

IMMSI Società per Azioni

Share capital 178,464,000 euro fully paid up

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

Mantova register of companies – Tax code and VAT registration number 07918540019

Report of the Directors and Financial statements of the Immsi Group at 31 December 2015

This Report of the Directors and Financial statements is a translation provided only for the convenience of foreign readers. The Italian version will prevail.

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This report was approved by the Board of Directors of Immsi S.p.A. on 23 March 2016 and is available at www.immsi.it,
in the section "*Investors – Financial reports*"

COMPANY BOARDS

The Board of Directors and Board of Statutory Auditors of Immsi S.p.A. were appointed by the Shareholders' Meeting of 13 May 2015 and will remain in office until the date the Shareholders' Meeting is convened to approve the Financial Statements for the year ending 31 December 2017.

BOARD OF DIRECTORS OF DIRECTORS

Roberto Colaninno	Chairman
Daniele Discepolo	Deputy Chairman
Michele Colaninno	Chief Executive Officer
Matteo Colaninno	Director
Ruggero Magnoni	Director
Livio Corghi	Director
Rita Ciccone	Director
Giovanni Sala	Director
Patrizia De Pasquale	Director

BOARD OF STATUTORY AUDITORS STATUTORY AUDITORS

Alessandro Lai	Chairman
Daniele Girelli	Statutory Auditor
Silvia Rodi	Statutory Auditor
Gianmarco Losi	Alternate Auditor
Elena Fornara	Alternate Auditor

INDEPENDENT AUDITORS AUDITORS

<u>PricewaterhouseCoopers S.p.A.</u>	2012 - 2020
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GENERAL DIRECTOR DIRECTOR

Michele Colaninno

In accordance with the principles of Corporate Governance recommended by the Corporate Governance Code, and with Legislative Decree no. 231/01, the Board of Directors has established the following bodies:

REMUNERATION COMMITTEE

Daniele Discepolo
Giovanni Sala
Rita Ciccone

Chairman

NOMINATIONS COMMITTEE

Giovanni Sala
Daniele Discepolo
Rita Ciccone

Chairman

INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

Daniele Discepolo
Giovanni Sala
Rita Ciccone

Chairman

RELATED-PARTIES COMMITTEE

Giovanni Sala
Rita Ciccone
Patrizia De Pasquale

Chairman

SUPERVISORY BOARD

Marco Reboa
Alessandro Lai
Maurizio Strozzi

Chairman

LEAD INDEPENDENT DIRECTOR

Daniele Discepolo

DEPUTY CHAIRMAN

Michele Colaninno

INTERNAL AUDIT MANAGER

Maurizio Strozzi

FINANCIAL REPORTING OFFICER

Andrea Paroli

INVESTOR RELATOR

Andrea Paroli

Directors' Report on Operations

The Financial Statements of the Immsi Group at 31 December 2015 have been drafted in compliance with International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in article 9 of Legislative Decree no. 38/2005 (Consob Resolution no. 15519 of July 27/7/06 containing "Provisions for the presentation of financial statements", Consob Resolution no. 15520 of July 27/7/06 containing "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 of 28/7/06 July "Corporate reporting required in accordance with article 114, paragraph 5 of Legislative Decree no. 58/98"). the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.

This Report also contains the consolidated financial statements and notes of the Group, and the financial statements and notes of the Parent Company Immsi S.p.A. (the "Company"). Furthermore, it should be noted that the data contained in this document may in some cases present rounding defects due to the representation in millions: in this respect, please note that the variations and percentages are generally based on data expressed in thousands and not on those rounded and sometimes shown in millions.

Information on operations and Immsi Group activities

During 2015, the Immsi Group presented operating results which were up considerably compared to the previous year, in a macroeconomic context market by a 3% growth in the world economy, but with dynamics that differed by geographic segment, with Italy recording a slight growth (+0.7%) after a decrease in GDP for three consecutive years. In this context, all restructuring actions that the Immsi Group has undertaken in order to adapt its production capacity to market trends have continued, aiming to balance available capacity with actual demand, and consequently increase Group productivity.

Results for the period reflect different trends depending on the sectors that make up the Group, based on different business dynamics of period in question.

Referring to explanations given later in this document for a more detailed description, the following are noted on a preliminary basis:

- the "property and holding sector" consolidated the financial position and performance of Immsi S.p.A., Immsi Audit S.c.a r.l., ISM Investimenti S.p.A., Is Molas S.p.A., Apuliae S.p.A., Pietra S.r.l., Pietra Ligure S.r.l. and RCN Finanziaria S.p.A.;
- the "industrial sector" includes the companies owned by the Piaggio Group, while while
- the "naval sector" includes Intermarine S.p.A. and other minor subsidiaries or affiliated companies.

Some of the main financial data of the Immsi Group are presented below, divided by business segment and determined, as already stated, in accordance with international accounting standards (IAS/IFRS). A more detailed description of the figures below may be found later on in this document.

Alternative non-GAAP performance measures

This Report includes some indicators which - although still not contemplated by IFRS ("*Non-GAAP Measures*") – derive from the financial parameters adopted by IFRS.

These measures – which are presented in order to evaluate the trend of the Group's operations to a better extent – should not be considered as an alternative to IFRS measures and are uniform with those included in the Annual report and Financial Statements at 31 December 2014 and in the quarterly reports of the Immsi Group.

Moreover, the methods for calculating these indicators, as they are not specifically regulated by reference accounting standards, might not be uniform with standards adopted by other entities and therefore these indicators might not be sufficiently comparable.

In particular the following alternative performance measures were used:

- **EBITDA:** defined as operating income (EBIT) gross of amortisation and depreciation. In this regard - as from 31 December 2013 - the definition of EBITDA has been revised, considering it equal to operating income or loss (EBIT) before depreciation, amortisation and impairment costs of plant, property and equipment and intangible assets, as reported in the Income Statement.
- **Net financial debt:** represented by (current and non-current) financial liabilities, minus cash on hand and other cash and cash equivalents, as well as other (current and non-current) financial receivables. Net financial debt does not include other financial assets and liabilities arising from the fair value measurement of financial derivatives used as hedging and the fair value adjustment of related hedged items. The tables in this Report include a table with items of the Statement of Financial Position used to determine this indicator. In this respect, in conformity with the CESR recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", the indicator, as formulated, represents the items and activities monitored by the Group's management and differs from recommendations in Consob Communication no. 6064293 of 28 July 2006, as it also includes the non-current portion of financial receivables (which was equal to zero in the two years compared).

Immsi Group at 31 December 2015

In thousands of euro	<i>Property and holding sector</i>	<i>in %</i>	<i>Industrial sector</i>	<i>in %</i>	<i>Naval sector</i>	<i>in %</i>	<i>Immsi Group</i>	<i>in %</i>
Net revenues	4,919		1,295,286		61,807		1,362,012	
Operating income before depreciation and amortisation (EBITDA)	-332	-6.7%	161,724	12.5%	-615	-1.0%	160,777	11.8%
Operating income (EBIT)	-819	-16.6%	56,710	4.4%	-1,837	-3.0%	54,054	4.0%
Profit before tax	-14,792	n/m	20,103	1.6%	-7,120	-11.5%	-1,809	-0.1%
Earnings for the period including non-controlling interests	-14,068	n/m	11,867	0.9%	-11,471	-18.6%	-13,672	-1.0%
Group earnings for the period (which may be consolidated)	-7,977	n/m	5,944	0.5%	-7,521	-12.2%	-9,554	-0.7%
Net debt	-328,671		-498,123		-99,858		-926,652	
Personnel (number)	74		7,053		297		7,424	

The same table is shown below, referring to the previous year; the comparison between the two periods is included in specific comments on single sectors:

Immsi Group at 31 December 2014

In thousands of euro	<i>Property and holding sector</i>	<i>in %</i>	<i>Industrial sector</i>	<i>in %</i>	<i>Naval sector</i>	<i>in %</i>	<i>Immsi Group</i>	<i>in %</i>
Net revenues	4,819		1,213,272		56,486		1,274,577	
Operating income before depreciation and amortisation (EBITDA)	-4,562	n/m	159,305	13.1%	-5,709	-10.1%	149,034	11.7%
Operating income (EBIT)	-5,060	n/m	69,661	5.7%	-6,976	-12.3%	57,625	4.5%
Profit before tax	-82,633	n/m	26,514	2.2%	-12,646	-22.4%	-68,765	-5.4%
Earnings for the period including non-controlling interests	-78,113	n/m	16,064	1.3%	-9,295	-16.5%	-71,344	-5.6%
Group earnings for the period (which may be consolidated)	-73,068	n/m	8,127	0.7%	-5,873	-10.4%	-70,814	-5.6%
<i>Adjusted earnings for the period including non-controlling interests *)</i>	-78,113	n/m	18,639	1.5%	-9,295	-16.5%	-68,769	-5.4%
<i>Adjusted Group earnings for the period (which may be consolidated) *)</i>	-73,068	n/m	9,430	0.8%	-5,873	-10.4%	-69,511	-5.5%
Net debt	-300,244		-492,809		-116,702		-909,755	
Personnel (number)	71		7,510		284		7,865	

*) For details of how this adjustment was calculated, see the Notes.

The data in previous tables refer to results that may be consolidated, net in particular of intergroup revenues and costs and dividends from subsidiaries.

The property and holding sector

In thousands of euro	31.12.2015	in %	31.12.2014	in %	Change	in %
Net revenues	4,919		4,819		100	2.1%
Operating income before depreciation and amortisation (EBITDA)	-332	n/m	-4,562	n/m	4,230	92.7%
Operating income (EBIT)	-819	n/m	-5,060	n/m	4,241	83.8%
Profit before tax	-14,792	n/m	-82,633	n/m	67,841	82.1%
Earnings for the period including non-controlling interests	-14,068	n/m	-78,113	n/m	64,045	82.0%
Group earnings for the period (which may be consolidated)	-7,977	n/m	-73,068	n/m	65,091	89.1%
Net debt	-328,671		-300,244		-28,427	-9.5%
Personnel (number)	74		71		3	4.2%

the "property and holding sector" consolidated the financial position and performance of Immsi S.p.A., Immsi Audit S.c.a r.l., ISM Investimenti S.p.A., Is Molas S.p.A., Apuliae S.p.A., Pietra S.r.l., Pietra Ligure S.r.l. and RCN Finanziaria S.p.A.;

In overall terms, the **property and holding sector** in 2015 recorded a consolidated net debt of approximately 8 million euro, improving considerably compared to the same period of the previous year (-73.1 million euro) and mainly due to:

- the recognition in 2015 of 1) income equal to 2.7 million euro relating to the deposit paid by Como S.r.l. in 2005 when signing the preliminary purchase agreement for the property portfolio of Pietra Ligure, following a breach of contract terms, and 2) income for a total of 1.27 million euro from Is Molas S.p.A. collecting two guarantees relative to contracts with Italiana Costruzioni S.p.A., following the ruling in favour of the subsidiary due to breach by the contractor;
- the adjustment at 31 December 2015 of the value of deferred tax assets to the new nominal tax rate for corporate income tax for the 2017 tax year, equal to 24%, compared to the current rate of 27.5%, as provided for by the 2016 Stability Law. This adjustment had a negative impact of 3.4 million euro on the result of the property and holding sector;
- the recognition during 2014 of an impairment of 64.35 million euro, relative to the impairment loss on the investment held in Alitalia – Compagnia Aerea Italiana S.p.A. ("Alitalia – CAI"), following impairment testing of the recoverability of the carrying value.

Net debt of the sector amounted to 328.7 million euro, while it stood at 300.2 million at the end of the previous year. The change in consolidated net debt was affected by the reversal of consolidation accounting entries for 24 million euro, which had been recognised since 2006 to reverse the effects of the payment made by Pietra S.r.l. and Intermarine for the purchase of future credit arising from the preliminary contract with Como S.r.l., in order to eliminate the effects of intergroup transactions. Likewise, a change in net debt was also recorded in the naval sector, however with a positive effect, as explained further on.

Following the demerger of the property complex of Pietra Ligure from Intermarine and the establishment of a *Newco* (Pietra Ligure S.r.l.) - carried out to create the conditions for recognising this property portfolio - this adjustment no longer had to be recognised, so both the naval sector and property and holding sector at 31 December 2015 recorded the actual financial position.

The operating outlook of main companies in this sector is given below.

The Parent **Company Immsi S.p.A.** recorded, in its separate financial statements, (gross of intergroup eliminations) a net profit for the period of approximately 15.5 million euro, compared to a net loss of approximately 65.6 million euro at 31 December 2014, mainly due to a higher contribution from net financial activities. In 2015, the Company recorded an operating loss of approximately 1 million euro (compared to -0.9 million euro in 2014), and a profit from financial activities of 14.6 million euro mainly due to Piaggio dividends collected during 2015 for 13.2 million euro and the capital gain realised from the sale of Piaggio shares for 2.7 million euro (up compared to the negative balance of 66.4 million euro recorded in 2014, mainly attributable to the recognition of an impairment loss of 64.35 million euro, which was necessary following impairment testing during the year on the recoverability of the carrying value of the Alitalia - CAI investment).

Lastly, as regards non-financial income components, net revenues realised by Immsi S.p.A. during 2015 arising from property management and services amounted to 4.4 million euro, basically in line with the previous year (when this figure stood at 4.5 million euro).

Net financial debt of the Parent Company Immsi S.p.A. at 31 December 2015 amounted to 78.2 million euro, down by approximately 7.7 million euro compared to the figure at 31 December 2014 (approximately 85.8 million euro). This decrease is mainly due to:

- the inflow in April 2015 of approximately 13.2 million euro of dividends from the subsidiary Piaggio & C. S.p.A.;
- the inflow of 5.2 million euro in May for the sale of 1.9 million Piaggio & C. S.p.A. shares;
- these inflows were only partially offset by cash outflows concerning Company operations and payments made in January 2015 (0.6 million euro), May (0.4 million euro) and November (0.7 million euro) as "payments for future capital increases" in compliance with the Stand-by Equity Commitment undertaken in September 2014 to subscribe and release a maximum 10 million euro capital increase with payment resolved by the shareholders' meeting of Alitalia - CAI on 25 July 2014.

Lastly, Immsi S.p.A. did not distribute dividends during 2015.

As regards initiatives in the **property sector** and in particular with reference to the subsidiary **Is Molas S.p.A.**, following further authorisations issued by the Municipality of Pula in April 2015, the company stipulated new contracts for the development of 15 villas in subarea FCn10' and the first section of primary services. The sites were handed over, with the consequent start of works, in June 2015 and three interim payment certificates have been provided, in line with the signed schedule. In March 2015, the new Additional Planning Act was stipulated which in particular accounts for the deferment of the project's development, affecting the company, caused by regional authorisation procedures being introduced after the Additional Act of 2006 was signed, and sets a new deadline of 30 June 2021.

From a business standpoint, typical business operations of the property sector picked up during the second half of 2015; in particular, new estate agents were identified and agency agreements signed with leading players in Italy and abroad, with concrete results expected in the short term.

With reference to earnings for the period, net revenues for 2015 amounted to approximately 2.5 million euro, up by 0.2 million euro compared to the previous year (2.3 million euro). In terms of margins the company recorded a loss for 2015 of 1.9 million euro, up considerably compared to the figure of -3.8 million euro of the previous year. This improvement compared to 2014 was mainly due to the recognition of income for a total of 1.27 million euro from two guarantees relative to contracts with Italiana Costruzioni S.p.A., following the ruling in favour of the subsidiary due to breach of the contractor.

A net loss for 2015 of 4.6 million euro was recorded, down on 2014 when a loss of 4.1 million euro was recorded. This is due above all to the adjustment at 31 December 2015 of the value of deferred tax liabilities to the new nominal tax rate for corporate income tax for the 2017 tax year, equal to 24%, compared to the current rate of 27.5%, as provided for by the 2016 Stability Law (negative effect of 1.8 million euro).

Consequently, the net loss for the Immsi Group that may be consolidated amounted to 2.5 million euro, compared to -2.2 million euro in the previous year.

Net debt of the company amounted to 41.2 million euro, with cash generation of 2.6 million euro compared to 31 December 2014 (when financial debt totalled 43.8 million euro): this change refers to the payment of approximately 7 million euro by the partner ISM Investimenti S.p.A. for subscription to a capital increase mainly intended to start up property activities, only partially offset by net monetary flows used for operations of approximately 4.1 million euro, and investments in plant, property and equipment of approximately 0.3 million euro.

With reference to the **Pietra Ligure** project (Pietra S.r.l.), during 2015 the document on Town Planning was signed and a *Newco* was set up called Pietra Ligure S.r.l., which was assigned the Pietra Ligure property portfolio and relative Planning Permission. As the suspensions conditions established in the preliminary agreement with Como S.r.l. were met, in order to sell the newco established for this purpose, and with the contract terms not met by the other party lapsing, the deposit was retained.

The promissory purchaser had notified its intent, before the expiry of the above terms, of not wishing to go ahead with the preliminary contract of sale concerning the property portfolio, requesting enforcement of the bank guarantee issued as a guarantee. Intermarine formally ordered the other party to proceed with stipulation of the final contract and filed an appeal with the Court of Rome, pursuant to article 700 of the Code of Civil Procedure, to prevent enforcement of the above guarantee. The ruling judge threw out the appeal, stating that the opposition proceedings were the natural proceedings for examining the grounds of enforcement of the guarantee. These proceedings had been brought by Banco Popolare Soc.Coop. following the injunction served by Como S.r.l., with the judge of the Court of Rome in the hearing turning down the request for provisional enforcement proposed by Como S.r.l., adjourning the case to the hearing of 27 April 2016 for preliminary proceedings; at the end of 2015, the parties had filed their briefs in this regard pursuant to article 183.

Lastly, in September 2015 Intermarine S.p.A. filed a writ of summons before the Court of Rome against Como due to breach of contract, requesting, first and foremost, compensation for the maximum value of the operation equal to approximately 38 million euro.

As the Directors had ascertained that with suspension conditions of the preliminary contract being met, the other party did not wish to stipulate the final contract, claiming erroneous, specious reasons, also in the opinion of its legal advisors, they considered the guarantee as being definitively obtained. Consequently, the net profit of the company **Pietra S.r.l.** for 2015 that may be consolidated amounted to 1.4 million euro, which is basically the same as the figure for the previous year, while net financial debt was equal to 2.6 million euro, slightly higher than the figure of 2.2 million euro at 31 December 2014. Instead, the demerged **Pietra Ligure S.r.l.** recorded a loss, that may be consolidated, of 0.2 million euro, with net financial debt at 31 December 2015 equal to 0.1 million euro.

With reference to the subsidiary **Apuliae S.p.A.**, renovation work that began in March 2005 is suspended, following investigations by the legal authorities and pending the final decision of outstanding matters. For updates on the matter, see the paragraph "*Disputes in progress*" below. At 31 December 2015, the company recorded an economic break-even and financial debt of approximately 0.3 million euro, up by approximately 0.1 million euro compared to 31 December 2014 as regards the negative contribution from cash generated internally.

Other major companies in the property and holding sector include RCN Finanziaria S.p.A. and ISM Investimenti S.p.A.:

- **RCN Finanziaria S.p.A.**, held by Immsi S.p.A. with a share of 63.18% and sole partner of Intermarine S.p.A., recorded a net loss for the Immsi Group that may be consolidated of approximately 3.3 million euro (-2.5 million euro during 2014; the figure for 2015 is affected by the adjustment of the value of deferred tax assets, with a negative effect of 0.6 million euro on overall net profit) and net financial debt at 31 December 2015 equal to 120.7 million euro, up by approximately 2.1 million euro compared to the figure at 31 December 2014 (equal to 118.7 million euro);
- **ISM Investimenti S.p.A.** held by Immsi S.p.A. with a share of 72% in terms of voting rights and the parent company Is Molas S.p.A. with a share of 89.48% at 31 December 2015, recorded a net loss for the Immsi Group that may be consolidated of proximately 3.3 million euro (-2.5 million euro during 2014; in this case as well, the figure for 2015 is affected by the adjustment of the value of deferred tax assets, with a negative effect of 0.6 million euro on overall net profit) and net financial debt at 31 December 2015 equal to 85.6 million euro, up by approximately 12 million euro compared to the figure at 31 December 2014, due mainly to i) the subscription to tranches of capital increases in the subsidiary Is Mola for a total of approximately 7 million euro, as already referred to; and ii) of the capitalization of interest payable on some outstanding loans.

The industrial sector: Piaggio Group

In thousands of euro	31.12.2015	in %	31.12.2014	in %	Change	in %
Net revenues	1,295,286		1,213,272		82,014	6.8%
Operating income before depreciation and amortisation (EBITDA)	161,724	12.5%	159,305	13.1%	2,419	1.5%
Operating income (EBIT)	56,710	4.4%	69,661	5.7%	-12,951	-18.6%
Profit before tax	20,103	1.6%	26,514	2.2%	-6,411	-24.2%
Earnings for the period including non-controlling interests	11,867	0.9%	16,064	1.3%	-4,197	-26.1%
Group earnings for the period (which may be consolidated)	5,944	0.5%	8,127	0.7%	-2,183	-26.9%
Adjusted earnings for the period including non-controlling interests *)	11,867	0.9%	18,639	1.5%	-6,772	-36.3%
Adjusted Group earnings for the period (which may be consolidated) *)	5,944	0.5%	9,430	0.8%	-3,486	-37.0%
Net debt	-498,123		-492,809		-5,314	-1.1%
Personnel (number)	7,053		7,510		-457	-6.1%

*) For details of how this adjustment was calculated, see the Notes.

Regarding the **industrial sector**, in 2015 the Piaggio Group sold 519,700 vehicles worldwide in 2015, with a reduction in volumes totalling around 4.9% compared to the previous year, when 546,500 vehicles were sold. The number of vehicles sold in India (-7.2%) and Asia Pacific 2W (-9.9%) decreased, while figures were steady for vehicles sold in EMEA and the Americas (-0.2%). As regards product type, the downturn mainly concerned sales of commercial vehicles (-7.1%), while the decrease for two-wheelers was less significant (-3.5%).

In terms of consolidated turnover, the Group ended 2015 with net revenues up considerably compared to 2014 (+6.8%). Growth, due mainly to the devaluation of the euro against Asian currencies and the dollar, was stronger in India (+8.9%). The decrease in units sold was offset by a shift in the mix towards products with a greater unit value (+5% from motorcycle sales), and by the premium prices policy. With regard to product type, the increase in turnover was significant for both two-wheeler vehicles (+5.2%) and Commercial Vehicles (+10.2%). Consequently, the impact of two-wheeler vehicles on turnover went down from 69.3% in 2014 to the current figure of 68.3%, while the impact of commercial vehicles went up from 30.7% in 2014 to 31.7% in 2015.

Operating income including amortisation, depreciation and impairment costs of intangible assets and plant, property and equipment (EBITDA) for 2015 amounted to 161.7 million euro, equal to 12.5% of net revenues, up slightly (+1.5%) compared to 159.3 million euro (13.1% of net revenues) of the previous year.

Operating income (EBIT) for 2015 amounted to 56.7 million euro, down by 69.7 million euro in 2014, with amortisation, depreciation and impairment costs of intangible assets and plant, property and equipment totalling 105 million euro (+15.4 million euro, +17.1% compared to the previous year): in 2015, the percentage of operating income (EBIT) accounting for net revenues was equal to 4.4%, down from 5.7% in the previous year.

Financing activities improved over the previous year by 6.5 million euro, registering a loss of 36.6 million euro (-43.1 million euro in 2014). The lower financial charges are due to the fall in the cost of indebtedness on account of refinancing operations carried out during 2014, which resulted in a non-recurrent cost of € 3.6 million in the same period, to a greater capitalisation of interest and fewer charges from currency management, which more than offset the effects of the higher level of average indebtedness for the period.

In 2015, profit before tax of the Piaggio Group amounted to 20.1 million euro (-24.2% compared to 26.5 million euro in 2014), while net profit amounted to 11.9 million euro (0.9% of turnover), compared to 16.1 million euro of the previous year (1.3% of turnover).

Taxes for 2015 amounted to 8.2 million euro, while they stood at 10.5 million euro in 2014. Taxes for the year include the adjustment of deferred tax liabilities to the new nominal tax rate for corporate income tax for the 2017 tax year, equal to 24%, compared to the current rate of 27.5%, as provided for by the 2016 Stability Law. This adjustment had a negative impact of 5.4 million euro on results for the period of the Piaggio Group.

Net financial debt at 31 December 2015 amounted to 498.1 million euro, down 492.8 million compared to 31 December 2014. The increase of approximately 5.3 million euro is mainly due to investments in plant, property and equipment and intangible assets made in the period (101.9 million euro) and to the payment of dividends (26 million euro) which were only partially offset by the positive contribution from working capital.

Two-wheeler business

Two-wheeler vehicles can mainly be grouped into two product segments, scooters and motorcycles, in addition to the related spare parts and accessories business, the sale of engines to third parties, involvement in main two-wheeler sports championships and technical service.

The world two-wheeler market comprises two macro areas, which clearly differ in terms of characteristics and scale of demand: economically advanced countries (Europe, United States, Japan) and emerging nations (Asia Pacific, China, India, Latin America).

In the first macro area, which is a minority segment in terms of volumes, the Piaggio Group has a historical presence, with scooters meeting the need for mobility in urban areas and motorcycles for recreational purposes.

In the second macro area, which in terms of sales, accounts for most of the world market and is the Group's target for expanding operations, two-wheeler vehicles are the primary mode of transport.

In 2015, the world two-wheeler market (scooters and motorcycles), based on figures from monitored markets, recorded sales of nearly 46 million vehicles, with a decrease of approximately 6.5% compared to the previous year, but with different dynamics anchored to the geographic segment.

India, the most important two-wheeler market, registered a slight growth in 2015, ending the year with just over 16 million vehicles sold, up by 0.9% compared to 2014. China instead recorded decreasing volumes in 2015, down by 14.8% compared to the previous year and ending the period with 9.1 million units sold. The Asian area, Asean 5, reported a considerable decrease in 2015 (-10.1% compared to 2014) ending the year with 12.18 million units sold. Indonesia, the main market in this area, declined considerably in 2015, with total volumes of over 6.48 million units and a decrease of 17.6% compared to the previous year. Performance in Thailand was also down (1.6 million units sold, -4.1% compared to 2014) and in Malaysia (378 thousand units sold, -14.7% compared to 2014). Sales instead performed well in Vietnam (2.8 million units sold, +4.8% compared to 2014) and in the Philippines (850 thousand units sold, +8% compared to 2014).

Volumes of other Asian area countries (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) decreased, in overall terms, compared to the previous year, with 1.22 million

units sold (-5%). In this area, the decrease registered by Japan was considerable (-10.3% in 2015, with 374 thousand vehicles sold), while it was less negative for Taiwan, which ended the period with 668 thousand units sold (-0.9% compared to 2014).

The North American market, up by 3.3% compared to 2014 (557,000 vehicles sold) confirmed its growth trend in 2015 as well. Brazil, the first market in the South America area, recorded a downturn of 16.8%, with just under 1.2 million vehicles sold in 2015.

Europe, the reference area for Piaggio Group activities, confirmed its positive growth trend in 2015 as well, reporting a 5.4% increase in sales on the two-wheeler market compared to 2014 (+10% for the motorcycle segment and +1.8% for scooters), ending the period with 1.2 million units sold.

In this scenario of the world scooter market, the Piaggio Group maintained its leadership position on the European market in 2015, closing with a 15.2% share thanks to a strong presence in the scooter segment (24.1% share in 2015). The Group, with its own sites in India and Vietnam, also operates in the premium" segment of the Indian market and in Asia Pacific countries. In particular, Piaggio is one of the leading segment operators in Vietnam, which is the Group's main market in the Asian area.

The Group retained its strong position on the North American scooter market, where it closed the year with a market share of just under 21%, and where it is committed to increasing its profile in the motorcycle segment, through the Aprilia and Moto Guzzi brands.

During 2015, the Piaggio Group sold a total of 322,500 units in the two-wheeler segment worldwide, accounting for a net turnover equal to approximately 884.9 million euro (+5.2%), including spare parts and accessories (123.9 million euro, +8.3%).

The decrease in units sold was offset by a shift in the mix towards products with a greater unit value (+5% from motorcycle sales), and by the premium prices policy. In Asia Pacific, the fall in sales was affected by a considerable drop in demand in the Asean 5 area (-10.4% compared to 2014).

Commercial Vehicles business

The Commercial Vehicles category includes three- and four-wheelers with a maximum mass below 3.5 tons, designed for commercial and private use, and related spare parts and accessories. The Piaggio Group operates in Europe and India on the light commercial vehicles market, with vehicles designed for short range mobility in urban areas (European urban centres) and suburban areas (the product range for India). The Group acts as operator on European markets in a niche segment (urban mobility), thanks to its range of low environmental impact products, whereas it is also present in India, in the passenger vehicle and cargo sub-segments of the three-wheeler market.

Detailed analysis of the market shows that in 2015, the European market for light commercial vehicles (vehicles with a maximum mass of up to 3.5 tons) where the Piaggio Group operates, accounted for 1.7 million units sold, up 11.6% compared to 2014 (source ACEA data). In detail, the trends of main European reference markets are as follows: Germany (+4.2%), France (+2%), Italy (+12.4%) and Spain (+36.1%).

Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, fell from 531,500 units in 2014 to 514,000 in 2015, registering a 3.3% decrease. Within this market, the passenger vehicle subsegment reported a negative trend, decreasing by 2.9% and closing with 419,000 units. The cargo segment reported a decrease of 5.1%, from 100,000 units in 2014 to 95,000 units in 2015. The traditional three-wheeler market is flanked by the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates. The LCV cargo market, with vehicles with a maximum mass below 2 tons and where the Porter 600 and Porter 1000 compete, accounted for 115,400 units sold in 2015, falling by 16.6% compared to 2014.

In 2015, the Commercial Vehicles business generated a turnover of approximately 410.4 million euro, including approximately 42.7 million euro relative to spare parts and accessories, registering

a 10.2% increase over the previous year. During the year, 197,200 units were sold, down 7.1% compared to 2014.

On the Emea and Americas market, the Piaggio Group sold 12,800 units, generating a total net turnover of approximately € 79.8 million, including spare parts and accessories for € 18.9 million. The 27.1% increase in sales was supported by the good performance of the reference market.

Sales of three-wheeler vehicles went down from 172,615 units in 2014 to 158,950 units in 2015, registering a decrease of 7.9%.

The same subsidiary also exported 20,259 three-wheeler vehicles (23,144 in 2014); the downturn is mainly due to a slowdown in the sales of some African countries.

On the four-wheeler market, sales of Piaggio Vehicles Private Limited decreased by 21.1% in 2015, compared to sales of 5,037 units in 2014.

The naval sector: Intermarine

In thousands of euro	31.12.2015	in %	31.12.2014	in %	Change	in %
Net revenues	61,807		56,486		5,321	9.4%
Operating income before depreciation and amortisation (EBITDA)	-615	-1.0%	-5,709	-10.1%	5,094	89.2%
Operating income (EBIT)	-1,837	-3.0%	-6,976	-12.3%	5,139	73.7%
Profit before tax	-7,120	-11.5%	-12,646	-22.4%	5,526	43.7%
Earnings for the period including non-controlling interests	-11,471	-18.6%	-9,295	-16.5%	-2,176	-23.4%
Group earnings for the period (which may be consolidated)	-7,521	-12.2%	-5,873	-10.4%	-1,648	-28.1%
Net debt	-99,858		-116,702		16,844	14.4%
Personnel (number)	297		284		13	4.6%

As regards the **naval sector**, net sales revenues went up in 2015 (comprising turnover and changes in works in progress to order), compared to the same period of the previous year, with an increase of 9.4%, and figures at 61.8 million euro compared to 56.5 million euro compared to 2014. Production progress, including research and development, and the completion of constructions and deliveries, concerned in particular:

- the *Defence* division, with 58.6 million euro (52 million during 2014), mainly due to progress in activities to refit Gaeta minesweepers for the Italian Navy, the construction and supply of logistics services of units for Customs and Excise, the construction of the remaining minesweeper for the Finnish Navy and the Selex contract (since 1 January 2016, Finmeccanica) for the construction of an integrated minesweeper platform in a capacity as subsupplier in a contract with a leading company in the sector;
- the *Fast Ferries and Yacht* divisions, with a total of 3.2 million euro (4.5 million euro during 2014), mainly for repair activities.

Production volumes and margins for all sectors were overall insufficient for absorbing direct production costs and fixed structure costs; however progress with the Selex contract (now Finmeccanica), for an integrated minesweeper platform, acquired in December 2013, made it possible to partially offset negative margins compared to the previous year.

As regards the *Fast Ferries* and *Yacht* divisions, a lack of major new sales contracts for both new and used vessels was reported.

The company, in view of results recorded, and pending a market recovery and developments on the sales front, which are crucial for absorbing indirect costs and overheads to an adequate degree, pursued every opportunity to contain structural costs in 2015 so as to minimise losses incurred. At the same time, commercial activities continued in all the operational *businesses* of the company, pursuing favourable commercial opportunities.

Earnings for the period, as regards operations, recorded negative deviations from forecasts, due in particular to additional construction costs for the third minesweeper unit and to obtain Final Approvals for the first two units delivered to the Finnish Navy and to the failed start-up of the contract with the Asian Navy (initially scheduled for September 2015 and postponed to March 2016).

As a result, a loss of 1.8 million euro was recorded, up by approximately 5.1 million euro compared to 2014 (when the loss amounted to -7 million euro). As regards profit before tax, a figure of 7.1 million euro negative was posted (compared to a loss before tax of 12.6 million euro in 2014), while a loss that may be consolidated for the Immsi Group of 7.5 million euro was recorded at 31 December 2015, compared to a loss of 5.9 million euro for the previous year. Taxes for the year include the adjustment of deferred tax liabilities to the new nominal tax rate for corporate income tax for the 2017 tax year, equal to 24%, compared to the current rate of 27.5%, as provided for by the 2016 Stability Law. This adjustment had a negative impact of 5.5 million euro on results for the period of Intermarine.

The total value of the orders portfolio of the company amounted to 300 million euro at 31 December 2015, referring nearly entirely to contracts of the Defence sector, for:

- i) the Selex integrated minesweeper platform (now Finmeccanica; a remaining amount of approximately 30.6 million euro);
- ii) the programme to refit eight Gaeta minesweepers for the Italian Navy (for a remaining amount of approximately 43.6 million);
- iii) construction programmes and relative logistics services for Customs and Excise (for a remaining amount of approximately 20.3 million euro);
- iv) remaining progress relative to the construction programme for three minesweepers for the Finnish Navy (for approximately 1.5 million euro);
- v) the construction programme for a naval platform, the transfer of technologies and royalties for an Asian shipyard, for 162 million euro, and
- vi) the supply agreement for 2, multi-purpose, high-speed naval units, pending approval by competent authorities, for a value of 42 million euro.

The orders portfolio includes construction activities for services and logistics for Customs and Excise for 5 years from the delivery of the units, activities up to 2016 for the Finnish minesweeper contract, up to 2017 for a new integrated minesweeper platform, up to 2020 for the refitting of minesweepers of the Italian Navy, up to 2019 for the naval platform and up to 2022 for the transfer of technologies to the Asian shipyard.

As regards assets, net financial debt, equal to 99.9 million euro at 31 December 2015, was down by approximately 16.8 million euro compared to a balance of 116.7 million euro at 31 December 2014. This was mainly due to the fact that consolidation accounting records affecting net financial debt by 24 million euro negative, recognised from 2006 onwards to reverse the effects of the payment of this amount in cash by Pietra S.r.l. to Intermarine S.p.A. for the purchase of future credit arising from the preliminary agreement with Como S.r.l., in order to eliminate the effects of intergroup operations, are no longer recognised.

Financial position and performance of the Group

As already referred to in this report, during 2015, the operating results of Immsi Group improved generally compared to the previous year, in a macroeconomic context characterised by growth in the world economy, but with dynamics that differed considerably by geographic segment.

The scope of consolidation has not changed considerably compared to the Consolidated Financial Statements at 31 December 2014. In particular:

- on 28 January 2015, the partial demerger of the subsidiary Intermarine S.p.A. took place, with the establishment of a company called Pietra Ligure S.r.l. and assignment of a single quota representing 100% of the share capital to RCN Finanziaria S.p.A.. The company Pietra Ligure S.r.l. holds the property portfolio situated in the municipality of Pietra Ligure (Savona). Pietra S.r.l. subsequently purchased 100% of the share capital of Pietra Ligure S.r.l. from RCN Finanziaria S.p.A.;
- On 15 June 2015, the company Piaggio Fast Forward Inc., a subsidiary of Piaggio & C. S.p.A., was established, with the object of carrying out research and development for new mobility and transport systems.

These changes did not alter the comparability of the financial position and performance between the two reporting periods, as the changes are of a limited extent, resulting in only a partial redistribution of net profit and shareholders' equity between the share attributable to the Group and to non-controlling interests.

Lastly, the consolidated portion of shareholders' equity of the Piaggio Group, which amounted to 50.06% at 31 December 2015, was equal to 50.59% at 31 December 2014: the decrease in 2015 is mainly due to the effect of the sale of a total of 1.9 million Piaggio shares by Immsi S.p.A. in May.

