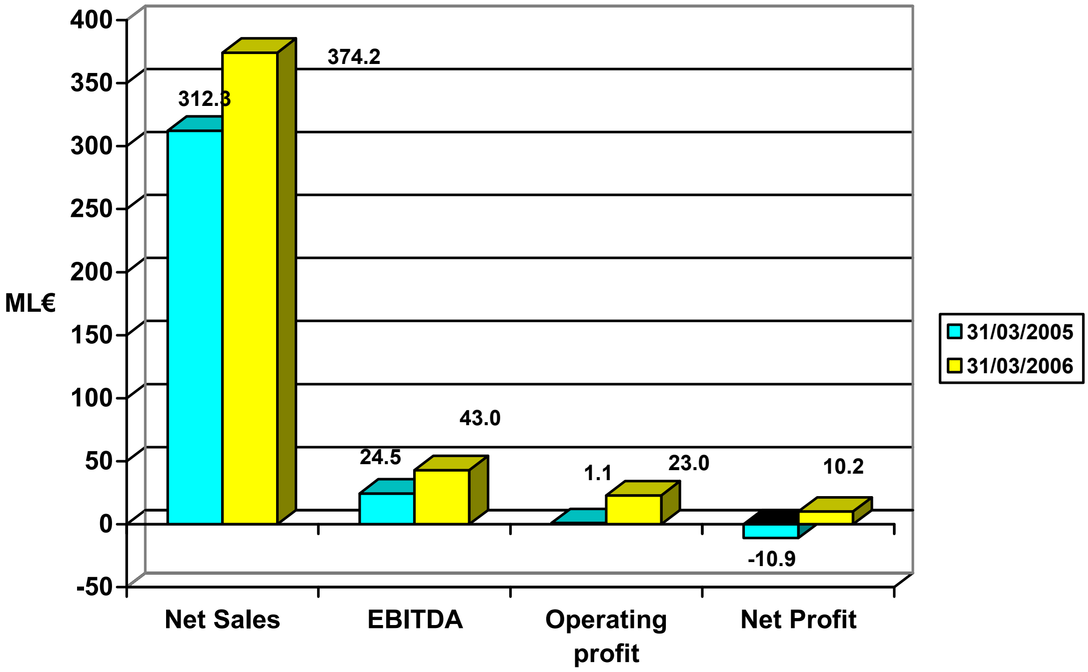
In 2006, the Piaggio Group intends to maintain its leadership in scooters and to further regain market share in the motorcycle segment, by continuing the recovery of the Aprilia and Guzzi brands.
Particular attention will be paid to launches of new products with innovative technological characteristics, to better cater to domestic and international motorcycle and scooter customers.

In the Light Transportation Vehicles segment, the priorities will focus on supporting the expanding Indian market, together with maintaining the sales volumes achieved on the Italian and European markets, which are both highly mature.

PIAGGIO GROUP BUSINESS AND FINANCIAL REVIEW

Piaggio Group ended the first quarter of 2006 with a net profit of 10.2ML€, compared to a 10.9 ML€ loss in the same period the year before.

The following chart compares the key business results at March 31, 2006 with the Group's figures for the year earlier period.



First quarter 2006 Piaggio Group financial highlights

Net Sales

(in ML€)	*1st quarter 2006*	*1st quarter 2005*	*Change*
Two-wheelers	284.4	236.2	48.2
Light Transportation Vehicles	88.1	70.0	18.1
Other	1.7	6.1	-4.4
TOTAL SALES	**374.2**	**312.3**	**61.9**

First quarter 2006 consolidated Group net sales were 374.2 ML€, up 19.8% on the year-earlier result.
The increase is attributable to improvements in the Two-wheeler and Light Transportation Vehicle businesses. More specifically, the growth is due to a 10.8 ML€ increase in turnover for Gilera and Vespa, 14.2 ML€ for Aprilia and Moto Guzzi and 18.1 ML€ for Light Transportation Vehicles, all compared to the same period in 2005. Two-wheeler sales also include 34.6 ML€ of turnover with Poste Italiane S.p.A. in the first

quarter of 2006, relating to a supply contract the parent company Piaggio & C. signed at the end of last year.

The 112.9 ML€ **gross industrial margin**, a 22.8% increase on the first quarter of 2005, was 30.2% of turnover (29.4% in the first quarter of 2005).

Consolidated EBITDA was 43.0 ML€, up 75.3% compared to 24.5 ML€ for the same period last year. First quarter 2006 EBITDA was 11.5% of turnover, an improvement of some 3.6% compared to the same period in 2005.

The first quarter 2006 **operating profit** was 23.0 ML€, a 21.9 ML€ improvement on 1.1 ML€ for the same period in 2005. First quarter profitability (measured as operating profit on net sales) also improved to 6.1%, against 0.4% for the same period in 2005.

Compared to 7.0 ML€ in the first quarter of 2005, **net financial costs** were 7.8 ML€, 3.9 ML€ of which relate to the bond issued by the parent company last year.

After deducting 5 ML€ for taxation, the first quarter of 2006 ends with a **net profit** of 10.2 ML€, against a 10.9 ML€ net loss recorded in the same period a year earlier.

HIGHLIGHTS BY LINE OF BUSINESS – FIRST QUARTER 2006							
(in ML€)	**Two-wheelers**				**LTV**	**OTHER**	**TOTAL**
	Piaggio Gilera Vespa	DERBI	Aprilia	M. Guzzi			
Sales volumes	86.7	9.3	26.7	2.3	36.6		**161.6**
Turnover	170.4	17.0	79.9	17.1	88.1	1.7	**374.2**
Personnel	3,583	366	1,162	238	1,739		**7,088**
Investments	8.9	1.5	7.9	1.2	1.7	0.2	**21.4**
- Fixed Assets	2.0	0.4	1.7	0.3	0.6	0.2	**5.2**
- R&D (spending)	6.9	1.1	6.2	0.9	1.1	0.0	**16.2**

HIGHLIGHTS BY GEOGRAPHICAL AREA – FIRST QUARTER 2006						
(in ML€)						
GEOGRAPHICAL AREA	**ITALY**	**EUROPE**	**NORTH AMERICA**	**INDIA**	**OTHER**	**TOTAL**
Sales volumes	62.3	58.8	4.4	31.3	4.9	**161.6**

Turnover	157.8	140.2	14.5	49.8	11.9	**374.2**
Personnel	4,929	661	42	1,417	39	**7,088**
Investments	18.8	1.6	0.5	0.5		**21.4**
- Fixed Assets	3.7	0.5	0.5	0.5		**5.2**
- R&D (spending)	15.1	1.1				**16.2**

TWO-WHEELER BUSINESS

	1st QUARTER 2006		**1st QUARTER 2005**		**% change**	
	Volumes Sell in ('000 units)	Turnover (ML€)	Volumes Sell in ('000 units)	Turnover (ML€)	Volumes	Turnover
Piaggio	61.0	101.4	40.6	72.6	50.2	39.7
Gilera	7.2	12.1	6.5	11.1	10.8	9.0
Vespa	18.5	38.4	15.4	28.6	20.1	34.3
Parts/Accessories		18.5		18.3	0.0	1.1
Derbi (1)	9.3	17.0	11.6	22.8	-19.8	-25.4
Aprilia	26.7	79.9	27.8	75.0	-4.0	6.5
M. Guzzi	2.3	17.1	1.1	7.8	109.1	119.2
TOTAL	**125.0**	**284.4**	**103.0**	**236.2**	**21.4**	**20.4**
(1) Includes parts and accessories						

In the first quarter of 2006, the European two-wheeler market was up 11% compared to the same period in 2005 with overall sales of approximately 422 thousand units. Both divisions, scooters and motorcycles, showed improvements, +19% with volumes around 230 thousand units and +4% with volumes around 192 thousand units, respectively; of particular note are the increases in scooters over 50cc (+40%) and in 125cc motorcycles (+19%) and 126cc-750cc (+10%), while decreases were recorded in 50cc scooters (-2%) and 50cc motorcycles (-18%).
In the first three months of 2006, Piaggio Group sold 125 thousand units, about 22.0% up on the first quarter of 2005, in part following the supply contract with Poste Italiane; this major contract also led to an approximately 4% increase in market share.

As regards the scooter segment, the Group increased its market share in Europe from 33.9% in the first quarter of 2005 to 36.4% in 2006. The Piaggio brand, up from 18.4% to 22.4% in terms of market share, attributable mostly to the sales relating to the Poste Italiane contract, and Vespa, whose sales to end-users in Europe grew by more than 50% with a market share of 5.2% (against 4.0% in the first quarter of 2005), performed particularly well.

Aprilia ends the first quarter of 2006 down (with a 5.8% market share compared to 7.8% in 2005), mainly due to a slowdown in the Italian market, awaiting the launch of the range of new Euro 3 vehicles amongst which the Scarabeo 500 i.e presented in April and the Sport city 250 i.e, expected in May.

In the first quarter of 2006, Piaggio Group's market share in the European motorcycle segment was 5%, slightly down compared to 2005 (-0.5%); Moto Guzzi improved (a market share of 0.7% for the first quarter of 2006 compared to 0.5% for the same period in 2005), with sales to end-users in Europe more than 43% up compared to 2005. In the 750cc segment, the market share was 1.4%, about 1% up and sales to end-users more than doubled compared to 2005. Aprilia recorded a slight overall downturn (1.8% market share in the first quarter of 2006 compared to 2.0% in the first quarter of 2005), but grew in the 126-750cc segment (0.8% market share in 2006 against 0.2% in 2005) and in the over 750cc segment (2.2% market share against 1.8% in 2005), a 33% overall improvement in the over 50cc motorcycle segment in terms of sales to end-users.
The Derbi brand was slightly down (2.3% market share in the first quarter of 2006 compared to 2.8% in the first quarter of 2005). The next few months will see the launch of new Derbi models which will update and complete the range of products available.