Net revenues realised during 2015, equal to 1,362 million euro, up compared to the previous year (+6.9%), mainly refer to the industrial sector (1,295.3 million euro), the naval sector for 61.8 million euro and the remaining amount for the property and holding sector.

Operating income including amortisation, depreciation and impairment costs of intangible assets and plant, property and equipment (EBITDA) for 2015 amounted to 160.8 million euro, equal to 11.8% of net revenues, up in absolute terms and as a percentage compared to the previous year, when it stood at 149 million euro and was equal to 11.7% of revenues; operating income (EBIT) was equal to 54.1 million euro (4% of net revenues), down by 3.6 million euro compared to 57.6 million euro of the previous year (when this figure accounted for 4.5% of net revenues).

Consolidated operating income (EBIT) does not include goodwill impairment because on the basis of results expected from long-term development plans prepared by Group companies and used in impairment testing, it was not considered necessary to carry out impairment, as this goodwill was considered recoverable through future financial flows.

As the analyses conducted to estimate the recoverable value of the goodwill of cash generating units of the Immsi Group were determined also based on estimates, the Group does not have the assurance that an impairment loss in goodwill will not occur in future periods.

Given the current ongoing difficulty of reference and financial markets, the various factors - both internal and external to cash generating units identified - used in making the estimates could be revised in future: The Group will constantly monitor these factors and the possible existence of future impairment losses.

Profit before tax for 2015 amounted to 1.8 million euro negative, compared to a profit before tax at 31 December 2014 of 68.8 million euro negative: this improvement (of 67 million euro) is due in particular to:

- the reduction in profit before tax recorded by the industrial sector (Piaggio Group) of 6.4 million euro;
- the reduction in the loss before tax of the naval sector, which recorded an increase of 5.5 million euro in 2015, compared to a loss in 2014;
- the recognition in 2015 of income equal to 2.7 million euro relating to the deposit paid by Como S.r.l. in 2005 when signing the preliminary purchase agreement for the property portfolio of Pietra Ligure, following a breach of contract terms, and income for a total of 1.27 million euro from Is Molas S.p.A. collecting two guarantees relative to contracts with Italiana Costruzioni S.p.A., following the ruling in favour of the subsidiary due to breach by the contractor;
- the recognition in 2014 of impairment relative to the investment held in Alitalia – Compagnia Aerea Italiana S.p.A. equal to 64.35 million.

Taxes for the period amounted to 11.9 million euro, up by 9.3 million euro compared to 2.6 million euro at 31 December 2014: this increase is due in particular to the fact that at 31 December 2015, the Group had recognised the adjustment of deferred tax assets to the new nominal tax rate for corporate income tax for the 2017 tax year, equal to 24%, compared to the current rate of 27.5%, as provided for by the 2016 Stability Law. this adjustment had a negative impact of 14.4 million euro on results for the period.

Considering this adjustment of the value of deferred tax liabilities, the calculation of the average consolidated tax rate relative to 2015 was not significant: in this regard, in 2014 the calculation of the average consolidated tax rate was not significant, as profit before tax was negatively affected by the considerable impairment recognised by the Parent Company Immsi S.p.A. relative to the investment in Alitalia – Compagnia Aerea Italiana S.p.A..

Lastly, following the above dynamics, the Group recorded a net loss for the period of 9.6 million euro, improving considerably compared to the loss of 70.8 million euro recorded at 31 December 2014.

Net financial debt of the Group at 31 December 2015 totalled 926.7 million euro up by approximately 16.9 million euro compared to a balance of 909.8 million euro at 31 December 2014, due mainly to net investments in plant, property and equipment and intangible assets for the period, equal to a total of 102.7 million euro and the payment of dividends to third parties for 12.9 million euro, only partially offset by net monetary flows generated from operations, equal to 99.7 million euro.

Total gross investments of the Group in the period totalled 104.7 million euro, broken down as follows:

- 63.9 million euro in intangible assets, referring nearly entirely to the Piaggio Group;
- 39 million euro in plant, property and equipment, of which 38 million euro referred to the Piaggio Group, and
- 1.8 million euro relative to the investee Alitalia – Compagnia Aerea Italiana S.p.A., for payments made during the period in compliance with the Stand-by Equity Commitment undertaken in September 2014.

Total shareholders' equity of the Immsi Group at 31 December 2015 was equal to 428.1 million euro; excluding the portion attributable to non-controlling interests, shareholders' equity attributable to the Group was equal to 265.6 million euro.

Financial performance of the Group

The Group prepares reclassified figures as well as the financial statement schedules required by law. A short description of the main balance sheet and income statement items is provided below the reclassified schedules.

For more details on items in the statements, see the Notes. Specific notes referring to mandatory items are omitted as the main aggregates coincide.

The reclassified Consolidated income statement of Immsi Group shown below is classified by the nature of the income components and is in line with the IAS/IFRS guidelines which consider them entirely arising from ordinary activities, except for those of a financial nature.

In thousands of euro	31.12.2015		31.12.2014		Change	
Net revenues	1.362.012	100%	1.274.577	100%	87,435	6.9%
Costs for materials	785,366	57.7%	728,406	57.1%	56,960	7.8%
Costs for services, leases and rentals	268,669	19.7%	240,775	18.9%	27,894	11.6%
Employee costs	231,868	17.0%	229,684	18.0%	2,184	1.0%
Other operating income	114,066	8.4%	101,282	7.9%	12,784	12.6%
Other operating costs	29,398	2.2%	27,960	2.2%	1,438	5.1%
OPERATING EARNINGS BEFORE AMORTISATION AND DEPRECIATION (EBITDA)	160,777	11.8%	149,034	11.7%	11,743	7.9%
Depreciation and write-downs of plant, property and equipment	47,157	3.5%	43,419	3.4%	3,738	8.6%
Amortisation and impairment of intangible assets with a definite useful life	59,566	4.4%	47,990	3.8%	11,576	24.1%
OPERATING INCOME	54,054	4.0%	57,625	4.5%	-3,571	-6.2%
Income/(loss) from investments	165	0.0%	-113	0.0%	278	-
Financial income	20,577	1.5%	14,680	1.2%	5,897	40.2%
Borrowing costs	76,605	5.6%	140,957	11.1%	-64,352	-45.7%
PROFIT BEFORE TAX	-1,809	-0.1%	-68,765	-5.4%	66,956	97.4%
Taxation	11,863	0.9%	2,579	0.2%	9,284	n/m
EARNINGS AFTER TAXATION FROM CONTINUING ASSETS	-13,672	-1.0%	-71,344	-5.6%	57,672	80.8%
Gain (loss) from assets held for disposal or sale	0	-	0	-	0	-
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	-13,672	-1.0%	-71,344	-5.6%	57,672	80.8%
Earnings for the period attributable to non-controlling interests	-4,118	-0.3%	-530	0.0%	-3,588	n/m
GROUP EARNINGS FOR THE PERIOD	-9,554	-0.7%	-70,814	-5.6%	61,260	86.5%
ADJUSTED EARNINGS FOR THE PERIOD FOR NON-CONTROLLING INTERESTS	-13,672	-1.0%	-68,769	-5.4%	55,097	80.1%
Adjusted earnings for the period for non-controlling interests	-4,118	-0.3%	742	0.1%	-4,860	n/m
ADJUSTED GROUP EARNINGS FOR THE PERIOD	-9,554	-0.7%	-69,511	-5.5%	59,957	86.3%

Consolidated net revenues of the Immsi Group went up by approximately 87.4 million euro (+6.9%) to total approximately 1,362 million euro, mainly due to the contribution from the industrial sector of approximately 1,295.3 million euro and from the naval sector of approximately 61.8 million euro. Net revenues of the property and holding sector, amounting to approximately 4.9 million euro, were basically unchanged compared to the same period of the previous year.

In particular, net revenues of the industrial sector went up by approximately 6.8% compared to the previous year (+82 million euro compared to approximately 1,213.3 million euro at 31 December 2014) while net revenues of the naval sector totalled 61.8 million euro at 31 December 2015, up by 9.4%, compared to 56.5 million euro in 2014.

Operating costs and other net consolidated expenses of the Group in 2015 amounted to 1,201.2 million euro (88.2% of net revenues), with 1,133.6 million euro (equal to approximately 87.5% of net revenues of the sector) relative to the Piaggio Group. The cost of materials amounted to 785.4 million euro, accounting for 57.7% of net revenues; the cost referred to the industrial sector alone amounted to 770.3 million euro, equal to 59.5% of net revenues of the sector. Personnel costs totalled 231.9 million euro, accounting for 17% of net revenues. The largest portion, amounting to 213.3 million euro (16.5% of net revenues of the sector), refers to the Piaggio Group.

Operating income including amortisation, depreciation and impairment costs of intangible assets and plant, property and equipment (EBITDA) amounted to 160.8 million euro, equal to 11.8% of net revenues, of which 161.7 million euro referred to the industrial sector.

Amortisation and depreciation for the period was equal to 106.7 million euro (of which 105 million euro relative to the industrial sector), accounting for 7.8% of turnover, up considerably on the figure of approximately 15.3 million euro (+16.8%) in 2014. Depreciation charges of plant, property and equipment amounted to 47.2 million euro (+3.7 million euro compared to the figure for 2014), while amortisation charges for intangible assets, which does not include amortisation on goodwill, totalled 59.6 million euro (48 million in 2014).

operating income (EBIT) was equal to 54.1 million euro (-3.6 million euro compared to 31 December 2014), accounting for 4% of net revenues (down by the figure of 4.5% in 2014, due in particular to greater amortisation and depreciation).

The net balance of financing activities - including profit from investments - totalled 55.9 million euro negative, comprising a negative net balance of 36.6 million euro for the industrial sector, a negative net balance of 5.3 million euro for the naval sector, while the property and holding sector recorded a negative balance of approximately 14 million euro. The improvement over the negative balance of 2014, which amounted to 126.4 million euro, was due in particular to the fact that the latter sector was negatively affected by the recognition of an impairment loss by the Parent Company Immsi S.p.A. equal to 64.35 million relative to the investment held in Alitalia – Compagnia Aerea Italiana S.p.A..

In consideration of the above, a loss before taxes of 1.8 million euro was recorded, with a positive contribution from the industrial sector of 20.1 million euro, while the contribution from the naval sector was 7.1 million euro negative, and from the property and holding sector 14.8 million euro negative.

The Group adjusted deferred tax liabilities to the new rate introduced by Law no. 208/2015 (2016 Stability Law), which amended article 77, paragraph 1 of the Consolidated Law on Income Tax (TUIR), reducing the nominal corporate income tax (IRES) rate from 27.5% to 24%, with effect for tax periods after the period ending 31 December 2016. The change in the tax rate led to a reduction in deferred tax liabilities of the Group at 31 December 2014, recognised in the income statement for a total of 14.4 million euro.

Lastly, a net loss for the period of approximately 33.6 million euro was recorded, after taxes and net of non-controlling interest, improving considerably on the loss of 70.8 million euro recorded at 31 December 2014.

Reclassified financial situation of the Group

In thousands of euro	31.12.2015	in %	31.12.2014	in %
Current assets:				
Cash and cash equivalents	124,510	5.8%	103,942	4.8%
Financial assets	0	0.0%	0	0.0%
Operating activities	532,092	24.7%	597,128	27.4%
Total current assets	656,602	30.5%	701,070	32.2%
Non-current assets:				
Financial assets	0	0.0%	0	0.0%
Intangible assets	852,211	39.5%	846,575	38.9%
Plant, property and equipment	343,465	15.9%	344,450	15.8%
Other assets	303,420	14.1%	284,644	13.1%
Total non-current assets	1,499,096	69.5%	1,475,669	67.8%
TOTAL ASSETS	2,155,698	100.0%	2,176,739	100.0%
Current liabilities:				
Financial liabilities	426,074	19.8%	440,483	20.2%
Operating liabilities	559,908	26.0%	600,658	27.6%
Total current liabilities	985,982	45.7%	1,041,141	47.8%
Non-current liabilities:				
Financial liabilities	625,088	29.0%	573,214	26.3%
Other non-current liabilities	116,534	5.4%	120,273	5.5%
Total non-current liabilities	741,622	34.4%	693,487	31.9%
TOTAL LIABILITIES	1,727,604	80.1%	1,734,628	79.7%
TOTAL SHAREHOLDERS' EQUITY	428,094	19.9%	442,111	20.3%
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,155,698	100.0%	2,176,739	100.0%

Current assets at 31 December 2015 amounted to 656.6 million euro, a decrease over 31 December 2014 of 44.5 million euro. This decrease was due to positive changes in cash and cash equivalents, equal to 20.6 million euro, which were more than offset by the decrease in operations, of 65 million euro. Non-current assets at 31 December 2015 (including assets held for disposal) totalled 1,499.1 million euro compared to 1,475.7 million at 31 December 2014, with an increase of 23.4 million euro.

In particular, non-current assets include intangible assets amounting to 852.2 million euro, up compared to 31 December 2014 by 5.6 million euro, plant, property and equipment amounting to 343.5 (344.5 million at the end of 2014) and other assets amounting to 303.4 million euro (compared to 284.6 million at the end of 2014).

Current liabilities at 31 December 2015 amounted to 986 million euro down by 55.2 million euro compared to 31 December 2014, against a decrease in financial liabilities (-14.4 million euro) and current operating liabilities (-40.75 million euro).

Non-current liabilities at 31 December 2015 totalled 741.6 million euro compared to 693.5 million at 31 December 2014, with the increase mainly due to financial liabilities (+51.9 million euro).

Consolidated shareholders' equity attributable to the Group and non-controlling interests amounted to 428.1 million euro at 31 December 2015, of which 162.5 million euro attributable to non-controlling interests.

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

In thousands of euro	31.12.2015	in %	31.12.2014	in %
Current operating assets	532,092	36.2%	597,128	40.6%
Current operating liabilities	-559,908	-38.1%	-600,658	-40.8%
Net operating working capital	-27,816	-1.9%	-3,530	-0.2%
Intangible assets	852,211	57.9%	846,575	57.5%
Plant, property and equipment	343,465	23.3%	344,450	23.4%
Other assets	303,420	20.6%	284,644	19.3%
Employed capital	1.471.280	100.0%	1.472.139	100.0%
Non-current non-financial liabilities	116,534	7.9%	120,273	8.2%
Non-controlling interests capital and reserves	162,460	11.0%	173,923	11.8%
Consolidated Group shareholders' equity	265,634	18.1%	268,188	18.2%
Total non-financial sources	544,628	37.0%	562,384	38.2%
Net Financial debt	926,652	63.0%	909,755	61.8%

The table below shows the **statement of cash flows** for the period:

In thousands of euro	31.12.2015	31.12.2014
Cash generated internally	102,990	88,479
Change in net working capital	-3,287	-28,316
Net cash flow generated from operations	99,703	60,163
Payment of dividends by the Parent company	0	0
Payment of dividends to non-controlling interests by Group companies	-12,851	0
Increases in share capital of subsidiaries underwritten by non-controlling interests	0	5,076
Purchase of treasury shares by Group companies	0	-3,542
Acquisition of intangible assets	-63,907	-58,496
Purchase of plant, property and equipment	-39,016	-38,773
Net decrease from property disposals	333	910
Acquisition of non-controlling investments, net of disposals	-1,760	-16,999
Acquisition of controlling investments and business complexes, net of disposals	5,206	0
Other net movements	-4,605	-7,311
Change in net debt	-16,897	-58,972
Initial net debt	-909,755	-850,783
Closing net debt	-926,652	-909,755

Net financial debt, equal to 926.7 million euro at 31 December 2015, was analysed below and compared with the same data at 31 December 2014.

In thousands of euro	31.12.2015	31.12.2014
Short-term financial assets		
Cash and cash equivalents	-124,510	-103,942
Financial assets	0	0
Total short-term financial assets	-124,510	-103,942
Short-term financial payables		
Bonds	0	0
Payables due to banks	372,551	383,225
Amounts due for finance leases	31	30
Amounts due to other lenders	53,492	57,228
Total short-term financial payables	426,074	440,483
Total short-term financial debt	301,564	336,541
Medium/long-term financial assets		
Receivables for loans	0	0
Other financial assets	0	0
Total medium/long-term financial assets	0	0
Medium/long-term financial payables		
Bonds	290,139	288,369
Payables due to banks	333,765	283,372
Amounts due for finance leases	179	211
Amounts due to other lenders	1,005	1,262
Total medium/long-term financial payables	625,088	573,214
Total medium/long-term financial debt	625,088	573,214
Net financial debt *)	926,652	909,755

*) The indicator does not include financial assets and liabilities arising from the fair value measurement of financial derivatives designated as hedges and the fair value adjustment of related hedged items and related accruals (see note G2 – “Financial liabilities” in the Notes).

Financial position and performance of the Parent Company

A summary and short description of the main financial statement items are given below. Further information on these items may be found in the explanatory and additional Notes to the financial statements of Immsi S.p.A..

In thousands of euro	2015	2014
Earnings on financial operations	14,623	-66,359
Profit before tax	13,601	-67,309
Income for the period	15,496	-65,628
Net operating working capital	64,847	58,903
Employed capital	473,480	466,179
Non-financial sources	395,325	380,357
Net debt	-78,155	-85,822
Shareholders' equity	376,823	359,443
Personnel (number)	12	12

During 2015, the Company recorded a profit from financing activities of 14,623 thousand euro mainly attributable to approximately 13.2 million euro of dividends distributed by the subsidiary Piaggio & C. S.p.A. (that had not distributed dividends during 2014) and the capital gain of 2.7 million euro realised in May 2015 with the sale of 1.9 million shares of Piaggio & C. S.p.A.. Profit before tax accounted for a minimum part of taxable income as regards income tax, because most components comprise financial statement items, which are tax-neutral.

In 2015, a profit of 15,496 thousand euro was recorded, also due to the recognition of income, under the item taxes, equal to 1,868 thousand euro, realised as part of the national consolidated tax convention, with agreements signed with member companies that allow the consolidating company to deduct interest expense which single member companies would not be able to deduct independently, but which they could deduct thanks to the ROL from foreign companies, consolidated on a virtual basis.

Net operating working capital went from 58,903 thousand euro at 31 December 2014 to 64,847 thousand euro at the end of 2015, mainly because of the increase in receivables due from Group companies.

Invested capital amounted to 473,480 thousand euro, up compared to 31 December 2014, and mainly comprised the investment property situated in Rome amounting to 74,000 thousand euro, investments in subsidiaries amounting to 322,332 thousand euro, and the investment in Alitalia – Compagnia Aerea Italiana S.p.A. amounting to 12,115 thousand euro.

Non-financial sources, consisting of 18,501 thousand euro relative to non-current non-financial liabilities (mainly deferred tax liabilities) and 376,823 thousand euro relative to shareholders' equity, went up compared to 31 December 2014, due to the change of the latter item.

Net financial debt at 31 December 2015 stood at 78,155 thousand euro, down by 7,667 thousand euro compared to 31 December 2014, due in particular to cash flows generated from 13,156 thousand euro from dividends paid by the subsidiary Piaggio & C. S.p.A., 5,206 thousand euro for the sale of 1.9 million shares of Piaggio & C. S.p.A., which were only partially offset by cash outflows for operations and the payment and subscription of a capital increase in favour of Alitalia – CAI for a total of 1,766 thousand euro.

Statement of reconciliation between shareholders' equity and earnings for the period of the Parent Company and consolidated companies

The reconciliation between shareholders' equity and earnings for the period of the Parent Company and consolidated figures are shown below:

In thousands of euro	Shareholders' net	Earnings for the period
Shareholders' equity and earnings for the period as recorded in the financial statements of the Parent Company Immsi S.p.A.	376,823	15,496
De-recognition of dividends from subsidiaries of the Parent Company	n/a	(13,156)
Elimination of capital gains on sale of stakes in subsidiaries of the Parent company	n/a	(2,670)
Pro rata earnings and shareholders' equity of investee companies	480,497	(9,224)
Elimination of the carrying amount of investments	(591,686)	0
Elimination of the effects of other intergroup transactions and other records	0	0
TOTAL	265,634	(9,554)

Research & development

The Immsi Group carries out research and development activities through the Piaggio Group and the subsidiary Intermarine S.p.A.: below is a summary of the main current activities in the two respective sectors.

With reference to the **Piaggio Group**, in 2015 the group continued its policy of retaining technological leadership in the sector, allocating total resources of 46.8 million euro to research and development, of which 31.4 million euro capitalised under intangible assets as development expenditure. Piaggio's research and development is strongly focussed on two main themes: developing engines that are even more environmentally friendly and with an even better performance, and vehicles with an improved functionality and safety. Anticipating customer requirements, creating products that are innovative in terms of their technology, style and functionality, pursuing research for a better quality of life are all fields of excellence in which the Piaggio Group excels, as well as a means for measuring its leadership position on the market: the group develops these areas through research and development at seven centres in Italy, India, Vietnam, the United States and China.

In particular, the main objective of the Piaggio Group is to meet the most progressive needs for mobility, while reducing the environmental impact and consumption of its vehicles, guaranteeing their performance and levels of excellence. A constant focus is placed on research into vehicles that are at the forefront in terms of:

- environmental credibility, products that can reduce pollutant gas and CO2 emissions in town and out-of-town use; this is achieved by further developing traditional engine technologies (increasingly sophisticated internal combustion engines), as well as making more use of renewable, sustainable energy sources;
- reliability and safety, vehicles that enable a growing number of users to get about town easily, helping to reduce traffic congestion and guaranteeing high standards of active, passive and preventive safety;
- recyclability, i.e. products that minimise environmental impact at the end of their useful life cycle; and
- cost-effectiveness, vehicles with lower running and maintenance costs.

In 2015 research results which became actual applications for vehicles in production are summarised below:

- Improving engines
In 2015, the process to continually improve the 125 cc engine led to the development of the new iGet 125 and 150 Euro 410 air engine, which made its début on the new Liberty ABS 3V. The project, which aims to reduce overall and improve rideability, made it possible to optimise the engine injection and control system.
- Improving efficiency
The greatest efforts in 2015 were focused on the development of a new family of engines called "iGet 4V Water", available in 125cc and 150cc. With electronic injection, four valve distribution and radiator on the engine, they can also feature the "Start & Stop" system. Compliant with the Euro 4 standard, they are the result of a design philosophy guided primarily by new and higher levels of quality and reliability. Each component, from the exhaust to the inside of the gearbox cover and the new air filter has been designed to make for a smooth, quiet and comfortable ride, and to lengthen the life of the engine. The design aims above all to reduce friction and in particular friction in the timing system. The mechanical noise of the new iGet is also extremely low thanks to a reduction in play and the optimisation of materials and shapes.

Building the radiator into the engine has reduced the overall weight of the vehicle and engine warm-up times, with benefits in terms of consumption and cold emissions.

The gearbox has been entirely redesigned and uses a latest-generation double toothed belt to minimise passive losses, as well as a setting that improves rideability, performance and consumption.

The new built-in engine electronic control unit, integrated with the S&S management part (Alternator, S&S Inverter, RISS), has been entirely developed by Piaggio.

- Riding pleasure

One example of the application of research to improve riding pleasure is the new power unit for the Moto Guzzi Roamer V9 and V9 Bobber, developed to increase maximum torque and elasticity, key ways to ensure a pleasurable ride and fun on the road.

The changes have affected practically everything, except the traditional transversal 90° V-twin engine. In addition to the crankcase and the drive shaft, the lubrication system has also been redesigned to reduce power consumption. The smaller oil pump is new, made possible by the new piston cooling oil jets with check valve and flow management, as are the thermodynamics, starting with the bore and stroke. The distribution now has valves set at an incline to improve volumetric efficiency. The electronic engine control unit and electronic injection system are new. The engine is in line with the Euro 4 anti-emissions standard.

The six-speed gearbox is new and highly precise with soft changes, and the clutch is single disc. The final transmission again uses a cardan shaft.

- Increase in safety and comfort

Activities were strongly focussed in this area in 2015, including:

- ABS for light scooters: the new Medley, developed in 2015 and on sale in 2016, is equipped as standard with disc brakes with ABS. Each wheel is equipped with a sensor and a phonic wheel for measuring angular speeds. The 2-channel hydraulic control unit continuously compares the two signals and activates the ABS system, when the change of speed of one of the two wheels is abnormal, avoiding locking and ensuring stability and braking efficiency even on a low friction coefficient surfaces. The new Liberty 125 is also equipped with single-channel ABS, a completely new feature especially for Asian markets, which will get a specific version;
- Traction control for vehicles without the ride by wire system, combined with ABS, for optimal grip during acceleration and braking; the system was extended to the entire Vespa product line > 50cc, MP3, Beverly, X10; in particular, in 2015 it was extended to the Moto Guzzi V7 Range;
- the study and trial of an advanced semi-active electronic suspension system ADD (Aprilia Dynamic Damping) and its application to the mass produced Aprilia Caponord 1200;
- extension of the Ride by wire to the majority of Group vehicles, including the 500 version of MP3 2014; allows adoption of “by wire” Traction Control together with ABS, to maximise traction while accelerating or breaking, and offers the multi-map management of the engine to adapt the power supply to the traction or driving conditions;
- cruise control (based on Ride by wire); available on Aprilia and Moto Guzzi motorcycles;
- the APRC system (Aprilia Performance Ride Control based on the ride by wire system) on the RSV4;
- the ABS race system (only for the RSV4), designed and developed by Aprilia in conjunction with Bosch to guarantee not only outstanding safety on the road, but also the best *performance* on the track;
- electrically adjustable suspension, on the Piaggio X10 and Aprilia Caponord, of which the ADD package is a part (electronic suspension);

- dissemination and expansion of the Piaggio Multimedia Platform info-mobility system, based on linking the smartphone and the vehicle via Bluetooth®, iOS and Android;
- development and installation on the Porter and Porter Maxxi of the electronic stability control system (ABS+ESC);
- development and installation of the Child Lock system on the VAN glass version of the Porter.

With reference to the naval sector, **Intermarine** is particularly focussed on research, also using loans from the Ministry of Education and Research (MIUR), Ministry of Transport, Ministry of Economic Development and of the Region of Liguria (FILSE). To develop some issues concerning research, it is partnered by universities and public research organisations. Research and development mainly concern new projects for vessels and prototypes.

The **Aliscafi ad Ala Immersa** project was developed with the aim of studying, designing and developing two prototypes (with two different propulsion systems) on a new type of hydrofoil with immersed wings.

The prototypes, which are highly innovative in relation to traditional hydrofoils, provide technological benefits, are competitive in terms of fuel consumption compared to similar vessels, ensure greater comfort, and the possibility to increase the number of days of use, thanks to the possibility to operate with a stronger wave wash, a 25% greater speed for more efficient engines and so, overall, lower operating costs.

In 2015, activities continued for the experimental testing of the vessel with pod propulsion. As regards the hydrofoil with propeller propulsion, completion is related to the finalisation of one of the negotiations ongoing with shipping companies interested in using the vessel. As the project concerns a prototype, an initial stage provides for hire of the vessel with a purchase option, to allow the shipping companies to evaluate performance and reliability of the innovative vessel.

The **Aliswath** project is a prototype of a revolutionary quick vessel, whose main characteristic is the combined use of foils and an immersed body ("torpedo"). The prototype has highly innovative characteristics, which mean better handling, consumption 50% less than a conventional vessel with the same weight and speed, a considerable reduction in wave wash and minimisation of pollution (as the engines are below water inside the "gondola").

The Aliswath is targeted for the short-medium distance quick transport segment. This type of vessel is particularly suitable for passenger transport with passenger vehicles and the transport of highly perishable and/or hazardous goods; in addition, the fairly small size (63m x 15.5m) means that particularly developed port structures are not necessary.

Because of the current downturn in the *Fast Ferries* market segment, activities to complete the unit have been deferred until concrete opportunities are identified for such an innovative type of product. The company is also assessing a possible variation to change this prototype into a "wave piercing" vessel, to meet the needs of foreign shipping companies that have expressed an interest. Given the considerable innovation content of the project, a stage was initially planned to market the vessel to national shipping companies, to provide a prompt After Sales Service. In a second stage, it was planned to expand the target market to cover the entire Mediterranean area, with strong interest for services connecting coastal towns in southern Spain with the Balearic Islands and with Morocco.

Risk factors

The Immsi Group has developed procedures both in the Parent Company and in main subsidiaries for risk management in areas most exposed, identifiable at strategic, market, operational, financial and legal level.

Strategic risks

The Immsi Group has identified strategic risks in the system of opportunities and threats that can significantly affect the accomplishment of the Group's objectives. In particular, the Group's strategy is aimed at:

- completing and consolidating processes of restructuring and re-launching started in the different sectors of activity in which the Group operates;
- seizing new business opportunities in terms of geographic segments and market sectors;
- correctly appraising the markets potential;
- investing the financial resources in the areas with greater potential;
- choosing the most suitable methodologies for the various local realities;
- protecting its trademarks and products.

Market risks related to business sectors

The market risks the Group sometimes faces are specific to a certain sector of business while in other cases they may concern the entire business portfolio.

Risks related to changed customer preferences – The success of the Group's products depends on its ability to manufacture products that cater for consumer's tastes and – with particular reference to the Piaggio Group – can meet their needs for mobility. With reference to the subsidiary Intermarine, however, the success of the company in the different lines of business in which it operates depends on the ability to offer innovative and high quality products that guarantee the performance demanded by customers, in terms of lower fuel consumption, higher performance, greater passenger transport capacity, greater cruising comfort, handling and safety of the vessels used, among other things, in the defence and control of territories.

If the products of the Immsi Group companies were not appreciated by customers, revenues or, further to more aggressive sales policies in terms of discount drives, margins would be lower, and this would have a negative impact on the related economic and financial situation. In order to guard against this risk, the Group invests constantly in research and development work (see the paragraph "*Research and development*"), in order to optimally meet customer needs and anticipate market trends, introducing innovative products.

Risks related to a high level of market competition – With particular reference to the Piaggio Group, over the last few years, the competitiveness of sectors in which the group operates has increased considerably – above all in terms of prices – and also subsequent to a declining demand worldwide. Piaggio has tried to tackle this risk, which could have a negative impact on the financial position and performance of the group, by manufacturing high quality products that are innovative, cost-effective, reliable, safe and have reduced emissions as well as reinforcing their presence in the Asian continent. With reference to the naval sector, in the minesweeper segment, Intermarine has a significant technological edge over the competition, while the Fast Ferry segment, in particular, faces tough competition from competitors working in countries with lower labour costs.

Risks related to the protection of trademark, licence and patent rights – The Group legally protects its products and brands throughout the world. In some countries where the Group operates, laws

do not offer certain standards of protection for intellectual property rights. This circumstance could therefore render the measures adopted by the Group to protect itself from the unlawful use of these rights by third parties inadequate. Unlawful plagiarism by competitors could have a negative effect on the Group's sales.

Risks related to seasonal fluctuations in operations – The Piaggio Group's business is extremely seasonal, particularly on western markets where sales of two-wheeler vehicles mainly take place in spring and summer. In addition, an extremely wet spring could lead to fewer sales of products with a negative effect on business and related financial performance. The group tackles these risks first and foremost by consolidating its presence on markets, such as India and Pacific Asia, which are not affected by an extremely seasonal nature and by adopting a flexible production structure that can deal with peak demand through partial and fixed term employment contracts. In the other sectors in which the Immsi Group operates, seasonality has a significantly lower effect.

Risks related to the regulatory reference framework – The sectors in which the Group is present are subject to a high level of regulation. With reference in particular to the Piaggio Group, numerous national and international laws and regulations on safety, noise levels, consumption and the emission of pollutant gases apply to Piaggio products. Strict regulations on atmospheric emissions, waste disposal, the drainage and disposal of water and other pollutants also apply to the Group's production sites. The enactment of regulations which are more stringent than those currently in force could lead to products being taken off the market and force manufacturers to make investments to renew product ranges and/or renovate/upgrade production sites. To deal with these risks, the Group has always invested in research and development into innovative products that anticipate any restrictions on current regulations. Moreover, the group, as one of the sector's leading manufacturers, is often requested to be represented on parliamentary committees appointed to discuss and formulate new laws. In this framework, government measures in the form of incentives or tax reductions to boost demand must be taken into account. These measures, which are not easy to predict, may affect the financial position and performance of the Group to a considerable extent.

Risks related to the macroeconomic and sector situation - All the Group's business sectors are affected moreover by the general conditions of the economy, that can occur with diversified effects in the various markets in which it operates. The global economic crisis of the last few years has led to a significant downturn in consumption, and consequently, to a decline in demand from markets where the Group operates. The persistence or worsening of the weakness of global and national markets, despite measures taken by Governments and monetary authorities, could compromise the strategy, prospects and financial position and performance of the Group. To offset the negative effects of the decline in demand, Group companies have introduced innovative products to the market, to enable it to obtain higher market shares, and also adopted a flexible organisational structure which, through the use of fixed term employment contracts, can match production capacity to market requirements.

Country risk – The Group operates in an international arena and is therefore exposed to risks connected with a high level of internationalisation, such as exposure to local economic conditions and policies, compliance with different tax systems, customs barriers or more in general the introduction of laws or regulations which are more stringent than the current regulatory framework. All these factors may have a negative impact on the financial position and performance of the Group.

Operating risks

Operational risks mean all those factors inside the business organization and outside it but correlated to operatives, that may have negative effects on the Group.

In order to meet the needs of various markets, the Group must be able to organize and coordinate integrated production, logistics and sales processes. The activity of supplying goods, correct warehouse management, manufacture of products according to the required standards and the ability to deliver the products and spare parts in appropriate times are essential for the success of the business strategies. External factors to the company, such as prolonged strikes or delays in times for obtaining licences or permits, can stop production activities and the delivery and availability of products.

Risks connected with dependence on suppliers and the global sourcing policy – In carrying out its business, the Group uses different suppliers of raw materials, semi-finished products and components. Group operations are conditioned by the ability of its suppliers to guarantee the quality *standards* and specifications requested for products, as well as relative delivery times. In the future any shortages of supplied products or breaches by suppliers concerning quality standards, specific requests and/or delivery times could increase prices of supplies, lead to interruptions and/or detrimental effects for Group operations.

Risks related to higher energy, raw material and component costs - Production costs are exposed to the risk of fluctuating of energy prices, raw material and component. If the Group was not able to offset an increase in these costs against sales prices, its financial position and economic performance would be affected.

Risks related to the operation of industrial sites – The Group operates through industrial sites located in Italy, India and in Vietnam. These sites are subject to operating risks, including for example, plant breakdowns, failure to update to applicable regulations, withdrawal of permits and licences, lack of manpower, natural disasters, sabotage, terrorist attacks or major interruptions to supplies of raw materials or components. Any interruption to production activities could have a negative impact on the operations and financial position and performance of the Group. In particular, the operating risks related to industrial sites in Italy and other countries are managed through specific insurance cover assigned to sites based on their relative importance.

IT and data and information management risks – The Group is exposed to the risk of company data and information being accessed and used without authorisation, which could have a negative impact on profitability. Therefore, the Group has established operating policies and technical security measures designed to afford adequate protection for company data and information.

Risks related to delays in the completion of orders - With particular reference to the subsidiary Intermarine operating in the marine industry, any delay in the completion of contracts in progress may lead to customers requesting penalties for late delivery where contractually agreed, with the risk of reducing the overall profitability of orders and reducing financial assets:

Specifically, the company is focussing all necessary resources on solving issues with the contract for the Finnish Navy, mainly relating to the malfunction of the conditioning system due to a contractor breach of contract in completing tests necessary to obtain Final Approval of the two units delivered; activities are proceeding to complete the third unit, with delivery scheduled for the second half of 2016. All contractual evaluations in this regard will be made at the end of the contract, when the third unit is delivered, considering that the customer wants to define all aspects on delivery of the third unit; based also on objections the company may make to the customer, at present the amount of the penalty cannot be objectively and specifically determined.

On the other hand, the company could pass on the effect of the impact on delivery times, for delays in deliveries and in completing services and for failing to pass tests, with the need to

perform the tests again, to its subcontractors.

Other risks – In the specific case of the Parent Company Immsi S.p.A., in consideration of its nature as a holding company and the different phase of development and advancement of investments made both directly and through subsidiaries, its financial performance and profitability are strictly related to the financial performances of subsidiaries.

Financial risks

Risks connected with financial debt – At the date of the financial statements the main sources of Group financing were:

- debenture loans for a nominal amount of approximately 301,8 million euro issued by Piaggio & C. S.p.A.;
- bank loans for a nominal amount of approximately 708.8 million euro. The type, rates and maturities of these loans are discussed in the Notes.

In addition, the Group has outstanding debts for financial leases, payables to subsidiary but not fully consolidated companies and amounts due to other lenders for an overall amount of approx. 54.7 million euro.

This debt could in future negatively affect Group operations, limiting its capacity to obtain further financing or to obtain it at more favourable conditions.

Liquidity risk (access to the credit market) – This risk is connected with any difficult the Group could have in obtaining financing on an appropriate time-scale for its operations. The Parent Company Immsi S.p.A. where necessary assists its subsidiaries with credit lines, in order to guarantee support for implementing development plans. As far as the Piaggio Group is concerned, the cash flows, financing requirements and liquidity of group companies are monitored or managed centrally by the group's Finance Management, with the aim of guaranteeing an effective and efficient management of financial resources. To provide further hedging for the liquidity risk, the group's Central Treasury Department has committed credit lines, as described in the Notes to the Financial Statements.

Exchange rate risks – The Group, primarily through the companies of Piaggio Group and Intermarine, undertakes operations in currencies other than the euro and this exposes it to the risk of fluctuating exchange rates of different currencies. Exposure to business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis. With reference to the Piaggio Group, the policy is to hedge at least 66% of the exposure of each reference month. Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency. In 2015, the exchange risk was managed in line with the policy introduced in 2005, which aims to neutralise the possible negative effects of exchange rate changes on company cash-flow, by hedging the business risk which concerns changes in company profitability compared to the annual business budget on the basis of a key change (the so-called "budget change") and of the settlement risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.

Interest rate risks – The Group has assets and liabilities which are sensitive to changes in interest rates and are necessary to manage liquidity and financial requirements. These assets and liabilities are subject to an interest rate risk and are hedged by derivatives or, where necessary, by specific fixed-rate loan agreements.

Credit risk – The Group is exposed to the risk of late payments of receivables. To balance this risk,

Piaggio & C. S.p.A. has stipulated agreements with primary factoring companies in Italy and other countries for the sale of trade receivables without recourse, while in the naval sector it is customary to request advance payments on work in progress.

Legal risks

Risks connected with product liability and with any product defects – These risks are related to any inadequate maintenance of the level of technological innovation of the product and failure to comply with legal regulations and standards on product quality and safety in relation to market requests, with consequent liability that could expose the Group to claims for compensation that exceed insurance cover, repair operations under warranty and recall campaigns. To mitigate these risks, the Group adopts an efficient quality control system for supplied components and finished products.

Risks connected with legal and tax litigation – As regards legal litigation, see the paragraph on “*Disputes in progress*”.

Risks connected with trade union relations – The employees of Group companies are protected by laws and collective labour contracts that guarantee them - through local and national representation - the right to be consulted on specific matters, including programmes related to the use of staff in accordance with ongoing orders. In particular, in Europe, the Piaggio Group operates in an industrial context with a strong trade union presence, and is potentially exposed to the risk of strikes and interruptions to production activities. In the recent past, the Group was not affected by any major interruptions to production because of strikes.

To avoid the risk of interruptions to production activities, as far as possible, Immsi Group companies have always engaged with trade union organisations.

Risks related to financial disclosure – The Group is exposed to the risk of possible inadequacies in its procedures that are intended to ensure compliance with Italian and relevant foreign regulations applicable to financial disclosure. To deal with this risk, its financial statements are *audited* by Independent Auditors. The control activities required by Law no. 262/2005 are also carried out at the most important foreign subsidiaries Piaggio Vehicles Private Ltd, Piaggio Vietnam Co Ltd, Piaggio Hellas S.A. and Piaggio Group Americas Inc..

Human resources

At 31 December 2015, Immsi Group employed 7,424 staff members, of which 74 in the property and holding sector, 7,053 in the industrial sector (Piaggio Group) and 297 in the naval sector (Intermarine S.p.A.).

The following tables divide resources by category and geographic segment:

Human resources by category

numbers	31.12.2015			
	Property and holding sector	Industrial sector	Naval sector	Group total
Senior management	7	104	8	119
Middle managers and employees	37	2,506	156	2,699
Blue collars	30	4,443	133	4,606
TOTAL	74	7,053	297	7,424

numbers	31.12.2014			
	Property and holding sector	Industrial sector	Naval sector	Group total
Senior management	7	95	8	110
Middle managers and employees	38	2,669	139	2,846
Blue collars	26	4,746	137	4,909
TOTAL	71	7,510	284	7,865

numbers	Changes			
	Property and holding sector	Industrial sector	Naval sector	Group total
Senior management	0	9	0	9
Middle managers and employees	-1	-163	17	-147
Blue collars	4	-303	-4	-303
TOTAL	3	-457	13	-441

Human resources by geographic segment

numbers	31.12.2015			
	Property and holding sector	Industrial sector	Naval sector	Group total
Italy	74	3,638	297	4,009
Rest of Europe	0	187	0	187
Rest of the world	0	3,228	0	3,228
TOTAL	74	7,053	297	7,424

numbers	31.12.2014			
	Property and holding sector	Industrial sector	Naval sector	Group total
Italy	71	3,734	284	4,089
Rest of Europe	0	223	0	223
Rest of the world	0	3,553	0	3,553
TOTAL	71	7,510	284	7,865

numbers	Changes			
	Property and holding sector	Industrial sector	Naval sector	Group total
Italy	3	-96	13	-80
Rest of Europe	0	-36	0	-36
Rest of the world	0	-325	0	-325
TOTAL	3	-457	13	-441

The decrease in personnel (-441 units compared to 2014) is wholly attributable to the Piaggio Group (-457 units) which during 2015 continued streamlining and reorganisational activities, extending activities already underway in the Emea area to Asian and Indian areas as well. At 31 December 2015 Group staff also included seasonal staff (with fixed-term contracts), mainly relating to the industrial sector.

Group and Related Party-Transactions

As regards information concerning related-party transactions in accordance with IAS 24 - *Related Parties Disclosures*, undertaken by Group companies, such transactions took place as part of normal operations in market conditions or as established by specific laws. No atypical or unusual transactions were carried out during the period to 31 December 2015. In compliance with Regulation no. 17221 on transactions with Related Parties issued by Consob on 12 March 2010 as amended, the Company adopted a new procedure to regulate procedures to approve related-party transactions, available on the website of the Issuer www.immsi.it, in the section Governance-Procedures.

The main economic and financial effects of Related-Party transactions and their impact on financial statement items, resulting from consolidated data of the Immsi Group at 31 December 2015 are shown below: the financial effects arising from consolidated intergroup operations were eliminated during consolidation.

Main economic and financial items	Amounts in thousands of euro 2015	% accounting for financial statement items	Description of the nature of transactions	Amounts in thousands of euro 2014
Transactions with Related Parties:				
<i>Current trade payables</i>	106	0.0%	<i>Tax advisory services provided by St. Girelli & Ass. to the Group</i>	62
<i>Costs for services, leases and rentals</i>	205	0.1%	<i>Tax advisory services provided by St. Girelli & Ass. to the Group</i>	134
Transactions with Parent companies:				
<i>Non-current financial liabilities</i>	2,900	0.5%	<i>Piaggio debenture loan (PO) undersigned by Omniaholding S.p.A.</i>	2,900
<i>Current trade payables</i>	47	0.0%	<i>Rental of offices provided by Omniaholding S.p.A. to the Group</i>	25
<i>Costs for services, leases and rentals</i>	510	0.2%	<i>Rental of offices provided by Omniaholding S.p.A. to the Group</i>	472
<i>Borrowing costs</i>	134	0.2%	<i>Charges related to the Piaggio debenture loan undersigned by Omniaholding S.p.A.</i>	156
Transactions with Subsidiaries, Affiliated Companies, Joint Ventures:				
<i>Trade receivables and other non-current</i>	153	1.0%	<i>Receivables from Fondazione Piaggio</i>	197
<i>Current trade receivables and other receivables</i>	3,297 2,009	1.6% 1.0%	<i>Receivables from Consorzio CTMI and Rodriguez do Brasil</i>	3,120 3,377
<i>Current financial liabilities</i>	226	0.1%	<i>Financial payables to Rodriguez Engineering S.r.l. and Rodriguez Pietra Ligure S.r.l.</i>	55
<i>Current trade payables</i>	9,311	2.0%	<i>Trade payables by Piaggio & C. S.p.A. to Piaggio Foshan</i>	14,874
<i>Other current payables</i>	70 1,634	0.0% 2.9%	<i>Payables to Consorzio CTMI</i> <i>Payables to Fondazione Piaggio and Piaggio Foshan</i>	35 1,797
<i>Net revenues</i>	794 101	0.1% 0.0%	<i>Sales to Piaggio Foshan</i> <i>Revenues from the Consortium CTMI</i>	166 135
<i>Costs for materials</i>	25,616	3.3%	<i>Purchases of Piaggio & C. S.p.A. from Piaggio</i>	20,674
<i>Costs for services, leases and rentals</i>	36 30	0.0% 0.0%	<i>Costs for services from Consorzio CTMI, Rodriguez Engineering S.r.l. and Rodriguez Pietra Ligure S.r.l.</i> <i>Costs for services from Fondazione Piaggio</i>	20 14
<i>Other operating costs</i>	19	0.1%	<i>Expenses of Piaggio & C. S.p.A. charged to Piaggio</i>	0
<i>Other operating income</i>	648	0.6%	<i>Income from Piaggio Foshan</i>	2,385
<i>Borrowing costs</i>	23	0.0%	<i>Charges to Piaggio Foshan</i>	232

Intesa Sanpaolo group, a minority shareholder of RCN Finanziaria S.p.A., ISM Investimenti S.p.A. and Pietra S.r.l., has shareholder loan agreements in investees and loan and guarantee operations with Intermarine S.p.A..

Stock options

At the end of 2015, no stock option plans were adopted by the Immsi Group.

Investments held by members of company management and supervisory boards, by general managers and key senior managers

As regards the disclosure requirements of the Issuer Regulation no. 11971/99, relating to investments held in the Parent company and in its subsidiaries, by members of the management and control bodies, general managers and other key senior managers, as well as their spouses not legally separated and children who are minors, directly or through subsidiaries, trust companies or third parties, as resulting from the register of shareholders, from information received and other information acquired by the above members of the management and control bodies, general managers and key senior managers, reference is made to the Remuneration Report as of article 84-*quater* of the aforementioned Issuer Regulation which will be made available, as established by law, also on the website of the Issuer www.immsi.it in the section "*Governance/General Meeting/Archive/2015*".

Other information

Treasury shares

At 31 December 2015, Immsi S.p.A. held no treasury shares. The share capital of Immsi S.p.A. is unchanged at 178,464,000.00 euro, represented by 340,530,000 ordinary shares with no nominal value.

Furthermore, the Shareholders' Meeting of Immsi S.p.A. of 13 May 2015 approved a plan for the purchase and disposal of ordinary shares of the Company, revoking the resolution of the Ordinary Shareholders' Meeting of 13 April 2014, for the part not executed. The meeting of the Board of Directors of Immsi S.p.A. held on 13 May 2015 – following the above authorisation by the shareholders' meeting – approved a programme for the purchase of treasury shares within the scope of "market practices" permitted by Consob in accordance with article 180, paragraph 1, letter c) of the TUF, with resolution no. 16839 of 19 March 2009 and in EC regulation no. 2273/2003 of 22 December 2003. In particular, the aim of the purchase programme is to set up "securities portfolio" to be used for any future investment operations through the exchange, trade, conferment, transfer or other method of disposing of treasury shares, including the obligation to guarantee the Company's financial operations. The purchase may cover a maximum of 10,000,000 Immsi ordinary shares, without nominal value, and, therefore, within the limits of the law (20% of the share capital pursuant to article 2357, paragraph 3, of the Italian Civil Code) and shall take place within the limits of dividends that may be distributed and available reserves as resulting from the last approved financial statements (including interim statements) at the time of the transaction. Purchases of treasury shares shall be made in compliance with the operating conditions established by Consob pursuant to article 180, paragraph 1, letter c) of the TUF with resolution no. 16839 of 19 March 2009 and by EC Regulation no. 2273/2003 of 22 December 2003, where applicable, as well as in compliance with article 144-*bis*, paragraph 1, letter b) of Consob Regulation no. 11971/1999 (as amended) and with any applicable provisions, in such a way as to allow the equal treatment of shareholders pursuant to article 132 of the TUF. The purchase programme, which may also take place in several tranches, will expire during 2016; whereas authorisation for placing was granted with no time limits.

With reference to the subsidiary Piaggio & C. S.p.A., during 2015 the company purchased 16,000 ordinary shares: therefore, at 31 December 2015 the company owned 16,000 treasury shares, equivalent to 0.0044% of the share capital.

Disclosure of payments

In relation to the disclosure obligations required by article 149-*duodecies* of the Consob Regulation on Issuers no.11971/99, regarding the disclosure of payments for the year, made to the Parent Company Immsi S.p.A. and its subsidiaries for services provided:

- a) by the auditing firm, for the provision of auditing services;
- b) by the auditing firm, for the provision of services other than auditing, divided into services of verification finalized at issuing certification and other services, distinguished by type;
- c) by the bodies belonging to the network of the auditing firm, for the provision of services, divided by type;

the table below provides a breakdown of the payments (as well as charges and additional expenses):

Disclosure of payments referred to the 2015				
Type of service	Company providing the service	Recipient	Notes	Payments in Euro
Auditing				
	PwC S.p.A.	Parent company - Immsi S.p.A.		43,695
	PwC S.p.A.	Subsidiaries		530,226
	PwC network	Subsidiaries		344,718
Certification services				
	PwC S.p.A.	Subsidiaries		116,000
	PwC network	Subsidiaries		62,471
Other services				
	PwC S.p.A.	Subsidiaries	1)	47,000
	PwC network	Subsidiaries		8,500
Total				1.152.610

1) Activities mainly related to the revision of the *Corporate Social Responsibility Report* of Piaggio & C. S.p.A.

The payments of subsidiaries operating in currencies other than the euro and agreed in local currency have been translated at the average exchange rate for 2015.

During 2012, the Ordinary Shareholders' Meetings of companies belonging to the Immsi Group appointed PricewaterhouseCoopers S.p.A. as independent auditors for the period 2012-2020.

Corporate ownership

Information on corporate ownership is given in section 2 of the Report on Corporate Governance and Ownership at 31 December 2015, which is referred to.

Management and coordination

The Company gives reasons why management and coordination activities were not performed by the parent company, in section 2, letter l), of the Report on Corporate Governance and Ownership at 31 December 2015, which is referred to.

Processing of personal data - Italian Legislative Decree no. 196 of 30 June 2003

As regards the “Personal data protection code” (*Testo Unico sulla Privacy*), and Legislative Decree no. 196 of 30 June 2003 – Annex B “Technical specifications”, Immsi S.p.A. as data controller adopted the security measures of the decree and also updated its Security Planning Document. The purpose of the Security Policy Document is to:

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

Disputes in progress

There are no ongoing disputes of any significance involving the Parent Company **Immsi S.p.A.**

With reference to the **property sector** (Is Molas S.p.A.):

- as regards the case with Sarroch Granulati S.r.l., after the latter with a summons dated 20 March 2014 filed an appeal against the first instance ruling handed down by the Court of Bergamo, Sarroch's solicitor in the hearing of 8 July 2014, informed the Court that the company had been declared insolvent and the Court stopped proceedings. The case was resumed and in the hearing of 10 June 2015, the Judge left the case open. In a ruling of 16 July 2015, the Court quashed the appeal to stop the enforcement of the first instance ruling, setting the hearing for closing arguments for 9 March 2016;
- as regards the dispute with Italiana Costruzioni S.p.A. (a contractor with whom contracts were signed in 2013 for the development of the first 15 holiday villas and first section of primary services and to whom, due to works being put on hold, Is Molas S.p.A. had notified termination of the contract due to breach of the contractor):
 - as regards the appeal filed by Italiana Costruzioni with the Court for a Preventive Technical Appraisal (ATP), the appraisal was completed in December 2015 with the court-appointed expert filing his appraisal of the works carried out by Italiana Costruzioni, estimated at 1,263 thousand euro;
 - on 20 May 2015 Is Molas filed its summons for compensation for contract damages arising from the other party defaulting on the obligations of contracts signed. At the hearing of 8 October 2015, the Judge set the deadlines for filing briefs as of article 183, paragraph 6 of the Italian Code of Civil Procedure, adjourning the hearing to 30 November 2016;
 - the contractor had also applied to the Court of Cagliari for an injunction preventing Is Molas from collecting contract bonds, claiming the invalidity of the latter due to an alleged expiry of the validity of planning permission. On 18 February 2015, the Court issued a ruling which fully overturned the previous ruling issued by the Court of Cagliari on 3 November 3 2014, which prevented the company Is Molas from collecting contract bonds issued by Italiana Costruzioni. On 10 March 2015, Is Molas collected both bonds for a total amount of 1,270 thousand euro;
 - lastly, as regards the appeal filed with the Court by Is Molas against Italiana

Costruzioni to request site clearance, the proceedings were ended in late July 2014, despite the default of the other party to leave the site according to the times indicated in the settlement report of 9 May 2014. As regards this default, Is Molas cleared the site, charging the other party for expenses incurred. On 18 June 2015, Is Molas notified an order for payment to Italiana Costruzioni for the expenses: the latter opposed the payment requesting suspension of the enforcement. The Judge, in a ruling of 8 January 2016, turned down the request for suspension, granting deadlines for the filing of briefs. The next hearing is set for 12 May 2016;

- a regards the case concerning the property "Le Ginestre", in the hearing of 13 January 2016, the Judge of the Appeal Court of Brescia did not issue a decision, giving the parties deadlines for filing final briefs and replies.

With reference to the **property sector** (Apuliae S.p.A), the Province of Lecce has sought to amend the request for settlement with the State Property Agency, as article 56 *bis* of Italian Law Decree no. 69 of 21 June 2013, the so-called "Decreto del Fare", converted into law with amendments by Law no. 98 of 9 August 2013 introduced simplified procedures for the free transfer of property to local authorities, implementing Legislative Decree no. 85 of 28 May 2010 (so-called "State Property Federalism"). From 1 September 2013 up until 30 November 2013, Municipalities, Provinces, Metropolitan Cities and Regions could apply for the free acquisition of real estate properties of the State. The State Property Agency, having verified the existence of conditions for the acceptance of the request, reports the outcome to the Authority concerned within 60 days of receipt. The Province of Lecce adopted this simplified procedure to obtain the property of the former Scarciglia holiday complex with ruling no. 241 of 26 November 2013 and with a letter of 13 November 2014 it stated the need for acknowledgement that no reciprocal debit/credit situations existed and for the pending ruling to be cancelled. Negotiations for an amicable settlement between the parties are in the advanced stage.

Legal proceedings are also underway, brought by Apuliae S.p.A. against the Province of Lecce for the harmful consequences sustained, requesting the Province of Lecce to pay the company costs incurred for the works performed and investments made. The Court first adjourned the hearing to 18 December 2014 for the closing of the arguments, deeming the case ready for a decision. After further adjournments (16 July 2015), in the hearing of 2 December 2015, the Judge did not rule on certain issues put forward by the parties.

In the ruling of 2 February 2016, the Judge granted a deadline up to 21 March 2016 for the filing of briefs concerning issues raised during the ruling.

As regards the **industrial sector** (Piaggio Group): Piaggio opposed the proceedings undertaken by the consumer association Altroconsumo, in accordance with article 140 of the Consumer Code, opposing, also with the filing of a technical report written by an independent expert, the alleged existence of a design defect and hazardous nature of the Gilera Runner first series, which was manufactured and sold by Piaggio from 1997 to 2005. In the case put forward by Altroconsumo, the erroneous design would make the vehicle in question more hazardous in the event of an accident with frontal impact. The trial judge rejected the claim, ordering Altroconsumo to pay Piaggio's legal fees. Following the appeal made by Altroconsumo, a technical appraisal was ordered to ascertain the existence of the design defect claimed by Altroconsumo. On 29 January 2013, the Board informed the parties that Altroconsumo's appeal had been upheld, ruling Piaggio to (i) inform owners of the hazardous nature of the product, (ii) publish the ruling of the Board in some newspapers and specialised magazines (iii) recall the product. The effects of the ruling were subsequently suspended by the Court of Pontedera with a ruling of 28 March 2013, concerning the appeal made by Piaggio, in accordance with article 700 of the Italian Code of Civil Procedure. Following the cross examination with Altroconsumo, the suspension ruling was confirmed by the Court of Pontedera on 3 June 2013. Altroconsumo appealed against the suspension ruling before the Board at the Court of Pisa. The Board therefore order a new expert witness report The results

of the expert witness report were discussed at the hearing of 19 January 2015, at the end of which the Court of Pisa upheld the judgement issued on 29 January 2013. Piaggio has complied with the decision by publishing a notice in the press and launching a recall campaign for its vehicles pending the outcome of the proceedings, as described below.

Piaggio has also taken action before the Court of Pontedera for a final dismissal of the ruling of the Court of Pisa of 29 January 2013. Upholding Piaggio's appeal, the Judge ordered a new expert witness report of the product. The case has been adjourned to 21 April 2016.

Canadian Scooter Corp (CSC), the sole distributor of Piaggio for Canada, summoned Piaggio & C. S.p.A., Piaggio Group Americas Inc. and Nacional Motor S.A to appear before the Court of Toronto (Canada) in August 2009 to obtain compensation for damages sustained due to the alleged infringement of regulations established by Canadian law on franchising (the Arthur Wishart Act). Proceedings have been stopped while a settlement of the dispute is being defined.

In 2010, Piaggio took action to establish an arbitration board through the Arbitration Chamber of Milan, for a ruling against some companies of the Case New Holland Group (Italy, Holland and the US), to recover damages under contractual and non-contractual liability relating to the execution of a supply and development contract of a new family of utility vehicles (NUV). In the award notified to the parties on 3 August 2012, the Board rejected the claims made by the Company. The Company has appealed against this award to the Appeal Court of Milan. In January 2016, the Court therefore deferred its ruling, assigning the parties the terms for final statements and relative rejoinders and replications.

Da Lio S.p.A., by means of a writ received on 15 April 2009, summoned Piaggio & C. S.p.A. to appear before the Court of Pisa to claim compensation for the alleged damages sustained for various reasons as a result of the termination of supply relationships. The Company appeared in court requesting the rejection of all opposing requests. Da Lio requested a joinder with the opposition concerning the injunction obtained by Piaggio to return the moulds retained by the supplier at the end of the supply agreement. Judgements were considered and a ruling issued pursuant to article 186-ter of the Italian Code of Civil Procedure, on 7 June 2011, ordering Piaggio to pay the sum of 109,586.6 euro, in addition to interest relative to sums which were not disputed. After reaching a decision at the end of testimonial evidence, the Judge admitted a technical/accounting court-appointed expert requested by Da Lio to quantify the amount of interest claimed by Da Lio and value of stock. The technical appraisal was completed at the end of 2014. The case has been adjourned to 23 January 2016 for specification of the pleadings.

In June 2011 Elma Srl, a Piaggio dealer since 1995, started two separate proceedings against the Parent Company, claiming the payment of approximately 2 million euro for alleged breach of the sole agency ensured by Piaggio for the Rome area and an additional 5 million euro as damages for alleged breach and abuse of economic dependence by the Company. Piaggio opposed the proceedings undertaken by Elma, fully disputing its claims and requesting a ruling for Elma to settle outstanding sums owing of approximately € 966,000.

During the case, Piaggio requested the payment of bank guarantees that ensured against the risk of default by the dealer issued in its favour by three banks. Elma attempted to stop payment of the guarantees with preventive proceedings at the Court of Pisa; The proceedings ended in favour of Piaggio that collected the amounts of the guarantees (over 400,000 thousand euro). Trial proceedings took place and a hearing was held on 24 April 2013 17 2015 to examine evidence and on 17 December 2015 for closing arguments.

As regards the matter, Elma has also brought a case against a former senior manager of the Company before the Court of Rome, claiming compensation for damages: Piaggio appeared in the proceedings, requesting, among others, that the case be moved to the Court of Pisa. The hearing for closing arguments was set for 3 March 2016.

In a writ received on 29 May 2007, Gammamoto S.r.l. in liquidation, an Aprilia licensee in Rome, brought a case against the Parent Company before the Court of Rome for contractual and non-contractual liability. The Company fully opposed the injunction disputing the validity of Gammamoto's claims and objecting to the lack of jurisdiction of the Judge in charge. The Judge, accepting the petition formulated by the Company, declared its lack of jurisdiction with regards to the dispute. Gammamoto has continued proceedings through the Court of Venice. The Judge admitted testimonial evidence and evidence for examination requested by the parties, establishing the hearing for the preliminary investigation on 12 November 2012. After defining the closing arguments of the hearing of 26 June 2013, the terms for final statements and relative replies were granted, and the case was ruled on. The Court of Venice issued a ruling in favour of Piaggio, filed on 17 February 2014. Gammamoto appealed and at the first hearing on 23 October 2014 the Court decide to rule without proceeding with the preliminary investigation requested by the other party. The hearing for closing arguments has been set for 1 April 2019.

The company Taizhou Zhongneng summoned Piaggio before the Court of Turin, requesting the annulment of the Italian part of the 3D mark registered in Italy protecting the form of the Vespa, as well as a ruling dismissing the offence of the counterfeiting of the 3D mark in relation to scooter models seized by the Guardia di Finanza [Italian tax police] at the 2013 EICMA trade show, based on the petition filed by Piaggio, in addition to compensation for damages. At the first hearing for the parties to appear, set for 5 February 2015, the judge lifted reservations, arranging for a technical appraisal to establish the validity of the Vespa 3D mark and the infringement or otherwise of Znen scooter models. During the hearing of 3 February 2016, to discuss the expert witness report, the Judge, considering the preliminary investigation completed, set the hearing for closing arguments for 26 October 2016.

In a writ of 27 October 2014 Piaggio summoned the companies Peugeot Motocycles Italia S.p.A., Motorkit S.a.s. e C., Gi.Pi. Motor and GMR Motor S.r.l. . before the Court of Milan to obtain the recall of Peugeot "Metropolis" motorcycles from the market, to establish the infringement of some European patents and designs owned by Piaggio, as well as a ruling for the compensation of damages for unfair competition, and the publication of the ruling in some newspapers.

During the hearing for the first appearance, the Judge set the deadlines for the filing of briefs pursuant to article 183.6. of the Code of Civil Procedure. In the hearing to swear in the expert witness, held on 6 October 2015, the deadline for filing the report of the expert witness was set for 15 October 2016 and the hearing to discuss the report was set for 8 November 2016.

Piaggio brought a similar action against Peugeot Motocycles SAS before the Tribunal de Grande Instance in Paris. As a result of the Piaggio action ("Saisie Contrefaçon"), several documents were obtained by a bailiff and tests carried out to prove the infringement of the MP3 motorcycle by the Peugeot "Metropolis" motorcycle. The hearing took place on 8 October 2015 for the appointment of the expert witness, who will examine the findings of the Saisie Contrefaçon. On 3 February 2016 the hearing took place to discuss the preliminary briefs exchanged between the parties.

In a writ of 4 November 2014 Piaggio summoned the companies YAMAHA MOTOR ITALIA s.p.a., TERZIMOTOR di Terzani Giancarlo e Alberto s.n.c., NEGRIMOTORS s.r.l. and TWINSBIKE s.r.l. before the Court of Milan to obtain the recall of Yamaha "Tricity" motorcycles from the market, and to establish the infringement of some European patents and designs owned by Piaggio, as well as a ruling for the compensation of damages for unfair competition, and the publication of the ruling in some newspapers.

At the first hearing the judge set the deadline for filing briefs pursuant to article 183.6 of the Italian Code of Civil Procedure, setting the filing of the expert witness report for 30 April 2016.

In July 2015 Yamaha Hatsudoki Kabushiki Kaisha (Yamaha Motor Co Ltd) brought three separate proceedings before the Court of Rome, the Tribunal de Grande Instance de Paris and the Court of Düsseldorf, against Piaggio & C. SpA, Piaggio France and Piaggio Deutschland GmbH, to obtain (i) the recall of MP3, Gilera Fuoco motorcycles, (ii) a ruling for the compensation of damages, (iii)

and the publication of the ruling in some newspapers, after establishing the infringement of some European patents owned by Yamaha concerning an air intake for the cooling of a continuously variable transmission (CVT) and an outer cover with boomerang shape, with basically an aesthetic function, located below the vehicle seat, as well as for unfair competition. The hearing for the first appearance has been set for 11 February 2016 in Rome, for 24 March 2016 in Paris and for 10 November 2016 in Düsseldorf.

In July 2015 Yamaha Hatsudoki Kabushiki Kaisha (Yamaha Motor Co Ltd) brought three separate proceedings before the Court of Rome, the Tribunal de Grande Instance de Paris and the Court of Düsseldorf, against Piaggio & C. SpA, Aprilia Racing S.p.A, Piaggio France and Piaggio Deutschland GmbH, to obtain (i) the recall of Aprilia RSV4 motorcycles, (ii) a ruling for the compensation of damages, (iii) and the publication of the ruling in some newspapers, after establishing the infringement of some European patents owned by Yamaha concerning an injection system for high performance with variable intake pipes, as well as for unfair competition. The hearing for the first appearance has been set for 2 March 2016 in Rome, for 24 March 2016 in Paris and for 10 November 2016 in Düsseldorf.

The amounts allocated by the Company for the potential risks deriving from the current disputes appear to be consistent with the predictable outcome of the disputes.

As regards tax claim rulings involving Piaggio & C. S.p.A., two appeals are ongoing against two tax assessments notified to the Company and relative to the 2002 and 2003 tax years respectively. These assessments originate from an audit conducted by the Italian Tax Authority in 2007 at the Company's offices, following information filed in the Formal Notice of Assessment issued in 2002 following a general audit.

The Company has obtained a favourable ruling concerning these assessments, in both the first and second instance, and with reference to both tax periods, against which the Italian Revenue Agency has lodged an appeal with the Court of Cassation; the Company has filed relative counter claims and is waiting for dates of hearings to be set.

The Company also filed two appeals with the Income Tax Appellate Tribunal against the assessment orders received on completion of the assessment of income generated by Piaggio & C. S.p.A. in India during the Indian 2009-2010 and 2010-2011 1 tax periods, involving sums totalling approximately 1 million euro for each assessment. These appeals were submitted on 25 March 2015 and 22 February 2016 respectively.

The Company has not considered allocating provisions for these disputes, in view of the positive opinions expressed by consultants appointed as counsel.

The main tax disputes of other Piaggio Group companies concern Piaggio Vehicles PVT Ltd, Piaggio France S.A. and Piaggio Hellas S.A..

With reference to the Indian subsidiary, some disputes concerning different tax years from 1998 to 2014 are ongoing related to direct and indirect tax assessments and for a part of which, considering positive opinions expressed by consultants appointed as counsel, provisions have not been made in the financial statements. The Indian company has already partly paid the amounts contested, as required by local laws, that will be paid back if the proceedings are successfully concluded in its favour.

As regards the French company, a favourable ruling was issued in December 2012 by the Commission Nationale des Impôts directs et des taxes sur le chiffre d'affaires, the decision-making body ruling prior to legal proceedings in disputes with the French tax authorities concerning a general audit of the 2006 and 2007 periods. The French tax authorities however upheld its claims against the Company, requesting payment of the amounts claimed and issuing relative notices (one for withholding tax and the other for corporate income tax and VAT). The amount concerned, equal to approximately € 3.7 million, was paid in part to the French tax authorities. However, based

on positive opinions from professionals appointed as counsel, the Company considers a positive outcome as likely and the subsequent reimbursement of amounts paid. The Company appealed against the notices and filed an appeal with the Tribunal Administratif concerning withholding tax, which was quashed. This decision was appealed against on 7 September 2015 before the Appeal Court and a date for the hearing still has to be set.

A hearing will also take place before the Tribunal Administratif for findings concerning corporate income tax. The Company has not considered allocating provisions necessary, in view of the positive opinions expressed by consultants appointed as counsel, as well as the opinion of the above Commission.

On 8 April 2015, the Greek company Piaggio Hellas S.A. received a Tax Report following a general audit for the 2008 tax period, with findings for approximately 0.5 million euro. On 12 June 2015, the Company appealed against the report with the Tax Center – Dispute Resolution Department. Following the unfavourable outcome of this appeal, the Company, on 9 December 2015, filed an appeal with the Administrative Court of Appeal. A date for the hearing still has to be set. The amount in question was paid in full to the Greek tax authorities. However, based on positive opinions from professionals appointed as counsel, the Company considers a positive outcome as likely and the subsequent reimbursement of amounts paid.

As regards the **naval sector** (Intermarine), there are the following disputes of a legal and fiscal character.

As regards the legal dispute with the original contractor of the conditioning system for vessels of the Finnish contract, in 2015 the parties filed their briefs and replies. Following the hearing to discuss preliminary investigations, the Judge ordered an expert witness report, appointing the expert witness on 24 June 2015. The next hearing is set for 12 May 2016;

With reference to the arbitration that ended in 2013 with Sea Services S.r.l. regarding the termination of a purchase contract for a 38-metre yacht, in March 2014 the Company received notice of an appeal from the party that had been unsuccessful in the arbitration award of 2013; on 9 July, the first hearing took place at the Appeal Court of Milan, while the hearing for closing arguments was set for 23 March 2016. Lawyers assisting the company consider the risk of losing as remote.

With a ruling in January 2012, the Court of Rome sentenced RCN/Intermarine to pay a total of 693 thousand euro in favour of Yachitaly, in addition to the payment of legal fees and for the expert witness. In February 2012, RCN (now Intermarine) filed an appeal against the ruling, requesting suspension and temporary enforcement.

Despite the appeal, the company paid the full sum of 761 thousand euro, with "the right of repetition". The appeal hearing has been adjourned several times and is now set for 1 February 2017.

In an appeal pursuant to article 702 *bis* of the Code of Civil Procedure, Yachitaly also requested that Intermarine be ordered to compensate it for all damages sustained, for a total of 1.7 million euro, for lease payments at the redemption date of 0.1 million euro, for the residual value equal to 0.2 million euro, for interest from the individual instalment up to fulfilment and for all sums for the purchase of the vessel which the Revenue Agency had not considered as deductible.

The Judge upheld the exceptions of *lis alibi pendens* made by Intermarine wholly reject the claims for compensation made by Yachitaly and sentencing it to reimburse all legal fees in favour of Intermarine. The hearing to hand down the sentence has been set for 13 April 2016 and lawyers assisting the company, based on sentences of the Court of Cassation that uphold the defence of Intermarine, consider the risk of losing as remote.

With reference to the legal dispute with the Municipality of Messina, for which on 28 January 2013 a favourable ruling was issued rejecting all claims of the Municipality and recognizing the ownership of the areas owned by the State and the right of the Port Authority to operate them, Intermarine was served notice of the appeal lodged by the Autonomous Port Authority of Messina, requesting the effects of the sentence to be extended, based on the agreement stipulated in 1918 and subsequent documentation of some areas of the "Zona Falcata" which belong to the Autonomous Port Authority of Messina and not the Port Authority as ruled in the sentence. According to the company's lawyers, and considering the sentence handed down by the Judge that had fully argued his decision, it seems unlikely that the first instance ruling will be changed by the Appeal Court.

With reference to the writ of summons of the Court of Naples from the company Scoppa Charter S.r.l. (formerly Immobiliervice Rad S.p.A. purchaser, through Unicredit Leasing, of the vessel Conam 75 WB Alvadis II delivered on 2010 for a sum of 2 million euro), with which the Shipping Company had appealed against the alleged nonconformity of the asset to sales specifications and the owner manual and the unsafe nature of the unit, requesting compensation for alleged damage amounting to approximately 5 million euro, in the hearing of 18 February 2016, the Judge adjourned the case to a new hearing on 16 May 2016. At present, the possible outcome of this dispute cannot be determined.

Other disputes are ongoing with suppliers and customers and labour disputes, which, in the opinion of the company's lawyers, should not result in significant liabilities and expenses in excess of provisions for risks already allocated in the financial statements..

As regards tax litigation, in May 2013, Customs and Excise of La Spezia began a tax inspection concerning direct taxes and VAT for the 2011 and 2012 tax years (also extended to 2010) of the company "Rodriquez Cantieri Navali S.p.A." (RCN) with the issue of the Formal Notice of Assessment on 25 July 2013. As regards direct taxes, the inspectors mainly identified (alleged) violations of the principle of accrual; as regards VAT, only one finding was made, which was negligible in quantitative terms. As already stated in the Formal Notice of Assessment, the company considers the main findings contained in the report as unfounded, from a legal standpoint, and is confident, based on the opinion of the consultant assisting it during the assessment, that it can "neutralise" most of the findings claimed with appropriate actions (tax assessment settlement, adjustment of tax losses, changes in tax returns). In any case, this assessment will not generate any amount to pay as income taxes.

In January 2014, the Revenue Agency of Messina notified the company of its Assessment Notice relative to 2010. This notice was based on a tax settlement completed in May 2014, with no payment made of any amounts as taxes, sanctions and/or interest.

During 2015, the Revenue Agency of La Spezia notified the company of its Assessment Notice relative to 2011. Tax settlement is being defined, which should be completed without the payment of any amounts to the Revenue Agency.

In July 2013 the Customs Agency of Messina served the company a Payment Notice for approximately 51 thousand euro and Sanctions of 9 thousand euro as regards assessments made from October 2012 to February 2013.

In particular, the Customs Agency of Messina mainly claimed the failure to pay excise relative to some diesel fuel fuelling operations used in 2009 and 2010 for tests at sea of some vessels being built. In reality, this infringement, which is administrative, basically depends on a failure to perform correctly of the supplier and the tax deposit of contractual agreements reached concerning the status and payment of excise.