LTV BUSINESS

	1st QUARTER 2006		**1st QUARTER 2005**		**% change**	
	Volumes Sell in ('000 units)	Turnover (ML€)	Volumes Sell in ('000 units)	Turnover (ML€)	Volumes	Turnover
Ape	33.9	56.1	25.0	39.2	35.4	43.1
of which India	31.3	46.7	23.1	32.7	*35.5*	*42.8*
Minivan	1.6	14.1	1.5	12.2	8.5	15.6
Quargo	1.0	7.2	1.2	8.4	-11.1	-14.6
Microcars	0.1	0.9	0.3	2.4	-70.9	-62.5
Parts/Accessories (1)		9.9		7.8	0.0	26.5
TOTAL	**36.6**	**88.1**	**28.0**	**70.0**	**30.7**	**25.9**
(1) Includes Indian parts						

In the first months of 2006, the European market for Light Transportation Vehicles (vehicles with a Gross Vehicle Weight ≤ 3.5 tonnes) increased by 5.5% compared to 2005 (source: ACEA January-February 2006). Italy also improved (+3.4% - Source: ANFIA, January-March 2006), with 55,415 units sold against 53,588 units in 2005.

The Indian market, in which Piaggio Vehicle Private Limited (PVPL) successfully operates, continues to expand, growing 24% compared to the first quarter of 2005. In the segments in which PVPL is present, sales to end-users were of 106,117 units against some 85,685 units recorded for the first quarter 2005. More specifically, there was strong growth in the "Passenger vehicle" segment (+40.6%), while the Cargo segment increased less (+5.6%) compared to 2005. At the end of the first quarter of 2006, PVPL had an overall Indian market share of 29% (36% in the Cargo segment and 25% in the Passenger segment).

The Light Transportation Vehicle (LTV) division ended the first quarter of 2006 with 36,641 units sold, +30.7% compared to the first quarter of 2005 (28,023 units) and an overall turnover of 88.1 ML€, up 25.9% compared to the first quarter of 2005 (70.0 ML€). This increase is mainly due to the success of the Indian subsidiary PVPL (Piaggio Vehicles Private Ltd), which went from 23,058 units sold in the first quarter of 2005 to 31,270 units sold for the same period in 2006 (+35.6%) with a turnover of 49.9 ML€. As regards the European market, the first quarter of 2006 confirmed the positive trend that began in 2005: sales improved from 4,965 units in the first quarter of 2005 to 5,371 units for the same period in 2006 (+8.2%) and first quarter 2006 turnover was 38.3 ML€.

CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement drafted in accordance with the IFRS is in the "Consolidated financial statements and notes to the financial statements at March 31, 2006"; the following comments refer to the summary provided in the Highlights on page 2.

13.7 ML€ of cash flow was generated in the period.

Operating cash flow (net profit plus amortisation and depreciation) was 30.2 ML€. The positive effect of this cash flow generated in the period was partially offset by the increase in working capital, which, also as a result of the seasonal nature of the Two-wheeler business which concentrates the greatest financial needs in this period of the year, absorbed 3.2 ML€ of liquidity, compared to 48.4 ML€ for the same period a year earlier.
This positive performance was also achieved as a consequence of the progress in the implementation of non-recourse factoring arrangements on the Italian market, which started in December 2005.

Investment activities absorbed 13.3ML€ of liquidity.

Investments in tangible and intangible assets amounted to 14.1 ML€, comprising:

ML€	*March 31, 2006*	*March 31, 2005*
Intangible assets		
Of which Piaggio	4.3	6.5
Of which Aprilia	4.3	3.0
Of which Guzzi	0.8	
Of which Nacional Motor	0.2	0.5
Of which Piaggio Vehicles pvt ltd	0	
Tangible assets		
Of which Piaggio	2.0	5.7
Of which Aprilia	1.2	1.5

Of which Guzzi	0.3	14.9
Of which Nacional Motor	0.4	1.6
Of which Piaggio Vehicles pvt ltd	0.5	0.7

Investments in intangible assets refer to investments in research and development projects and other intangible investments, while those in tangible assets refer to industrial and commercial equipment relating to new vehicles and new engines.

PIAGGIO GROUP BALANCE SHEET AT MARCH 31, 2006

Working capital was 47.2 ML€, slightly up compared to December 31, 2005 (a 3.2 ML€ net increase, mainly due to the seasonal nature of the Two-wheeler business), but sharply down compared to the same period a year earlier (-115,4 ML€), due to management efforts to contain inventories and credit management programmes implemented over the last 12 months, as well as the abovementioned non-recourse factoring arrangements implemented in the Italian market.

The -397.7 ML€ **net financial position** at March 31, 2006 compares to 411.4 ML€ at December 31, 2005 and 586.3 ML€ for the same period in 2005. The 13.7 ML€ reduction compared to December 31, 2005 is principally due to the positive trend of the operating cash flow, only partially offset by the absorption of resources associated with the seasonal nature of the Two-wheeler business.

The composition of the net financial position is summarised in the table below:

ML€	*March 31, 2006*	*December 31, 2005*
Medium/Long-term borrowings	226.4	231.5
Bonds	144.0	144.0
Short-term borrowings	84.5	88.5
(Financial assets)	(9.9)	(9.8)
(Cash)	(47.3)	(42.8)
Total	397.7	411.4

Shareholders' equity at March 31, 2006 was 359.3 ML€, against 348.5ML€ at December 31, 2005.

EMPLOYEES

There were 7,088 Group **employees** at March 31, 2006, compared to 6,353 at December 31, 2005.
Personnel numbers were in line with the cyclical nature of the production process, when people are hired on term contracts.

	Average number		*As at*	
Category	*1st quarter 2006*	*1st quarter 2005*	*31-Mar-06*	*31-Dec-05*
Managers	115	113	116	115

Middle management and clerical staff	2,116	2,106	2,119	2,111
Manual labour	4,580	4,483	4,853	4,127
Total	**6,811**	**6,702**	**7,088**	**6,353**

PIAGGIO GROUP

Consolidated Financial Statements and Explanatory Notes at March 31, 2006

INCOME STATEMENT			
€/000	Notes	**1st quarter 2006**	**1st quarter 2005**
Net Sales	1	**374,189**	**312,335**
Raw materials and supplies	2	217,010	176,967
Services, leases, rentals and use of third party assets	3	72,679	73,537
Personnel costs	4	59,795	57,591
Depreciation of tangible assets	5	9,738	11,015
Amortisation of intangible assets	5	10,219	12,409
Other operating income	6	26,691	27,304
Other operating expense	7	8,444	7,035
Operating profit (loss)		**22,995**	**1,085**
Gain (loss) on equity investments			(52)
Financial income	8	1,864	1,678
Financial charges	8	(9,662)	(8,688)
Earnings before tax		**15,197**	**(5,977)**
Income taxes	9	**4,957**	**4,896**
Result from continuing operations		**10,240**	**(10,873)**
Result from discontinued operations			
Consolidated income		**10,240**	**(10,873)**
Attributable to:			
Group interests		**10,222**	**(10,905)**
Minority interest		**18**	**32**
Earnings per share (in Euro)		**0.027**	**(0.029)**

BALANCE SHEET			
€/000	Notes	**31/03/2006**	**31/12/2005**
ASSETS			
Fixed Assets			
Intangible assets	10	624,724	624,746
Property, plant and machinery	11	253,599	259,591
Investment property	12	0	506
Equity investments	13	604	650
Other financial assets	13	9,978	10,354
Receivables due from tax authorities (long-term)	14	7,696	7,156
Deferred tax assets	15	37,604	35,135
Trade receivables and other receivables	16	7,913	7,140
Total Fixed Assets		**942,118**	**945,278**
Assets held for sale		**55**	**55**
Current Assets			
Trade receivables and other receivables	16	237,730	176,772
Receivables due from tax authorities (short-term)	14	10,312	12,440
Inventories	17	226,469	192,029
Financial assets held for trading		128	137
Cash and cash equivalents	18	47,291	42,770
Total Current Assets		**521,930**	**424,148**
Total Assets		**1,464,103**	**1,369,481**
Shareholders' equity of the Group		359,041	348,213
Minority interest		272	254
Total shareholders' equity	19	**359,313**	**348,467**
Non-current liabilities			
Financial liabilities	20	370,427	375,596
Trade payables and other payables (long-term)	21	16,580	13,403
Reserve for employee severance indemnity and staff benefits	22	79,234	77,068
Other long-term provisions	22	43,491	44,552
Deferred tax liabilities	23	33,759	35,002
Total Non-current liabilities		**543,491**	**545,621**

Current liabilities			
Financial liabilities due within 12 months	20	84,478	88,488
Trade payables	21	374,863	296,616
Tax payables	24	25,356	14,348
Other short-term payables	21	57,397	56,237
Current portion of other long-term provision	22	19,205	19,704
Total Current liabilities		**561,299**	**475,393**
Total shareholders' equity and liabilities		**1,464,103**	**1,369,481**

CASH FLOW STATEMENT (€/000)	***1st quarter 2006***	***1st quarter 2005***
Operating activities		
Consolidated income	10,240	(10,873)
Minority interest	18	32
Taxation for the period	4,957	4,896
Depreciation of property, plant and machinery	9,738	11,015
Amortization of intangible assets	10,219	12,409
Accrual to provisions for risks and reserves for pensions and employee benefits	7,917	4,779
Write downs / (Revaluations)	748	1,545
Loss / (gain) on disposal of property, plant and machinery	(105)	(79)
Loss / (gain) on disposal of equity investments		(483)
Financial income	(1,864)	(1,678)
Financial charges	9,662	8,688
Changes in working capital:		
(Increase)/Decrease in trade receivables	(58,173)	(63,717)
(Increase)/Decrease in other receivables	(4,306)	13,227
(Increase)/Decrease in inventory	(34,440)	(48,608)
Increase/(Decrease) in trade payables	80,255	50,380
Increase/(Decrease) in other payables	2,329	6,488
Increase/(Decrease) in current portion of provision for risks	(5,912)	(10,878)
Increase/(Decrease) in non-current portion of provision for risks	(1,061)	0
Increase/(Decrease) in reserves for risks, pension reserves and employee benefits	(338)	(1,595)
Other changes	4,126	(2,252)
Cash generated from operating activities	***34,010***	***(26,704)***
Interest paid	(5,282)	(3,774)
Taxes paid	(4,061)	(4,021)
Cash flow from operating activities	***24,667***	***(34,499)***
Investment activities		
Investment in property, plant and machinery	(4,500)	(24,365)
Proceeds from disposal of property, plant and machinery	189	796
Investments in intangible assets	(9,555)	(9,665)
Proceeds from disposal of intangible assets	181	161
Increase in value of equity investment due to valuation of financial instruments	(862)	0
Proceeds from disposal of equity investments	46	487
Repayment of loans granted	376	(321)
Interests received	1,764	1,885
Cash flow from investment activities	***(12,361)***	***(31,022)***
Financial activities		
Increase in share capital by Group shareholders	0	0
Increase in net equity due to valuation of financial instruments	783	0
Increase in net equity reserves for stock options	324	241