In this regard, the supplier recognised the error made and consequently formally indemnified the company against any cost arising therefrom. Moreover, the Customs Agency of Messina also

claimed an alleged use in the Territory of the State of fuel constituting stock on board two vessels to be exported to Oman. This finding has no legal grounds.

The company promptly took action against the notices served by the Customs Agency and filed an appeal with the competent Provincial Tax Commission. At present, no date has been set for the hearing. At the same time that tax inspection activities were completed, the Customs Agency notified competent Legal Authorities of the criminal offence concerning the case. In September 2014, the Public Prosecutor of the Court of Messina sent notice of the completion of preliminary investigations and defence rights pursuant to articles 415-*bis* and 369-*bis* of the Code of Civil Procedure, in relation to claims made.

The legal representative *pro tempore* promptly submitted defence briefs objectively arguing grounds demonstrating the non-existence of the criminal profile of alleged irregularities and a consequent request for the case to be dropped. However, during 2015, the Court of Messina served the legal representative a court summons; the first hearing set for 4 December 2015 was adjourned, and preliminary investigations will start at the next hearing set for 14 April 2016.

The recent legislative decrees no. 7 and 8 of 2016 have introduced the decriminalisation of various criminal offences, including the offence pursuant to article 292 of Presidential Decree no. 43/1973, concerning one of the two charges brought.

As regards the appeals lodged by the company against the Refusal Notices, served on 25 May 2010 by the Revenue Agency - Genova Department, the claims for partial reimbursement of the registration tax and property assessment taxes in relation to the Sale of 18 December 2007 of the property portfolio situated in the Municipality of Pietra Ligure, Section 12 of the Tax Commission of the Province of Genova issued ruling no. 145/12/2013 of 28 May 2013.

In particular, the judges of the local court upheld the appeal lodged by the company as regards the registration tax and consequently ordered the Revenue Agency to reimburse the amount equal to 264,495 thousand euro, in addition to interest accrued.

The Genova Agency appealed against this ruling; the company promptly appeared before the commission, submitting specific replies and counter-arguments. Following the hearing to discuss the case held on 27 November 2015, the Regional Tax Commission issued sentence no. 1498/2015 which entirely quashed the appeal confirming, consequently, the right of the company to be reimbursed the registration tax of 264,495 euro. At present, deadlines for an appeal with the Court of Cassation are still pending.

On 26 May 2008, the Customs Agency of La Spezia served a Formal Notice of Assessment to the Company, relative to the inspection which began on 24 April 2008 concerning excise on mineral oils. Based on the above notice, on 19 June 2008, the Financial Administration served the Company a Notice of Payment no. 2008/A/2753 of 3 June 2008 requesting payment of the above excise, in addition to interest and interest on arrears, for a total amount equal to 37,680 euro. The Company promptly appealed against this Notice of Payment, lodging an appeal with the Tax Commission of the Province of La Spezia. On 10 January 2012, the Tax Commission issued a ruling no. 25, filed on 6 March 2012, rejecting the initial appeal. In November 2013, the Company appealed against this ruling with the Tax Commission of the Region of Genova. The case was discussed on 15 May 2015 and in February 2016, the sentence was filed fully upholding the appeal of the company; at present, the deadlines for appealing against the sentence with the Court of Cassation are still pending.

As regards the tax proceedings brought by RCN S.p.A. for the 2003 tax year, there have been no updates since the previous financial year. In particular, the company is still waiting for the Regional Tax Commission of Messina (local unit) to set the date for the hearing to discuss the Appeal filed by the company against the ruling partially upholding the petition initiating the proceedings.

On 13 May 2015, the company was served a Notice of Payment issued by the Revenue Agency - Provincial Department of Savona - Territorial Unit of Albenga, concerning the additional registration

tax claimed in relation to the registration of the long-term Maritime Concession Agreement stipulated on 30 December 2014 registered with the Revenue Agency of Albenga on 14 January 2015 for a total amount of 462,782 euro.

Basically, the recovery of the greater registration tax due for the Concession Agreement arises from the non-recognition by the Agency of the provision of article 3, paragraph 16, of Law Decree no. 95 of 6 July 2012, on the basis of which, in compliance with provisions for the long-term lease of urban property, also for concessions of property belonging to the State, it is possible to pay registration tax annually on the amount of the concession payment relative to each year, also as a single payment of the concession payments agreed on for the entire duration of the concession. The company promptly appealed against the notice before the competent Provincial Tax Commission, with the hearing for discussion still to be set.

As regards tax litigation of the subsidiary Rodriquez do Brasil, and the negative outcome of the third administrative degree of the appeal against the notice of assessment referred to 2003 for VAT, income taxes and the contribution on profit, the Brazilian tax authorities at a federal level served a notice of payment for 9.4 million Brazilian Real (at an exchange rate of 31 December 2015 this amounted to 2.2 million euro, of which taxes, sanctions and interest). The company, assisted by leading Italian and Brazilian legal practices and tax advisors, considers it can present its case at the three levels or ordinary rulings, which may result in the request being cancelled; in February 2016, the company opposed the first level ordinary ruling, with the Judge still to issue its decision. Based on independent legal advice, the risk was evaluated at the end of December 2015 as "possible"; for Intermarine, provisions for 0.4 million have been allocated. On the other hand, according to Brazilian tax legislation, tax amnesties could be issued by the Brazilian tax authorities which, if beneficial, could enable the company to pay a reduced amount and settle the proceedings.

For the other four tax disputes pending, the company has adhered to an amnesty programme issued in December 2015 by the tax authorities of the State of Rio de Janeiro; in February 2016, the Subsidiary reached a settlement for an amount reduced by less than 50% to reset and/or reduce the sanctions and interest and pending documentation from the Judge to settle the four disputes.

With reference to the approval in the ruling of the Conference of Services of 31 October 2014, of the Final Project pursuant to article 509/1997 of the Burlando Decree, for the redevelopment of the Rodriquez shipyards into a marina, with related public facilities, accommodation, residential accommodation and production facilities in the Municipality of Pietra Ligure, and the signing in December 2014 of the State Maritime Concession for 99 years and in January 2015 the Planning Agreement, the following events took place in 2015.

In January 2015, Como notified its intention to not carry out the Preliminary Agreement, considering the agreement as no longer effective between the parties due to the length of time that had lapsed after the Preliminary agreement had been stipulated and the fact that conditions for suspension had been met, requested enforcement of the guarantee issued by Banco Popolare in order to obtain the deposit of 2.7 million euro, and obtained an injunction in this regard.

On 28 January, Intermarine formally notified Como to proceed with the stipulation of the Final Contract within the contractual term of 120 days after the suspension conditions had been met as provided for in the Preliminary Agreement and on 5 February 2015, filed an appeal with the Court of Rome, pursuant to article 700 of the Code of Civil Procedure, to obtain an injunction for enforcement of the guarantee requested by Como.

On 3 February 2015, the partial demerger of Intermarine was completed. With this transaction, the newly established company Pietra Ligure S.r.l., with capital held entirely by RCN Finanziaria, acquired all rights relative to the Pietra Ligure Area from Intermarine. In February, Intermarine, RCN Finanziaria S.p.A. and Pietra S.r.l. also signed an agreement regulating the performance of the Preliminary Agreement with Como or, alternatively, the exercise of the option by Pietra S.r.l., in the event that Como did not sign deeds.

As regards Como, Intermarine, considering that suspension conditions had been met, and based on authoritative legal opinions, and with the contractual terms having lapsed without the counter party meeting obligations, notified its intent to terminate the preliminary agreement and obtain the deposit of 2.7 million euro; in contrast, as regards clauses regulating the contract to sell future credit with Pietra S.r.l., Intermarine cancelled the receivable due from Pietra S.r.l. for the same amount of 2.7 million euro.

As regards the appeal pursuant to article 700 of the Code of Civil Procedure, as of point 3, the Judge quashed the appeal, stating that the opposition proceedings brought by Banco Popolare S.C against the injunction were the natural proceedings for examining the grounds of enforcement of the guarantee and set the hearing for 1 October 2015, when he turned down the provisional enforcement proposed by Como S.r.l., adjourning the case to the hearing of 27 April 2016 for preliminary proceedings.

Due to the Preliminary Agreement with Como not being executed, Pietra S.r.l. exercised its option, vis-à-vis RCN Finanziaria S.p.A. - which following the partial demerger of Intermarine held the entire share capital of Pietra Ligure S.r.l. - to purchase the latter and stipulated an agreement for the sale of the entire stake of Pietra Ligure S.r.l., along with all related rights, from RCN Finanziaria S.p.A. to the new single member Pietra S.r.l., for 300 thousand euro plus VAT, with payment of this amount to Intermarine, based on agreements made.

At the end of September 2015, Intermarine S.p.A. filed a writ of summons before the Court of Rome against Como due to breach of contract, requesting, first and foremost, compensation for the maximum value of the operation equal to approximately 38 million euro.

Significant events after the end of the year

As regards the **naval sector** (Intermarine S.p.A.), contracts for orders acquired in previous years with an Asian shipyard became effective in February, but are suspended subject to necessary legal authorisation.

Intermarine also finalised a supply agreement for two multi-purpose, high-speed naval units. Including the above contracts, the company's orders' portfolio amounts to approximately 300 million euro.

Operating outlook for 2016

As regards the operating outlook of the Immsi Group, with reference to the subsidiary **Is Molas S.p.A.**, completion of the first lot of 15 holidays villas and first section of primary works is scheduled for 2016, which is prior to testing market feedback and to signing the first preliminary sales agreements, that will boost development of the Is Molas project.

As regards the **industrial sector** (Piaggio Group), in a macroeconomic context in which the recovery of the global economy will probably consolidate, but which is still affected by uncertainties over the growth rate in Europe and risks of a slowdown in some emerging countries, the Group is committed, in commercial and industrial terms, to:

- confirm its leadership position on the European two-wheeler market, optimally leveraging expected recovery by:
 - further consolidating the product range and targeting a growth in sales and margins in the high-wheeled scooter segment, with the new Liberty and Medley, and in the motorcycle segment, thanks to the restyled Moto Guzzi and Aprilia ranges;
 - entry on the electrical bicycle market, with the new Piaggio Wi-Bike, leveraging technological and design leadership;
 - current positions on the European commercial vehicles market will be maintained;
- consolidating operations in Asia Pacific, exploring new opportunities in medium and large sized motorcycle segments, and replicating the premium strategy for Vietnam, throughout the region, with particular reference to the Chinese market;
- consolidating sales on the Indian scooter market, focussing on an increase in Vespa products and the introduction, along with other Group brands, of new models in the premium scooter and motorcycle segments;
- increasing sales of commercial vehicles in India and in emerging countries, targeting a further development of exports to African and Latin American markets.

As regards the **naval sector** (Intermarine S.p.A.), contract activities with the Asian shipyard for the construction of the naval platform at Sarzana will be stepped up considerably in 2016. The start-up and development of the construction of two special, high-speed units is also planned.

As regards the contract with the Finnish Navy, activities are underway to issue the Final Acceptance of the two units delivered and the programme for the third unit, which is scheduled for delivery by September, will continue.

Management will also pursue opportunities to keep direct and indirect costs down, with the aim of achieving positive economic results, and consequently increasing shareholders' equity and reducing financial exposure.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP

in accordance with article 123-*bis* of the TUF

(Traditional management and control model)



Financial year to which the Report refers: 2015

Date of approval of the report: 23 March 2016

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GLOSSARY

Code / Corporate Governance Code: The Corporate Governance Code of listed companies approved in July 2015 by the Corporate Governance Committee and endorsed by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria; available at www.borsaitaliana.it, in the section “*Borsa Italiana/Rules/Corporate Governance*”.

Civil Code / CC: the Civil Code.

Board / Board of Directors / Administrative Body: the Board of Directors of the Issuer.

Issuer / Company / Immsi: the Issuer of listed securities to which the Report refers.

Financial year: the financial year to which the Report refers.

Consob Regulation on Issuers or Issuer Regulation: the Regulations issued by Consob by Resolution no. 11971 of 1999 (and amendments thereto) concerning Issuers.

Consob Regulation on Markets or Markets Regulation: the Regulations issued by Consob by Resolution no. 16191 of 2007 (and amendments thereto) concerning markets.

Consob Regulation on Transactions with Related Parties or Related-Party Transactions Regulation: the regulations issued by Consob with resolution no. 17221 of 12 March 2010 (as amended) concerning transactions with related parties.

Report: the report on corporate governance and ownership which companies are obliged to prepare pursuant to art. 123-*bis* of the Consolidated Law on Finance.

Remuneration Report: the remuneration report prepared pursuant to art. 123-*ter* of the TUF and article 84-*quater* of the Consob Regulation on Issuers, available, in accordance with law, at the registered office of the company, at Borsa Italiana and on the website of the Issuer at www.immsi.it.

TUF (Consolidated Law on Finance): Italian Legislative Decree no. 58 of 24 February 1998.

1. ISSUER PROFILE

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

In particular, the Company's purpose is: (i) investing in the equity of other Italian or foreign companies, i.e. the activity of acquiring, holding and managing the rights, whether represented by securities or not, over the share capital of other companies; (ii) the purchase, sale and management of bonds; (iii) the granting of loans, mortgages and guarantees. The above-mentioned activities may not be conducted with the public and will be in any event carried out pursuant to and within the limits of Italian Legislative Decree D.Lgs. 385/1993 and its implementing rules.

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

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

The Issuer may carry out, not directly with the general public, all those acts necessary, in the judgement of the Board of Directors, to implement the corporate purpose.

2. INFORMATION ON CORPORATE OWNERSHIP (pursuant to article 123-*bis*, paragraph 1 of the TUF)

at 31/12/2015

a) Share capital structure (pursuant to article 123-*bis*, paragraph 1, letter a) of the TUF)

The share capital of the Issuer, fully subscribed and paid up, is equal to 178,464,000.00 euro divided into 340,530,000 dividend-bearing ordinary shares, with no indication of the nominal value. The shares - each share gives entitlement to one vote - are indivisible and are issued in a dematerialised form.

See Table 1 in the appendix, which includes information updated at 31/12/2015

b) Restrictions on the transfer of securities (pursuant to article 123-*bis*, paragraph 1, letter b) of the TUF)

No securities transfer restrictions exist.

c) Material investments (pursuant to article 123-*bis*, paragraph 1, letter c) of the TUF)

For indirect or direct material investments in capital, as resulting from disclosure made pursuant to article 120 of the TUF and specific information received by the Issuer, see Table 1, in the index, which includes information updated at 31/12/2015.

d) Securities with special rights (pursuant to article 123-*bis*, paragraph 1, letter d) of the TUF)

No securities have been issued that give special rights of control or special powers.

The articles of association of the Issuer do not contain provisions relating to loyalty shares pursuant to article 127-*quinquies* of the TUF.

e) Employee share ownership: mechanism of exercising voting rights (pursuant to article 123-*bis*, paragraph 1, letter e) of the TUF)

No system for employees' equity holdings exists.

f) Restrictions on voting rights (pursuant to article 123-*bis*, paragraph 1, letter f) of the TUF)

No restrictions on voting rights exist.

For more details, see the information in section 16 of this Report.

g) Significant shareholder agreements (pursuant to article 123-*bis*, paragraph 1, letter g) of the TUF)

No agreement in force exists involving material shares of the Issuer in accordance with article 122 of the TUF.

h) Clauses of change of control (pursuant to article 123-*bis*, paragraph 1, letter h) of the TUF) and statutory provisions concerning PTOs (pursuant to article 104, paragraph 1-*ter*, and 104-*bis*, paragraph 1 of the TUF)

The Issuer has stipulated some significant agreements that could be amended or terminated in the event of changes in control of Immsi S.p.A., such as: a Bullet - Multi Borrower loan agreement in effect at 31 December 2015 for a total of 125.3 million euro, of which 70 million euro disbursed to Immsi S.p.A., 30 million euro to ISM Investimenti S.p.A. and 25.3 million euro to Intermarine S.p.A.; a mortgage loan agreement for a residual nominal value of approximately 45 million euro; further loan agreements and credit lines for a total nominal value of approximately 101.5 million euro.

The Piaggio Group has stipulated major agreements that are amended or may be terminated in the event of changes in control of the contracting company. Specifically, the following agreements have been entered into: a syndicated term loan and revolving credit facility totalling 220 million euro; an addendum totalling 30 million euro to the term loan and revolving credit facility signed during the year; a debenture loan of 250 million euro issued by Piaggio & C. S.p.A.; a debenture loan of 75 million USD issued by Piaggio & C. S.p.A.; a loan agreement with the European Investment Bank for 150 million euro; a loan agreement with the European Investment Bank for 60 million euro; a loan agreement with the European Investment Bank for 70 million euro; loan agreements for a total of 56.5 million USD with International Finance Corporation to support the subsidiaries in India and Vietnam; a revolving credit facility with Banco Popolare for 10 million euro; a term loan agreement with Banco Popolare for 10 million euro; a loan agreement with Banca Popolare Emilia Romagna for 25 million euro.

With reference to the subsidiary Intermarine S.p.A., the following significant agreements could be amended or terminated if the indirect parent company Immsi S.p.A. loses control over the contracting company: an unsecured line of credit (for a total value of 84.5 million USD and used at 31 December 2015 for 3.8 million USD) valid on the contract with the Sultanate of Oman, guaranteed by a pool of banks; a guarantee for 2.7 million euro issued by Banco Popolare related to the Pietra Ligure project; additional credit lines and loans associated with the company's operations for a total amount used at 31 December 2015 of 91.9 million euro, including the aforesaid share of the Bullet – Multiborrower loan issued to Intermarine S.p.A. for an amount of 25.3 million euro. Lastly, regarding the contract stipulated between the Finnish Navy and the

subsidiary Intermarine S.p.A. for the construction of three minesweepers, the Finnish Navy granted advance payments that are guaranteed – for an amount equal to 115% of the sum received – through insurance guarantees issued by SACE; SACE declared it was willing to issue the above guarantees if Immsi S.p.A. had joint obligations: at 31 December 2015, these amounts – in view of progress made and the use of loans granted - totalled 9.3 million euro.

In addition, the indirect subsidiary Is Molas S.p.A. has a mortgage loan agreement for approximately 2.3 million euro that has provision for acceleration covenant if changes are made to the ownership of the company such as to have a negative effect on the assets and liabilities, corporate, financial and economic situation of the mortgaging party.

Lastly, i) as part of investments in other businesses operated by the Issuer and ii) as used in order to regulate and discipline governance with any minority shareholders of some of the companies in which Immsi S.p.A. directly or indirectly has investments, shareholders' agreements have been stipulated with these Shareholders and/or loans given by the above Shareholders to investee companies giving the contracting parties special rights (*inter alia* pre-emption rights, tag-along rights, tag-along obligations) in the event of a change in direct and/or indirect control of the investee company.

The provisions of the Articles of Association of the Issuer do not affect the passivity rule established by article 104, paragraphs 1 and 1-*bis* of the TUF. In addition, the Articles of Association of the Issuer do not provide for the application of neutralisation as of article 104-*bis*, paragraphs 2 and 3 of the TUF.

i) Powers to increase share capital and authorisation to purchase treasury shares (pursuant to article 123-*bis*, paragraph 1, letter m) of the TUF)

The Extraordinary Shareholders' Meeting of 13 May 2014 resolved to give the Board of Directors the following powers (i) and (ii) alternatively among them:

(i) pursuant to article 2443 of the Italian Civil Code, to increase, on one or more occasions, against payment and also in divisible amounts, within a period of five years from the date of the resolution, the share capital up to a maximum nominal amount of 500 million euro, through the issue, with or without a share premium, of new ordinary shares having the same characteristics as those already in issue, to be offered as stock options to those entitled;

(ii) pursuant to article 2443 and 2440-*ter* of the Italian Civil Code, to increase, on one or more occasions, against payment and also in divisible amounts, within a period of five years from the date of the resolution, the share capital up to a maximum nominal amount of 500 million euro, to use as follows:

- a) for a maximum amount of 250,000,000 euro, for bonds convertible into ordinary shares, with or without warrants, to issue in compliance with the option right of those entitled. The Board of Directors is therefore given, pursuant to article 2420-*ter* of the Italian Civil Code, the right to issue on one or more occasions, in compliance with the option right, bonds convertible into ordinary shares having the same characteristics as those already in issue, with or without warrants, within a period of five years from the date of the resolution, for a maximum amount of 250,000,000 euro and, in any case, for amounts that, within the above limit, do not exceed the limits set by law for issuing bonds; and

- b) for a maximum nominal amount of 250,000,000 euro, as well as any remaining amount, if the convertible bonds as of point a) above are not issued using the entire amount above, by issuing, with or without a share premium, new ordinary shares having the same characteristics as those in issue, to be offered as stock options to those entitled.

The Board may determine from time to time, in exercising the aforesaid powers, in compliance with the option right of those entitled and with procedures of laws as applicable, and within the above limits, the amount of the increase in capital (and/or of single tranches), the issue price (including

any share premium) of new ordinary shares, taking account of market trends and practices of similar operations, and the times, methods and conditions of the offer under option; as well as the amount of the convertible loan stocks that can be converted into ordinary shares, with or without warrants, and of the increase in capital to service them, the procedures, terms and conditions of the issue of the debenture loans (including the share exchange ratio and bond conversion methods; the interest rate, expiry and methods of repayment, also in advance, the characteristics, terms and the conditions of the issue of warrants) and relative regulations and/or the regulation of combined warrants, and, more in general, define the terms and conditions of the increase in capital and the operation as a whole.

The Board of Directors will also have powers for all obligations and necessary formalities to allow the newly issued financial instruments to be admitted to trading.

During the year, none of the above powers were exercised.

As resolved by the Ordinary Shareholders' Meeting on 13 May 2015, the purchase and disposal of ordinary shares of the Company was authorised, pursuant to articles 2357 and 2357-ter of the Italian Civil Code, and article 132 of the TUF and implementing provisions, subject to the above resolution being withdrawn for the part not executed and disposition of treasury shares. Purchase authorisation was granted for the 18 month period as of the date of the above resolution, whereas authorisation for placing was granted with no time limits.

The authorisation to purchase and dispose of treasury shares is aimed at giving the Company a useful strategic investment opportunity for all purposes allowed by applicable provisions, including the purposes set out in the "market practices" permitted by Consob pursuant to article 180, paragraph 1, letter c) of the TUF with resolution no. 16839 of 19 March 2009 and EC Regulation no. 2273/2003 of 22 December 2003, and to proceed with the purchase of treasury shares based on their subsequent cancellation, according to the terms and procedures decided by competent company bodies.

This authorisation was requested for the purchase, also in several tranches, of ordinary shares of Immsi up to a maximum number which, considering the ordinary shares of Immsi held from time to time by the Company and by its subsidiaries, is not more than the maximum limit established by applicable *pro tempore* regulations. The shares may be purchased according to procedures, to be established as and when necessary in compliance with 144-bis, paragraph 1, letter b) of the Consob Regulation on Issuers and provisions that are applicable in any case, to ensure the fair treatment of shareholders as provided for by article 132 of the TUF. As regards the amount, the Board of Directors proposed that the purchases of treasury shares be made at a price which does not exceed the higher price between the price of the last independent trade and the highest current independent bid price on the trading venues where the purchase is made, provided that the unit price may not in any event be less than the minimum of 20% and no greater than the maximum of 10% of the arithmetic mean of the official prices recorded by the Immsi share in the ten days of trading prior to each single purchase.

The Shareholders' Meeting also authorised the use, pursuant to article 2357-ter of the Italian Civil Code, at any time, entirely or partially, on one or several occasions, of treasury shares purchased according to the aforesaid resolution or in any case in the Company's portfolio by selling them on the stock exchange or over the counter, also by selling any real and/or personal rights, including but not limited to securities lending, based on the terms, procedures and conditions of the act of disposal of treasury shares considered the most appropriate in the interests of the Company, in compliance with applicable *pro tempore* laws and regulations and in order to achieve the objectives as of the above shareholders' resolution.

During the Year no treasury stocks have been bought, therefore at 31 December 2015 and at the date of this Report, the Issuer holds no treasury stock in portfolio.

I) Management and coordination (pursuant to article 2497 et seqq. of the Italian Civil Code)

The Issuer is directly and indirectly controlled, in accordance with article 93 of the TUF, by Omniaholding S.p.A., a company wholly owned by the Colaninno family, through the subsidiary company Omniainvest S.p.A..

In particular, control of the Issuer does not actually correspond to management and coordination activities attributable to the specific case defined in article 2497 *et seqq.* of the Italian Civil Code and none of the above entities have a structure or organisation that allows them to carry out said management and coordination activities. Therefore, the Company and, particularly, its Board of Directors make their respective decisions with complete autonomy.

* * *

Please note that:

- the information required by article 123-*bis*, paragraph one, letter i) ("*agreements between the company and directors ... that establish indemnity in case of resignation or dismissal without just cause or if their working relationship ceases following a take-over bid*") is included in the Remuneration Report published pursuant to article 123-*ter* of the TUF and included in section 9 of this Report;
- the information required by article 123-*bis*, paragraph one, letter l) ("*regulations applicable to the appointment and replacement of directors... as well as amendments to the articles of association, if different from legal and regulatory provisions applicable on a supplementary basis*") is explained in section 4.1 of this Board of Directors' Report.

3. COMPLIANCE (pursuant to article 123-bis, paragraph 2, letter a) of the TUF)

The Issuer has adopted a corporate governance system in accordance with the main contents of the Corporate Governance Code, as indicated in this Report, prepared by the committee for the corporate governance of listed companies, as amended (July 2015) and is available at www.borsaitaliana.it, under *Borsa Italiana/Rules/Corporate Governance*.

Neither Immsi nor strategically important subsidiaries are subject to non-Italian legal provisions affecting the corporate governance structure of the Company.

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT(pursuant to article 123-bis, paragraph 1, letter I) of the TUF)

The provisions in the Articles of Association of the Issuer, applicable to the appointment and replacement of Directors, are suitable for guaranteeing compliance with the provisions introduced by the Italian Legislative Decree no. 27/10, implementing Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies. In addition, on 13 November 2014, the Board of Directors of the Company amended the Articles of Association as regards regulations on the gender balance of Boards as of article 147-ter, paragraph 1-ter of the TUF, as introduced by Italian Law 120/2011, and article 144-undecies.1 of the Consob Regulation on Issuers.

The Company is managed by a Board of Directors comprising no fewer than five and no more than thirteen members appointed by the Shareholders' Meeting.

The Shareholders' Meeting determines the number of Board members as well as the term of their office which cannot be more than three years, and which will expire at the date of the Shareholders' Meeting called to approve the financial statements of the last year of their term of office. They may be reappointed.

According to the Articles of Association, the Directors must meet the requirements of applicable *pro tempore* legislation; a minimum number of Directors, corresponding to the minimum required by law, must meet the independence requirements as of article 148, paragraph 3 of the TUF.

If a Director no longer has the prescribed requisites his term of office shall immediately expire. If a Director no longer meets the independence requirements as of article 148, paragraph 3 of the TUF, he/she will not have to step down, if the minimum number of Directors required by applicable laws meets these requirements.

The Board of Directors is appointed, in compliance with applicable *pro tempore* regulations on gender balance, on the basis of lists presented by the Shareholders with the procedures specified below, in which the candidates must be listed with a progressive number.

The lists presented by the Shareholders, signed by the parties presenting them, must be filed at the Company's headquarters, and made available for any person requesting them, at least twenty-five days before the date set for the Shareholders' Meeting on first call, and are subject to the other types of notification and filing procedures established by applicable *pro tempore* regulations.

Each Shareholder, Shareholders belonging to a significant shareholder agreement pursuant to article 122 of the TUF, the parent company, subsidiaries and entities subject to common control pursuant to article 93 of the TUF, may not present or contribute to the presentation, not even through a third party or trust company, of more than one list, nor may they vote for different lists and each candidate may be included in only one list, otherwise they cannot be elected. Support and votes expressed in breach of this prohibition are not attributed to any list.

Shareholders are entitled to present lists only if, alone or with other Shareholders, they hold shares with voting rights representing at least 2.5% of the share capital with voting rights at the Ordinary Shareholders' Meeting, or a different percentage that may be established by law or other

regulations. In its ruling no. 19499 of 28 January 2016, Consob established a requirement of 2.5% of the share capital as necessary for presenting lists of candidates for election to the Board of Directors of the Company.

Ownership of the shareholding required, pursuant to the above, for the purposes of presenting the list, is established in relation to the shares registered in the name of the Shareholder on the date when the lists are filed with the Issuer; relative certification may also be submitted after the list is filed, provided this is before the deadline for publishing the lists.

Together with each list, within the terms indicated above, (i) statements of the individual candidates accepting their nomination and certifying, under their own responsibility, that causes for ineligibility and incompatibility do not exist, and that they meet the requirements established for respective positions; (iii) a *curriculum vitae* with the personal and professional characteristics of each candidate, indicating the person's suitability to be qualified as independent, as applicable, must be filed.

Lists with three or more candidates shall ensure that both genders are present, so that candidates of the less represented gender are at least one third of the total (rounding any fractions up to the nearest whole number).

Lists presented without complying with the above provisions are considered as not presented.

The Board of Directors is appointed as follows:

a) the list with the highest number of votes is used for presenting the Directors to elect, bar one, in the consecutive order in which they appear in the list;

b) the remaining Director is taken from the minority list that is not connected in any way, not even indirectly, with entities that presented or voted the list as of letter a) above and that obtained the second highest number of votes. If the minority list as of point b) has not achieved a percentage of votes equal to at least half that required for the presentation of lists, all Directors to be elected will be taken from the list as of point a).

If the candidates elected as above do not ensure the appointment of a minimum number of independent directors as established by article 148 of the TUF, the non-independent candidate pursuant to article 148 of the TUF, elected last in consecutive order in the list that received the highest number of votes, as of letter a) above, is replaced by the first independent candidate pursuant to article 148 of the TUF, according to the consecutive order, not elected in the same list, or, failing this, by the first independent candidate pursuant to article 148 of the TUF, according to the consecutive order, not elected in the other lists, according to the number of votes obtained by each one. This replacement procedure is repeated until the composition of the Board of Directors comprises a number of independent directors pursuant to article 148 of the TUF, equal to at least the minimum number required by law. If this procedure does not achieve the above, a replacement is made with a resolution passed by the Shareholders' Meeting with relative majority, subject to the presentation of candidates that meet the above mentioned requirements.

If, in addition, with the candidates elected in the manner described above, a composition of the Board of Directors compliant with *pro tempore* legislation in force at any time concerning the balance between genders is not ensured, the candidate of the more represented gender elected as last in the sequential order in the list that received the most votes shall be replaced by the first candidate of the less represented gender not elected from the same list according to the sequential order. This replacement procedure is repeated until a composition of the Board of Directors compliant with *pro tempore* legislation in force at any time concerning the balance between genders has been ensured. If the aforesaid procedure does not ensure the last result indicated above, the replacement will take place by resolution passed by the Shareholders' Meeting by relative majority subject to the presentation of candidates belonging to the less represented gender.

If only one list is presented or if no list is presented, the Shareholders' Meeting resolves with the majorities established by law, save for compliance with applicable *pro tempore* regulations on gender balance.

If during the year one or more vacancies occur on the Board, the procedure established in article 2386 of the Italian Civil Code shall be adopted according to the following indications, provided that the majority always consists of Directors appointed by the Shareholders' Meeting:

a) the Board of Directors replaces the vacancy, electing a person from the same list as the former director and the Shareholders' Meeting resolves with the majorities established by law, complying with the same criterion;

b) where no unelected candidates remain on the candidate list, or where for any reason whatsoever the provisions of point (a) above cannot be met, the Board of Directors replaces the director, as subsequently resolved by the Shareholders' Meeting, with majorities established by law, without voting for the list.

In any case the Board of Directors and the Shareholders' Meeting will appoint the director so that (i) the minimum number of independent directors pursuant to article 148 of the TUF is appointed as required by applicable *pro tempore* applications and (ii) applicable *pro tempore* regulations on gender balance are complied with.

If there is no longer a majority of Directors, due to resignations or other causes, the entire Board is considered as having resigned and shall cease to hold office from the time when the Board of Directors has been re-established following acceptance by at least half the new Directors appointed by the Shareholders' Meeting, that shall be called on an urgent basis.

Given the organisational structure of the Issuer, as well as the practice of assigning the position of Executive Director to persons who have gained significant experience within the Company or to persons who have gained experience in sectors in which the Issuer operates, the Board of Directors, during the meeting of 23 March 2016, deemed it unnecessary to adopt a plan for the succession of Executive Directors, with the right to make different evaluations in the future.

4.2. COMPOSITION (pursuant to article 123-bis, paragraph 2, letter d) of the TUF)

The Board of Directors of the Issuer, in office at the date of this Report, comprises 9 members appointed by the Ordinary Shareholders' Meeting of 13 May 2015.

The Board, appointed on the basis of the single list of candidates presented by the majority Shareholder Omniainvest S.p.A., was elected with a percentage of votes presenting 98.75% of shares with voting rights and will remain in office until the date when the Shareholders' Meeting is convened to approve the Financial Statements for the year ending 31 December 2017.

For more information on the list filed for the appointment of the Board, see the website of the Issuer, and the section "*Governance/Shareholders' Meeting/Archive/2015*".

The professional *curricula* of Board Directors are filed at the registered office of the Company and are available on the website of the Issuer, in the section "*Governance/Management*".

Board Directors in office meet the requirements established in the Articles of Association and of applicable laws and regulations.

See Table 2 in the appendix.

Pursuant to article 20 of the Articles of Association, the Chairman, or anyone acting on his behalf, shall convene a meeting of the Board of Directors, at the registered office of the Company or in another location, whenever deemed necessary in the interests of the Company or when requested by three Board members.

Board meetings will be convened in writing, with notice also sent by fax, telegram or email to Board members in office and to the Statutory Auditors, at least five days before the date set for the meeting, or, in urgent cases, with the same procedure, but with minimum notice of six hours.

Directors may take part in Board Meetings also by teleconferencing and/or video conferencing,

provided that all those entitled to take part are able to do so and may be identified and can follow the meeting and intervene in real time as regards items being discussed. If these conditions are met, the Board Meeting shall be considered as having taken place in the location where the Chairman and Secretary of the meeting are present, in order to take the minutes, which are signed by both the Chairman and Secretary.

Pursuant to article 22 of the Articles of Association, in order for resolutions of the Board of Directors to be valid, the majority of Board members in office shall be present. Resolutions will be passed by the absolute majority of those present.

Maximum number of positions held in other companies

Each member of the Board of Directors shall make informed decisions, independently, pursuing the objective of creating value for Shareholders, and in his/her position held in the Company shall spend the time necessary to ensure functions are duly carried out, irrespective of other positions held outside the Immsi Group, aware of the responsibilities of his/her office.

For this purpose, each Director shall have evaluated, when accepting the position at the Company and regardless of limits established by law and by regulations on the number of positions that may be held, his/her ability to carry out assigned duties diligently and effectively, considering in particular the total commitment required of other positions outside the Immsi Group.

Each member of the Board of Directors shall also inform the Board of any positions as Director or Statutory Auditor in other companies, in order to comply with disclosure obligations established by applicable laws and regulations.

In the meeting of 16 March 2016, the Board decided not to define general criteria regarding the maximum number of administration and control positions that may be held in other companies, that may be considered as compatible with effectively holding the position of Director of the Issuer, without prejudice to the fact that each Director shall assess the compatibility of positions of Director and Statutory Auditor held in other companies listed on regulated markets (also abroad), in financial, banking and insurance companies or in companies of a considerable scale, diligently conducting the duties assigned to them as Board Director of the Issuer.

In the meeting of 23 March 2016, the Board, after reviewing positions currently held by its Directors in other companies, considered that the number and type of positions held does not cause any interference and is therefore compatible with effectively carrying out duties as Director of the Issuer.

In addition, the majority of Board Members of the strategic subsidiary Piaggio & C. S.p.A. does not hold Administrative and/or Managerial positions in the Parent Company Immsi S.p.A.

The table below lists the administration and control positions held, at 31 December 2015, by the members of the Board of Directors, in other companies listed on regulated markets (also abroad), in financial, banking and insurance companies or in companies of a considerable scale.

Full name	Company	Administration and control positions
Roberto Colaninno	Piaggio & C. S.p.A.* Omniaholding S.p.A.* Omniainvest S.p.A.* Alitalia - Società Aerea Italiana S.p.A. Piaggio Fast Forward * RCN Finanziaria S.p.A.* Intermarine S.p.A.*	Chairman BoD and Managing Director Chairman of the Board of Directors Chairman of the Board of Directors Honorary Chairman of the Board of Directors Chairman of the Advisory Board Director Director

Michele Colaninno	Omniaholding S.p.A.* Omniainvest S.p.A.* ISM Investimenti S.p.A.* Banca Popolare di Mantova S.p.A. Piaggio Fast Forward Inc.* Piaggio & C. S.p.A.* Is Molas S.p.A.* RCN Finanziaria S.p.A.* Immsi Audit S.c.a r.l.* Intermarine S.p.A.*	Chief Executive Officer Chief Executive Officer Chairman of the Board of Directors Deputy Chairman of the Board of Directors Deputy Chairman of the Board Director Director Director Director Director
Daniele Discepolo	Primus Capital S.r.l. Simest S.p.A. Mermec S.p.A. Sorgenia S.p.A. Esaote S.p.A. Argenta S.p.A.	Chairman of the Board of Directors Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Statutory Auditor Chairman of the Supervisory Board Chairman of the Supervisory Board
Matteo Colaninno	Omniaholding S.p.A.* Piaggio & C. S.p.A.* Omniainvest S.p.A.*	Deputy Chairman and Chief Executive Officer Deputy Chairman Director
Rita Ciccone	-	-
Patrizia De Pasquale	-	-
Giovanni Sala	Intermonte SIM S.p.A. Gianni Versace S.p.A. CLN S.p.A. Gewiss S.p.A.	Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Statutory Auditor Director
Ruggero Magnoni	Richemont SA 422 BV Caruso S.p.A. Omniainvest S.p.A.* Compagnie Financière Rupert	Director and Member of the Audit Committee Director Director Director General Partner
Livio Corghi	Intermarine S.p.A.* RCN Finanziaria S.p.A.*	Chief Executive Officer Director
Giorgio Cirila ⁽¹⁾	Astaldi S.p.A.	Director
Carlo d'Urso ⁽²⁾	Gruppo Banca Leonardo S.p.A. Stilo Immobiliare Finanziaria S.r.l. F.C. Internazionale Milano S.p.A.	Director Director Director

* Company of the Group of which the Issuer is Parent Company or forms a part.

(1) Position with Immsi S.p.A. terminated as from 13/05/2015.

(2) Position with Immsi S.p.A. terminated as from 01/02/2015.

Reporting to the Board allows Directors to have adequate knowledge of the sector in which the Issuer operates, of business dynamics and developments, as well as the relative legal and self-regulatory framework.

Company management also worked on a continual basis with company boards as regards information flows and/or updates on issues of interest.

In any case, the Issuer will draw up structured training plans if considered necessary, or required by company bodies.

4.3. ROLE OF THE BOARD OF DIRECTORS (pursuant to article 123-bis, paragraph 2, letter d) of the TUF)

During the year, the Board of Directors held 7 meetings on the following dates: 16 March, 13 May, 25 June, 27 August, 20 October, 11 November and 22 December.

The average duration of meetings was one hour, fifteen minutes, with the Board of Statutory Auditors taking part.

The average attendance of Board Directors at these meetings was equal to 93.81%, while the average attendance of Independent Directors was equal to 100%.

The Articles of Association do not establish a minimum number of Board meetings, however the Board is expected to meet at least 6 times in 2016. At the date of this Report, 2 meetings had been held, on 15 and 23 March 2016.

In compliance with article 2.6.2, paragraph 1, letter b) of the Regulation on markets organised and managed by Borsa Italiana S.p.A., on 29 January 2016, Immsi S.p.A. informed Borsa Italiana S.p.A. of its annual schedule of corporate events for 2016. This schedule was also published on the Issuer's website, in the section "*Investors/Calendar*".

The Chairman of the Board of Directors, through the Secretary of the Board of Directors, ensures that adequate information regarding items on the agenda is made available to all Directors in reasonable time. In particular, documents on items to discuss are sent, by email, usually 48 hours in advance of the meeting, except for particularly urgent cases or in the case of a particular need for confidentiality; in the latter case, the Chairman ensures that items are reviewed in depth during board meetings. In this way, the Chairman of the Board of Directors promotes an informed debate, encouraging the contribution of all participants, ensuring that enough time will be spent on items on the agenda to ensure a constructive dialogue.

The Director of Administration, Finance and Control, Andrea Paroli, has always taken part in board meetings, to provide further information on items on the agenda.

The Board of Directors plays a central role within the corporate organisation. It is in charge of strategic and organisational functions and responsibilities, and also ensures necessary controls are in place to monitor the performance of the Issuer and companies in the Group.

The Board of Directors has the widest possible powers to manage the Company, and to that end it may pass resolutions or take any action deemed necessary or useful for achieving the Company object, with the exception of powers assigned by law and by the Articles of Association to the Shareholders' Meeting.

Pursuant to article 23 of the Articles of Association, the Board of Directors is also responsible for deciding upon all matters regarding:

- mergers and demergers in accordance with articles 2505, 2505-bis of the Italian Civil Code, the latter also referred to in article 2506-ter of the Italian Civil Code;
- the establishment or closure of secondary offices;
- Directors representing the Company;
- reductions in share capital in the event of Shareholder withdrawal;
- amendments to the Articles of Association to comply with regulatory provisions;
- transfer of the registered office to another location in Italy;

notwithstanding that such decisions may also be taken by the Extraordinary Shareholders' Meeting.

In the meeting of 13 May 2015, the Board of Directors resolved on the distribution of managerial competencies of the Board of Directors (see section 4.4 below for the competencies of the Chairman and Chief Executive Officer), with the Board jointly having, besides all powers assigned to it by law and by the Articles of Association, as well as powers to approve "related-party transactions" as provided for by the specific procedure adopted by the Company (see section 12 of this Report), the following powers:

- a) define the strategic, industrial and financial strategies as well as the general policy of the Company and Group;
- b) acquire and dispose of controlling investments, acquire or dispose of business units for individual amounts above 25 million euro, mergers and demergers;
- c) approve long-term plans;
- d) carry out property dealings for individual amounts above 25 million euro.

Within its area of responsibility, the Board approves the corporate governance system of the Issuer, it defines the structure of the Issuer's Group, it examines and approves the strategic, industrial and financial plans of the Issuer and of its Group, periodically monitoring relative implementation.

Pursuant to article 2381 of the Italian Civil Code and to the application criterion 1, paragraph 1, letter c) of the Code, during the year the Board evaluated the adequacy of the organisational, administrative and general accounting structure of the Issuer and its strategic subsidiaries, with particular reference to the internal control and risk management system, according to procedures adopted by the Issuer for this purpose. In particular, in the meetings of 16 March 2015 and 23 March 2016, the Board considered - among others - the functional company organisation charts of the main strategic companies of the Group, with a particular focus on the charts of the Administration, Finance and Control departments, also considering organisational changes taking place during the year.

Within the framework of this periodic activity the Board was assisted, as necessary, by the Control and Risk Committee, by the Manager of the Internal Audit Department, the auditing company Immsi Audit S.c. a r.l. and Executive in charge of financial reporting, and used the procedures and controls implemented, also in accordance with Italian Law no. 262/2005. In particular, the Control and Risks Committee of the Issuer, in its meeting of 12 May 2015, reviewed specific documentation in order to determine operating and significant companies to be included in its controls, pursuant to Italian Law no. 262/2005, agreeing on the methodology to apply and companies to be controlled.

Relevant subsidiaries were identified using quantitative parameters, determining specific threshold values, and qualitative parameters, performing assessments based on knowledge of the Company and existing specific risk factors.

As a result of this analysis and also considering its nature as a diversified industrial group, the main subsidiaries of strategic importance were determined, and subsequently included in the scope of controls pursuant to Italian Law no. 262/2005.

For a description of the main characteristics of the risk management and internal control system in relation to the financial disclosure process, pursuant to article 123-bis, paragraph 2, letter b) of the TUF, see Attachment 1 in the appendix.

During the year, the Board evaluated the general trend of operations, at least quarterly, considering information received from authorised bodies, periodically comparing results with objectives.

In accordance with legal provisions, the Articles of Association and the Code, the Board of Directors has examined and approved in advance transactions, conducted by the Issuer and its subsidiaries, of strategic importance or with a material impact on the financial position and performance of the Issuer, with a particular focus on transactions in which one or more Directors have a personal interest or interest on behalf of third parties.

In the meeting of 16 March 2015, the Board of Directors of the Issuer, considering the annual evaluation pursuant to article 1, paragraph 1, letter g) of the Corporate Governance Code and the term of office of the Board of Directors, which will soon end (with approval of the Financial Statements at 31 December 2014), set out recommendations to Shareholders on the adequate composition of the new Board, following appointment by the Shareholders' Meeting. For further information, see the Board of Directors' report to the Shareholders' Meeting convened to renew the Board and available on the website of the Company www.immsi.it, in the section "Governance/General Meeting/Archive/2015" and on the website of the authorised storage system www.emarketstorage.com.

On 23 March 2016, the Board of Directors of the Issuer conducted the annual review pursuant to article 1, paragraph 1, letter g) of the Corporate Governance Code, considering the size, composition and operation of the Board and its Committees to be basically adequate for the management and organisational requirements of the Company, also taking into account the professional competencies, including the expertise and managerial skills of its members, the number of years in office and the fact that the Board is made up of 9 directors, of which seven non-executive and four non-executive independent directors, which also ensures the ideal composition of Board committees.

In this regard, the Board decided to carry out self-assessment, to evaluate its abilities to carry out the functions assigned to it by applicable regulations. This assessment was conducted in February 2016. It concerned the financial year and was based on a self-assessment questionnaire sent to all Board Directors. The questionnaire - divided into different areas (i.e. composition, structure, size, operation and dynamics of the Board, interaction with the management team, risk governance, composition and structure of Committees) and with the possibility to make comments and proposals - was compiled by all Directors and disclosed by the Board. As stated above, the assessment outcome showed that the Board and Committees are suitable for carrying out their respective functions.

Under article 18 of the Articles of Association, and unless decided otherwise by the Shareholders' Meeting, Directors are not subject to the prohibition set out in article 2390 of the Italian Civil Code. At present, the above departure has not been applied in any specific case.

4.4. AUTHORISED BODIES

The Chairman is appointed by the Board of Directors from its members, if not already appointed by the Shareholders' Meeting.

The Chairman convenes the Board of Directors and coordinates its activities, ensuring that adequate information on items on the agenda is made available to all Directors, taking account of contingent circumstances. The Chairman chairs Shareholders' Meetings, ascertains the identity and entitlement of those attending, that the meeting is duly established, that a sufficient number of

Shareholders is present for resolutions to be valid, and also governs the proceedings, establishing voting methods and monitoring results.

The Board of Directors may also appoint a Deputy Chairman, who replaces the Chairman in the above functions in his absence or impediment.

The Chairman has powers to sign for the Company and is the legal representative vis-à-vis third parties and before the courts. In the case of his absence or impediment, these functions are overseen by the Deputy Chairman, if appointed.

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

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

Powers of representation and signature may also be granted by the Board, which determines the limits, to company employees or to third parties.

Chairman of the Board of Directors and Chief Executive Officer

On 13 May 2015, the Ordinary Shareholders' Meeting appointed Roberto Colaninno as Chairman of the Board of Directors, who will remain in office until approval of the Financial Statements for the year ending 31 December 2017.

The Chairman of the Board of Directors is the person mainly responsible for management of the Issuer (Chief Executive Officer). A Board resolution of 13 May 2015 granted the Chairman all powers of ordinary and extraordinary management, excluding powers assigned by law or the Articles of Association to the entire Board of Directors, as well as powers in all cases assigned to the Board on the basis of the above resolution (see section 4.3 for full details). In the event of extraordinary actions or operations, the Chairman shall adequately inform the Board at the first possible meeting.

The Board considers that granting executive powers to the Chairman meets the considerable organisational needs of the Issuer, i.e. streamlining the operation of the Board of Directors of the Company. Accordingly, the Board appointed the Director Daniele Discepolo as Lead Independent Director pursuant to the Code. For more information about the Lead Independent Director, see section 4.7.

Interlocking directorate, as established by application criterion 2, paragraph 5 of the Code, does not apply.

Michele Colaninno, former General Manager of the Company, was re-appointed Chief Executive Officer on 13 May 2015. In addition to powers to act as the Company's legal representative vis-à-vis third parties and before the courts and to sign on behalf of the company, the CEO was granted the power to oversee the ordinary management of the Company, being authorised, for this purpose, to carry out all standard operations for sums not exceeding 20,000,000 euro per transaction or series of related transactions, and to adopt the resolutions passed by the Shareholders' Meeting and the Board of Directors.

He was also granted the power to appoint, dismiss, direct, supervise and discipline Company Manager(s) and their subordinates, with the approval of the Chairman, with the exception of any such power regarding the General Manager(s).

The powers of the Chief Executive Officer do not include powers assigned by law or by the Articles of Association to the Board of Directors, and powers that in any case are assigned to the Board according to the same resolution (see section 4.3, letters a), b), c) and d) above for details, for amounts also lower than those indicated).

Reporting to the Board and the Board of Statutory Auditors

In accordance with article 21 of the Articles of Association, the Delegated Bodies report to the Board of Directors and the Board of Statutory Auditors on their activities and the most significant financial and economic transactions carried out by the Company or its subsidiaries, referring in particular to transactions in which Directors have an interest, on their own behalf or on behalf of third parties, or that are influenced by the entity carrying out management and coordination. The information is given promptly, on at least a quarterly basis, during Board meetings, or in a written notice addressed to the Chairman of the Board of Statutory Auditors.

In particular, during the 7 board meetings held during the year, the Delegated Bodies promptly and extensively reported to the Board of Directors on activities carried out, on the performance generation operations and their outlook, as well as material transactions, in terms of their scale and characteristics, undertaken by the Company and its subsidiaries, as required by law and by the Articles of Association.

4.5. OTHER EXECUTIVE DIRECTORS

Besides the Chairman and Chief Executive Officer, there are no other Executive Directors.

4.6. INDEPENDENT DIRECTORS

Non-executive directors currently make up seven of the nine Board Directors of the Issuer, of whom four are independent. The number and position of these Directors is such as to guarantee a significant contribution to decisions taken by the Board. The Non-Executive Directors and Independent Directors bring their specific competencies to Board discussions, contributing to decisions made in the Company's interest.

The Board of Directors evaluates the independence of its non-executive members pursuant to article 148, paragraph 3, letters b) and c) of the TUF, as referred to by article 147-ter, paragraph 4 of the TUF, and by applying all criteria of article 3 of the Corporate Governance Code, at the time of appointment, making known the results of its assessments in a press release issued to the market, as well as periodically during the term of office. The outcome of the evaluation is disclosed in the annual report on corporate governance. The monitoring criteria and procedures adopted by the Board of Directors for evaluating independence requirements are verified by the Board of Statutory Auditors in accordance with the Corporate Governance Code.

The independence requirements as of article 3 of the Code and article 148, paragraph 3, letters b) and c) of the TUF foreseen for independent directors currently in office are reviewed annually by the Board of Directors on the first occasion possible after appointment and most recently during the meeting of 23 March 2016. On the same date, the Board of Statutory Auditors acknowledged that the criteria and review procedures used by the Board of Directors to evaluate independence requirements had been correctly adopted.

In order to rule out potential risks of limiting the management independence of the strategic subsidiary Piaggio & C. S.p.A., the majority Board Directors of Piaggio & C S.p.A. has no administrative and/or managerial duties in the Parent Company Immsi S.p.A.

The Independent Directors are committed to maintaining independence during their term of office, and in any event shall promptly inform the Board of Directors of any situation that might compromise their independence. Pursuant to the provisions of article 17, paragraph 4 of the Articles of Association of the Issuer, if a Director no longer meets the independence requirements as of article 148, paragraph 3 of the TUF, he/she will not have to step down, if the minimum

number of Directors required by applicable laws meets these requirements.

During the year, the independent directors met informally in the absence of the other Directors.

4.7. LEAD INDEPENDENT DIRECTOR

The Chairman of the Board of Directors is the person mainly responsible for management of the Issuer (Chief Executive Officer). On 13 May 2015, the Board of Directors appointed the non-executive, independent Director Daniele Discepolo as Lead Independent Director, to represent non-executive directors and in particular independent directors. The Lead Independent Director, Daniele Discepolo, with adequate accounting, financial and risk management expertise, also holds the position of Chairman of the Control and Risks Committee and of the Remuneration Committee of the Issuer.

The Lead Independent Director also works with the Chairman to ensure that Directors receive exhaustive and timely information, and may call, independently or at the request of other Directors, special meetings only attended by Independent Directors, to discuss issues considered of interest regarding the functions of the Board of Directors and corporate management. As stated above, during the year, the independent directors met informally in the absence of the other Directors.

5. PROCESSING OF CORPORATE INFORMATION

As regards issues concerning the processing of price sensitive information and in order to regulate the internal management and disclosure of this information, the Board of Directors, in the meeting of 20 December 2012, updated the "Procedure for the Management of the Register of Persons with Access to Privileged Information", while in the meeting of 13 November 2014, it amended the "Procedure for Communicating Privileged Information to the General Public". In particular, these procedures specifically establish the procedures for monitoring, accessing and distributing inside information before it is disclosed to the public, in order to ensure compliance with obligations of laws and regulations concerning confidentiality and market protection.

These procedures are also available on the website of the Issuer, in the section "Governance/Procedures".

6. COMMITTEES INSIDE THE BOARD (ex art. 123-bis, p. 2, let. d), TUF)

The Board of Directors has appointed the Remuneration Committee, the Appointments Committee, the Control and Risks Committee and the Related-Party Transactions Committee.

The Issuer has not established a committee that performs the functions of two or more committees required by the Code, nor committed other than those indicated in the Code, nor has it assigned the functions or one or more committees to the entire Board overseen by the Chairman.

7. NOMINATION COMMITTEE

In compliance with the Code and in consideration of the list-based voting system in the Articles of Association for Board appointments, the Board of Directors has established an internal Appointments Committee.

Composition and operation of the Appointments Committee (pursuant to article 123-bis, paragraph 2, letter d) of the TUF)

On 13 May 2016, the Board of Directors appointed to the Appointments Committee the independent director Giovanni Sala, acting as Chairman, and the independent directors Daniele Discepolo and Rita Ciccone, who will remain in office until the date of the Shareholders' Meeting convened to approve the Financial Statements for the year ending 31 December 2017.

During the year, the Appointments Committee did not meet, as there were no circumstances making this necessary.

See Table 2 in the appendix.

Functions of the Appointments Committee

The Appointments Committee checks that procedure for presenting lists, established by Articles of Association, takes place correctly and transparently, in compliance with applicable laws and regulations. After it has checked the presentation procedure for lists, ensuring specifically that documents filed with the lists are complete and filing deadlines are met, the Committee arranges the formalities for presenting the lists to the General Shareholders' Meeting convened for the appointment of the Board of Directors or its members.

Pursuant to the application criterion 5, paragraph 1, letters a) and b) of the Code, the Appointments Committee also advises the Board on the size and composition of the Board and on the professional positions that should be appointed, and on the maximum number of positions held by directors or statutory orders that may be considered compatible for effectively carrying out the position of director of the Issuer, and as regards authorising non-compete powers. The Committee also advises the Board on candidates for the position of Director in the case of co-opting, when independent directors need to be replaced.

No financial resources were allocated to the Appointments Committee, as it uses the funds and facilities of the Issuer to perform its duties.

8. REMUNERATION COMMITTEE

The Board of Directors of the Company, in compliance with the Corporate Governance Code, has established a Remuneration Committee, comprising independent directors that will remain in office until the date of the Shareholders' Meeting convened to approve the Financial Statements for the year ending 31 December 2017.

Composition and operation of the Remuneration Committee (pursuant to article 123-bis, comma 2, let. d), TUF)

On 13 May 2015, the Board of Directors appointed to the Remuneration Committee, the non-executive independent director Daniele Discepolo, acting as Chairman, and the non-executive independent directors Giovanni Sala and Rita Ciccone. All members of the above committee have an adequate knowledge and experience of financial matters and/or salary policies, considered conforming by the Board at the time of the appointment.

During the year, the Remuneration Committee held two meetings, each approximately 30 minutes, with all members taking part, as well as the secretary taking the minutes and members of the Board of Statutory Auditors, who were informed of all decisions taken by the Committee, before the decisions were put to the Board of Directors of the Issuer.

The Remuneration Committee is expected to meet at least once during 2016. At the date of this Report, this meeting had been held on 17 March 2016.

See Table 2 in the appendix.

Functions of the Remuneration Committee

The Remuneration Committee of the Issuer has the following duties, in the absence of persons directly involved:

- periodically review the adequacy, overall consistency and actual application of the remuneration policy for directors and key senior management, using information supplied by Chief Executive Officers;
- make recommendations to the Board to define the General Remuneration Policy for executive directors, other directors with key positions and key senior management, monitoring the adoption of decisions taken;
- make recommendations to the Board on the remuneration of executive directors and directors with particular positions, as well as establish performance objectives related to the variable part of remuneration, monitoring the adoption of decisions taken by the Board and checking, in particular, that performance objectives are actually achieved;

In particular, the Committee considers the following, when defining the above remuneration: consistency with previous terms of office, appropriacy as regards undertakings and responsibilities of positions held, professional qualifications of persons concerned as well as the size of the Company, Group and relative prospects for growth.

For further information, see the Remuneration Report, available, as established by law, on the website of the Issuer, in the section “*Governance/General Meeting/Archive*”.

9. DIRECTORS' REMUNERATION

On 23 March 2016, the Board, as recommended by the Remuneration Committee, adopted the “General Policy for the remuneration of Directors and Key Senior Management” (“**Remuneration Policy**”) pursuant to article 6 of the Code. This policy defines the basic guidelines on which the remunerations must then be concretely established by the competent company bodies.

For a description of the Remuneration Policy and fees paid during the year to Directors, General Directors and Key Senior Management, see the Remuneration Report, available, as established by law, on the website of the Issuer, in the section “*Governance/General Meeting/Archive*”.

Mechanisms of incentive of the Head of the Internal Audit Function and of the Manager responsible for preparing the corporate accounting documents.

At the date of this Report, there are no mechanisms of incentive of the Head of the Internal Audit Function and of the Manager responsible for preparing the corporate accounting documents.

Directors' indemnity in case of resignations, dismissal or cessation of the relationship following a public purchase offer (pursuant to article 123-bis, p. 1, let. i), TUF)

No agreements have been entered into between the Issuer and the directors that provide for indemnities in the case of resignation, dismissal/termination without just cause, or if the employment ceases following a public offering.

10. CONTROL AND RISK COMMITTEE

The Board of Directors of the Company, in compliance with the Corporate Governance Code, has established a Control and Risks Committee, comprising non-executive, independent Directors, with committee works coordinated by a Chairman.

Composition and operation of the Control and Risks Committee (pursuant to article 123-bis, paragraph 2, letter d) of the TUF)

The Control and Risks Committee in office until approval of the Financial Statements at 31 December 2014 consisted of three members: Giovanni Sala, acting as Chairman, Giorgio Cirila and Rita Ciccone. The new Board of Directors, appointed by the General Meeting on 13 May 2015, in its first meeting on the same date, appointed to the Control and Risks Committee, based on the professional profile of candidates put forward, the independent directors, Daniele Discepolo, with adequate accounting, financial and/or risk management expertise, acting as Chairman (also as Lead Independent Director), Giovanni Sala and Rita Ciccone.

During the year, the Control and Risks Committee held 5 meetings, with the first two, on 12 March and 12 May 2015, attended by former members of the Committee. The Control and Risks Committee, appointed on 13 May 2015, met on 13 May 2015, 29 July 2015 and 5 November 2015; the meetings lasted thirty minutes on average and were attended by all Committee members.

The Internal Audit Department Manager takes the minutes of each meeting held by the Committee in order to officially certify the meeting's progress, contents and decisions made.

On request of the Committee and in relation to matters of interest, the meetings, apart from the meeting of 13 May 2015, were also attended by the Board of Statutory Auditors and the Executive in charge of financial reporting, and in the meetings held to review the audit plan for 2014 and the first half of 2015, a representative from the Independent Auditors was also present.

Italian Legislative Decree no. 39/2010, "Implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Directives 78/660/EEC and 83/349/EEC and repealing Directive 84/253/EEC", identifies the Board of Statutory Auditors as the "Internal Control and Audit Committee" responsible for monitoring: i) the financial reporting process; ii) the effectiveness of internal control systems; iii) the statutory auditing of the annual accounts and consolidated accounts; iv) the independence of the independent auditors, and in particular the provision of additional, non-audit services to the audited entity.

In particular, the Control and Risks Committee operated during the year working with the Board of Statutory Auditors and with continuous information flows on issues in its remit. In view of the above, and with particular reference to monitoring the financial reporting system, the internal control and risk management system implemented by the Issuer already regulates the management of inside information and market abuse, as well as the process to define and authorise disclosure on accounts and relative certification.

In 2016, the Control and Risks Committee is expected to meet at least 5 times; the first three meetings were held on 16 February and on 17 and 23 March.

See Table 2 in the appendix.

Functions of the Control and Risks Committee

The Control and Risks Committee, with functions overseen by the Board of Directors on 23 March 2016, in assisting the Board to carry out its duties concerning internal control and risk management:

- (i) evaluates, together with the Executive in charge of financial reporting and after consulting with the independent auditors and Board of Statutory Auditors, the correct use of accounting standards and their uniformity for preparing the Consolidated Financial Statements;
- (ii) gives recommendations on specific aspects concerning the identification of main company risks;
- (iii) reviews periodic reports on the evaluation of the internal control and risk management system, and information of particular significance provided by the Internal Audit Department;
- (iv) monitors the independence, adequacy, effectiveness and efficiency of the Internal Audit Department;
- (v) requests the Internal Audit Department to audit specific operating areas, also informing the Chairman of the Board of Statutory Auditors;
- (vi) reports to the Board, at least every six months, at the time of approving the annual and half-yearly financial report, regarding activities carried out, as well as the adequacy of the internal control and risk management system;
- (vii) supports, with adequate preliminary activities, the evaluations and decisions made by the Board of Directors on the management of risks arising from adverse events which have come to the knowledge of the Board of Directors.
- (viii) gives recommendations to the Board as regards decisions relative to the appointment, removal from office, remuneration and availability of resources of the Internal Audit Department Manager.

During the year, the Control and Risks Committee monitored the internal control and risk management system on a continual basis and in particular, in this context, it:

- a) reviewed changes to the organisational structure, to processes and company activities;
- b) reviewed the progress of the internal auditing work plan, with particular reference to the implementation of measures concerning audits of previous years, the progress of the 2015 Audit Plan, including activities assisting the Risk Analysis unit and compliance audits conducted pursuant to Italian Law no. 262/2005 and Italian Legislative Decree no. 231/01;
- c) monitored the independence, adequacy and effectiveness of the Internal Audit Department, also based on a review of specific indicators and of the Quality Assurance Review process adopted by the Function, which resulted in certification being obtained in compliance with international standards for the sector and recommendations of the Corporate Governance Code;
- d) reviewed, with the Executive in charge of financial reporting and after consulting the Independent Auditors and Board of Statutory Auditors, the accounting standards adopted in preparing accounts and the financial statements, as well as the uniformity of these principles for preparing the consolidated financial statements;
- e) reviewed the impairment testing procedure used to verify adequacy and compliance with IAS/IFRS, as regards recommendations in the document issued by the Bank of Italy, Consob and ISVAP on 3 March 2010.

In order to carry out its duties, the Committee:

- is assisted on an permanent basis by the Internal Audit Department;
- may access information and company functions necessary to carry out its duties;
- may be assisted by external professionals, within the limits of the budget established by the Board of Directors, provided they comply with necessary confidentiality requirements.

The Board of Directors, meeting on 13 May 2015, set the annual expenditure budget for the Control and Risks Committee at 30,000 euro.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk management system comprises rules, procedures and organisational structures to identify, measure, manage and monitor main risks. This system is integrated at various levels with general organisational and corporate governance strategies adopted by the Company, and contributes to safeguarding corporate assets, the efficiency and effectiveness of company processes, the reliability of financial information, and compliance with laws, regulations, the Company's articles of associations and internal procedures.

The Board of Directors, after consultation with the Control and Risks Committee:

- a) defines the nature and level of risk compatible with the Issuer's strategic objectives;
- b) defines the guidelines for the internal control and risk management system, so that main risks concerning the Issuer and its subsidiaries are correctly identified, and adequately measured, managed and monitored, also determining the level of compatibility of these risks with a business management in line with strategic objectives identified;
- c) evaluates, at least annually, the adequacy of the internal control and risk management system in relation to business characteristics and the risk profile undertaken, as well as its effectiveness;
- d) approves, at least annually, the work plan prepared by the Internal Audit Department Manager, after consulting with the Board of Statutory Auditors and the Internal Control and Risk Management Director;
- e) describes, in the corporate governance report, the main characteristics of the internal control and risk management system, evaluating its adequacy;
- f) evaluates, after consulting with the Board of Statutory Auditors, the results of the independent auditors in their letter of findings and fundamental issues identified during auditing.

In carrying out such functions, the Board is assisted by the Director appointed to oversee the internal control and risk management system ("the appointed Director") and by the Control and Risks Committee; it also takes into consideration the compliance programmes adopted by the Issuer and Companies of the Group of which the Issuer is Parent Company, in accordance with Italian Legislative Decree no. 231/2001.

During the year, the Control and Risks Committee regularly reported to the Board on its work, on the result of audits and checks made and on the operation of the internal control and risk management system, indicating that the system is appropriate for the size and organisational and operational structure of the Issuer.

In the meeting of 23 March 2016, the Board of Directors, also considering recommendations from the Control and Risks Committee, evaluated the effectiveness of the internal control and risk

management system of the Issuer as adequate, with respect to the characteristics of the company and its risk profile.

In addition, on 12 December 2008, a consortium company was established called *Immsi Audit Società Consortile di Internal Auditing del Gruppo Immsi a r.l.* ("Immsi Audit"), in order to start the centralisation and relocation of all internal auditing activities of Group companies to a single company.

Immsi Audit provides its services solely for companies which are part of the consortium (Immsi S.p.A., Intermarine S.p.A., Is Molas S.p.A. and Piaggio & C. S.p.A.) and, in their interest, it carries out all activities connected with and functional to internal auditing, with the objective of improving the effectiveness and efficiency of the internal control and risk management system and assessing its functionality.

This strategy allows the Group to acquire the necessary knowledge and expertise on internal control and risk assessment, whilst also achieving economies of scale and synergies in applying uniform audit methods.

For a description of the main characteristics of the risk management and internal control system in relation to the financial disclosure process, pursuant to article 123-bis, paragraph 2, letter b) of the TUF, see Attachment 1 in the appendix.

11.1. THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM DIRECTOR

On 13 May 2015, the Board of Directors, in compliance with the Corporate Governance Code, and assisted by the Control and Risks Committee, appointed the Chief Executive Officer, Michele Colaninno, as the Internal Control and Risk Management System Director.

This position, as identified above, supervises the operation of the internal control and risk management system as part of guidelines established by the Board of Directors.

In this regard, the Internal Control and Risk Management System Director:

- identified main corporate risks (strategic, operational, financial and compliance risks), taking account of the characteristics of the Issuer and its subsidiaries' operations, and regularly notified them to the Board for review
- implemented the guidelines defined by the Board, overseeing the design, development and management of the internal control and risk management system, checking its overall adequacy and effectiveness on an ongoing basis;
- oversaw changes to this system to take into account dynamics in operating conditions and legal developments;
- has the power to request the Internal Audit Department to audit specific operating areas and compliance with rules and procedures in company operations, informing the Chairman of the Board of Directors, the Chairman of the Control and Risks Committee and the Chairman of the Board of Statutory Auditors; the Internal Control and Risk Management System Director gave recommendations to the Internal Audit Manager on the composition of the Audit Plan. Recommendations provided by Control Bodies, were also considered, according to a risk-based approach.
- proposed the appointment of the Internal Audit Department Manager to the Board.

11.2. INTERNAL AUDIT DEPARTMENT MANAGER

On 13 May 2015, the Board of Directors of the Company, following recommendations from the Internal Control and Risk Management System Director and after consulting with the Control and Risks Committee and Board of Statutory Auditors, approved the appointment of Maurizio Strozzi (Chief Executive Officer of Immsi Audit S.c. a r.l.) as Internal Audit Department Manager, assigning the Chairman and/or Chief Executive Officer of Immsi to formalise the terms and conditions of the appointment, in line with company policies. The Board has also ensured that this person, who does not hold a position with the Issuer, has powers and resources that are adequate for carrying out his functions, also as regards the operational structure and organisational procedures of the company, and to access information necessary to carry out his duties. No specific financial resources were allocated to the Internal Audit Department Manager, as he uses funds and facilities of the Issuer to carry out his duties, and of Immsi Audit, which charges each company in the consortium for costs incurred for the services provided to them.

The Internal Audit Department Manager, who is not responsible for any operating area of the Issuer and reports hierarchically (in functional terms) to the Board of Directors, has direct access to all relevant information for carrying out his duties, which included:

- checking, on both an ongoing basis and in relation to specific needs and in compliance with international standards, the operation and adequacy of the internal control and risk management system, through an audit plan approved by the Board of Directors and based on a structured process that analyses and prioritises main risks;
- preparing periodic reporting, which included appropriate information on activities and an assessment of the adequacy of the internal control and risk management system, as well as compliance with action plans established to reduce risks;
- prepared the audit plan for 2016, in line with the relative 2015-2017 plan, comprising an audit of the reliability of information systems, including accounting systems.

In particular, during the year, the Internal Audit Manager, assisted by Immsi Audit, S.c. a r.l., conducted an audit of the internal control and risk management system, in accordance with the Internal Audit Plan scheduled for 2015-2017, and approved by the Board of Directors on 16 March 2015, carrying out risk analysis, financial, operational and compliance auditing (with particular reference to audits carried out in order to comply with provisions of Law no. 262/2005 and Legislative Decree no. 231/2001), verifying the reliability of information systems, including accounting systems, and monitoring adoption of improvement/corrective actions agreed after internal audit activities.

The results of auditing activities, carried out based on the Audit Plans, were always analysed and discussed with various Managers of the processes/functions and Company Management, in order to agree on and adopt preventive/corrective measures, with implementation monitored. The Internal Audit Department Manager therefore presented audit reports to the Chairman, the Internal Control and Risk Management System Director, the Chairman of the Control and Risks Committee and the Chairman of the Board of Statutory Auditors, as well as the Supervisory Board and Financial Reporting Office for areas in his remit. This presentation was made at the end of the relative audits, sending audit reports and reviewing specific outcomes during periodic meetings with the above persons.

11.3. COMPLIANCE PROGRAMME pursuant to Legislative Decree no. 231/2001

On 13 September 2004, the Issuer adopted the Compliance Programme for the prevention of offences indicated in Legislative Decree no. 231/2001 as amended. This strategy has also been

adopted by subsidiaries with strategic importance, that in turn resolved to adopt their own Programmes pursuant to Legislative Decree no. 231/2001.

The current Programme comprises a general part, with the Code of Ethics (available on the website of the Issuer, in the section “*Governance/Procedure*”) and Disciplinary System, as well as special parts for the different types of offence considered in the Decree.

- “Special Section 1” concerns specific categories of offences against the Public Administration, against Public Property and the offence of inducing persons to give or promise benefits pursuant to articles 24 and 25 of the Decree, as well as computer crime and the unlawful processing of data pursuant to article 24-*bis* of the Decree, and offences concerning copyright infringement pursuant to article 25-*novies* of the Decree;
- “Special Section 2” refers to corporate crime and the offence of corruption between private individuals, as of article 25-*ter* of the Decree;
- “Special Section 3” covers market abuse offences, as of article 25-*sexies* of the Decree;
- “Special Part 4” concerns offences concerning occupational health and safety regulations, as of article 25-*septies* of the Decree;
- “Special Part 5” concerns types of offences relating to the handling of stolen goods and money laundering, use of money, goods or assets of unlawful origin and self-laundering as of article 25-*octies* of the Decree;
- “Special Part 6” concerns types of offences that violate environmental regulations as of article 25-*undecies* of the Decree.

The Programme is monitored and updated on an ongoing basis. In particular, following the publication of a new version of the “Guidelines for preparing compliance programmes pursuant to Legislative Decree no. 231/01” by Confindustria, the Company, like other Group companies and assisted by Immsi Audit, is evaluating the need to supplement its own Programme.

The Programme is updated on an ongoing basis and likewise company procedures are updated accordingly, with correct application monitored through planned compliance activities, recommended and coordinated by the Supervisory Board and carried out by the Internal Audit Department Management. This monitoring process also involves Process Owners, i.e. the parties/entities responsible for company processes that are considered “sensitive” as regards the commission of offences, that periodically report to the Supervisory Board. Employees - top managers and positions reporting to them - as well as third parties (i.e. suppliers, customers, consultants, etc.) are informed about the adoption of the Code of Ethics and the Code of Conduct and, when signing contracts, specific clauses are included referring to the principles of ethics/conduct adopted.

On 13 May 2015, the Board of Directors confirmed Marco Reboa, selected from external professionals with the necessary requisites, as Chairman of the Supervisory Board and Alessandro Lai, Chairman of the Board of Statutory Auditors and Maurizio Strozzi, Chief Executive Officer of Immsi Audit S.c. a r.l. and Internal Audit Department Manager of the Company, as members. This Board, that will remain in office until the date of the Shareholders' Meeting convened to approve the Financial Statements for the year ending 31 December 2017, operates at the highest company level, and according to principles of independence, autonomy, professionalism and impartiality, and also on the basis of Regulations approved by the Board of Directors, that it reports to periodically on activities carried out, information received and sanctions administered. In this regard, a mailbox has been set up, with messages that may only be viewed by the Supervisory Board, for employees to contact the Board.

The Board has the financial and logistics resources necessary to carry out its duties. On 13 May 2015, the Board of Directors set the annual expenditure budget for the Supervisory Board at 30,000 euro.