Increase in net equity reserves due to fair value valuation of derivative financial instruments	(32)	0
Loans received	36,266	20,161
Payable for financial instruments	79	0
Cash outflow for repayment of loans	(40,764)	(20,139)
Finance through leasing	0	12,824
Repayment of financial leases	(224)	0
Cash flow from financial activities	***(3,568)***	***13,087***
Increase / (Decrease) in cash	***8,738***	***(52,434)***
Opening balance	***30,655***	***(63,249)***
Exchange difference	240	506
Closing balance	***39,633***	***(115,177)***

CHANGES IN SHAREHOLDERS' EQUITY 1st QUARTER 2006 – 1st QUARTER 2005

1st QUARTER 2006

('000 Euro)	Share capital	Share premium reserve	Legal reserve	Reserve from valuation of financial instruments	Reserve from IAS transition	Reserve for Group consolidation	Reserve for Group conversion	Reserve for Stock Options	Retained earnings	Profit (loss) for the period	**Consolidated Group Shareholders' equity**	**Minority interest – capital and reserves**	**TOTAL SHAREHOLDERS' EQUITY**
At January 1st, 2006	194,827	24,500	723	56,898	(4,113)	993	1,532	2,266	32,704	37,883	348,213	254	348,467
Translation of financial statements into currency							(469)				(469)		(469)
Change in IAS reserves				751				324			1,075		1,075
Allocation of consolidated income									37,883	(37,883)	0		0
Profit (loss) for the period										10,222	10,222	18	10,240
At March 31, 2006	194,827	24,500	723	57,649	(4,113)	993	1,063	2,590	70,587	10,222	359,041	272	359,313

1st QUARTER 2005

('000 Euro)	Share capital	Share premium reserve	Legal reserve	Reserve from IAS transition	Reserve for Group consolidation	Reserve for Group conversion	Reserve for Stock Options	Retained earnings	Profit (loss) for the period	***Consolidated Group shareholders' equity***	***Minority interest***	**TOTAL SHAREHOLDERS' EQUITY**
At January 1st, 2005	194,827	24,500	671	(4,113)	993	308	966	6,724	26,032	250,908	326	251,234
Translation of financial statements into currency						213				213	21	234
Change in IAS reserves							241			241		241
Allocation of consolidated income								26,032	(26,032)	0		0
Profit (loss) for the period									(10,905)	(10,905)	32	(10,873)
At March 31, 2005	194,827	24,500	671	(4,113)	993	521	1,207	32,756	(10,905)	240,457	379	240,836

SIGNIFICANT ACCOUNTING POLICIES

The quarterly report and the consolidated Financial statements were prepared in accordance with Consob regulation n° 11971 dated May 14, 1999, as amended by CONSOB Resolution no 14990 of April 14, 2005 and supplemented by the provisions of International Accounting Standard 34 (IAS 34).

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The Piaggio Group consolidated quarterly report at March 31, 2006 was prepared in compliance with the IFRS International Financial Reporting Standards, which, since 1995, are mandatory for the preparation of consolidated financial statements of companies listed on regulated European markets.

The measurement criteria used for the balance sheet and income statement are in line with those adopted in the financial statements at December 31, 2005. The figures for the first quarter of 2005 have also been restated based on International Financial Reporting Standards (IFRS).

The interim financial statements of the subsidiaries used in the consolidation have been suitably adjusted and reclassified, where necessary, in order to comply with international accounting standards and with the classification criteria used throughout the Group.

Preparation of the interim financial statements requires management to make estimates and assumptions which affect the values of sales, costs, assets and liabilities in the balance sheet and the information relating to contingent assets and liabilities at the date of the financial statements. If, in the future, such management estimates and assumptions should differ from actual circumstances, then they would be appropriately changed during the year in which those circumstances occur.

Furthermore, it is pointed out that some measurement procedures, particularly the more complex ones such as the determination of any impairment in fixed assets, are generally carried out completely only at the time of preparing the annual report, when all necessary information is available, except in the event of indicators that require an immediate measurement of any impairment.

The Group’s businesses, especially the Two-wheeler sub-sector, are characterized by significant seasonal changes in sales throughout the year.

Income tax is recognized on the basis of the best estimate of the average weighted rate expected for the whole year.

Consolidation area

The changes in the consolidation area in the first quarter of 2006 – compared to the consolidated financial statements at December 31, 2005 – are due to completion of the liquidation of Aprilia Finance and Aprilia Leasing S.p.A. which commenced in prior years. The changes do not have a significant effect on comparisons between the figures for the two periods.

New accounting policies

No accounting policies or interpretations that came into effect as at January 1st, 2006 and that have had a significant effect on the Group's financial statements have been reviewed or issued.

OTHER INFORMATION

Information on significant events occurring after the end of the quarter and on the business outlook for the year is presented in specific paragraphs in this report.

SEGMENT INFORMATION

Primary sector: light mobility vehicles market
The Piaggio Group is a world leader in the sector of "light mobility vehicles ", a sector the Group helped to define with the introduction of the "Vespa" and "Ape" models in the 1940's. This sector relates to Two-, Three- and Four-wheelers for private or business use that allow the user to have greater mobility thanks to their characteristics of safety, maneuverability and reduced emissions.
The vehicles produced are marketed internationally under the following brands: Piaggio, Aprilia, Moto Guzzi, Gilera, Derbi, Vespa and Scarabeo.
The products, whether Two-, Three- or Four-wheelers, are distributed through dealers.
The Piaggio Group operates in the light transport sector following policies common to all companies/products: defining specific business policies so as to reflect the search for a common identity through which global strategies may be channeled.
The area of application of these policies regards the different aspects of business management, such as customer discounts and credit management, the provision of production materials, treasury and central corporate functions.
Credit management is applied following a centrally-established policy, in order to identify a common language that permits the different companies to operate in line with a standard reference model that aims to measure creditworthiness, dealer reliability, payment terms, and define reporting models for effective and rapid monitoring of the data.
Purchases are made internationally by unit. In this respect, the Group is trying to obtain benefits from the synergy deriving mainly from components common to several vehicles and suppliers common to more than one Group company.
Treasury is managed centrally by the Parent company in order to concentrate the financial resources necessary to be able to make investments that will generate benefits for all parts of the Group, while monitoring the return on investments.
The development of new products is managed globally for the whole Group, taking into account the different requirements of the reference markets.
Organizationally, a structure has been created that, by integrating the various brands, enables the implementation of global strategies aiming to find synergy that can increase Group value and highlight its distinctive qualities.
Such synergy derives from the concentration of technical, industrial and other central activities that are coordinated by Corporate Functions, thereby ensuring the distribution and integration of specific functional competences.
In light of the above, one may consider that the Piaggio Group's activities and related strategies, as well as the underlying Central Control activities, have been defined in one "light mobility vehicles" sector.

As regards the secondary sector (Two-wheeler and LTV businesses) and the third sector (geographical area), please refer to previous paragraphs in this quarterly report.

CONTENT AND MAIN CHANGES

Income Statement
('000 Euro)

1. Net sales

The distribution of Net sales to third parties (net of intragroup items) by business sub-sector is presented in the table below:

('000 Euro)	*1st quarter 2006*		*1st quarter 2005*	
	Amount	*%*	*Amount*	*%*
Two-wheeler	284,414	76.0	236,179	75.6
LTV	88,146	23.6	70,005	22.4
Other	1,629	0.4	6,151	2.0
TOTAL	374,189	*100.0*	312,335	*100.0*

while distribution by geographical area is as follows:

('000 Euro)	*1st quarter 2006*		*1st quarter 2005*	
	Amount	*%*	*Amount*	*%*
Italy	157,753	42.2%	121,232	38.8%
Europe	140,193	37.5%	137,734	44.1%
India	49,800	13.3%	34,900	11.2%
North America	14,519	3.9%	9,129	2.9%
Other	11,924	3.2%	9,340	3.0%
TOTAL	374,189	100.0%	312,335	100.0%

As already stated, the "Two-wheeler" sales include €/000 34,600 arising from the contract with Poste Italiane.
Sales are stated net of the premiums paid to the customers (dealers).
This item does not include transport costs recharged to customers (€/000 8,502) and recovery of advertising costs charged in invoices (€/000 878), which are stated among other operating income.

2. Raw materials and supplies

Total €/000 217,010, compared to €/000 176,967 at March 31, 2005.
Around 58% of net sales in the first quarter, this is an increase of some 1.3% compared to the same period the year before.

3. Services, leases, rentals and use of third party assets

Total €/000 72,679, compared to €/000 73,537 at March 31, 2005, and includes mainly spares and vehicle transport costs (€/000 11,524), "warranty costs" (€/000 3,849), advertising and promotional expense for €/000 11,450, building rentals for instrumental purposes as well as rentals for cars, computers and photocopiers (€/000 2,769).

Also included are management services provided by the parent company Immsi SpA, €/000 795.

4. Personnel costs

€/000 59,795 overall, compared to €/000 57,591 at March 31, 2005

Below is a breakdown of the staff numbers with average and period end figures:

	Average number	*As at*		
Category	*1st quarter 2006*	*March 31, 2006*	*December 31, 2005*	*Change*
Managers	115	116	115	1
Middle management and clerical staff	2,116	2,119	2,111	8
Manual labour	4,580	4,853	4,127	726
Total	**6,811**	**7,088**	**6,353**	**735**

5. Amortization and depreciation

Total €/000 19,957, compared to €/000 23,424 at March 31, 2005, of which €/000 9,738 depreciation of tangible assets and €/000 10,219 amortization of intangible assets.

Below is a summary of amortization and depreciation for first quarter 2006, subdivided by category:

('000 Euro)	*1st quarter 2006*	*1st quarter 2005*
Intangible Assets		
Development costs	6,929	8,606
Industrial patents and intellectual property rights	1,111	682
Concessions, licences, trademarks and similar rights	2,147	2,631
Other	32	490
Total amortization of intangible assets	**10,219**	**12,409**

('000 Euro)	*1st quarter 2006*	*1st quarter 2005*
Tangible assets		
Buildings	901	791
Plant and machinery	3,359	2,827
Industrial and commercial equipment	4,812	6,160
Other assets	666	1,237
Total depreciation of tangible assets	**9,738**	**11,015**

6. Other operating income

€/000 26,691 overall, compared to €/000 27,304 in the first quarter of 2005 and mainly include increases in intangible assets for development costs capitalized in the period (€/000 6,742), grants related to income, recovery of costs for transport (€/000 8,502) and for advertising (€/000 878) and other miscellaneous operating income (€/000 10,569).

The recovery of transport costs item refers to costs recharged to customers, the expense of which being classified under the "services" item.

7. Other operating costs

Other operating costs were €/000 8,444, compared to €/000 7,035 for the same period in 2005.
They include mainly taxes not related to income (€/000 1,514), membership costs (€/000 252), provisions to bad debt reserves, reserves for risks, etc. (€/000 6,213) and other miscellaneous operating costs (€/000 461).

The "taxation not related to income" item includes costs sustained by the Italian companies of the Group for the issue of compliance certificates as of 1st January 2005. This cost is re-charged to the Concessionaires and the recovery is posted under other operating income.

8. Net financial income (charges)

Net financial charges totaled €/000 7,798, compared to €/000 7,010 in the first quarter of 2005 and include €/000 3,878 for interest payable on a bond issued by Piaggio & C. S.p.A. in April 2005.

('000 Euro)	*1st quarter 2006*	*1st quarter 2005*
Financial income:		
Other income from third-parties:		
- Interest received from customers	48	30
- Interest received from banks	246	143
- Interest received on financial receivables	61	322
- Other	366	145
Total other income from third-parties	**721**	**640**
Gains on foreign exchange	1,143	1,038
Total financial income	**1,864**	**1,678**
Charges		
Financial charges paid to parent companies	71	71
Financial charges paid to others:		
- Interest paid on bank accounts	388	1,759
- Interest paid on bond	3,878	1,875

- Interest paid on borrowings	2,187	3,089
- Interest paid to other lenders	748	519
- Interest paid on leases	135	144
- Other	1,170	427
Total financial charges to third parties	8,506	7,813
Losses on foreign exchange	**1,085**	**804**
Total financial charges	**9,662**	**8,688**

9. Income tax

The allocation for taxation in the consolidated income statement at March 31, 2006 is €/000 4,957, compared to €/000 4,896 in the interim financial statements at March 31, 2005 and comprises the sum of current taxes payable by consolidated companies using the line-by-line method and the deferred taxation pertaining to the period.

The tax rate for the first quarter of 2006 is 32.6%.

CONSOLIDATED BALANCE SHEET
ASSETS

10. Intangible assets

'000 Euro	Carrying amount at December 31, 2005	Increases	Amortization	Dispo-sals	Reclassi-fications	Exchange difference	Carrying amount at March 31, 2006
Development costs	71,732	8,961	(6,929)	(19)	(66)	(24)	73,655
Industrial patent rights and intellectual property rights	8,579	535	(1,111)	(5)	(360)		7,638
Concessions, licences, trademarks	114,788	42	(2,147)		414		113,097
Goodwill	429,390	862	0				430,252
Other intangible assets	257	17	(32)	(157)		(3)	82
Total	**624,746**	**10,417**	**(10,219)**	**(181)**	**(12)**	**(27)**	**624,724**

Development costs include costs for the development of new products that were capitalized as they were deemed to have a durable use. In the first quarter of 2006, Piaggio Group capitalized €/000 8,961 of development costs relating to new products and new engines.

Trademarks include the Aprilia and Guzzi brand names, for €/000 82,319 and €/000

29,707, respectively. Measurement of these brands was confirmed by the evaluation of an independent third party in 2005. The above brands are amortized over a maximum of 15 years and amortization for the period was €/000 2,043, of which €/000 546 relating to Guzzi and €/000 1,497 to Aprilia.

It is pointed out that, as already exhaustively explained in the explanatory notes to the consolidated financial statements at December 31, 2005, after applying IFRS 3 to the acquisition of the Aprilia Group, a part of the higher value paid, including the tax effect, was attributed to the Aprilia brand, while the higher value deriving from the valuation carried out at the year-end of two of the three financial instruments issued in relation to the acquisition was recorded under goodwill at the present value of €/000 62,156. The increase for the period, following measurement of the instruments at fair value, was €/000 862.

The accounting counter-entry for the adjustment of the acquisition cost, taking into account the peculiarity of the underlying financial instruments, was recorded in the Financial instruments fair value reserve (Euro/000 57,248) and in the non-current financial payables (Euro/000 5,769).

The goodwill item includes the accounting effects of the following transactions:

- the acquisition by MOD S.p.A. of the Piaggio & C. Group, completed in 1999 and 2000 (net value at January 1st, 2004: €/000 330,590);
- the acquisition, completed in 2001, by Piaggio & C. S.p.A. of 49% of Piaggio Vehicles Pvt. Ltd from Greaves Ltd (net value at January 1st, 2004: €/000 5,192). Added to this is the subsequent acquisition by Simest S.p.A. of an equity investment of 14.66% of the share capital of Piaggio Vehicles Pvt. Ltd., which led to total control of the subsidiary;
- the acquisition in October 2003 of 100% of Nacional Motor S.A. by Piaggio & C. S.p.A., at a price of €/000 35,040 with goodwill net of amortization of €/000 31,237 at January 1st, 2004.

€/000	March 31, 2006	December 31, 2005
Piaggio & C.	330,590	330,590
National Motor	31,237	31,237
Piaggio Vehicles	5,408	5,408
Aprilia	63,017	62,155
Total	430,252	429,390

11. Property, plant and machinery

‘000 Euro	**Carrying amount at December 31, 2005**	**Increases**	**Depreci-ation**	**Disp-osals**	**Reclassi-fications**	**Exchange differences**	**Carrying amount at March 31, 2006**
Land and buildings	124,356	217	(901)		1,026	(188)	124,510
Plant and machinery	72,444	1,171	(3,359)	(71)	(873)	(352)	68,960
Equipment	53,761	2,348	(4,812)	(2)	(10)	(2)	51,283
Other	9,030	764	(666)	(11)	(244)	(27)	8,846
Total	**259,591**	**4,500**	**(9,738)**	**(84)**	**(101)**	**(569)**	**253,599**

The €/000 4,500 increases refer to investments made by the Group in the first quarter of 2006, mainly for equipment relating to new products and the refurbishment of the Scorzè factory and the start of the refurbishment of the Mandello del Lario factory.

At March 31, 2006, the leased assets are as follows:

Mandello del Lario factory	14,402	Net value
Auto	23	Net value
Sap	568	Net value

Guarantees

At March 31, 2006, the collateral security provided by the Parent in favour of lenders to secure loans obtained in previous years has been withdrawn following prepayment of such loans.

12. Investment property

At March 31, 2006, the amount was reclassified to property, plant and machinery as the premises have been vacated and the asset has been made once more fully available to the Parent.

13. Equity investments and other financial assets

('000 Euro)	*March 31, 2006*	*December 31, 2005*	*Change*
Equity investments in subsidiaries	0	41	(41)
Equity investments in joint ventures	0	0	0
Equity investments in associates	604	609	(5)
Total	**604**	**650**	**(46)**

The changes for the period are:

- Disposal of the equity investment in Marker s.r.l., previously recorded under equity investments in associates;
- Completion of the liquidation of Piaggio Argentina S.A., started in previous years.

Also of note is the merger by incorporation of Aprilia World Service USA Inc into Piaggio Usa Inc and the subsequent change in the company name of the latter to Piaggio Group Americas Inc..
The "Equity investments in joint ventures" item comprises the equity investment in Piaggio Foshan Motorcycles Co. Ltd, relating to the agreement signed on April 15, 2004 between Piaggio & C. S.p.A. and the historical shareholder Foshan Motorcycle Plant on the one side and the Chinese company Zongshen Industrial Group Company Limited.
Piaggio & C. S.p.A. has a 45% equity investment in Piaggio Foshan Motorcycles, of which 12.5% is held by the direct subsidiary Piaggio China Company Ltd. No changes are reported for the period.

The Parent issued bank guarantees for €/000 14,788 against loans granted by banks to the subsidiary Piaggio Foshan Motorcycle Co. Ltd..

The “Other financial assets” item refers mainly to €/000 9,790 of financial receivables of Piaggio & C. S.p.A. due from Scooter Holding 1 S.p.A., previously Piaggio Holding S.p.A., relating to the loan granted to that company as a result of contractual agreements regarding the acquisition of Piaggio & C. Group. This loan, originating with the MV Agusta transaction, has a 5-year term (falling due September 23, 2008) and pays a fixed interest rate of 2.5% compounded annually.
Also included are €/000 188 of equity investments in other companies.

14. Tax receivables

€/000 18,008 overall, compared to €/000 19,596 at December 31, 2005, of which €/000 7,696 included under non-current assets (€/000 7,156 at December 31, 2005) and €/000 10,312 under current assets (€/000 12,440 at December 31, 2005).

The tax receivables comprise:

(‘000 Euro)	*March 31, 2006*	*December 31, 2005*	*Change*
Receivable for VAT	7,958	10,753	(2,795)
Receivable for income taxation	9,547	8,617	930
Other receivables from tax authorities	503	226	277
Total	**18,008**	**19,596**	**(1,588)**

15. Deferred tax assets

37,604 €/000 overall, compared to €/000 35,135 at December 31, 2005.

The deferred tax assets item includes deferred tax assets referring mainly to the reversal of intra-company gains not realized with third parties, deferred tax assets relating to tax losses of Nacional Motor S.A. (€/000 11,331 overall) and deferred tax assets on tax losses of the Parent (€/000 17,811).

16. Trade receivables and other receivables

Trade receivables and other receivables total €/000 245,643, compared to €/000 183,912 at December 31, 2005, of which €/000 7,913 included under non-current assets (€/000 7,140 at December 31, 2005) and €/000 237,730 under current assets (€/000 176,772 at December 31, 2005).