During the year, the Supervisory Body of Immsi S.p.A. met 4 times and overall member attendance was 100%.

The Supervisory Board is expected to meet at least 5 times in 2016. The first two meetings were held on 17 and 23 March; the Working Plan for 2016 was approved during the meeting of the Supervisory Board on 5 November 2015.

11.4. INDEPENDENT AUDITORS

The Shareholders' Meeting of Immsi S.p.A. of 11 May 2012 appointed PricewaterhouseCoopers S.p.A. as independent auditors for the period 2012 - 2020.

11.5. FINANCIAL REPORTING OFFICER AND OTHER COMPANY ROLES AND FUNCTIONS

On 18 June 2007, the Articles of Association of the Issuer were updated to comply with provisions introduced by Law no. 262/2005 and Legislative Decree no. 303/2006, on the appointment of the Financial Reporting Officer. In accordance with the Articles of Association, the Board of Directors, with the mandatory opinion of the Board of Statutory Auditors, appoints and revokes the Financial Reporting Officer, that shall meet requirements for good standing as of laws applicable to persons holding management and control positions, and shall also meet professional requirements, with specific administrative and accounting expertise. This competence, to be verified by the Board of Directors, must be attained through work experience gained in positions of adequate responsibility for a reasonable period of time. The above Manager has the powers and functions established by law and by other applicable provisions, as well as the powers and functions established by the Board on his appointment or by subsequent resolution.

On 18 June 2007, the Board of Directors, as recommended by the Board of Statutory Auditors, appointed Andrea Paroli, already Manager of the Administration and Financial Statements Department of Immsi S.p.A., as Financial Reporting Manager, giving him all powers and resources necessary to carry out duties assigned and in particular:

- a) free access to all information considered important for carrying out duties, both within Immsi and within Group companies, with the power to review all financial reporting documents of Immsi and the Group and the power to request clarifications and explanations from all persons involved in the process of preparing the accounts of Immsi and the Group;
- b) attendance at the meetings of the Board of Directors;
- c) the right to engage with every Administrative and Control Body;
- d) the right to prepare and put forward for approval company procedures, when they affect the financial statements, the consolidated financial statements and documents submitted for certification;
- e) is involved in designing the information systems that affect financial position and performance, with the possibility of using them for control purposes;
- f) the right to organize a suitable structure within his own area of activity, internally employing available resources and, where necessary, outsourcing;
- g) the right to use the Internal Audit Department, for mapping processes in his area of activity and in carrying out specific controls, with the possibility of outsourcing if this Function is not available in-company.

Lastly, the Financial Reporting Officer must report, at least half-yearly, to the Board of Directors, on activities carried out and expenses sustained.

For a description of the main characteristics of the risk management and internal control system in relation to the financial disclosure process, pursuant to article 123-bis, paragraph 2, letter b) of the TUF, see Attachment 1 in the appendix.

11.6. COORDINATION BETWEEN PERSONS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Issuer, in order to ensure coordination between parties involved in the internal control and risk management system, promotes the organisation of meetings between these parties. This ensures maximum efficiency of the internal control and risk management system implemented by the Issuer, while also reducing the duplication of activities.

12. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

On 17 December 2013, the Board updated the Procedure for regulating the approval and management of Related-Party transactions ("**Related-Parties Procedure**"), pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 (as amended), undertaken by Immsi S.p.A., also through its subsidiaries.

The Company applies the Related-Parties Procedure taking into account Consob Communication no. DEM/10078683, published on 24 September 2010, containing "Indications and guidelines for applying the Regulations on related-party transactions adopted with ruling no. 17221 of 12 March 2010 as amended".

Pursuant to this Communication, the Board will also evaluate whether to review this procedure during 2016.

The Related-Parties Procedure regulates the identification, approval and management of related-party transactions. In particular, the Procedure:

- regulates procedures for identifying related parties, defining the methods and times for preparing and updating the related parties list and for identifying competent company functions;
- establishes the procedures for identifying related-party transactions prior to their completion;
- regulates the procedures for the Company to perform related-party transactions, also through subsidiaries pursuant to article 2359 of the Italian Civil Code or companies that in any case are subject to management and coordination;
- establishes the procedures and times for complying with obligations to report to company bodies and the market.

In compliance with regulations in force and the Articles of Association, the examination and prior approval of the transactions by the Issuer and its subsidiaries in which one or more directors hold a personal interest or interest on behalf of third parties, are reserved to the Board.

The Issuer's Board of Directors appointed a Related Party Transactions Committee responsible for approving both minor and major transactions with related parties. The Committee, as appointed by the Board of Directors on 13 May 2015, consists exclusively of 3 independent directors who, in accordance with statutory regulations, are required to be directors that are not related to the transactions reviewed. Specifically, the three members of the Related Party Transactions Committee are: Giovanni Sala, acting as Chairman, Patrizia De Pasquale and Rita Ciccone.

This Committee has the functions indicated in the relative Procedure, which is available on the Issuer's website, in the section "*Governance/Procedure*".

13. APPOINTMENT OF STATUTORY AUDITORS

The provisions in the Articles of Association of the Issuer, applicable to the appointment and replacement of Directors, are suitable for guaranteeing compliance with the provisions introduced by Legislative Decree no. 27/10, implementing Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies. In addition, on 13 November 2014, the Board of Directors of the Company amended the Articles of Association as regards regulations on the gender balance of Boards as of article 148, paragraph 1-*bis*, of the TUF, as introduced by Law no. 120/2011, and article 144-*undecies*.1 of the Consob Regulation on Issuers.

In accordance with article 25 of the Articles of Association, the Board of Statutory Auditors comprises three Statutory Auditors and two Substitute Auditors, who remain in office for three years, until the date of the Shareholders' Meeting called to approve the financial statements of the last year of their term of office, and may be re-elected.

The Auditors have the functions and duties assigned to them as of applicable laws and must also meet requirement of applicable laws concerning the total number of positions held.

All Auditors must be registered auditors and have practised for at least three years.

Auditors may not be elected and if elected will be removed from office if they do not meet requirements established by law. The Board of Statutory Auditors is appointed in accordance with applicable regulations pro tempore concerning gender balance, based on the lists submitted by Shareholders in which candidates are listed with a consecutive number.

The list, with the names marked by a consecutive number, of one or more candidates, indicates whether the candidate is standing for the position of Statutory Auditor or Alternate Auditor.

Lists that have an overall number of candidates greater than or equal to three must be composed of candidates belonging to both genders, in such a way that at least one third (in any case rounded upwards) of candidates for the position of Statutory Auditor and at least one third (in any case rounded upwards) of candidates for the position of Alternate Auditor belong to the less represented gender of said list. Each Shareholder, Shareholders belonging to a significant shareholder agreement pursuant to article 122 of the TUF, the parent company, subsidiaries and entities subject to common control pursuant to article 93 of the TUF, may not present or contribute to the presentation, not even through a third party or trust company, of more than one list, nor may they vote for different lists and each candidate may be included in only one list, otherwise they cannot be elected. Support and votes expressed in breach of this prohibition are not attributed to any list.

The lists presented by the Shareholders must be filed at the Company's headquarters, at least twenty-five days before the date set for the Shareholders' Meeting on first call, save for other types of notification and filing procedures established by applicable pro tempore regulations. If, once the deadline has lapsed, only one list of candidates has been filed or only candidate lists have been filed by shareholders that are connected in a material way with the candidates as per applicable pro tempore laws and regulations, lists may be presented within the deadlines indicated by applicable pro tempore laws and regulations. In this case, the minimum threshold for presenting lists is reduced by half.

Shareholders are entitled to present lists only if, alone or with other Shareholders, they hold shares with voting rights representing at least 1% of the share capital with voting rights at the Ordinary Shareholders' Meeting, or a different percentage that may be established by law or other regulations. With ruling no. 19499 of 28 January 2016, Consob established a requirement of 2.5%

of the share capital as necessary for presenting lists of candidates for election to the Board of Statutory Auditors.

The lists must be presented along with:

- a) information on the identity of the Shareholders presenting the lists, indicating the overall ownership percentage held; ownership of the overall shareholding held, determined as regards the shares registered in the name of the Shareholder on the date when the lists are filed with the issuer, is certified, even after the filing of the lists, according to the deadlines and procedures provided for by legislation, also regulatory, in force at any time;
- b) a statement from Shareholders other than those that, even jointly, hold a controlling or relative majority interest, certifying that no connections exist with the latter, as required by applicable regulations;
- c) comprehensive information on the personal characteristics of the candidates, as well as a declaration issued by the same candidates attesting, under their own responsibility, that (i) there are no grounds of ineligibility and incompatibility, (ii) they possess the requisites prescribed by law and (iii) they accept their candidacy, and lastly the list of management and control positions held in other companies.

Any list presented without complying with the above will be considered as not presented. Each Shareholder may vote for only one list.

Auditors will be elected as follows: from the list that obtained the highest number of votes, in the consecutive order in which they are listed, two statutory auditors and one alternate auditor; from the list that obtained the second highest number of votes and that, in accordance with applicable regulations is not connected, even indirectly, with persons who presented or voted the list that obtained the highest number of votes, in the consecutive order in which they are listed, one statutory auditor, who will be Chairman of the Board of Statutory Auditors and one alternate auditor.

If lists receive the same number of votes, the Shareholders' Meeting will vote again, with the candidates of the list obtaining a simple majority being elected.

If with the procedures described above, a composition of the Board of Statutory Auditors, in terms of its statutory members, compliant with *pro tempore* legislation in force at any time concerning the balance between genders is not ensured, the necessary replacements shall be made, within the scope of candidates for the office of Statutory Auditor of the list which obtained the greatest number of votes, according to the sequential order in which the candidates are listed.

If only one list is presented or if no list is presented, the Statutory Auditors and Alternate Auditors will be elected from all candidates to these positions in the list or those voted by the Shareholders' Meeting, provided they obtain the relative majority of votes cast in the Shareholders' Meeting and save for compliance with applicable *pro tempore* regulations on gender balance.

If requirements of regulations and the Articles of Association are no longer met, the Auditor is removed from office.

If an Auditor is replaced, the alternate auditor from the same list is appointed. The foregoing is without prejudice to the fact that the Chairman of the Board of Statutory Auditors will be the minority Auditor and the composition of the Board of Statutory Auditors shall comply with applicable *pro tempore* regulations on gender balance.

When the Shareholders' Meeting has to appoint Statutory and/or Substitute Auditors, to make up numbers on the Board of Statutory Auditors, it proceeds as follows: if Auditors elected from the majority list have to be replaced, the appointment is made with a relative majority vote, without list restrictions; conversely, if the Statutory Auditors elected from the minority list are to be replaced, the Shareholders' Meeting shall replace them by relative majority voting, selecting them from among the candidates indicated in the list of the statutory auditor to be replaced.

If the application of the above procedures does not allow, for whatever reason, the replacement of the Statutory Auditors designated by the minority, the Shareholders' Meeting will replace them by relative majority voting; however, in verifying the result of this last voting no account will be taken of the votes cast by the subjects who according to the communications made in compliance with current legal regulation have, even indirectly or jointly with other Shareholders taking part to a Shareholders' Agreement pursuant to article 122 of the Consolidated Law on Finance, the relative majority of the votes that may be cast at the Shareholders' Meeting, as well as those Shareholders who control, are controlled or are subject to joint control by the same.

The above replacement procedures shall in any event ensure compliance with applicable regulations concerning gender balance.

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (pursuant to article 123-bis, p. 2, let. d), TUF)

At the time of this Report, the Board of Statutory Auditors of the Issuer, in office at the date of this Report has been appointed by the Shareholder's General Meeting held on 13 May 2015, on the basis of the single list of candidates presented by the majority Shareholder Omniainvest S.p.A., in conformity with the provisions of the Statute. The Board, elected as above with a number of votes representing 98.41% of shares with voting rights, will remain in office until the date of the Shareholders' Meeting convened to approve the Financial Statements for the year ending 31 December 2017.

For more information on the list filed for the appointment of the Board, see the website of the Issuer, and the section "*Governance/Shareholders' Meeting/Archive/2015*".

As required by the Corporate Governance Code, the professional *curricula* of Auditors are filed at the registered office and are available on the website of the Issuer, in the section "*Governance/Management*".

During 2015, the Board of Statutory Auditors held 10 meetings with an average duration of 2 hours, with an average overall attendance of 100%.

For the year 2016 the Board of Statutory Auditors is expected to meet at least 8 times. At the date of this Report, the Board had met 3 times on the following dates: 16 February, 17 and 23 March.

See Table 3 in the appendix.

During the meetings of 16 March 2015, 13 May 2015 and 23 March 2016, the Board of Statutory Auditors reviewed the independence requirements of its members, already checked on appointment and annually during their term of office, also on the basis of criteria in the Corporate Code of Governance, with reference to Directors. During the board meeting of 23 March 2016, save for evaluations in the remit of the Board of Statutory Auditors as regards its composition, the Board, favouring a composition based on substance, resolved the following: (i) consider appropriate, in the interest of the Company, the non-application of the criterion 3.C.1 point e) of the Corporate Governance Code with regard to the Auditor Alessandro Lai (possessing high professional profiles that over time have proven valuable to the Issuer), (ii) to recognise the fulfilment of the requirements of independence pursuant to Article 148, paragraph 3, of the TUF and Article 3 of the Corporate Governance Code by all the members of the Board of Statutory Auditors.

The characteristics of the Board Report enable the Auditors to gather adequate knowledge of the field of activity in which the Issuer operates, its corporate dynamics and their evolution, as well as the relevant regulatory framework.

As it is considered to be a deontological duty to inform the other Auditors and the Chair of the Board of Directors whenever an Auditor has, on his own account or on that of third parties, an interest in a specific operation of the Issuer, no provision is made for any specific obligations on the matter.

In carrying out its own activity, the Board of Statutory Auditors is coordinated both with the Internal Audit function and with the Audit and Risk Committee. In particular, it is noted that the person in charge of the Internal Audit has participated in some meetings of the Board of Statutory Auditors, while the Board of Statutory Auditors has participated to the majority of the meetings of the Audit and Risk Committee.

15. RELATIONSHIPS WITH SHAREHOLDERS

The Company feels that engaging with Shareholders and institutional investors, on the basis of a mutual understanding of roles, is in its own interests and also a duty it has to the market; this engagement therefore takes place in compliance with the "Procedure for disclosing inside information to the public" available on the website of the Issuer in the section "*Governance/Procedures*" and referred to in section 5 above.

It was considered that this relationship with the majority of shareholders and institutional investors could be facilitated via the constitution of dedicated corporate structures, provided with the suitable personnel and organisational resources.

For this purpose, during the meeting held on 15 October 2003, the Board of Directors of the Company decided to establish an Investor Relations Function, which, assisted by the Legal and Corporate Affairs Department, oversees relations with Shareholders and Institutional Investors and carries out specific duties regarding the handling of price-sensitive information, as well as relations with Consob and Borsa Italiana S.p.A.

At the date of this Report, the Investor Relations Manager is Andrea Paroli appointed by the Board of Directors on 13 May 2014. This department can be contacted at: andrea.paroli@immsi.it.

Investor Relations reporting is also ensured by making the most significant corporate documentation available in a timely manner and ongoing basis on the website of the Issuer, in the sections "*Investor Relations and Governance*".

The Issuer uses the SDIR NIS circuit to issue regulated information to the public and the centralised storage system "eMarket Storage" available at www.emarketstorage.com to store published regulated information. Both services are managed by Bit Market Services S.p.A. (a company of the London Stock Exchange Group, with registered office in Piazza degli Affari, n. 6, Milano).

In particular, the company website provides Italian and English versions of the CVs of Directors and Auditors, all press releases distributed to the market, periodical accounting documents of the Company approved by Company Bodies, as well as documents distributed at meetings with professional investors, analysts and the financial community. Furthermore, the Issuer's website has documents prepared for Shareholders' Meetings, notices on insider trading, the annual report on corporate governance and ownership and any other document which needs to be published on the Issuer's website in accordance with applicable regulations.

To facilitate prompt reporting to the market, the Company has an e-mail alert service for material published on its site in real time.

16. SHAREHOLDERS' MEETINGS (pursuant to article 123-bis, p. 2, let. c), TUF)

The Shareholders' Meeting represents all Shareholders and its resolutions, passed in compliance with law and the Articles of Association, are binding for all Shareholders, even if not taking part or not in agreement.

The Ordinary Shareholders' Meeting shall be convened at least once a year to approve the financial statements within one hundred and twenty days from the end of the reporting period, or within one hundred and eighty day according to the terms and conditions established by laws.

Ordinary and Extraordinary Shareholders' Meetings are convened by the Board of Directors, also at a venue other than the registered office, provided this is in Italy, by a notice published on the website of the Company and, if required by applicable pro tempore regulations, in a notice published in the Gazzetta Ufficiale della Repubblica or, as decided by the Board of Directors, in at least one of the following newspapers: "Il Sole 24 Ore" or "MF" – "Milano Finanza", according to the terms established by law and save for any other requirement of applicable regulations and the Articles of Association.

Article 127 - *ter* TUF provides that those who have the right to vote may ask questions on the items on the agenda even prior to the Shareholders' meeting. Questions submitted before the Shareholders' Meeting shall be answered at the latest during the meeting itself, with the option for the Company to provide a joint answer to questions having the same content. The notice convening the meeting indicates the deadline by which questions to submit to the Shareholders' Meeting must be sent to the Company. The deadline may not be before three days prior to the date when the Shareholders' Meeting is convened on first call, or before the five days prior to that date if the notice convening the meeting requires the Company to give replies to the questions. In the latter case, the replies shall be given at least two days prior to the Shareholders' Meeting, and may also be published in a specific section of the Company's Internet site.

The Shareholders' Meeting shall be chaired by the Chairman of the Board of Directors or by a person acting on his/her behalf or by another person designated by Board of Directors; failing such, the shareholders' meeting shall appoint its own Chairman. The Chairman of the Shareholders' Meeting shall be assisted by a Secretary, appointed by the same Shareholders' Meeting, and said person does not necessarily have to be a shareholder.

Both the Ordinary and Extraordinary Shareholders' Meetings are duly established and may pass resolutions according to law. Each share gives entitlement to one vote.

Ordinary Shareholders' Meetings can: (a) approve the financial statements; (b) appoint and remove Directors, Auditors and the Chairman of the Board of Statutory Auditors and the subject to which the auditing of company accounts is assigned; (c) determine the emoluments of the Directors and the Statutory Auditors, if not established in the Articles of Association; (d) decide on the responsibilities of the Directors and Statutory Auditors; (e) resolve on any other matters assigned by law to the Shareholders' Meeting, as well as decide on authorisations required by the Articles of Association for activities of Directors, save for the responsibility of Directors for such activities; (f) approve any rules governing meetings; (g) approve any other matters it must resolve on pursuant to law.

The Extraordinary Shareholders' Meeting resolves on amendments to the Articles of Association, the appointment, replacement and powers of official receives and on any other matter expressly assigned to the them by law.

In accordance with article 23 of the Articles of Association, the board competence is derogated to the Board of Directors for deciding upon all matters regarding:

- mergers and demergers in accordance with articles 2505 and 2505-*bis* of the Italian Civil Code, the latter being referred to by article 2506-*ter* of the Italian Civil Code;
- establishment or closure of secondary offices;

- which Directors represent the Company;
- reductions in share capital in the event of withdrawal of the shareholder;
- amendments to the Articles of Association in order to comply with legal provisions;
- transfer of the registered office to another location in Italy.

Such decisions may also be taken by an Extraordinary Shareholders' Meeting.

Applicable laws and regulations in force govern the rights of shareholders. besides that which has already been stated in the above paragraphs in this Report.

Pursuant to Article 12 of the Issuer's Articles of Association, all shareholders registered as of the seventh market trading day prior to the first scheduled date of a Shareholders' Meeting, as notified to the Company within the statutory term by the intermediary responsible by law for the keeping of shareholder accounts, are entitled to attend the shareholders' meeting and exercise their voting rights. To this end, reference is made to the date of the first call, as long as the dates of any subsequent calls are indicated in the single notice convening the meeting; otherwise, reference is made the date of each meeting call.

The credit and debit entries made in the accounts after said deadline are irrelevant for the purposes of entitlement to exercise voting rights at the Shareholders' Meeting.

All subjects with voting rights may appoint, in writing, a proxy to attend and vote on their behalf. The electronic notification of the proxy may be carried out, in accordance with the methods specified in the meeting notice, sending a message to the certified e-mail box indicated in the meeting notice itself or using a special section of the Company's web site.

The Chairman of the Shareholders' Meeting has the duty to ascertain the regularity of the proxies and the right of those present to attend the Shareholders' Meeting, as well as to establish the rules for its performance including therein the timing of any speakers.

The Issuer takes action to aid and encourage the fullest participation of the Shareholders in the meetings and to use these meetings as a moment of dialogue and liaison between the Company and the Investors, guaranteeing, to all the participants legitimated to intervene, the right to be able to express their opinion in relation to the topics on the agenda.

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

The Board, through the Chairman and the Managing Director, reports to the Shareholders' Meeting on the activity it has performed and programmed, taking steps to assure the Shareholders, also on the basis of what is illustrated in the above section 15, the necessary information so that they can knowledgeably make their decisions.

At the Ordinary Shareholders' Meeting of the Issuer, held on 13 May 2015, 4 Directors took the floor, out of 7 in office on the Board of Directors and the entire Board of Statutory Auditors.

It is also considered that Shareholders have been adequately informed about how the Remuneration Committee reports, with information given in the Remuneration Report, prepared by the Company pursuant to article 123-ter of the TUF, and published on the website of the Issuer, in the section "*Governance/Shareholders' Meeting/Archive*". The Company also has distributed a copy of the same to all the Shareholders who attended the General Meeting, in order to facilitate the expression of the advisory vote.

In the meeting of 23 March 2016, the Board decided that it was not necessary to propose amendments to the Shareholders' Meeting concerning the percentages established to protect minorities as, in accordance with article 144-*quater* of the Consob Regulation on Issuers on presenting lists for the appointment of members of the Board of Directors and the Board of Statutory Auditors, articles 17 and 25 of the Articles of Association of the Issuer have established a

requirement of 2.5% and 1% of the share capital with voting rights, or as otherwise required by applicable laws or regulations. With resolution no. 19499 of 28 January 2016, Consob established a requirement of 2.5% of the share capital as necessary for presenting lists of candidates for election to the Board of Directors and Board of Statutory Auditors of the Issuer.

17. FURTHER CORPORATE GOVERNANCE PRACTICES (pursuant to article 123-*bis*, paragraph 2, letter a) of the TUF)

The Issuer does not adopt practices of corporate governance other than those required by the laws and/or regulations, described in this Report.

18. CHANGES AFTER THE FINANCIAL YEAR-END

At the date of closing the year, no change has occurred to the corporate governance structure, than those notified within the specific sections.

TABLE 1: INFORMATION ON CORPORATE OWNERSHIP

SHARE CAPITAL STRUCTURE At 31/12/2015				
	No. shares	% compared to the s.c.	Listed (indicate the markets)/ not listed	Rights and obligations
Ordinary shares	340,530,000	100%	Screen-based stock market Standard Segment	Articles 2346 et seq. of the Italian Civil Code
Shares with multiple voting	-	-	-	-
Shares with the right to restricted voting	-	-	-	-
Shares with no voting rights	-	-	-	-
Other	-	-	-	-

OTHER FINANCIAL INSTRUMENTS (assigning the right to subscribe newly issued shares) At 31/12/2015				
	Listed (indicate the markets)/ not listed	Number of instruments in issue	Class of shares for the conversion / exercise	Number of shares for the conversion / exercise
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

MATERIAL INVESTMENTS IN CAPITAL At 31/12/2015			
Declarer	Direct shareholder	% of ordinary share capital	% of shares with voting rights
Omniaholding S.p.A.	Omniaholding S.p.A.	14.01%	14.01%
	Omniainvest S.p.A.	44.14%	44.14%
	Total	58.15%	58.15%

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

Board of Directors													Control and Risks Committee		Remuneration Committee		Appointments Committee		Executive Committee (as applicable)	
Position	Member/Name	Year of birth	Date of first appointment *	In office since	In office up to	List **	Exec.	Non-exec.:	Indep. Code	Indep. Consolidated Law on Finance	No. of other positions ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)		
Chairman ◊	Roberto Colaninno	16/08/1943	31/01/2003	13/05/2015 Shareholders' Meeting for the Financial Statements	31/12/2017 Shareholders' Meeting for the Financial Statements	M	X				7	6/7								
Deputy Chairman ◊	Daniele Discepolo	20/07/1947	13/05/2015	13/05/2015 Shareholders' Meeting for the Financial Statements	31/12/2017 Shareholders' Meeting for the Financial Statements	M		X	X	X	6	6/6	3/3	P	1/1	P				
CEO •	Michele Colaninno	23/11/1976	13/11/2006	13/05/2015 Shareholders' Meeting for the Financial Statements	31/12/2017 Shareholders' Meeting for the Financial Statements	M	X				10	7/7								
Director	Matteo Colaninno	16/10/1970	31/01/2003	13/05/2015 Shareholders' Meeting for the Financial Statements	31/12/2017 Shareholders' Meeting for the Financial Statements	M		X			3	7/7								
Director	Patrizia De Pasquale	02/04/1961	13/05/2015	13/05/2015 Shareholders' Meeting for the Financial Statements	31/12/2017 Shareholders' Meeting for the Financial Statements	M		X	X	X	-	6/6								
Director	Ruggero Magnoni	10/02/1951	27/08/2010	13/05/2015 Shareholders' Meeting for the Financial Statements	31/12/2017 Shareholders' Meeting for the Financial Statements	M		X			5	6/7								
Director	Giovanni Sala	14/04/1938	13/11/2008	13/05/2015 Shareholders' Meeting for the Financial Statements	31/12/2017 Shareholders' Meeting for the Financial Statements	M		X	X	X	4	7/7	5/5	M(1)	2/2	M(1)				
Director	Rita Ciccone	06/06/1960	11/05/2012	13/05/2015 Shareholders' Meeting for the Financial Statements	31/12/2017 Shareholders' Meeting for the Financial Statements	M		X	X	X	-	7/7	5/5	M	2/2	M				
Director	Livio Corghi	15/02/1946	13/05/2015	13/05/2015 Shareholders' Meeting for the Financial Statements	31/12/2017 Shareholders' Meeting for the Financial Statements	M		X			2	4/6								
DIRECTORS NO LONGER IN OFFICE DURING THE REPORTING PERIOD																				
Deputy Chairman	Carlo d'Urso	10/08/1943	31/01/2003	11/05/2012 Shareholders' Meeting for the Financial Statements	01/02/2015	M		X			3	0/0								
Director	Giorgio Ciria	29/02/1940	11/09/2006	11/05/2012 Shareholders' Meeting for the Financial Statements	31/12/2014 Shareholders' Meeting for the Financial Statements	M		X	X	X	1	1/1	2/2	M	1/1	M				
Number of Meetings held during the reporting period – BoD: 7													Internal Control and Risk Management Committee: 5		Remuneration Committee: 2		Appointments Committee: -		Executive Committee: -	
Indicate the quorum required by minorities to submit lists to elect one or more members (pursuant to article 14-ter TUF): 2.5%																				

• This symbol indicates the Internal control and Risk Management System Director.

◊ This symbol indicates the main person responsible for managing the issuer (Chief Executive Officer or CEO).

◊ This symbol indicates the Lead Independent Director (LID).

* The date of first appointment means the date when the director was appointed for the first time (in absolute terms) to the Board of Directors of the issuer.

** This column indicates the list from which each director was voted ("M": majority list; "m": minority list; "BoD": list presented by the Board of Directors).

*** This column indicates the number of positions held as director or auditor by the person in other companies listed on regulation markets, also abroad, and in financial, banking, insurance or large-scale companies. These positions are indicated in full in the Corporate Governance Report.

(*) This column indicates the participation of directors in meetings of the Board of Directors and committees (indicate the number of meetings attended and the total number of meetings the person could have attended; for example 6/8; 8/8 etc.).

(**) This column indicates the position of the director on the Committee: "P": Chairman; "m": member.

(1) Chairman of the Control and Risks Committee and Remuneration Committee since 13/05/2015.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Position	Member/Name	Year of birth	Date of first appointment *	In office since	In office up to	List **	Indep. Code	Involvement in Board meetings ***	No. of other positions ****
Chairman	Alessandro Lai	10/01/1960	05/05/2003	Shareholders' Meeting Financial Statements 13/05/2015	Shareholders' Meeting for the Financial Statements 31/12/2017	M	X	10/10	7
Standing Auditor	Daniele Girelli	16/05/1960	11/05/2012	Shareholders' Meeting Financial Statements 13/05/2015	Shareholders' Meeting for the Financial Statements 31/12/2017	M	X	10/10	12
Standing Auditor	Silvia Rodi	07/12/1977	13/05/2015	Shareholders' Meeting Financial Statements 13/05/2015	Shareholders' Meeting for the Financial Statements 31/12/2017	M	X	5/5	3
Alternate Auditor	Gianmarco Losi	22/07/1964	29/04/2009	Shareholders' Meeting Financial Statements 13/05/2015	Shareholders' Meeting for the Financial Statements 31/12/2017	M	X	--	--
Alternate Auditor	Elena Fornara	31/05/1974	29/04/2009	Shareholders' Meeting Financial Statements 13/05/2015	Shareholders' Meeting for the Financial Statements 31/12/2017	M	X	--	--
----- AUDITORS NO LONGER IN OFFICE DURING THE REPORTING PERIOD -----									
Standing Auditor	Leonardo Losi	27/10/1938	29/08/2008	Shareholders' Meeting Financial Statements 11/05/2012	Shareholders' Meeting for the Financial Statements 31/12/2014	M	X	5/5	5
Number of meetings held during the reporting period: 10									
Indicate the quorum required by minorities to submit lists to elect one or more members (pursuant to article 148-ter TUF): 2.5%									

* The date of the first appointment of each auditor means the date when the auditor was appointed for the first time (in absolute terms) to the Board of Statutory Auditors of the issuer.

** This column indicates the list from which each auditor was voted ("M": majority list; "m": minority list).

(*) This column indicates the participation of auditors in meetings of the Board of Statutory Auditors (indicate the number of meetings attended and the total number of meetings the person could have attended; e.g. 6/8; 8/8 etc.).

****This column indicates the number of position held with companies as of Book V, Part V, Sections V, VI and VII of the Italian Civil Code. For information on the positions of director and auditor held by members of the Board of Statutory Auditors, which are relevant pursuant to articles 144-duodecies et. seq. of the Consob Issuer Regulation, see data published by Consob pursuant to article 144-quinquiesdecies of the Consob Regulation on Issuers, on the website www.sai.consob.it in the section "Company Boards – Information for the public".

Attachment 1: Section on the “Main characteristics of risk management and internal controls systems established in relation to the financial disclosure process,” pursuant to article 123-bis, paragraph. 2, letter b) of the TUF

Introduction

Immsi S.p.A. has established specific guidelines to update its own Internal Control System on financial disclosure, requesting Delegated Company Bodies and Delegated Managers (where appointed) / Administrative Directors of subsidiaries, formal certification vis-à-vis the Chief Executive Officer and Financial Reporting Officer on the adequacy and effective application of administrative and accounting procedures adopted to prepare documents on consolidation sent to the parent company.

Purposes and objectives

The risk management and internal control system in relation to Immsi Group financial disclosure was developed using the “2013 COSO Report”⁽¹⁾ as a reference model. According to this report, the Internal Control System, given its broadest meaning, is defined as “*a process, carried out by the Board of Directors, by Senior Management and other subjects of the company structure, intended to provide reasonable certainty as to achieving objectives in the following categories:*

- *Effectiveness and efficiency of operations;*
- *Reliability of financial reporting;*
- *conformity with applicable laws and regulations”.*

In relation to the financial disclosure process, these objectives are mainly identified in the reliability, accuracy, dependability and timeliness of information.

The Group, in defining its internal control and risk management system in relation to the financial disclosure process, has followed— among others – guidelines already existing in applicable regulations and rules, such as:

- Legislative Decree no. 58 of 24 February 1998 (Testo Unico della Finanza – Consolidated Law on Finance) as amended;
- Law no. 262 dated 28 December 2005 (as amended *inter alia* by the legislative decree implementing the so-called "Transparency Directive" approved on 30 October 2007) concerning the preparation of company's corporate accounting documents;
- Consob Regulation on Issuers, issued on 4 May 2007, “Statement of the Financial Reporting Officer and of Delegated Company Bodies on the financial statements, consolidated financial statements and half-year report pursuant to article 154-bis of the TUF”;
- Consob Regulation on Issuers, issued on 6 April 2009, "Implementation of Transparency Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC”;
- the Italian Civil Code, that extends liability in company management to Financial Reporting Officers (article 2434 of the Italian Civil Code), includes the offence of disloyalty after giving or promising benefits (article 2635 of the Italian Civil Code) and the offence of obstructing

¹ The COSO Model, developed by the Committee of Sponsoring Organizations of the Treadway Commission - “Internal Control – Integrated Framework” published in 1992 and updated in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission.

public and supervisory authorities in performing their functions (article 2638 of the Italian Civil Code);

- Legislative Decree no. 231/2001 which, in consideration of the aforementioned articles of the Civil Code and the administrative liability of legal entities for offences committed by their employees, considers the Financial Reporting Officer as a top manager.

The implementation of the risk management and internal control system in relation to Group financial disclosure was also based on the guidelines supplied by some industry associations concerning activities of the Financial Reporting Officer, and in particular:

- Andaf Position Paper "Financial Reporting Officers";
- AIIA Position Paper "Law no. 262 on the Protection of Savings";
- Guidelines issued by Confindustria "Guidelines for the activities of Financial Reporting Managers pursuant to article 154-*bis* of the TUF"

and "Guidelines for preparing Corporate Governance and Ownership Reports" issued by Borsa Italiana.

Main characteristics of the risk management and internal control system in relation to the financial disclosure process

Methodological approach

The internal control and risk management system in relation to Immsi Group financial disclosure is part of the Group's wider-ranging Internal control and risk management system, which includes the following:

- Code of Ethics;
- Compliance programme pursuant to Legislative Decree no. 231/2001 and related protocols;
- Procedures for insider trading notices;
- Principles and procedures for material transactions and transactions with related parties;
- the System granting powers and proxies;
- Company Organisation Chart and Job profiles;
- Procedure on reporting information to the Market;
- Risk Analysis process adopted (Risk Assessment);
- Accounting and Management Control System.

In turn, the Accounting and Management Control System of Immsi S.p.A. comprises a set of procedures and operative documents, including:

- the Accounting and Administrative Auditing Model – a document available to all employees directly involved in the process of preparing and/or controlling accounting information and aimed at defining the operating procedures of the Accounting Auditing System;
- The Group Accounting Manual – a document designed to promote the development and application of standard accounting policies across the Group for the recognition, classification and measurement of operations;

- Operating instructions for financial statements and reporting and closing schedules – documents designed to instruct various company departments on specific operational procedures for preparing financial statements within established deadlines;
- Administrative and accounting procedures – documents that identify responsibilities and rules in administrative and accounting processes.

The Accounting and Administrative Control Model of Immsi S.p.A. defines a methodological approach for the risk management and internal control system, comprising the following stages:

- a) Identification and assessment of risks involved in financial disclosure;
- b) Identification of controls to minimise risks identified;
- c) Assessment of controls to minimise risks identified and the management of any problems found.

Elements of the system

a) Identification and assessment of financial disclosure risks

Risks connected with the preparation of financial reports are identified through a step-by-step *risk assessment* process. The process involves identifying the objectives that the internal control system for financial disclosure is expected to deliver, so as to ensure that financial reports are fair and truthful. Those objectives cover the assertions made in financial reports (regarding the existence and occurrence of events, comprehensiveness, rights and obligations, the measurement/recognition of items, presentation and disclosures) and other control objectives (such as, for example, compliance with approval limits, the separation of roles and responsibilities, the documentation and traceability of transactions, and so on).

Risk assessment, including the risk of fraud, is therefore focused on the different areas of the financial statements in which the failure to deliver control objectives would have a potential impact on financial disclosure requirements.

The process to determine the scope of entities and processes that are “significant” in terms of potential impact on financial disclosure identifies, with reference to the consolidated financial statements of the Group, financial statement items, subsidiaries and administrative accounting processes considered as significant, based on evaluations made using quantitative and qualitative parameters.

Those criteria are determined by:

- by determining the quantitative threshold values to compare accounts of the consolidated financial statements and the relative contribution of subsidiaries within the framework of the Group;
- making qualitative judgements on the basis of managers' knowledge of the company and existing specific risk factors inherent to administrative-accounting processes.

b) Identification of controls for identified risks;

The controls needed to mitigate risks identified in administrative-accounting processes are identified by considering, as mentioned earlier, the control objectives associated with financial disclosure.

In particular, the accounts of the financial statements classified as significant are connected to the business processes underlying them in order to identify controls that meet the objectives of the internal control and risk management system for financial disclosure. Assessments are then made of the adequacy and effective application of the controls identified. For automatic controls, the

assessment of adequacy and effective application also concerns general IT controls on the software applications used to support processes of material relevance.