The current portion of trade receivables and other receivables is as follows:

(‘000 Euro)	*March 31, 2006*	*December 31, 2005*	*Change*
Trade receivables	208,276	150,851	57,425

Amounts due from associates	938	962	(24)
Amounts due from others	27,387	23,968	3,419
Other non-financial current assets	1,129	991	138
Total	**237,730**	**176,772**	**60,958**

The trade receivables item comprises receivables from normal sales transactions stated net of a provision for doubtful accounts equal to €/000 21,639 (including the non-current portion – 20,716 being the current portion).
The Parent normally sells its receivables with and without recourse. At March 31, 2006, the receivables sold with recourse total €/000 41,215, of which €/000 18,230 have a counter-entry under current financial liabilities, while the trade receivables sold without recourse in the period January – March 2006 total €/000 84,535.

17. Inventories

('000 Euro)	*March 31, 2006*	*December 31, 2005*	*Change*
Raw materials, consumables and goods for resale	109,399	82,607	26,792
Obsolescence provision	(11,938)	(11,519)	(419)
	97,461	*71,088*	26,373
Work in progress and semi-finished products	15,817	16,466	(649)
Obsolescence provision	(852)	(1,048)	196
	14,965	*15,418*	(453)
Finished products and goods	128,000	122,661	5,339
Obsolescence provision	(14,027)	(17,170)	3,143
	113,973	*105,491*	8,482
Payments on account	*70*	*32*	38
TOTAL	226,469	192,029	34,440

18. Cash and cash equivalents

Cash and cash equivalents totaled €/000 47,291, compared to €/000 42,770 at December 31, 2005, as detailed below:

('000 Euro)	*March 31, 2006*	*December 31, 2005*	*Change*
Bank and postal accounts	47,082	42,498	4,584
Cheques	83	212	(129)

Cash and cash equivalents	126	60	66
Total	**47,291**	**42,770**	**4,521**

LIABILITIES

19. Shareholders' equity

The consolidated shareholders' equity at March 31, 2006 increased compared to December 31, 2005 as a result of the profit for the period (€/000 10.240), the change in the reserves for stock options (€/000 324) and the valuation of the financial instruments (€/000 751). Conversion of the financial statements of subsidiaries reporting in currencies other than the Euro had a negative effect amounting to €/000 469.

At March 31, 2006, the fully paid up share capital comprised 374,668,137 ordinary shares of € 0.52 par value each, totaling € 194,827,431.

20. Financial liabilities

('000 Euro)	*March 31, 2006*	*December 31, 2005*	*Change*
Current portion			
bank overdrafts	7,658	12,115	(4,457)
current payables	47,339	31,532	(15,807)
amounts due to factors	18,229	32,502	(14,273)
Current portion of non-current borrowings:			
Leases	*656*	*903*	*(247)*
amounts due to other lenders	*6,178*	*5,264*	*914*
amounts due to banks	*4,419*	*6,172*	*(1,753)*
Total borrowings falling due within one year	11,253	12,339	(1,086)
Total	**84,479**	**88,488**	**(4,009)**
('000 Euro)	*31-Mar-06*	*31-Dec-05*	*Change*
Non-current portion			
Non-current loans	192,109	187,804	4,305
Bonds falling due beyond one year	143,951	143,951	0
Other non-current borrowings			
Leases	11,408	11,385	23
amounts due to other lenders	22,904	32,401	(9,497)
amounts due to parents	55	55	0
Total borrowings falling due beyond one year	34,367	43,841	(9,474)
Total	**370,427**	**375,596**	**(5,169)**

Further information on existing non-current borrowings and on the bond is included in Note 26 of the consolidated financial statements at December 31, 2005.
Furthermore, the collateral security issued by the Parent in favour of lenders to secure loans obtained in previous years has been withdrawn following the prepayment of such loans.

<u>Financial instruments</u>
<u>Interest rate risk</u>
At March 31, 2006, the Group has an interest rate swap derivative contract falling due on 29 June 2006 "3.5 years Eur quanto basis collar swap – new trade" for a notional €/000 180,760 with the following characteristics:

Payable by the Group	*Payable by the counterparty*
1.7 * 12-month US LIBOR set in arrears with the following characteristics: <u>floor</u>: 3% <u>Cap</u>: 5.20% <u>European-style knock-out barrier</u>: 5.50% from 29.12.02 to 28.06.04; 5.75% from 29.06.04 to 28.06.05; 6.10% from 29.06. to 28.06 06 Option: at each maturity, starting on 30.06.04, the bank has the right to transf the floating rate paid by Piaggio to a fixed 4.40% for the residual life of the swap.	6-month Euribor with a maximum uplift of 0.30% compared to the previous coupon

This hedge refers to non-current financial liabilities of Piaggio & C. S.p.A. and Nacional Motor S.A.

<u>Exchange rate risk</u>
At March 31, 2006, Piaggio & C. S.p.A. had exchange rate hedges on foreign currency receivables and payables (transaction risk) in place for forward purchases for a value of JPY/000 40,000, corresponding to €/000 282 (at the forward rate) and forward sales for a value of USD/000 18,400, CHF/000 1,960, DKK/000 6,250, GBP/000 1,025 e NOK/000 2,350, corresponding overall to €/000 19,334 (at the forward rates); regarding the companies of the former Aprilia Group, at March 31, 2006 there were forward sale transactions in place for a value of GBP/000 5,620 and JPY/000 467,000, corresponding overall to €/000 11,486.
At March 31, 2006, Piaggio & C. S.p.A. had exchange rate hedges on forecast transactions (economic risk) in place for forward purchases for a value of JPY/000 1,500,000, corresponding to €/000 10,972 and forward sale transactions for a value of USD/000 9,800, GBP/000 9,750 and CHF/000 7,400, corresponding overall to €/000 27,215 (at the forward rates); regarding the companies of the former Aprilia Group, at March 31, 2006 there were forward sale transactions in place for a value of GBP/000 6,750, corresponding to €/000 9,831.

21. Trade payables and other payables

Trade payables and other payables total €/000 448,840 (€/000 366,256 at December 31, 2005), of which €/000 16,580 of non-current liabilities (€/000 13,403 at December 31, 2005).

('000 Euro)	*March 31, 2006*	*December 31, 2005*	*Change*
Non-current liabilities			
Amounts due to suppliers	-	223	(223)
Amounts due to tax authorities for indirect and other taxation	435	797	(362)
Amounts due to social security authorities	2,132	1,116	1,016
Other payables	14,013	11,267	2,746
Total trade payables and other non-current payables	**16,580**	**13,403**	**3,177**

('000 Euro)	*March 31, 2006*	*December 31, 2005*	*Change*
Current liabilities			
Amounts due to suppliers	373,065	292,587	80,478
Amounts due to associates (trade)	494	2,614	(2,120)
Amounts due to parents (trade)	1,242	1415	(173)
Amounts due to subsidiaries (trade)	62		62
Total trade payables	*374,863*	*296,616*	*78,247*
Other liabilities			
Guarantee deposits	2,864	2,028	836
Amounts due to employees	32,090	29,547	2,543
Other	22,443	24,662	(2,219)
Total other current payables	*57,397*	*56,237*	*1,160*
OVERALL TOTAL	**448,840**	**366,256**	**82,584**

22. Provision

('000 Euro)	*March 31, 2006*	*December 31, 2005*	*Change*
Pension funds	475	434	41
Employee severance indemnity	78,759	76,634	2,125
Total	**79,234**	**77,068**	**2,166**

('000 Euro)	*March 31, 2006*	*December 31, 2005*	*Change*
Warranty provision	21,516	19,893	1,623
Provision for promotional expenses	2,700	4,064	(1,364)
Provision for risks on equity investments	5,842	5,906	(64)
Restructuring provision	5,022	6,172	(1,150)
Provision for contractual risks	13,344	13,344	0

Other provision for risks and charges	14,272	14,877	(605)
Total	**62,696**	**64,256**	**(1,560)**

Provision for pensions and employee benefits comprise mainly employee termination indemnities accrued by the Italian companies of the Group.

"Other provision for risks and charges" total €/000 14,272 (€/000 14,877 at December 31, 2005) and are provisions made by the Parent for legal and taxation risks.

23. Deferred tax liabilities

Total €/000 33,759 (€/000 35,002 at December 31, 2005).
€/000 25,903 of the deferred tax liabilities refer to the tax effect on the recording of the Aprilia brand. The balance refers to timing differences calculated by the other Group companies.

24. Amounts due to tax authorities

This item totals €/000 25,356, against €/000 14,348 for 2005, due mainly to amounts of VAT due to tax authorities in the various countries in which the Group operates.

25. Transactions with related parties

The effects on income, the balance sheet and the financial position at March 31, 2006 of the Parent company's transactions with parents, subsidiaries and associated companies are set out in the tables attached hereto, while the effects on income, the balance sheet and the financial position of dealings with other related parties are set out below.

All transactions with related parties, including intragroup dealings, are ordinary business transactions and are governed by market conditions or by specific laws; no atypical and/or unusual transactions took place.

€/000	Other related parties	**Nature of the transaction**
Costs for services and the use of assets owned by others	25.0	Purchase of components from associated companies, purchase of vehicles and components from subsidiaries and purchase of services from parents
Positive (negative) balance of miscellaneous financial income/charges	60.7	Interest receivable on intercompany loans and from Scooter Holding 1 Srl
Current financial receivables	9,789.7	Receivable from Scooter Holding 1 Srl

Trade and other payables	25.0	Liabilities arising from the purchase of components and/or vehicles and of the provision of services

As regards dealings with related parties, it is furthermore pointed out that, following the acquisition in October 2003 and subsequent modifications, the banks below are shareholders of Piaggio & C. S.p.A., either directly or through Piaggio Holding Netherlands BV:

1. Gruppo Intesa
2. Gruppo Monte dei Paschi di Siena
3. Gruppo Unicredito
4. Gruppo Banca Nazionale del Lavoro
5. Gruppo Banca Popolare di Lodi
6. Interbanca
7. Cassa di Risparmio di Firenze
8. Banca di Roma
9. Centrobanca
10. Banca Commercio e Industria
11. Cassa di Risparmio di Volterra
12. Cassa di Risparmio di San Miniato
13. ICCREA
14. Mediocredito del Trentino
15. Mediocredito del Friuli
16. Banca Popolare delle Marche.

It is pointed out that at March 31, 2006 the Piaggio Group has existing loans and exchange rate hedges in place with the above banks.

Moreover, as a consequence of the above, the following directors of Piaggio & C S.p.A. also hold corporate offices in banks with which the Group works:

- Gaetano Micciché
- Carlo Pirzio Biroli.