The functions involved in the financial disclosure process ensure that administrative and accounting procedures and relative controls are updated, as concerns areas in their remit.

If, after defining the scope of actions, sensitive areas are identified which are not regulated, either wholly or in part, by administrative and accounting procedures, existing procedures are supplemented and new procedures are formalised, overseen by the Executive in Charge of Financial Reporting, in relation to management areas in his remit.

c) Evaluation of controls for identified risks and management of any problems detected

The financial audit system is reviewed and assessed regularly at least once every six months, and when the separate annual financial statements, consolidated annual financial statements, and the condensed consolidated interim financial statements are each prepared.

Evaluations related to the adequacy and actual application of administrative and accounting procedures and controls in these procedures are developed through specific monitoring (testing) based on best practices in this sector.

Testing is done throughout the financial year, as arranged and coordinated by the Executive in Charge of Financial Reporting through his own department, supported if necessary by the internal audit department or appropriately selected external consultants.

Control tests are run on the administrative and functional departments coordinated by the Executive in Charge of Financial Reporting or by his officers, assisted by the Internal Audit department to ensure that controls for administrative and accounting procedures are carried out, in addition to specific focused controls on companies, processes and accounting entries.

Delegated bodies and administrative managers of subsidiaries report to the Executive in Charge of Financial Reporting on the monitoring of the adequacy and application of administrative and accounting procedures.

The Executive in Charge of Financial Reporting, assisted by the Internal Auditing Manager, produces a report summarising the results of evaluations on controls for previously identified risks (Management Summary). This is based on the outcome of monitoring activities, also carried out by delegated administrative bodies and based on statements received from managers. The assessment made of controls may entail the identification of compensatory controls, corrective measures or improvement plans to address any problems identified.

Once cleared by the Chief Executive Officer, the management summary is sent to the Board of Statutory Auditors of the parent company, to the Control and Risk Management Committee, and to the Board of Directors.

Roles and departments involved

The risk management and internal control system for financial disclosure is governed by the financial reporting manager appointed by the Board of Directors. Working in concert with the Chief Executive Officer, the financial reporting manager is responsible for designing, implementing and approving the Financial and Administrative Audit Model, assessing its application and issuing an attestation statement for the separate and consolidated annual and interim financial statements, and the separate, consolidated and half-year reports.

The Financial Reporting Officer is also responsible for preparing adequate administrative and accounting procedures for preparing the financial statements and consolidated financial statements and, assisted by the Internal Audit Department, provides subsidiaries that are considered as

significant within the framework of the Group financial disclosure process, with guidelines for carrying out appropriate activities to evaluate their own Accounting Control System.

In carrying out activities, the Executive in Charge of Financial Reporting:

- interacts with the Internal Audit Department / Internal Audit Department Manager, that carries out independent audits on the operation of the control system and assists the Financial Reporting Officer, and interacts with the Legal and Corporate Affairs Department as regards regulatory and legal compliance concerning financial disclosure;
- is assisted by Function Managers. These managers ensure complete, reliable information flows to the Executive in Charge of Financial Reporting, for areas in their remit, for accounting disclosure purposes;
- co-ordinates the activities of the administrative managers of "material" subsidiaries, who, together with their executive officers, are tasked with implementing a suitable financial audit system in their respective companies to control administrative-accounting processes, assessing the effectiveness of the system over time, and reporting outcomes to the parent company via internal attestation statements;
- exchanges information with the Control and Risks Committee and with the Board of Directors, reporting on activities carried out, on the use of accounting standards and their uniformity for the purposes of preparing the consolidated financial statements, and on the adequacy of the internal control and risk management system as regards financial disclosure, as part of a wider overall evaluation of corporate risks.

Finally, the Board of Statutory Auditors, the Control and Risks Committee and the Supervisory Board are informed of the adequacy and reliability of the administrative/accounting system.

Immsi Group

Financial Statements

to

31 December 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015

In thousands of Euros

ASSETS		31 December 2015	31 December 2014
NON-CURRENT ASSETS			
Intangible assets	F1	852,211	846,575
Plant, property and equipment	F2	343,465	344,450
Investment property	F3	85,965	85,848
Investments	F4	9,546	8,831
Other financial assets	F5	36,812	29,461
Tax receivables	F6	5,477	3,641
Deferred tax assets	F7	122,493	116,065
Trade receivables and other receivables	F8	15,820	16,071
- of which with Related Parties		153	197
TOTAL NON-CURRENT ASSETS		1.471.789	1.450.942
ASSETS HELD FOR DISPOSAL	F9	27,307	24,727
CURRENT ASSETS			
Trade receivables and other receivables	F8	204,342	236,969
- of which with Related Parties		5,306	6,497
Tax receivables	F6	23,396	39,262
Inventories	F10	287,859	306,021
Other financial assets	F5	16,495	14,876
Cash and cash equivalents	F11	124,510	103,942
TOTAL CURRENT ASSETS		656,602	701,070
TOTAL ASSETS		2.155.698	2.176.739
LIABILITIES			
SHAREHOLDERS' EQUITY			
Consolidated shareholders' equity attributable to the Group		265,634	268,188
Capital and reserves of non-controlling interests		162,460	173,923
TOTAL SHAREHOLDERS' EQUITY	G1	428,094	442,111
NON-CURRENT LIABILITIES			
Financial liabilities	G2	648,793	591,136
- of which with Related Parties		2,900	2,900
Trade payables and other payables	G3	6,503	5,592
Retirement fund and similar obligations	G4	54,046	60,743
Other long-term provisions	G5	10,331	11,247
Deferred tax liabilities	G6	21,949	24,769
TOTAL NON-CURRENT LIABILITIES		741,622	693,487
LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL		0	0
CURRENT LIABILITIES			
Financial liabilities	G2	429,104	440,483
- of which with Related Parties		226	55
Trade payables	G3	468,641	507,511
- of which with Related Parties		9,534	15,502
Current taxes	G7	15,880	15,775
Other payables	G3	55,629	58,611
- of which with Related Parties		1,634	1,797
Current portion of other long-term provisions	G5	16,728	18,761
TOTAL CURRENT LIABILITIES		985,982	1.041.141
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2.155.698	2.176.739

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2015

In thousands of Euros

		31 December 2015	31 December 2014
Net revenues	H1	1.362.012	1.274.577
- of which with Related Parties		895	301
Costs for materials	H2	785,366	728,406
- of which with Related Parties		25,616	20,674
Costs for services, leases and rentals	H3	268,669	240,775
- of which with Related Parties		781	1,017
Employee costs	H4	231,868	229,684
Depreciation of plant, property and equipment	H5	47,157	43,128
Amortisation of goodwill		0	0
Amortisation of intangible assets with a definite life	H6	59,566	47,990
Other operating income	H7	114,066	101,282
- of which with Related Parties		648	2,385
Other operating costs	H8	29,398	28,251
- of which with Related Parties		19	0
OPERATING INCOME		54,054	57,625
Income/(loss) from investments	H9	165	(113)
Financial income	H10	20,577	14,680
Borrowing costs	H11	76,605	140,957
- of which with Related Parties		157	388
PROFIT BEFORE TAX		(1,809)	(68,765)
Taxation	H12	11,863	2,579
EARNINGS AFTER TAXATION FROM CONTINUING ASSETS		(13,672)	(71,344)
Gain (loss) from assets held for disposal or sale	H13	0	0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS		(13,672)	(71,344)
Earnings for the period attributable to non-controlling interests		(4,118)	(530)
GROUP EARNINGS FOR THE PERIOD	H14	(9,554)	(70,814)

EARNINGS PER SHARE

In euro

From continuing and discontinued operations:	31 December 2015	31 December 2014
Basic	(0,208)	(0,208)
Diluted	(0,208)	(0,208)
From continuing operations:	31 December 2015	31 December 2014
Basic	(0,208)	(0,208)
Diluted	(0,208)	(0,208)
Average number of shares:	340,530,000	340,530,000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 31 DECEMBER 2015

In thousands of Euros

		31 December 2015	31 December 2014
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	G1	(13,672)	(71,344)
Items that will not be reclassified to profit or loss			
Actuarial gains (losses) relative to defined benefit plans	G4	1,962	(6,051)
Total		1,962	(6,051)
Items that may be reclassified to profit or loss			
Effective portion of profit (losses) from instruments to hedge financial flows	P	542	714
Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency		3,260	8,215
Gains/(Losses) on evaluation at fair value of assets available for sale and property investments	F3-F5	1,572	(124)
Total		5,374	8,805
Other Consolidated Comprehensive Income (Expense)		7,336	2,754
TOTAL PROFIT (LOSS) FOR THE PERIOD	G1	(6,336)	(68,590)
Comprehensive earnings for the period attributable to non-controlling interests	G1	(1,361)	971
COMPREHENSIVE EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	G1	(4,975)	(69,561)

The values in the previous table are net of the corresponding tax effect.

STATEMENT OF CONSOLIDATED CASH FLOWS AT 31 DECEMBER 2015

In thousands of Euros

		31 December 2015	31 December 2014
<i>Operating activities</i>			
Profit before tax		(1,809)	(68,765)
Depreciation of plant, property and equipment (including investment property)	H5	47,157	43,128
Amortisation of intangible assets	H6	59,566	47,990
Provisions for risks and for severance indemnity and similar obligations	H4 - H8	21,013	22,318
Write-downs (reversals of fair value measurements)	H7 - H8	3,251	62,507
Losses / (Gains) on the disposal of plant, property and equipment (including investment property)	H7 - H8	(248)	37
Interest receivable	H10	(1,020)	(915)
Dividend income	H10	(130)	(5)
Interest payable	H11	52,812	57,185
Amortisation of grants	H7	(3,839)	(3,454)
Portion of earnings before taxes of affiliated companies (and other companies valued using the equity method)	H9	(141)	113
<i>Change in working capital:</i>			
(Increase) / Decrease in trade receivables	F8	(3,902)	(2,347)
(Increase)/Decrease in inventories	F10	18,162	(26,082)
Increase / (Decrease) in trade payables	G3	(35,840)	15,004
(Increase) / Decrease in contract work in progress	F8	3,414	18,166
Increase / (Decrease) in provisions for risks	G5	(15,004)	(19,917)
Increase / (Decrease) in reserves for severance indemnity and similar obligations	G4	(16,037)	(3,332)
Other changes		44,717	(25,578)
<i>Cash generated from operating activities</i>		172,122	116,053
Interest paid		(47,089)	(50,562)
Taxes paid		(23,555)	(22,018)
<i>Cash flow from operations</i>		101,478	43,473

In thousands of euro		31 December 2015	31 December 2014
<i>Investing activities</i>			
Acquisition of subsidiaries, net of cash and cash equivalents	F4	0	(3,542)
Sale price of subsidiaries, net of cash and cash equivalents	F4	5,206	0
Investments in plant, property and equipment	F2	(38,817)	(37,836)
Sale price, or repayment value, of plant, property and equipment (including investment property)	F2	581	873
Investment in intangible assets	F1	(63,907)	(58,496)
Sale price, or repayment value, of intangible assets		56	59
Purchase of non-consolidated investments	F4	(8)	0
Sale price of non-consolidated investments		14	0
Loans provided		0	(115)
Repayment of loans		0	12,880
Purchase of financial assets	F5	(1,766)	(16,999)
Sale price of financial assets		47	929
Collected interests		767	552
Sale price from assets held for disposal or sale		0	4
Other flows from assets held for disposal or sale		(199)	(937)
Grants received		159	405
<i>Cash flow from investments</i>		(97,867)	(102,223)
<i>Financing activities</i>			
Increase in share capital by third parties	G1	0	5,076
Loans received	G2	301,737	362,452
Outflow for repayment of loans	G2	(263,955)	(262,183)
Financing received for leases		0	267
Repayment of finance leases		(31)	(5,835)
Outflow for dividends paid to non-controlling interests		(12,851)	0
<i>Cash flow from financing activities</i>		24,900	99,777
<i>Increase / (Decrease) in cash and cash equivalents</i>		28,511	41,027
<i>Opening balance</i>		75,899	40,623
Exchange differences		5	(5,751)
<i>Closing balance</i>		104,415	75,899

Changes in working capital include lower trade payables and other payables toward Related Parties for 163 thousand euro and lower trade receivables and other receivables from Related Parties for 1,191 thousand euro. For more detail on Related-Party transactions during 2015, see the paragraph in the Report on Operations.

This table shows the changes in cash and cash equivalents at 31 December 2015, which amount to 124.5 million euro, gross of short-term bank overdrafts equal to 20.1 million euro.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 DECEMBER 2015

In thousands of euro	Share capital	Reserves and retained earnings (losses)	Earnings for the period	Shareholders' equity attributable to the Group	Non-controlling interests capital and reserves	Shareholders' equity attributable to the Group and non-controlling interests
Balances at 31 December 2013	178,464	193,007	(33,551)	337,920	171,247	509,167
Allocation of Group earnings to the Legal Reserve	0	742	(742)	0	0	0
Allocation of Group earnings to Dividends	0	0	0	0	0	0
Allocation of Group earnings to Retained Earnings/Losses	0	(34,293)	34,293	0	0	0
Purchase of treasury shares by Piaggio & C. S.p.A.	0	(1,916)	0	(1,916)	(1,871)	(3,787)
Sale of treasury shares by Piaggio & C. S.p.A.	0	0	0	0	0	0
Figurative cost of stock options	0	0	0	0	0	0
Other changes	0	1,745	0	1,745	3,576	5,321
Overall earnings for the period	0	1,253	(70,814)	(69,561)	971	(68,590)
Balances at 31 December 2014	178,464	160,538	(70,814)	268,188	173,923	442,111

In thousands of euro	Share capital	Reserves and retained earnings (losses)	Earnings for the period	Shareholders' equity attributable to the Group	Non-controlling interests capital and reserves	Shareholders' equity attributable to the Group and non-controlling interests
Balances at 31 December 2014	178,464	160,538	(70,814)	268,188	173,923	442,111
Allocation of Group earnings to the Legal Reserve	0	0	0	0	0	0
Allocation of Group earnings to Dividends	0	0	0	0	(12,851)	(12,851)
Allocation of Group earnings to Retained Earnings/Losses	0	(70,814)	70,814	0	0	0
Purchase of treasury shares by Piaggio & C. S.p.A.	0	(17)		(17)	(17)	(34)
Sale of treasury shares by Piaggio & C. S.p.A.	0	0	0	0	0	0
Figurative cost of stock options	0	0	0	0	0	0
Other changes	0	2,438	0	2,438	2,766	5,204
Overall earnings for the period	0	4,579	(9,554)	(4,975)	(1,361)	(6,336)
Balances at 31 December 2015	178,464	96,724	(9,554)	265,634	162,460	428,094

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015

Note	Description
TO	General aspects
B	Scope of consolidation
C	Consolidation principles
W	Accounting standards and measurement criteria
AND	Segment reporting
F	Information on main assets
F1	Intangible assets
F2	Plant, property and equipment
F3	Investment property
F4	Investments
F5	Other financial assets
F6	Tax receivables
F7	Deferred tax assets
F8	Trade receivables and other receivables
F9	Assets intended for disposal
F10	Inventories
F11	Cash and cash equivalents
G	Information on main liabilities
G1	Shareholders' equity
G2	Financial liabilities
G3	Trade payables and other payables
G4	Reserves for severance indemnity and similar obligations
G5	Other long-term provisions
G6	Deferred tax liabilities
G7	Current taxes
H	Information on main Income Statement items
H1	Net revenues
H2	Costs for materials
H3	Costs for services, leases and rentals
H4	Employee costs
H5	Depreciation of plant, property and equipment
H6	Amortisation of intangible assets with a definite life
H7	Other operating income
H8	Other operating costs
H9	Income/(loss) from investments
H10	Financial income
H11	Borrowing costs
H12	Taxation
H13	Gain/loss on the disposal of assets
H14	Earnings for the period
I	Commitments, risks and guarantees
L	Related Party Transactions
M	Consolidated debt
N	Dividends paid
O	Earnings per share
P	Information about financial instruments

- A - GENERAL ASPECTS

Immsi S.p.A. (the “Company”) is a limited company established under Italian law and has registered offices in Mantova - P.zza Vilfredo Pareto, 3 Centro Direzionale Boma. The main activities of the company and its subsidiaries (the “Immsi Group”), the information on relevant events after the end of the reporting period and on operating outlook are described in the Directors’ Report on Operations. At 31 December 2015, Immsi S.p.A. was directly and indirectly, pursuant to article 93 of the TUF, controlled by Omniaholding S.p.A., a company wholly owned by the Colaninno family, through the subsidiary Omniainvest S.p.A..

The consolidated financial statements of the Immsi Group include the financial statements of the Parent Company Immsi S.p.A. and the Italian and international companies directly and indirectly controlled by it, approved by the relevant corporate functions of the respective companies, the list of which is shown in the paragraph “List of companies included in the consolidated financial statements and investments” contained in this Report.

The Financial Statements are in euro since that is the currency in which most of the Group’s transactions take place.

The amounts in the above tables and in the Notes to the consolidated financial statements are in thousands of euro (if not otherwise indicated).

These Financial Statements are audited by PricewaterhouseCoopers S.p.A. pursuant to the appointment granted by the Shareholders’ Meeting on 11 May 2012 for the period 2012-2020.

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The Consolidated Financial Statements of the Immsi Group at 31 December 2015 have been drafted in compliance with International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in article 9 of Legislative Decree no. 38/2005 (Consob Resolution no. 15519 of July 27/7/06 containing “Provisions for the presentation of financial statements”, Consob Resolution no. 15520 of July 27/7/06 containing “Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99” and Consob communication no. 6064293 of 28/7/06 containing “Corporate reporting required in accordance with article 114, paragraph 5 of Legislative Decree no. 58/98”). The interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), previously the Standing Interpretations Committee (“SIC”), were also taken into account.

Moreover, international accounting standards have been uniformly adopted for all Group companies: the financial statements of subsidiaries, used for consolidation, have been appropriately modified and reclassified, where necessary, to bring them in line with the international accounting standards and uniform classification criteria used by the Group.

The Financial Statements have been prepared on a historical cost basis, amended as required for the measurement of some financial statement items, and on a going-concern basis. In fact, despite the difficult economic and financial context, the Group has evaluated that there are no significant doubts about its continuing as a going concern (as defined in section 25 of IAS 1), also in relation to actions already identified to adapt to changing levels in demand, as well as the industrial and financial flexibility of the Group.

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group has chosen to highlight all changes generated by transactions with non-shareholders

within two statements reporting trends of the period, respectively named the "Consolidated Income Statement" and "Consolidated Statement of Comprehensive Income". These consolidated financial Statements are therefore composed of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Changes in Consolidated Shareholders' Equity, the Consolidated Cash Flow Statement, and these Explanatory and additional notes to the consolidated financial statements.

With reference to Consob Resolution no. 15519 of 27 July 2006, as regards the financial statements, specific Income statement and Statement of financial position tables have been included indicating significant Related-Party transactions and non-recurring transactions. In this regard, no non-recurring, atypical or unusual transactions during 2015 were identified. During 2014, Piaggio & C. S.p.A. instead exercised the call option of the debenture loan issued by the Company on 1 December 2009 for a total amount of 150,000 thousand euro and maturing on 1 December 2016. On 9 June, the remaining portion of this loan (equal to approximately € 42 million) was paid back at the price of 103.50%, after the finalisation of the exchange offer launched on 7 April. The operation led in 2014 to the premium paid to bond holders that did not take up the exchange offer and of costs not yet depreciated of the reimbursed loan being recognised under borrowing costs in the income statement. During 2014, Piaggio & C. S.p.A. refinanced a revolving credit line of a nominal value of 200,000 thousand euro, maturing in December 2015, with a small pool of banks. This operation resulted in the recognition of costs not yet amortised in the Income Statement in 2014. These operations come under significant non-recurrent transactions, as defined by Consob Communication DEM/6064293 of 28 July 2006.

Consolidated income statement (reclassified)

The Consolidated income statement is presented with the items classified by nature. The overall Operating Income is shown, which includes all income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under Operating Income and Earnings before tax. In addition, the income and cost items arising from assets that are held for disposal or sale, including any capital gains or losses net of the tax element, are recorded in a specific item of the consolidated statement of financial position which precedes Group net income and non-controlling interests.

Consolidated Statement of Comprehensive Income

The Consolidated Statement of Comprehensive Income is presented as provided for in IAS 1 revised. This amended version of the standard requires income attributable to parent company owners and to non-controlling interests net of the corresponding tax effect and groups components under Other comprehensive income/(losses) depending on whether or not they may be subsequently reclassified to profit or loss.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is presented in opposite sections with separate indication of assets, liabilities, and shareholders' equity. In turn, assets and liabilities are reported in the Consolidated Financial Statements on the basis of their classification as current and non-current.

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows is divided into cash-flow generating areas. The Consolidated Statement of Cash Flows model adopted by the Immsi Group has been prepared using the indirect method. The cash and cash equivalents recorded in the Statement of Cash Flows include the Consolidated Statement of Financial Position balances for this item at the reporting date. Financial flows in foreign currency have been converted at the average exchange rate for the period. Income and costs related to interest, dividends received and income taxes are included in the cash flow generated from operations.

Consolidated net debt

The statement of Consolidated net debt in this Report details this aggregate: in this respect, in conformity with the CESR recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", it should be noted that the indicator, thus formulated, represents what was monitored by the Group's management and that it differs from what is suggested by Consob Communication no. 6064293 of 28 July 2006, as it also highlights the non-current portion of financial receivables.

Consolidated Statement of Changes in Shareholders' Equity

The Consolidated Statement of Changes to Shareholders' equity is presented as required by IAS 1 revised. It includes total comprehensive income, while separately reporting the amounts attributable to owners of the Parent Company as well as the quota pertaining to non-controlling interests, amounts of operations with shareholders acting in this capacity and any potential effects of retroactive application or of the retroactive calculation pursuant to IAS 8. Reconciliation between the opening and closing balance of each item for the period is presented.

- B - SCOPE OF CONSOLIDATION

The scope of consolidation has not changed considerably compared to the Consolidated Financial Statements at 31 December 2014. In particular:

- on 28 January 2015, the partial demerger of the subsidiary Intermarine S.p.A. took place, with the establishment of a company called Pietra Ligure S.r.l. and assignment of a single quota representing 100% of the share capital to RCN Finanziaria S.p.A.. The company Pietra Ligure S.r.l. holds the property portfolio situated in the municipality of Pietra Ligure (Savona). Pietra S.r.l. subsequently purchased 100% of the share capital of Pietra Ligure S.r.l. from RCN Finanziaria S.p.A.;
- On 15 June 2015, the company Piaggio Fast Forward Inc., a subsidiary of Piaggio & C. S.p.A., was established, with the object of carrying out research and development for new mobility and transport systems.

These changes did not alter the comparability of the financial position and performance between the two reporting periods, as the changes are of a limited extent, resulting in only a partial redistribution of net profit and shareholders' equity between the share attributable to the Group and to non-controlling interests.

Lastly, the consolidated portion of shareholders' equity of the Piaggio Group which amounted to 50.59% at 31 December 2015 was equal to 50.06% at 31 December 2014:

- C - CONSOLIDATION PRINCIPLES

Assets and liabilities, and income and costs, of consolidated companies are recognised on a global integration basis, eliminating the carrying amount of consolidated investments in relation to the relative shareholders' equity at the time of purchase or underwriting. The carrying value of investments has been eliminated against the shareholders' equity of affiliated companies, assigning to non-controlling interests under specific items the relative portion of shareholders' equity and relative net income due for the period, in the case of subsidiaries consolidated on a line-by-line basis.

Subsidiaries

Subsidiaries are companies in which the Group has a major influence. This influence exists when the Group has direct or indirect power to determine the financial and operational policies of a company in order to gain benefits from its operations. The acquisition of subsidiaries is recognised according to the acquisition method. The cost of acquisition is determined by the sum of present values at the date control of the given assets was obtained, liabilities borne or undertaken and financial instruments issued by the Group in exchange for control of the acquired company.

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at fair value at the date of acquisition. The positive difference between the acquisition cost and the share of the Group at the fair value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is instead recorded in the Income Statement at the time of acquisition.

The financial statements of subsidiaries are included in the Consolidated Financial Statements starting from the date when control is acquired until control ceases.

The portions of shareholders' equity and income attributable to non-controlling interests are separately indicated in the Consolidated Statement of Financial Position and Consolidated Income Statement respectively.

Affiliated companies

Affiliated companies are companies in which the Group has considerable influence but not joint control of financial and operational policies. The Consolidated Financial Statements include the portion relative to the Group of income of affiliated companies, accounted for using the equity method, starting from the date when it commences to have considerable influence and ending when said influence ceases. With the equity method, investments in associates are initially recognised at cost and subsequently adjusted to indicate the portion of post-acquisition profits or losses attributable to the Group and movements in the statement of comprehensive income. If any portion attributable to the Group of losses of the associates exceeds the carrying amount of the investment in the financial statements, the value of the investment is reset to zero and the portion of further losses is not recorded, except in cases where and to the extent to which the Group is required to be held liable for said losses.

Joint arrangements

Jointly controlled companies are companies in which the Group has joint control of operations, as defined by contractual agreements: These joint venture agreements require the establishment of a separate entity in which each participating organisation has a share known as a joint control shares. The Group records joint control investments using the equity method. As regards transactions between a Group company and a jointly controlled company, unrealised profits and losses are eliminated to an extent equal to the percentage of the investment of the Group in the jointly controlled company, with the exception of unrealised losses that constitute evidence of an impairment of the transferred asset.

The Group adopts IFRS 11 for all joint arrangements. According to IFRS 11, investments in joint arrangements are classified as joint operations or joint ventures depending on the contractual obligations and rights of each investor. The Group has classified the only joint arrangement agreement in place as being a joint venture. Joint ventures are measured with the equity method.

With the equity method, interests in joint ventures are initially recognised at cost and subsequently adjusted to indicate the portion of post-acquisition profits or losses attributable to the Group and movements in the statement of comprehensive income.

In the event any portion attributable to the Group of losses of the joint venture exceeds the carrying amount of the investment in the financial statements, the value of the investment is reset to zero

and the portion of further losses is not recorded, except in cases where and to the extent in which the Group is required to be held liable for said losses.

As regards transactions between a Group company and a joint venture, unrealised profits and losses are eliminated to an extent equal to the percentage of the investment of the Group in the jointly controlled company, with the exception of unrealised losses that constitute evidence of an impairment of the transferred asset.

Investments in other companies

Investments in other companies (usually the percentage held is less than 20%) are entered at cost minus any impairment losses. Dividends received from these companies are included under the item Financial income. It should also be noted that the Group Parent Company Immsi S.p.A. has minority stakes in Alitalia - Compagnia Aerea Italiana S.p.A. and Unicredit S.p.A., both classified under the item Financial assets available for sale ("AFS") and valued at the end of each reporting period at fair value: gains and losses arising from changes in fair value are recognised directly in equity until they are sold or a significant impairment loss is recorded. At that time the cumulative gains or losses previously recognised in equity are recognised in profit or loss for the period.

Transactions eliminated during the consolidation process

In preparing the Consolidated Financial Statements, all balances and significant transactions between Group companies have been eliminated, as well as unrealised profits and losses arising from intergroup transactions. Unrealised profits and losses generated from transactions with associates or jointly controlled companies are eliminated based on the value of the investment of the Group in the companies.

Transactions in foreign currency

Transactions in foreign currency are recorded at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the end of the reporting period.

Consolidation of foreign companies

The separate financial statements of each company belonging to the Group are prepared in the currency of the primary economic environment in which they operate (the functional currency). For the purposes of the consolidated financial statements, the financial statements of each foreign entity are in Euros, which is the functional currency of the Group and the presentation currency of the consolidated financial statements.

All assets and liabilities of foreign companies in a currency other than the euro which come under the scope of consolidation are translated, using exchange rates in effect at the reporting date (currency exchange rates method). Income and costs are translated at the average exchange rate of the period. Translation differences arising from the adoption of this method, as well as the exchange differences arising from the comparison between the initial shareholders' equity converted at current exchange rates and the same translated at historical exchange rates, pass through the Statement of Comprehensive Income and are accumulated in a specific reserve of shareholders' equity until disposal of the investment: average exchange rates for translating the cash flows of foreign subsidiaries are used in preparing the Statement of Consolidated Cash Flows.

During the first-time adoption of IFRSs, cumulative translation differences arising from the consolidation of foreign companies outside the euro zone were not reset to zero, as allowed by IFRS 1 and have therefore been maintained.

The exchange rates used to translate the financial statements of companies included in the scope of consolidation into euro are shown in the following table (data rounded up to 2 decimal places):

	Exchange rate at 31 December 2015	Average exchange rate 2015	Exchange rate at 31 December 2014	Average exchange rate 2014
US Dollar	1.09	1.11	1.21	1.33
Pounds Sterling	0.73	0.73	0.78	0.81
Brazilian Real	4.31	3.70	3.22	3.12
Indian Rupee	72.02	71.20	76.72	81.04
Singapore Dollars	1.54	1.53	1.61	1.68
Chinese Renminbi	7.06	6.97	7.54	8.19
Croatian Kuna	7.64	7.61	7.66	7.63
Japanese Yen	131.07	134.31	145.23	140.31
Vietnamese Dong	24,435.06	24,147.37	25,834.65	27,967.22
Swedish Krona	9.19	9.35	9.39	9.10
Canadian Dollars	1.51	1.42	1.41	1.47
Indonesian Rupiah	15,029.50	14,861.45	15,103.40	15,720.31

- D - ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The most significant accounting policies adopted to prepare the Consolidated Financial Statements at 31 December 2015 are outlined below:

INTANGIBLE ASSETS

As provided for in IAS 38, an intangible asset which is purchased or self-created, is recognised as an asset only if it is identifiable, controllable and future economic benefits are expected and its cost may be measured reliably.

Intangible assets with a finite life are measured at acquisition cost or production cost net of amortisation and accumulated impairment losses. For an asset that justifies capitalisation, the cost also includes any borrowing costs that are directly attributable to acquisition, construction or production of the asset.

Amortisation is referred to the expected useful life and commences when the asset is available for use.

Goodwill

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at fair value at the date of acquisition. The positive difference between the acquisition cost and the share of the Group at the fair value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is instead recorded in the Income statement at the time of acquisition.

Goodwill is not amortised but tested annually for impairment, or more frequently if specific events or changed circumstances indicate that an asset may be impaired, as provided for in IAS 36 - *Impairment of Assets*. After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.

During first-time adoption of IFRSs, the Group opted not to retroactively apply IFRS 3 – Business Combinations to acquisitions of companies that took place before 1st January 2004. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition of any impairment losses. After 1 January 2004, and following acquisitions made during 2004, additional goodwill was generated, the amount of which was remeasured in the light of the different values of shareholders' equity of the acquired companies in relation to provisions in IFRS 3.

Development costs

Development costs are recognised as assets only if all of the following conditions are met: the costs can be reliably measured and the technical feasibility of the product, the volumes and expected prices indicate that costs incurred during development will generate future economic benefits. Capitalised development costs include only costs incurred that may be directly attributed to the development process. Capitalised development costs are amortised on a systematic criterion basis, starting from the beginning of production through the estimated life of the product.

All other development costs are recorded in the Income statement when they are incurred.

Other intangible assets

As provided for in IAS 38 – *Intangible Assets*, other intangible assets which are purchased or self-created are recognised as assets if it is probable that use of the asset will generate future economic benefits and the cost of the asset can be reliably measured. These assets are recognised at acquisition or production cost and are amortised on a straight line basis over their estimated useful life, if they have a definite useful life.

Intangible assets with an indefinite useful life are not amortised but tested annually for impairment, or more frequently if there is an indication that an asset may be impaired. Other intangible assets recognised following the acquisition of a company are accounted for separately from goodwill, if their fair value can be reliably measured. The amortisation period for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period: if the expected useful life proves different from previous estimates, the amortisation period is changed accordingly.

The amortisation periods of intangible assets are shown below:

Development costs	3 - 5 years
Industrial patents and rights of use for original works	3 - 5 years
Other	5 years
Trademarks	15 years

PLANT, PROPERTY AND EQUIPMENT

Property, plant and equipment

The Immsi Group opted to use the cost method for the first-time adoption of IAS/IFRSs in preparing its financial statements, as provided for by IFRS 1. For the measurement of property, plant and equipment, therefore, the preference was not to use the fair value method. Property, plant and equipment were booked at the purchase or production cost and were not revalued. For an asset that justifies capitalisation, the cost also includes any borrowing costs that are directly attributable to acquisition, construction or production of the asset.

Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset they refer to. All other costs are recorded in the income statement when they are incurred. Property, plant and equipment under construction are measured at cost and depreciated starting from the period in which they are put into operation.

Depreciation is determined, on a straight-line basis, on the cost of the assets net of their relative residual values, based on their estimated useful life, while land is not depreciated.

Assets are depreciated by applying the criterion and rates indicated below:

Buildings	from 1.67% to 3%
Plant and machinery	from 5% to 30%
Miscellaneous equipment and other assets	from 5% to 40%
Land	not depreciated
Assets to be given free of charge	based on the duration of the concession

Assets held through finance lease agreements, on the basis of which all risks and benefits related to ownership are basically transferred to the Group, are recognised as Group assets at their fair value, or if lower, at the present value of minimum payments due for the lease. The corresponding liability vis-à-vis the lessor is recognised in the financial statements as a financial payable. The assets are depreciated applying the criterion and rates used for assets owned by the company. Leases in which the lessor basically retains all risks and benefits related to ownership are classified as operating leases. The costs referred to operating leases are recognised on a line-by-line basis in the Income statement over the term of the lease agreement.

The Group – through the Piaggio Group – has its own production plants even in countries where ownership rights are not allowed. In 2007, on the basis of clarification from IFRIC, the Group reclassified as receivables the rentals paid in advance to obtain the availability of land where its production sites are situated.

Profits and losses arising from the sale or disposal of assets are measured as the difference between the sale revenue and net carrying amount of the asset and are recognised in profit or loss for the period.

Assets to be given free of charge are assets held by Intermarine S.p.A. further to an agreement to lease and at the end thereof must be given free of charge and in perfect working order to the lessor. These assets are depreciated according to the duration of the concession.

Impairment

At the end of the reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that these assets may be impaired (impairment test). If there is an indication that an asset may be impaired, the asset's recoverable amount is estimated to determine the amount of the write-down. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the asset's cash generating unit.

The recoverable amount is the higher of an asset's fair value less costs to sell (if available) and its value in use. In measuring the value in use, estimated future cash flows are discounted at their fair value, using a rate net of taxes, which reflects current market changes in the fair value of money and specific risks of the asset.

If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset is land or buildings other than the property investments recognised at revalued amounts, in which case the loss is charged to the respective revaluation reserve.

When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset (or of a cash generating unit), except for goodwill, is increased to the new value arising from an estimate of its recoverable amount, up to the net carrying amount applicable to the asset if no impairment loss had been recognised. The reversal of the impairment loss is immediately recognised in profit or loss, unless the asset is land or buildings other than the property

investments recognised at revalued amounts, in which case the loss is charged to the respective revaluation reserve.

An intangible asset with an indefinite useful life is tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.

Investment property

International accounting standards regulate the accounting treatment of property used for production or administrative purposes (IAS 16) differently from investment property (IAS 40). As permitted by IAS 40, non-instrumental property and buildings held for rental and/or asset appreciation purposes are measured at fair value.

Real estate investments are eliminated from the financial statements when they are disposed of or when they may not be used over time and future economic benefits from their sales are not expected.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal groups) that are classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell. Non-current assets (and disposal groups) are classified as held for sale when it is expected that their carrying amount will be recovered through a sale rather than through their use in company operations. This condition is only met when the sale is highly probable, the asset (or disposal group) is available for immediate sale and management is committed to a plan to sell, which should take place within 12 months from the date in which this item was classified as held for sale.

FINANCIAL ASSETS

Financial assets are recognised and deleted from the financial statements based on the negotiation date and are initially measured at fair value, represented by the initial increased amount, with the exception of assets held for negotiation, of costs relative to the transaction. At subsequent end of reporting periods, the financial assets the Group intends and can retain up until maturity (securities held until maturity) are recognised at amortised cost based on the effective interest rate method, net of reversals for impairment losses.

Financial assets other than those held to maturity are classified as held for trading or for sale, and are measured at fair value at the end of each period. When financial assets are held for trading, profits and losses arising from changes in fair value are recognised in profit or loss for the period. In the case of financial assets held for sale, profits and losses arising from changes in fair value are recognised in other components of the statement of comprehensive income and allocated to a specific reserve of shareholders' equity until sold, recovered or disposed of or until an impairment loss is recognised.

INVENTORIES

Inventories are recognised as the lower of the purchase or production cost, determined by assigning to products the costs directly incurred in addition to the portion of indirect costs reasonably attributable to the performance of production activities in normal production capacity conditions and the market value at the end of the reporting period. The purchase or production cost is determined based on the weighted average cost method. As regards raw materials and work in progress, the market value is represented by the estimated net realisable value of corresponding finished products minus completion costs; as regards end products, the market value is represented by the estimated net realisable value (price lists less the costs for sales and distribution). The lower measurement based on market trends is eliminated in subsequent years, if the trends no longer exist. Obsolete, slow moving and/or excess inventories are impaired in relation to their possible use or future realisation, in a provision for the write-down of inventories.