26. Guarantees provided, commitments and other contingent liabilities

Guarantees provided

At March 31, 2006, no significant changes occurred with respect to that stated in note 34 to the consolidated financial statements at December 31, 2005, to which reference should be made for more detailed information.

Commitments regarding the issue of financial instruments ("Aprilia Transaction")

Piaggio Group has contractual obligations arising from the acquisition of the Aprilia Group, whereby Piaggio & C S.p.A. issued financial instruments in favour of the Aprilia shareholders 2004/2009 that envisage a recovery value that cannot exceed €/000 10,000.

Disputes and legal action

There have been no significant changes to the disputes situation, as outlined in the 2005 Management Report, regarding either legal action or the tax positions existing at the date of drafting this Report.

RECEIVABLES					
COMPANY	**TRADE RECEIVABLES**	**NON-CURRENT RECEIVABLES**	**FINANCIAL RECEIVABLES**	**MISCELLANEOUS RECEIVABLES**	**ADVANCES ON NON-CURRENT ASSETS AND/OR SUPPLIES**
PARENT COMPANIES					
IMMSI SPA					
PIAGGIO HOLDING NETHERLAND BV					
TOTAL PARENT COMPANIES					
SUBSIDIARIES					
P & D SPA				4,800	
PIAGGIO ASIA PACIFIC	384,947				
PIAGGIO BENELUX	2,755,767				
PIAGGIO DEUTSCHLAND	5,825,994				
PIAGGIO ESPANA	10,235,676			160,000	
PIAGGIO FRANCE	12,793,156			3,553,118	
PIAGGIO VEHICLES	1,228,045			1,409,878	
PIAGGIO HELLAS	7,611,688			120,000	
PIAGGIO HRVATSKA	2,047,167			65,000	
PIAGGIO INDOCHINA	380,467				
PIAGGIO LIMITED	1,386,885			342,724	
PIAGGIO PORTUGAL	404,527				
PIAGGIO GROUP AMERICAS	16,534,508			483,358	
NACIONAL MOTOR S.A.	3,330,987	27,877,578		988,280	
DERBI ITALIA SRL	167			1,571,686	
PIAGGIO VESPA B.V.	5,086				
PIAGGIO FINANCE S.A.				164,840	
MOTO GUZZI SPA	3,631,862		20,691,268	4,426,717	
MOTO LAVERDA SRL	86,299		1,297,242		
APRILIA BRASIL					
APRILIA MOTORRAD GMBH	414,715				
APRILIA HELLAS	4,850,838				
APRILIA JAPAN CORPORATION	571,493				
APRILIA WORLD SERVICE BV	37,525,301				
APRILIA LEASING SPA					
MOTOCROSS COMPANY SRL	563,046				
APRILIA MOTO UK LTD					

TOTAL SUBSIDIARIES	**112,568,620**	**27,877,578**	**21,988,509**	**13,290,400**	**0**
ASSOCIATED COMPANIES					
FONDAZIONE PIAGGIO	24,350		123,402	494,510	
PIAGGIO FOSHAN	596,267	3,717,779		64,000	
TOTALE ASSOCIATED COMPANIES	**620,617**	**3,717,779**	**123,402**	**558,510**	**0**

PAYABLES			
COMPANY	**TRADE PAYABLES**	**FINANCIAL PAYABLES**	**MISCELLANEOUS PAYABLES**
PARENT COMPANIES			
IMMSI SPA	1,171,127		
PIAGGIO HOLDING NETHERLAND BV		54,529	
TOTAL PARENT COMPANIES	**1,171,127**	**54,529**	**0**
SUBSIDIARIES			
P & D SPA		566,993	5,735
PIAGGIO ASIA PACIFIC	910,547		
PIAGGIO BENELUX	465		
PIAGGIO DEUTSCHLAND	17,753		2,253,707
PIAGGIO ESPANA	254,776		5,322,678
PIAGGIO FRANCE	202,578		
PIAGGIO VEHICLES	1,921,876		
PIAGGIO HELLAS	76,426		
PIAGGIO HRVATSKA			
PIAGGIO INDOCHINA	14,389		
PIAGGIO LIMITED	102,742		
PIAGGIO PORTUGAL	224		
PIAGGIO USA GROUP	234,940		
NACIONAL MOTOR S.A.	1,633,652		
DERBI ITALIA SRL	16,405		
DERBI RACING S.L.			
PIAGGIO VESPA B.V.		15,460,000	
MOTO GUZZI SPA	3,478,850		
PIAGGIO FINANCE S.A.		150,000,000	
PIAGGIO CHINA	61,359		
APRILIA WORLD SERVICE BV	4,908,063		
APRILIA MOTO UK LTD	6,989		
APRILIA HELLAS	23,459		

MOTO LAVERDA SRL	787,317		
MOTOCROSS COMPANY SRL	309,498		
APRILIA MOTORRAD GMBH	4,346		
APRILIA JAPAN CORPORATION	42,727		
TOTAL SUBSIDIARIES	**15,009,378**	**166,026,993**	**7,582,120**
ASSOCIATED COMPANIES			
FONDAZIONE PIAGGIO	280		152,769
PIAGGIO FOSHAN	340,998		
TOTAL ASSOCIATED COMPANIES	**341,278**	**0**	**152,769**

INCOME/COST ITEMS						
COMPANY	**SALES**	**DISPOSAL OF FIXED ASSETS**	**FINANCIAL INCOME**	**COSTS**	**FINANCIAL CHARGES**	**PURCHASES OF FIXED ASSETS**
PARENT COMPANIES						
IMMSI SPA				1,153,187		
PIAGGIO HOLDING NETHERLAND BV					71,124	
TOTAL PARENT COMPANIES	**0**	**0**	**0**	**1,153,187**	**71,124**	**0**
SUBSIDIARIES						
P & D SPA					2,927	
PIAGGIO ASIA PACIFIC	460,455			148,864		
PIAGGIO BENELUX	3,804,205					
PIAGGIO DEUTSCHLAND	10,198,395				28,086	
PIAGGIO ESPANA	15,044,946				26,071	
PIAGGIO FRANCE	19,260,717		17,247			
PIAGGIO VEHICLES	1,040,468			889,013		
PIAGGIO HELLAS	5,429,465					
PIAGGIO HRVATSKA	1,736,790					
PIAGGIO INDOCHINA	1,117,764					
PIAGGIO LIMITED	3,400,173			39,871		
PIAGGIO PORTUGAL	488,939				1,549	

PIAGGIO GROUP AMERICAS	11,359,171					
NACIONAL MOTOR S.A.	3,168,669		378,571	1,612,482	8,230	
DERBI RACING SL				575,000		
PIAGGIO VESPA B.V.					172,060	
MOTO GUZZI SPA	444,885		302,883	239,820		
PIAGGIO FINANCE S.A.					4,014,401	
APRILIA WORLD SERVICE BV	24,773,900		180	1,003,455	62,891	
APRILIA HELLAS	997,929					
APRILIA JAPAN CORPORATION	476,535					
TOTALE SUBSIDIARIES	**103,203,406**	**0**	**698,881**	**4,508,505**	**4,316,215**	**0**
ASSOCIATED COMPANIES						
FONDAZIONE PIAGGIO				30,072		
PIAGGIO FOSHAN	408,019			323,389		
TOTAL ASSOCIATED COMPANIES	**408,019**	**0**	**0**	**353,461**	**0**	**0**

PIAGGIO GROUP
APPENDIX TO THE QUARTERLY REPORT AT MARCH 31, 2006
TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The consolidated quarterly report of the Piaggio Group at March 31, 2006 was prepared in compliance with the provisions of CONSOB Regulation n°. 11971/1999, as subsequently modified, and with the international reporting standards applicable to interim financial reporting.
After the coming into force of European Regulation n°. 1606/2002, Piaggio Group adopted the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board, starting from the first half of 2005, with 1st January 2004 being the transition date to IAS-IFRS.
The consolidated accounts at March 31, 2006 were drafted using the same disclosure and measurement criteria adopted in the 2005 financial statements.
In the consolidated accounts at March 31, 2006, the comparatives for the corresponding period in 2005 have been restated and re-determined in accordance with international accounting standards. This attachment illustrates the effects of adopting IAS-IFRS on the amounts at March 31, 2005 drafted in accordance with Italian accounting standards, while the amounts at December 31, 2005 are covered in the specific Appendix to the half-year report approved by the Piaggio & C. S.p.A. Board of Directors on September 13, 2005.

MAIN EFFECTS DERIVING FROM THE APPLICATION OF IAS/IFRS ON THE CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2005.

€/000					
	ITALIAN ACCOUNTING STANDARDS	**Reclassifications**	**Adjustments**	**IAS IFRS**	
ASSETS					**ASSETS**
NON-CURRENT ASSETS					NON-CURRENT ASSETS
Intangible assets	524,670	-2,730	54,449	576,389	*Intangible assets*
Tangible assets	236,063	-78	17,112	253,097	*Tangible assets*
Investment property		78		78	*Investment property*
Equity investments (1)	1,765	-190		1,575	*Equity investments*
Non-current financial assets	0	10,308	2,710	13,018	*Other financial assets*
Tax receivables (1)	848			848	*Tax receivables*
Deferred tax assets (1)	37,500	180	203	37,883	*Deferred tax assets*
Trade receivables and other receivables (1)	11,299	-3,307		7,992	*Trade receivables and other receivables*
TOTAL NON-CURRENT ASSETS	**812,145**	**4,261**	**74,474**	**890,880**	**TOTAL NON-CURRENT ASSETS**
ASSETS INTENDED FOR DISPOSAL	**0**			**0**	**ASSETS INTENDED FOR DISPOSAL**
CURRENT ASSETS					**CURRENT ASSETS**
Trade receivables and other receivables (2)	241,677	14,163	49,421	305,261	*Trade receivables and other receivables*
Tax receivables (2)	17,509			17,509	*Tax receivables*
Deferred tax assets (2)	180	-180		0	
Inventory (2)	261,083		-2	261,081	*Inventory*
Contract work in progress (2)	0			0	*Contract work in progress*
Accrued income and prepaid expenses (2)	12,831	-12,831		0	
Own shares (2)	0	0		0	
Other financial assets (3)	9,766	-9,766		0	*Other financial assets*

Liquid assets (3)	24,320			24,320	*Liquid assets*
TOTAL CURRENT ASSETS	**567,366**	**-8,614**	**49,419**	**608,171**	**TOTAL CURRENT ASSETS**
TOTAL ASSETS	**1,379,511**	**-4,353**	**123,893**	**1,499,051**	**TOTAL ASSETS**
(1) Previously stated under "Other assets"					
(2) Previously stated under "Operating assets"					
(3) Previously stated under "Cash and cash equivalents"					
LIABILITIES					**LIABILITIES**
SHAREHOLDERS' EQUITY					**SHAREHOLDERS' EQUITY**
Group shareholders' equity	215,173		25,284	240,457	*Consolidated Group shareholders' equity*
Minority interest	369		10	379	*Minority interest*
TOTAL SHAREHOLDERS' EQUITY	**215,542**	**0**	**25,294**	**240,836**	**TOTAL SHAREHOLDERS' EQUITY**
NON-CURRENT LIABILITIES					**NON-CURRENT LIABILITIES**
Financial payables	263,273		11,608	274,881	***Financial liabilities***
Amounts due to suppliers and other payables (4)	9,985			9,985	*Amounts due to suppliers and other payables*
Provisions for pensions and similar obligations (4)	73,226		5,102	78,328	*Provisions for pensions and similar obligations*
Other non-current reserves (4)	75,263	-21,505	-6,367	47,391	*Other non-current reserves*
Deferred tax liabilities (4)	2,839		28,032	30,871	*Deferred tax liabilities*
TOTAL NON-CURRENT LIABILITIES	**424,586**	**-21,505**	**38,375**	**441,456**	**TOTAL NON-CURRENT LIABILITIES**
	0	**0**	**0**	**0**	***LIABILITIES ASSOCIATED WITH ASSETS INTENDED FOR DISPOSAL***
CURRENT LIABILITIES					**CURRENT LIABILITIES**
Financial payables	288,092		60,085	348,177	*Financial liabilities*
Amounts due to suppliers (5)	361,464			361,464	*Amounts due to suppliers*
Current taxation (5)	19,216			19,216	*Current taxation*
Other payables (5)	45,898	24,713	139	70,750	*Other payables*
Accrued expenses and deferred income (5)	24,713	-24,713		0	
Current portion of non-current reserves		17,152		17,152	*Current portion of other non-current reserves*
TOTAL CURRENT LIABILITIES	**739,383**	**17,152**	**60,224**	**816,759**	**TOTAL CURRENT LIABILITIES**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,379,511**	**-4,353**	**123,893**	**1,499,051**	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**
(4) Previously stated under "Other non-current liabilities"					
(5) Previously stated under "Operating liabilities"					
NET FINANCIAL POSITION	**-517,225**	**0**	**-68,984**	**-586,209**	**NET FINANCIAL POSITION**
INCOME STATEMENT					**INCOME STATEMENT**
Net sales	312,335			312,335	*Net sales*
Cost of materials (1)	176,575	390	2	176,967	*Cost of materials*
Cost of services and use of assets owned by others	73,959		-422	73,537	*Cost of services and use of assets owned by others*
Labour	56,096	1,254	241	57,591	*Personnel costs*
Depreciation of tangible assets	11,073		-58	11,015	*Depreciation of tangible assets*
Amortization of intangible assets (consolidation	6,596		-6,596	0	*Amortization of goodwill*

difference)					
Amortization of intangible assets (other)	12,059	-390	740	12,409	*Amortization of intangible assets with a finite life*
Grants	84	-84		0	
Adjustments and provisions to reserve for risks and charges	3,812	-3,812		0	
Other income (2)	26,248	1,056		27,304	*Other operating income*
Other costs (2)	2,362	4,671	2	7,035	*Other operating costs*
Gains and prior-period income	972	-972		0	
Losses and other charges	2,113	-2,113		0	
Operating earnings (EBIT)	**-5,006**	**0**	**6,091**	**1,085**	*Operating earnings*
Net income from equity investments	0			-52	*Profit (loss) from equity investments*
Financial income (3)	1,824		-146	1,678	*Financial income*
Financial charges (3)	8,444		244	8,688	*Financial charges*
Value adjustments to financial assets	-52				
Earnings before taxation	**-11,678**	**0**	**5,701**	**-5,977**	***Earnings before taxation***
Taxation	5,083		-187	4,896	*Taxation*
Earnings after tax	**-16,761**	**0**	**5,888**	**-10,873**	***Earnings after tax deriving from ordinary operations***
				0	***Profit arising from assets intended for disposal***
Earnings for the period inclusive of minority interest	**-16,761**	**0**	**5,888**	**-10,873**	***Earnings for the period inclusive of minority interest***
Minority interest	31		1	32	***Minority interest***
Group earnings for the period	**-16,792**	**0**	**5,887**	**-10,905**	***Group earnings for the period***
(1) Previously stated under "Materials and services"					
(2) Previously stated under "Other (costs) income, net"					
(3) Previously stated under "Financial charges and income, net"					

EFFECTS OF THE TRANSITION TO IFRS ON THE BALANCE SHEET AT MARCH 31, 2005 IN DETAIL

Intangible assets

Reclassifications

('000 Euro)	*March 31, 2005*
to "trade receivables and other receivables" due to change in balance sheet layout	*(2,730)*
	(2,730)

Adjustments

('000 Euro)		*March 31, 2005*
Re-measurement of goodwill	*A*	*(47,497)*
Reversal of amortized goodwill	*A*	*30,594*
Reversal of start-up and expansion costs	*B*	*(343)*
Recognition of assets held under finance lease	*D*	*719*
Adjustments to leasehold improvements	*B*	*(346)*
Allocation of goodwill to "intangible assets"	*A*	*74,570*
Reversal of other multi-year costs for loans	*B*	*(3,256)*
Other minor items	*H*	*8*
		54,449

Tangible assets

Reclassifications

('000 Euro)		*March 31, 20055*
to "investment property" due to change in balance sheet layout		*(78)*
		(78)

Adjustments

('000 Euro)		*March 31, 2005*
Reversal of depreciation of land and "scrap value" of buildings	*C*	*1,064*
Adjustments to leasehold improvements	*B*	*1,123*
Recognition of assets held under finance lease	*D*	*14,923*
Other minor items	*H*	*2*
		17,112

Investment property

Reclassifications

('000 Euro)	*March 31, 2005*
from "tangible assets" due to change in balance sheet layout	*78*
	78

Equity investments

Reclassifications

('000 Euro)	*March 31, 2005*
to "other financial assets" due to change in balance sheet layout	*(190)*
	(190)

Other financial assets

Reclassifications

('000 Euro)	*March 31, 2005*
from "equity investments" due to change in balance sheet layout	*190*
from current "other financial assets" due to change in balance sheet layout	*9,766*
Other minor items	*352*
	10,308

Adjustments

('000 Euro)	*March 31, 2005*

For measurement at fair value of derivative instruments	*I*	*2,710*
		2,710

Deferred tax assets

Reclassifications

('000 Euro)	*March 31, 2005*
from "deferred tax assets" in the "current assets" due to change in balance sheet layout	*180*
	180

Adjustments

('000 Euro)		*March 31, 2005*
Accounting for deferred tax assets on IAS/IFRS adjustments	*G*	*203*
		203

Trade receivables and other receivables

Reclassifications

('000 Euro)	*March 31, 2005*
to current "trade receivables and other receivables" due to change in balance sheet layout	*(2,955)*
Other minor items	*(352)*
	(3,307)

CURRENT ASSETS

Trade receivables and other receivables

Reclassifications

('000 Euro)	*March 31, 2005*
from "accrued income and prepaid expenses" due to change in balance sheet layout	*8,478*
from "intangible assets" due to change in balance sheet layout	*2,730*
from non-current "trade receivables and other receivables" due to change in balance sheet layout	*2,955*
	14,163

Adjustments

('000 Euro)		*March 31, 2005*
For with recourse sale of receivables to factors	*F*	*51,860*
Recognition of assets held under finance lease	*D*	*(2,437)*
Other minor items	*H*	*(2)*
		49,421

Deferred tax assets

Reclassifications

('000 Euro)		*March 31, 2005*
to "deferred tax assets" of the "non-current assets" due to change in balance sheet layout		*(180)*
		(180)

Inventory

Adjustments

('000 Euro)		*March 31, 2005*
Miscellaneous minor items	*H*	*(2)*
		(2)

Accrued income and prepaid expenses

Reclassifications

('000 Euro)		*March 31, 2005*
to "trade receivables and other receivables" due to change in balance sheet layout		*(12,831)*
		(12,831)

Other financial assets

Reclassifications

('000 Euro)		*March 31, 2005*
To non-current "other financial assets" due to change in balance sheet layout		*(9,766)*
		(9,766)

NON-CURRENT LIABILITIES

Financial liabilities

Adjustments

('000 Euro)		*March 31, 2005*
Reversal of other multi-year charges for loans	*B*	*(2,179)*
Recognition of current financial payables on assets held under finance leases	*D*	*12,038*
For measurement at fair value of derivative instruments	*I*	*1,749*
		11,608

Provisions for pensions and similar obligations

Adjustments

('000 Euro)		*March 31, 2005*
Employee benefits	*E*	*5,102*
		5,102

Other non-current reserves

Reclassifications

('000 Euro)	*March 31, 2005*
to "current portion of other non-current reserves" due to change in balance sheet layout	*(17,152)*
From accrued income and prepaid expenses due to change in balance sheet layout	*(4,353)*
	(21,505)

Adjustments

('000 Euro)		*March 31, 2005*
For measurement at fair value of derivative instruments	*I*	*(6,367)*
		(6,367)

Deferred tax liabilities

Adjustments

('000 Euro)		*March 31, 2005*
Accounting for deferred tax liabilities on Aprilia brand	*A*	*27,845*
Accounting for deferred tax liabilities on IAS/IFRS adjustments	*G*	*187*
		28,032

CURRENT LIABILITIES

Financial liabilities

Adjustments

('000 Euro)		*March 31, 2005*
For with recourse sale of receivables to factors	*F*	*51,860*
For measurement at fair value of derivative instruments	*I*	*7,328*
Recognition of current financial payables on assets held under finance lease	*D*	*897*
		60,085

Other payables

Reclassifications

('000 Euro)		March 31, 2005
from "accrued expenses and deferred income" due to change in balance sheet layout		24,713
		24,713

Adjustments

('000 Euro)		March 31, 2005
Discounting of " trade receivables and other receivables "	H	28
Reversal of other multi-year charges for loans	B	87
Other minor items	H	24
		139

Accrued expenses and deferred income

Reclassifications

('000 Euro)	March 31, 2005
Other minor items	(24,713)
	(24,713)

Current portion of other non-current reserves

Reclassifications

('000 Euro)	March 31, 2005
from "other non-current reserves" due to change in balance sheet layout	17,152
	17,152

INCOME STATEMENT

Cost of materials

Reclassifications

('000 Euro)	March 31, 2005
from "amortization of intangible assets" on grants to suppliers	390
	390

Adjustments

('000 Euro)		March 31, 2005
Miscellaneous minor items	H	2
		2

Cost of services and use of assets owned by others

Adjustments

('000 Euro)		March 31, 2005
For reversal of costs on leased assets	D	(422)
		(422)

Personnel costs

Reclassifications

('000 Euro)		March 31, 2005
from "losses and other charges" due to change to income statement layout		1,254
		1,254

Adjustments

('000 Euro)		March 31, 2005
Due to valuation of Stock options	E	241
		241

Depreciation of tangible assets

Adjustments

('000 Euro)		March 31, 2005
Reversal of depreciation of land and "scrap value" of buildings	C	(136)
Reversal of depreciation of leasehold improvements	B	(20)
Depreciation of leased assets	D	98
		(58)

Amortization of goodwill

Adjustments

('000 Euro)		March 31, 2005
Reversal of amortized goodwill	A	(6,596)
		(6,596)

Amortization of intangible assets with a finite life

Reclassifications

('000 Euro)		March 31, 2005
to "cost of materials"		(390)
		(390)

Adjustments

('000 Euro)		March 31, 2005
Reversal of amortization of start-up and expansion costs	B	(37)
Amortization of Aprilia brand	A	896
Reversal of amortization of costs for leasehold improvements	B	(22)
Reversal of amortization for amortized cost	B	(135)
For amortization of leased assets	D	38
		740

Grants

Reclassifications

('000 Euro)	March 31, 2005
to "other income" due to change to income statement layout	(84)
	(84)

Adjustments and provisions to reserve for risks and charges

Reclassifications

('000 Euro)	March 31, 2005
to "other operating costs" due to change to income statement layout	(3,812)
	(3,812)

Other operating income

Reclassifications

('000 Euro)	March 31, 2005
from "gains and prior-period income" due to change to income statement layout	972
from "grants" due to change to income statement layout	84
	1,056

Other operating costs

Reclassifications

('000 Euro)	March 31, 2005
from "losses and other charges" due to change to income statement layout	859
From "adjustments and provisions" due to change to income statement layout	3,812
	4,671

Adjustments

('000 Euro)		March 31, 2005
Other minor items	H	2
		2

Gains and prior-period income

Reclassifications

('000 Euro)		*March 31, 2005*
to "other operating income" due to change to income statement layout		*(972)*
		(972)

Losses and other charges

Reclassifications

('000 Euro)		*March 31, 2005*
to "other operating costs" due to change to income statement layout		*(859)*
to "labour" due to change to income statement layout		*(1,254)*
		(2,113)

Financial income

Adjustments

('000 Euro)		*March 31, 2005*
Interest receivable on discounting receivables	*H*	*41*
Employee benefits on actuarial valuation of employee severance indemnities provision	*E*	*(187)*
		(146)

Financial charges

Adjustments

('000 Euro)		*March 31, 2005*
Adjustment for amortized cost on loans	*B*	*101*
Financial charges on leased assets	*D*	*144*
Other minor items	*H*	*(1)*
		244

Taxation

Adjustments

('000 Euro)		*March 31, 2005*
on re-allocation of goodwill to the Aprilia brand	*A*	*(334)*
Due to change in taxable income	*G*	*147*
		(187)

* * * * *

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

The paragraph below describes the main differences between Italian accounting standards and IFRS that have affected Piaggio's consolidated accounts. The amounts indicated are stated gross of any related tax effect, which is summarized separately under "Accounting for deferred taxation".

A - Write-off of amortized consolidation difference

The Group has elected to not apply IFRS 3 – Business combinations - retrospectively to business combinations prior to the IFRS transition date.

Previous accounting standards envisaged amortization of goodwill. According to IAS/IFRS, goodwill is considered to be an intangible asset with an indefinite life and is therefore not amortized, but rather subject to periodical verification for any impairment. In the consolidated accounts at March 31, 2005, the total net value of goodwill was 367 million Euro. In the income statement at March 31, 2005, in accordance with previous accounting standards, 6.6 million Euro of amortization of goodwill was recorded and was reversed in the income statement prepared in accordance with international accounting standards. The total effect on shareholders' equity was 29.8 ML€.

Development costs

In accordance with Italian accounting standards, applied research costs and development costs may be either capitalized or charged to profit and loss in the period in which they were incurred. The Piaggio Group has mainly charged research costs at the time in which they were incurred and capitalized those development costs from which future benefits are expected. IAS 38 – Intangible assets – envisages that research costs be charged to profit and loss, while development costs that meet the requirements of IAS 38 for capitalization must be capitalized and subsequently amortized from the start of production over the economic life of the related products. The approach followed by the Group is therefore in line with the provisions of international accounting standards.

As envisaged in IAS 36 – Impairment of assets, development costs capitalized among intangible assets must then be tested for impairment and a downward adjustment must be recorded if the recoverable value of the asset is less than its carrying amount, as described below in the paragraph on "Impairment of assets".

B - Write-off of capitalized costs

In accordance with Italian accounting standards, the Group capitalized some costs (mainly plant and expansion costs, leasehold improvements and other costs) which, according to IFRS, must be stated in profit and loss when incurred.

In particular, costs of increasing share capital (that are capitalized and amortized under Italian accounting standards) are recorded as a reduction to the increase in share capital and charged to shareholders' equity under IFRS.

The total effect of these reversals on shareholders' equity was 0.7 million Euro at March 31, 2005.

C - Buildings, plant and machinery

The main difference between the old and the new accounting standards regards land and buildings. The Italian standards adopted previously permitted such items to be recorded with the land being depreciated. According to international accounting standards, land must be separate from buildings and therefore not depreciated.
There is a 1.1 million Euro increase in the balance sheet, yet no significant effects on the income statement.
The useful life of fixed assets calculated as per IAS 16 gave rise to no significant changes due to the fact that the previous accounting standards already envisaged depreciation rates essentially in line with the useful life of the assets.

Impairment of assets

In accordance with Italian accounting standards, every year the Group measures the recoverable value of intangible assets with an indefinite life (essentially goodwill), comparing the carrying amount of the asset with its recoverable value, i.e. the value in use of that asset (or group of assets). In order to determine the value in use, the Group estimates the future positive and negative cash flows of the asset (or group of assets) which arise from its continued use and, finally, from its sale, and discounts them. If the recoverable value is less than the carrying amount, a downward adjustment equal to the difference should be recorded.

As regards tangible assets, the Group records certain downward adjustments if it is expected that the asset will no longer be used. Moreover, if there are signs of impairment, the Group measures the recoverability of groups of similar assets using non-discounted cash flow methods. If the recoverable value is less than the carrying amount, a downward adjustment equal to the difference is recorded.

In accordance with IFRS, intangible assets with an indefinite life should be measured every year. Moreover, development costs (capitalized under IFRS and charged under Italian accounting standards) are allocated to the related cash generating units and their recoverability is measured together with the related tangible assets, using discounted cash flow methods.

D - Finance leases

The Piaggio Group, which already in previous years adopted IAS 17 in respect of finance leases, with the exception of some contracts deemed not substantial, has, upon transition to IAS/IFRS, reviewed and applied this standard to such transactions as well. During 2005, the Group signed a finance lease for the building housing the Guzzi factory in Mandello del Lario. This lease led to a 14.7 million Euro increase in the value of fixed assets.

E - Employee benefits

The Group grants employees various forms of benefits, which are classified as defined benefit pension plans, as well as other long-term benefits.

Upon adopting IFRS, employee termination indemnities are considered as a defined benefit obligation to be recorded in accordance with IAS 19 and must therefore be recalculated using the "projected unit credit" method.

Furthermore, the Group has decided to recognize all accumulated actuarial profits and losses existing at 1st January 2004, recording them directly to an equity reserve. The amount recorded as an adjustment of the previous employee termination indemnities balances was 5.1 million Euro at March 31, 2005.

Consequently, the costs relating to pension plans and other benefits to be paid upon termination of employment recorded in the 2004 IFRS income statement include no depreciation of previously unreported actuarial profits and losses.

F - Disposal of receivables

The Piaggio Group sells a substantial part of its trade receivables to factors.

According to Italian accounting standards, all receivables sold with or without recourse have been deleted from the financial statements.

According to IFRS, since a with recourse sale is not definitive, the receivables and payables underlying such transactions are restored to the financial statements. As a result thereof, trade receivables and financial payables increase by 51.9 million Euro at March 31, 2005.

G - Accounting for deferred taxation

This item includes the net effect of deferred taxation calculated on aforementioned IFRS adjustments and on other minor differences between Italian accounting standards and IFRS with regard to recognition of deferred taxation.

H - Other adjustments

Discounting receivables/payables

In accordance with the provisions of international accounting standards, non-current assets and liabilities containing a component of a financial nature associated with deferred payments giving rise to a reduction in the operating income/cost component against the financial interest/charge component have been discounted.

BRIEF RECONCILIATION OF SHAREHOLDERS' EQUITY (IFRS1)

	Notes	**March 31, 2005**
Shareholders' Equity in accordance with Italian accounting standards		**215,543**
Write-off of consolidation difference amortization	a)	29,822
Write-off of capitalized costs	b)	(730)
Buildings, plant and machinery	c)	1,064
Finance leases	d)	270
Employee benefits	e)	(5,102)
Disposal of receivables	f)	0
Recognition of deferred taxation	g)	16
Other adjustments	h)	(47)
Shareholders' Equity in accordance with international accounting standards		**240,836**

	Notes	**31-Mar-05**

Group earnings in accordance with Italian accounting standards		(16,792)
Reversal of consolidation difference amortization	a)	6,034
Reversal of capitalized costs	b)	113
Buildings, plant and machinery	c)	136
Finance leases	d)	142
Employee benefits	e)	(428)
Sale of receivables	f)	
Recognition of deferred taxation	g)	(147)
Other adjustments	h)	37
Group earnings in accordance with international accounting standards		**(10,905)**