RECEIVABLES

Trade receivables and other receivables are initially recognised at fair value and subsequently recognised based on the amortised cost method, net of the provisions for write-downs. Losses on receivables are recognised in the financial statements when there is objective evidence that the company will not be able to recover the amount due based on the contractual terms from the counterparty.

When payment of amounts due exceeds standard terms of payment granted to clients, the receivable is discounted.

Orders in progress, entirely related to the naval sector (Intermarine S.p.A.), were classified under the item Other receivables and consist mainly of:

- building work for the company's own account and repair work, valued at the lower value between cost incurred and revenue achievable: To this end, they are entered as assets in the Statement of financial position net of the write-down fund for boats and semi-finished items likely to prove hard to sell;
- building work covered by standard contracts, valued in terms of revenue based on the status reached at the close of the year, calculated, as far as the materials and work contracted out are concerned, with reference to the costs actually incurred compared with the costs forecast on the basis of updated estimates and, with regard to labour, with reference to the direct hours actually worked compared with the direct hours forecast. The price revision is recognised based on a prudent basis taking into account the amounts recognisable by customers, in proportion to the value of the progress. Due to the features of the works in progress produced by the company, they also include parts of the assets the ownership of which was transferred in guarantee of payments received from customers. In fact assessment of proceeds takes place when the purchaser of the work accepts it, since the order is a unitary indivisible object.

FACTORING AND REVERSE FACTORING

The Group – mainly through the companies of the Piaggio Group – sells a significant part of its trade receivables through factoring. Factoring may be without recourse, and in this case no risks of recourse or liquidity exist, as corresponding amounts of the balance of trade receivables are reversed when the receivable is sold to the factor. For factoring with recourse, the risk of non-payment and the liquidity risk are not transferred, and therefore relative receivables remain under the Statement of financial position until payment by the client of the amount due: in this case any advance payments collected by the factor are recognised under payables as amounts due to other lenders.

The Immsi Group - through the Piaggio Group - in order to ensure easier access to credit for its suppliers, has established factoring agreements, typically in the technical forms of supply-chain financing or reverse factoring. On the basis of existing contractual structures, the supplier has the option to sell, at its discretion, the amounts due from the group to a lender and cash in the amount before expiry. In some cases, the timing of payment provided in the invoice is subject to further extensions agreed between the supplier and the group: these extensions may be interest or non-interest bearing. In order to assess the nature of these reverse factoring transactions, the group has adopted a specific policy: in relation to the contractual terms, differentiated on the basis of place of origin, a qualitative analysis of the contract terms is performed centrally by the Finance department, as well as a legal analysis aimed at evaluating the regulatory references and the assignment nature of the transaction (in accordance with the provisions of IAS 39 AG57 b). In some cases, as payment terms have been extended, quantitative analysis is carried out to verify the materiality of changes in contract terms, based on quantitative tests as required by IAS 39 AG

62. In this context, relations, for which a primary obligation with the supplier is maintained and any deferment, if granted, does not significantly change payment terms, are still classified as trade liabilities.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, current bank accounts, deposits payable on demand and other high liquidity short term financial investments, which are readily convertible into cash and not affected by any major risk of a change in value.

TREASURY SHARES

Treasury shares are recognised as a reduction of shareholders' equity. The original cost of treasury shares and the revenue proceeds from any subsequent sale are recognised directly in equity.

FINANCIAL LIABILITIES

Financial liabilities are recognised at fair value net of relative transaction costs. After initial recognition, loans are measured at amortised cost and calculated using the effective interest rate. Financial liabilities hedged with derivative instruments are booked at fair value, according to the methods established for *hedge accounting*, applicable to the *fair value hedge*: profits and losses arising from subsequent measurements at fair value, due to changes in interest rates, are recognised in profit or loss and offset by the effective portion of the loss and profit arising from subsequent measurements at present value of the hedged instrument. At the moment of the initial assessment, a liability may be designated to the fair value taken from the Income statement (profit & loss) when such designation eliminates or significantly reduces a lack of uniformity in the evaluation or in the assessment (at times defined "accounting asymmetry") that otherwise would appear from the asset or liability evaluation or from the evaluation of the relative profits and losses on different bases. This fair value designation is exclusively applied to some financial liabilities in currency subject to exchange risk hedging.

DERIVATIVES AND MEASUREMENT OF HEDGING OPERATIONS

Group assets are primarily exposed to financial risks from changes in exchange and interest rates. The Group uses derivatives to hedge risks arising from changes in foreign currency and interest rates in particular irrevocable commitments and planned future transactions. With particular reference to the Piaggio Group, the use of these instruments is regulated by written procedures on the use of derivatives, in line with the risk management policies of the group.

Derivatives are initially recognised at fair value, represented by the initial amount, and adjusted to fair value at subsequent end of reporting periods. Derivative financial instruments are only used with the intent of hedging, in order to reduce the exchange risk, interest rate risk and risk of changes in market prices.

In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated. When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:

- *Fair value hedge*: if a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognised asset or liability, attributable to a particular risk and could affect profit or loss, the gain or loss from the subsequent change in fair value of the hedging instrument is recognised in profit or loss.

The gain or loss on the hedged item, attributable to the hedged risk, change the carrying amount of the hedged item and is recognised in profit or loss;

- **Cash flow hedge:** if an instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or of a highly probable forecast transaction which could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised in the statement of comprehensive income. Accumulated gain or loss is reversed from the statement of comprehensive income and recognised in profit or loss in the same period as the hedging transaction. The gain or loss associated with hedging or the part of hedging which is ineffective, is immediately recognised in profit or loss. If the transaction is still expected to occur and the hedge relationship ceases, the amounts accumulated in the statement of comprehensive income will be retained in equity until the hedged item affects profit or loss. If hedge accounting ceases for a cash flow hedge relationship, gains and losses deferred in the statement of comprehensive income are recognised immediately in profit or loss.

If hedge accounting cannot be applied, gains and losses from measurement at fair value of the derivative financial instrument are immediately recognised in profit or loss.

LONG-TERM PROVISIONS

The Group recognises provisions for risks and charges when it has a legal or implicit obligation to third parties and it is likely that Group resources will have to be used to meet the obligation and when the amount of the obligation itself can be reliably estimated. Changes in estimates are recognised in profit or loss when the change takes place. If the effect is considerable, provisions are calculated discounting future cash flows estimated at a discount rate gross of taxes, to reflect current market changes in the fair value of money and specific risks of the liability.

RETIREMENT FUNDS AND EMPLOYEE BENEFITS

Liabilities relative to employee benefits paid on or after termination of employment for defined benefit plans are determined separately for each plan, based on actuarial hypotheses estimating the amount of future benefits that employees will accrue at the reporting date (the "projected unit credit method"). Liabilities, recognised in the financial statements net of any assets serving the plan, are entered for the period when the right accrues. Liabilities are measured by independent actuaries.

The cost components of defined benefits are recognised as follows:

- the costs relative to services are recognised in profit or loss under employee costs;
- net borrowing costs of liabilities or assets with defined benefits are recognised in profit or loss as financial income/(borrowing costs), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking account of the payment of contributions and benefits during the period;
- the remeasurement components of net liabilities, which include actual gain and losses, the return on assets (excluding interest income recognised in profit or loss) and any change in the limit of the assets, are immediately recognised as "Other total profits (losses)". These components must not be reclassified to the Income Statement in a subsequent period.

TERMINATION BENEFITS

Termination benefits are recognised at the closest of the following dates: i) when the Group can no longer withdraw the offer of such benefits and ii) when the Group recognises the costs of restructuring.

STOCK OPTION PLAN

As provided for in IFRS 2 - *Share-Based Payment*, the total amount of the fair value of stock options at the date of assignment is recognised wholly in profit or loss under employee costs, with a counter entry recognised directly in shareholders' equity, if the grantees of the instruments representing capital become owners of the right on assignment. If a "maturity period" is required, in which certain conditions are necessary before grantees become holders of the right, the cost for payments, determined on the basis of the fair value of options at the date of assignment, is recognised under employee costs on a straight line basis for the period between the date of assignment and maturity, with a counter entry directly recognised in shareholders' equity. Determination of fair value based on the Black-Scholes method. Changes in the fair value of options subsequent to the date of assignment do not have any effect on initial recognition.

TAX ASSETS AND LIABILITIES

Deferred taxes are determined based on the temporary taxable differences between the value of the asset and liability and their tax value. Deferred tax assets are measured only to the extent to which it is likely that adequate future taxable sums exist against which the deferred taxes can be used. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent to which it is no longer likely that sufficient taxable income exists allowing for all or a portion of said assets to be recovered.

Deferred tax liabilities are determined based on tax rates expected for the period in which the tax assets are realised, considering the rates in effect or which are known to come into effect. Deferred tax liabilities are directly recognised in profit or loss, except for items directly recognised in the statement of comprehensive income, in which case relative deferred taxes are also recognised in the statement of comprehensive income. In the case of reserves of undistributed profits of subsidiaries and because the Group is able to control distribution times, deferred taxes are allocated for the reserves when distribution is expected in the future.

Deferred tax assets and liabilities are recognised at their net value when they may be offset in the same tax jurisdiction.

PAYABLES

Trade payables falling due within normal business terms are not discounted and are recognised at their nominal value, considered representative of their settlement value.

RECOGNITION OF REVENUES

According to IFRS, sales of goods are recognised when the goods are dispatched and the company has transferred the significant risks and benefits connected with ownership of the goods to the purchaser. Revenues are recognised net of returns, discounts, rebates and premiums, as well as taxes directly connected with the sale of the goods and provision of services. Financial revenues are recognised on an accrual basis.

GRANTS

Equipment grants are recognised in the financial statements when their payment is certain and are recognised in profit or loss based on the useful life of the asset for which the grants have been provided. Operating grants are recognised in the financial statements, when their payment is certain and are recognised in profit or loss in relation to costs for which the grants have been provided.

With specific reference to the subsidiary Intermarine S.p.A. operating in the naval sector, the company benefits from different types of Ministerial contributions, recognised according to the criteria described below:

- ministerial research grants, out of national and Community funds, due on the research and development costs incurred and capitalised, are entered under Other payables and will be offset against the amortisation and depreciation entries of the capitalised costs they are related to in the Income statement; where projects entail the building of a prototype, the subsidy granted for the costs incurred is entered in the Income statement account in proportion to the work progress status of the underlying construction;
- ministerial grants for investment programmes, subsidised under Ital. Law 488/92 and Ital. Law 237/73 and specific to the renovation of the boatyard in Messina, to the building of plants related to *Yacht* < 25 m line and of the boatyard in Sarzana, are entered under receivables based on the contribution due in proportion to the investment made. They are counterbalanced as follows:
 - in the Income statement for the portion referred to the year when the relative assets were purchased; and
 - under Other payables for portions relative to future amortisation periods.

FINANCIAL INCOME

Financial income is recognised on an accrual basis and includes interest payable on invested funds, exchange differences receivable and income from financial derivatives, when not offset in hedging transactions. Interest receivable is recognised in profit or loss when it matures, considering the actual return.

BORROWING COSTS

Financial charges are recognised on an accrual basis and include interest payable on financial payables calculated using the effective interest rate method, exchange differences payable and losses on derivatives. The rate of interest payable of finance lease payments is recognised in profit or loss, using the effective interest rate method.

DIVIDENDS

Dividends recognised in profit or loss, from non-controlling interests, are recognised on an accrual basis, and therefore at the time when, following the resolution to distribute dividends by the subsidiary, the relative right to payment arises.

INCOME TAXES

Taxes represent the sum of current and deferred tax assets and liabilities. Taxes allocated under statutory accounting circumstances of individual companies included in the scope of consolidation are recognised in the consolidated financial statements, based on taxable income estimated in compliance with national laws in force at the end of the reporting period, considering applicable exemptions and tax receivables owing. Income taxes are recognised in profit or loss, with the exception of those taxes relative to items directly deducted from or charged to the Statement of Comprehensive Income. Taxes are recorded under "Tax payables" net of advances and withheld taxes. Taxes due in the event of the distribution of reserves as withheld taxes recognised in the financial statements of individual Group companies are not allocated, as their distribution is not planned.

Immsi S.p.A., with the subsidiaries Piaggio & C. S.p.A., Piaggio Concept Store Mantova S.r.l., Aprilia Racing S.r.l., Apuliae S.p.A., Intermarine S.p.A., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l. and Pietra Ligure S.r.l., opted to be a part of the Group taxation system, as provided for by articles 117 et seq. of the Consolidated Income Tax Act (National Consolidated Tax Convention). In exercising this option, each company which is party to the National Consolidated Tax Convention transfers its tax income (taxable income or tax loss) to the consolidating company: the consolidating company therefore determines one taxable base for the group of companies that are party to the National Consolidated Tax Convention, and may therefore offset taxable income against tax losses in one tax return. The latter recognises a receivable from consolidated companies transferring taxable income, while for companies with tax losses, the consolidating company records a related payable equal to corporate income tax on the portion of the loss actually offset at a Group level.

EARNINGS PER SHARE

Earnings per share are calculated by dividing the income or loss attributable to parent company shareholders by the weighted average number of ordinary shares outstanding during the period, excluding treasury stock. Diluted earnings per share are calculated dividing the profit or loss attributable to shareholders of the Parent Company by the weighted average of ordinary shares in circulation adjusted to take account of the effects of all potential ordinary shares with a dilutive effect.

USE OF ESTIMATES

The preparation of the financial statements and notes in compliance with IFRS requires management to make estimates and assumptions which have an impact on the values of assets and liabilities and on disclosure regarding contingent assets and liabilities at the end of the reporting period. Actual results could differ from estimates.

Moreover, estimates are used to measure intangible assets tested for impairment and to identify allocations for bad debts, for obsolete inventories, amortisation and depreciation, impairment of assets, employee benefits, taxes, restructuring provisions and other allocations and funds. Estimates and assumptions are periodically revised and the effects of any change are immediately recognised in profit or loss.

In the current ongoing world economic and financial crisis, assumptions made as to future trends are marked by a considerably degree of uncertainty. Therefore the possibility in the next reporting period of results that differ from estimates cannot be ruled out, and these could require even significant adjustments which at present cannot be predicted or estimated.

TRANSACTIONS WITH SUBSIDIARIES AND RELATED PARTIES

Transactions with subsidiaries and related parties are described in the Report on Operations and in the Note, referred to herein.

NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS FROM 1 JANUARY 2015

Competent bodies of the European Union have approved the following accounting standards and amendments to adopt as from 1 January 2015, with none having a significant effect on the Financial Statements of the Group.

- On 21 November 2013, the IASB published some minor amendments to IAS 19 – Employee benefits: Defined Benefit Plans: Employee Contributions. The amendments make it possible (but not compulsory) to recognise, as a reduction of the current service

cost, the period when contributions are paid by employees or by third parties, that are not related to the number of years' service, rather than the period when the service is rendered. These contributions must meet the following conditions: (i) they are set out in the formal terms of the plan; (ii) they are linked to the service provided by the employee; (iii) they are independent of the number of years of service of the employee (e.g. the contributions are a fixed percentage of the employee's salary, a fixed amount throughout the service period or dependent on the employee's age).

- On 12 December 2013, the IASB as part of the documents *Annual improvements 2010-2012* and *Annual improvements 2011-2013*, issued some amendments to some accounting standards, summarised below:
 - IFRS 1 – *First-time adoption of International Financial Reporting Standards*: the amendments clarify that an entity adopting IFRS for the first time, as an alternative to adopting a standard in effect at the date of the first financial statements based on IAS/IFRS, may opt for the early adoption of a new standard which will replace the standard currently in effect. The option is permitted only when the new standard allows for early adoption. Moreover, the same version of the standard must be adopted for all periods presented in the first financial statements based on IAS/IFRS.
 - a) IFRS 2 "*Share-based Payment*": the amendment clarifies the definition of "vesting condition" and separately defines the "performance conditions" and "service conditions";
 - b) IFRS 3 "*Business Combinations*": the amendment clarifies that an obligation to pay a consideration in a business combination that meets the definition of financial instrument should be classified as a financial liability in accordance with IAS 32 "*Financial Instruments: Presentation*"; It also clarified that the standard in question does not apply to joint ventures and joint arrangements covered by IFRS 11.
 - IFRS 8 – *Operating segments*: the standard has been amended in terms of the reporting requirements that apply in cases where different operating segments with the same economic characteristics are aggregated.
 - IFRS 13 – *Fair value measurement*: the amendments clarify that the exemption allowing an entity to measure at fair value groups of assets and liabilities applies to all contracts, including non-financial contracts, and that the possibility also remains of recognising current trade receivables and payables without recording discounting effects, if these effects are not material.
 - IAS 16 "*Property, Plant and Equipment*" and IAS 38 "*Intangible Assets*": both standards have been amended to clarify how recoverable value and useful life are treated in case of revaluation by the entity;
 - IAS 24 "*Related Party Disclosures*": the standard was amended to include, as a related party, an entity that provides key personnel management services;
 - IAS 40 – *Investment Property*: the amendment to the standard concerns the interaction between the provisions of IFRS 3 "*Business Combinations*" and those of this standard in cases where the acquisition of a property is identifiable as a business combination.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE

The following accounting standard is applicable for years commencing on or after 1 January 2016:

- On 12 May 2014, the IASB issued amendments to IAS 16 and IAS 38 "*Clarification of Acceptable Methods of Depreciation and Amortisation*", that consider the adoption of depreciation and amortisation methods based on revenues as unacceptable. As regards

intangible assets, this indication is considered as a relative assumption, that may only be overcome in one of the following circumstances: (i) the right to use an intangible asset is related to the realisation of a predefined threshold for revenues to be produced; or (ii) when it may be demonstrated that the realisation of revenues and use of the economic benefits of the asset are strongly related.

At the date of these Financial Statements, competent bodies of the European Union had not completed the approval process necessary for the application of the following accounting standards and amendments:

- On 6 May 2014, the IASB issued some amendments to IFRS 11 – *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*, providing clarifications on the accounting by entities that jointly control an arrangement. The amendments are applicable in a retrospective manner for years commencing from or after 1 January 2016. Early adoption is possible.
- In May 2014, the IASB and FASB jointly published IFRS 15 “*Revenue from Contracts with Customers*”. The purpose of this standard is to improve reporting on revenues and their comparability between different financial statements. The new standard is applicable in a retrospective manner for years commencing from or after 1 January 2018. Early adoption is possible.
- On 24 July 2014, the IASB finalised its project to revise the accounting standard for financial instruments, with the issue of the complete version of IFRS 9 “*Financial Instruments*”. In particular, the new provisions of IFRS 9: (i) amend the model that classifies and measures financial assets; (ii) introduce a new method for writing down financial assets, that takes account of expected credit losses; and (iii) amend *hedge accounting* provisions. The provisions of IFRS 9 will be applicable for years commencing on or after 1 January 2018.
- On 12 August 2014, the IASB issued an amendment to the revised IAS 27 “*Separate Financial Statements*”: this amendment, applicable from 1 January 2016, allows an entity to use the shareholders' equity method to recognise investments in subsidiaries, *joint ventures* and associates in the separate financial statements.
- In September 2014, the IASB amended IAS 28 “*Investments in Associates and Joint Ventures*” and IFRS 10 “*Consolidated Financial Statements*” with a view to resolving an inconsistency in the treatment of the sale or transfer of assets between an investor and its affiliate or joint venture. The gain or loss is now fully recognised when the transaction relates to a *business*. These changes were to apply with effect from 1 January 2016, however in January 2015, it was decided that the effective date would be postponed until certain inconsistencies with IAS 28 had been resolved.
- As part of 2012-2014 annual IFRS amendments, on 25 September 2014, the IASB published a series of amendments to certain international accounting standards, applicable with effect from 1 January 2016. The amendments concern:
 - (i) IFRS 5 – “*Non-current Assets Held for Sale and Discontinued Operations*”;
 - (ii) IFRS 7 – “*Financial instruments: Disclosures*”;
 - (iii) IAS 19 – “*Employee benefits*”;
 - (iv) IAS 34 – “*Interim Financial Reporting*”.

As regards the first point, the amendment clarifies that the financial statements need not be restated if an asset or group of assets available for sale was reclassified as “held for

distribution”, or vice versa. With reference to IFRS 7, the amendment states that if an entity transfers a financial asset on terms that allow the de-recognition of the asset, information must be disclosed concerning the entity’s involvement in the transferred asset. The proposed amendment to IAS 19 makes it clear that, in determining the discount rate of the obligation arising following the termination of the employment relationship, it is the currency in which the obligations are denominated that counts, rather than the country in which they arise. The proposed amendment to IAS 34 requires cross-references between information reported in the interim financial statements and the related disclosure.

- On 18 December 2014, the IASB issued the amendment to IAS 1 “*Presentation of Financial Statements*”. The amendment to the standard concerned, applicable from 1 January 2016, seeks to provide clarification regarding the aggregation or disaggregation of items if their amount is relevant or “material”. In particular, the amended standard requires there to be no aggregation of items with different characteristics or disaggregation that hampers disclosure or interpretation of the financial statements. In addition, as regards the statement of financial position of an entity, the amendment clarifies the need to disaggregate certain items required by paragraphs 54 (statement of financial position) and 82 (Income statement) of IAS 1, when this presentation is significant for the purposes of understanding the financial position and performance of the entity.
- On 18 December 2014, the IASB amended IFRS 10 “*Consolidated Financial Statements*”, and IAS 28 “*Investments in associates and joint ventures*”. Regarding the first point, the amendment clarifies that the exemption of the presentation of consolidated financial statements applies to a parent company that is controlled by an investment company, when the latter measures all its subsidiaries at fair value. IAS 28 was amended as regards investments in associates or joint ventures that are “investment entities”: these investments may be recognised with the equity method or at fair value. These amendments apply from 1 January 2016.
- On 13 January 2016, the IASB published the new standard IFRS 16 – *Leases*, which replaces IAS 17. IFRS 16 is adopted from 1 January 2019, but early adoption is permitted for entities that also adopt IFRS 15 – *Revenue from Contracts with Customers*.
- On 19 January 2016, the IASB published some amendments to IAS 12 – *Income taxes*. The document clarifies how to recognise deferred tax assets relative to debt instruments measured at fair value and is applicable from 1 January 2017 (early adoption is permitted).
- On 29 January 2016, the IASB published some amendments to IAS 7 – *Income taxes*. The amendments are adopted from 1 January 2017.

- E - SEGMENT REPORTING

The application of IFRS 8 - Operating Segments - is mandatory at 1 January 2009. This principle requires operating segments to be identified on the basis of an internal reporting system which top company management utilises to allocate resources and to assess *performance*.

The information for operating sectors presented below reflects the internal reporting utilised by management for making strategic decisions. In this respect, as regards business areas, where possible information is provided relating to the property and holding sector, industrial and naval sectors.

Primary sector: business areas

Income statement at 31 December 2015

In thousands of euro	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Naval sector</i>	<i>Immsi Group</i>
Net revenues to third parties	4,919	1,295,286	61,807	1.362.012
Net intergroup revenues				0
NET REVENUES	4,919	1,295,286	61,807	1.362.012
OPERATING INCOME	-819	56,710	-1,837	54,054
Income/(loss) from investments	0	165	0	165
Financial income				20,577
Borrowing costs				76,605
PROFIT BEFORE TAX				-1,809
Taxation				11,863
EARNINGS AFTER TAXATION FROM CONTINUING ASSETS				-13,672
Gain (loss) from assets intended for disposal or sale				0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTEREST				-13,672
Non-controlling interest earnings for the period				-4,118
GROUP EARNINGS FOR THE PERIOD				-9,554

Statement of financial position at 31 December 2015

In thousands of euro	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Naval sector</i>	<i>Immsi Group</i>
Segment assets	383,088	1.551.381	221,047	2.155.516
Investments in affiliated companies	0	169	13	182
TOTAL ASSETS	383,088	1,551,550	221,060	2.155.698
TOTAL LIABILITIES	347,659	1.147.257	232,688	1.727.604

Other information at 31 December 2015

In thousands of euro	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Naval sector</i>	<i>Immsi Group</i>
Investments in tangible and intangible assets	406	101,890	428	102,724
Depreciation, amortisation and write-downs	517	107,484	1,973	109,974
Cash flow from operations	-20,013	128,841	-7,350	101,478
Cash flow from investing activities	2,869	-100,457	-279	-97,867
Cash flow from financing activities	35,270	-17,212	6,842	24,900

Secondary sector: geographic segments

The following table presents the financial position and performance of the Group for 2015 in relation to geographic segments “of origin”, that is, with reference to the country of the company which realised the revenues or which owns the assets.

The distribution of revenues by geographic segment of “destination”, that is, with reference to the customer’s country, is analysed in the Notes to the Consolidated Financial Statements at 31 December 2015 under the item net revenues in the Income Statement.

Income statement at 31 December 2015

In thousands of euro	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
NET REVENUES	717,449	24,298	353,708	70,377	196,180	1.362.012

Statement of financial position at 31 December 2015

In thousands of euro	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Segment assets	1.757.271	26,857	192,181	40,713	138,494	2.155.516
Investments in affiliated companies	147	35	0	0	0	182
TOTAL ASSETS	1.757.418	26,892	192,181	40,713	138,494	2.155.698

In thousands of euro	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Total receivables *)	100,166	15,420	25,223	7,508	20,390	168,707
Total payables**)	322,106	54,375	108,279	2,558	43,455	530,773

*) Contract work in progress and tax receivables are not included.

***) Payables for Current taxes and Financial liabilities are not included.

Other information at 31 December 2015

In thousands of euro	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Investments in plant, property and equipment and intangible assets	79,153	88	8,105	264	15,114	102,724
Depreciation, amortisation and write-downs	81,492	415	17,361	123	10,583	109,974

For comparability, corresponding tables referring to 31 December 2014 are shown below:

Income statement at 31 December 2014

In thousands of euro	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Naval sector</i>	<i>Immsi Group</i>
Net revenues to third parties	4,819	1,213,272	56,486	1.274.577
Net intergroup revenues				0
NET REVENUES	4,819	1,213,272	56,486	1.274.577
OPERATING INCOME	-5,060	69,661	-6,976	57,625
Income/(loss) from investments	0	-113	0	-113
Financial income				14,680
Borrowing costs				140,957
PROFIT BEFORE TAX				-68,765
Taxation				2,579
EARNINGS AFTER TAXATION FROM CONTINUING ASSETS				-71,344
Gain (loss) from assets held for disposal or sale				0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS				-71,344
Earnings for the period attributable to non-controlling interests				-530
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP				-70,814

Statement of financial position at 31 December 2014

In thousands of euro	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Naval sector</i>	<i>Immsi Group</i>
Segment assets	337,570	1.556.410	282,547	2.176.527
investments in affiliated companies	0	198	14	212
TOTAL ASSETS	337,570	1,556,608	282,561	2.176.739
TOTAL LIABILITIES	308,326	1.143.539	282,763	1.734.628

Other information at 31 December 2014

In thousands of euro	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Naval sector</i>	<i>Immsi Group</i>
Investments in plant, property and equipment and intangible assets	563	94,893	876	96,332
Depreciation, amortisation and write-downs	571	87,384	1,320	89,275
Cash flow from operations	-22,092	66,362	-797	43,473
Cash flow from investing activities	-6,605	-96,100	482	-102,223
Cash flow from financing activities	26,099	72,798	880	99,777

Secondary sector: geographic segments

Income statement at 31 December 2014

In thousands of euro	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
NET REVENUES	674,126	27,353	324,680	59,345	189,073	1.274.577

Statement of financial position at 31 December 2014

In thousands of euro	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Segment assets	1.796.191	28,307	188,339	30,147	133,543	2.176.527
Investments in affiliated companies	147	3	0	0	62	212
TOTAL ASSETS	1.796.338	28,310	188,339	30,147	133,605	2.176.739

In thousands of euro	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Total receivables *)	110,166	42,033	17,639	3,610	24,723	198,171
Total payables**)	350,342	77,510	107,411	1,811	34,640	571,714

*) Contract work in progress and Tax receivables are not included.

**) Payables for Current taxation and Financial liabilities are not included.

Other information at 31 December 2014

In thousands of euro	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Investments in plant, property and equipment and intangible assets	83,836	1,009	8,304	68	3,115	96,332
Depreciation, amortisation and write-downs	69,853	-3,300	14,705	96	7,921	89,275

- F - INFORMATION ON MAIN ASSET ITEMS

Amounts are stated in thousands of euro unless otherwise indicated.

- F1 -	INTANGIBLE ASSETS	852,211
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Net intangible assets at 31 December 2015 totalled 852,211 thousand euro, up by 5,636 thousand euro compared to 31 December 2014, and are broken down as follows:

In thousands of euro	<i>Development costs</i>	<i>Concessions, patents, industrial and similar rights</i>	<i>Trademarks and licences</i>	<i>Goodwill</i>	<i>Other intangible assets</i>	<i>TOTAL</i>
Gross amounts at 31 December 2013	186,551	247,023	149,200	617,415	9,935	1,210,124
Increases	31,810	26,341	0	0	345	58,496
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	(18,627)	9,108	0	8,006	(711)	(2,224)
Gross amounts at 31 December 2014	199,734	282,472	149,200	625,421	9,569	1.266.396
Accumulated amortisations at 31 December 2013	79,657	199,681	86,486	3,433	8,293	377,550
Depreciation	26,780	15,525	4,828	0	857	47,990
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	(14,603)	1,503	0	8,006	(625)	(5,719)
Accumulated amortisations at 31 December 2014	91,834	216,709	91,314	11,439	8,525	419,821
Net amounts at 31 December 2014	107,900	65,763	57,886	613,982	1,044	846,575
Gross amounts at 31 December 2014	199,734	282,472	149,200	625,421	9,569	1.266.396
Increases	31,420	32,360	0	0	127	63,907
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	976	2,777	0	0	(4)	3,749
Gross amounts at 31 December 2015	232,130	317,609	149,200	625,421	9,692	1.334.052
Accumulated amortisations at 31 December 2014	91,834	216,709	91,314	11,439	8,525	419,821
Depreciation	32,722	21,261	4,828	0	755	59,566
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	2,044	447	0	0	(37)	2,454
Accumulated amortisations at 31 December 2015	126,600	238,417	96,142	11,439	9,243	481,841
Net amounts at 31 December 2015	105,530	79,192	53,058	613,982	449	852,211

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

Development costs

Development costs include costs for products, vessels and engines in projects for which there is an expectation, for the period of the useful life of the asset, to realise revenues that will allow for the recovery of the costs incurred. This item includes assets under construction for 27,193 thousand euro, entirely ascribable to the Piaggio Group, which instead represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.

With particular reference to the **industrial sector** (Piaggio Group), new projects capitalised during

2015 refer to the study of new vehicles and new engines (two-/three-/four-wheelers which will feature as the top products in the 2015-2017 range).

Borrowing costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the actual assets. Development costs included under this item are amortised on a straight line basis, from 3 to 5 years, in consideration of their remaining useful life.

Lastly, during 2015, development costs of approximately 15.400 million euro were recognised directly by the Piaggio Group in profit or loss.

With reference to the **naval sector** (Intermarine S.p.A.), in the last few years two important research projects had started called "Hydrofoils with immersed wing" and "Enviroaliswath".

The first project involves the planning and construction of two prototypes of a new submerged-foil hydrofoil: for this project, costs equal to around 8.4 million euro had been capitalized at 31 December 2015, amortised for approximately 2.9 million euro.

The second project, named "Enviroaliswath" involves the planning and construction of a naval vessel that is innovative as regards environmental impact in terms of wake wash reduction: costs for around 6.2 million euro had been capitalized at 31 December 2015, net of amortisation of approximately 1 million euro. In this respect, the above items were depreciated until the year ending on 31 December 2004 at a rate of 20% a year: the recoverability of these costs is provided through the production and sale of the related vessels as from 2018. The company is also holder of the project named "Pia-Lightprop", which involves the design and construction of new generation marine stern drives for which approximately 1.5 million euro of fully amortized costs have been capitalised.

For further details on main research and development activities carried out by Immsi Group companies, see the paragraph "*Research & Development*".

Concessions, patents, industrial and similar rights

The net balance of this item, equal to 79,192 thousand euro at 31 December 2015, is mainly related to the Piaggio Group that has recorded software, patents and know-how for a total of 78,987 thousand euro, of which fixed assets in progress for 2,472 thousand euro.

Patents and know-how mainly refer to the Vespa, GP 800, MP3, RSV4, hybrid MP3 vehicles and the 1200 cc engine, while increases for the period chiefly concern new calculation, design and production techniques and methodologies developed by the Group for its new products in the 2015-2017 range.

Industrial patent and intellectual property rights costs are amortised over three years. Other Immsi Group companies recognised the item "software" referable to Intermarine S.p.A. for naval architecture, design and EDP programmes and, in the case of the subsidiary Is Molas S.p.A., for the hotel management programme and other applications.

Trademarks and licences

The item trademarks and licences with a finite useful life, totalling 53,058 thousand euro, is broken down as follows:

<i>In thousands of euro</i>	Net value at 31 December 2015	Net value at 31 December 2014	Change
Guzzi trademark	17,875	19,500	(1,625)
Aprilia trademark	35,123	38,316	(3,193)
Other	60	70	(10)
Total brands	53,058	57,886	(4,828)

The Aprilia and Guzzi trademarks are amortised over a period of 15 years, expiring in 2026.

Goodwill

The goodwill recognised by the Group was unchanged compared to the balance at the end of 2014. The item in question is broken down in the following table:

<i>In thousands of euro</i>	Net balance at 31.12.2015
Acquisition of 100% of Piaggio & C. S.p.A. by Piaggio Holding N. BV (in 2003)	405,985
Acquisition of 2.81% of Piaggio & C. S.p.A. by Piaggio Holding N. BV (in 2006)	14,620
Acquisition of 31.25% of Piaggio Holding N. BV by Immsi S.p.A. (in 2003)	3,480
Acquisition of 5.23% of Piaggio & C. S.p.A. by Immsi S.p.A. (in 2004) / Sale of 2.32% of Piaggio & C. S.p.A. by Immsi S.p.A. in 2008	3,643
Acquisition of 17.7% of Piaggio Holding N. BV by Immsi S.p.A. (in 2004 and 2006)	64,756
Acquisition of 2.22% of Piaggio & C. S.p.A. by Immsi S.p.A. (in 2007 and 2008)	7,143
Acquisition of 100% of Aprilia S.p.A. by Piaggio & C. S.p.A. (in 2004)	79,705
Acquisition of 66.49% of Rodriquez Cantieri Navali S.p.A. by RCN Finanziaria S.p.A. (in 2004)	30,337
Acquisition of 33.51% of Rodriquez Cantieri Navali S.p.A. by RCN Finanziaria S.p.A. (in 2005)	2,001
Acquisition of 2.37% of RCN Finanziaria S.p.A. by Immsi S.p.A. (in 2007)	1,286
Other acquisitions / changes	1,026
TOTAL	613,982
- of which allocated to Piaggio Group cash-generating unit	579,492
- of which allocated to Intermarine cash-generating unit	34,428

Goodwill derives from the greater value paid compared to the corresponding portion of the investees' shareholders' equity at the time of purchase, reduced by relative accumulated amortisation until 31 December 2003. During first-time adoption of the IFRS, in fact, the Group chose not to apply *IFRS 3 – Business combinations* retroactively to company acquisitions prior to 1 January 2004; As a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition of any impairment losses. At 1 January 2004 goodwill has no longer been amortised: the recoverable value of the cash-generating unit, to which individual goodwill was attributed, is verified by determining the recoverable value (value in use) and tested for impairment, applying the method required by IAS 36. The value in use is estimated on the basis of:

- the current value of future financial flows over a multi-year forecasting period that are estimated to be generated by the continuous use of the assets referred to the single cash generating units (“Unlevered” version of the “Discounted Cash Flow” method); and
- by the terminal value attributable to them (estimated according to the perpetual growth method), so as to reflect the residual value that each cash-generating unit is expected to generate beyond the planning timeframe and which is representative of the current value of future cash flows after the specific period of forecast financial data.

Lastly, the recoverability of goodwill is tested at least once a year (at 31 December), also in the absence of possible indicators of goodwill losses.

Goodwill has been allocated to the Intermarine and Piaggio Group cash-generating units. With reference to the Piaggio Group cash-generating unit, the impairment test was arranged in-house by the Immsi S.p.A. company management, whereas for Intermarine, cash-generating unit, the Parent Company called in an external consultant to draw up an impairment report to support the Parent Company's Board of Directors for the purposes of the application of the procedure set out in accounting standard IAS 36.

As concerns the **Piaggio Group**, it has been considered reasonable to consider the Piaggio cash-generating unit coincident with the Piaggio Group as a whole (Piaggio & C. S.p.A. and its subsidiaries). Therefore all the considerations related to the estimate of the utilization value of the cash-generating unit and to its use for the purposes of the impairment test were developed considering the Piaggio Group at consolidated level. The carrying amount of the goodwill allocated to the cash-generating unit Piaggio Group is equal to approximately 579.5 million euro. The main hypotheses and assumptions used in determining the recoverable value of the cash generating unit are related to i) the use of forecast economic and asset data of the Piaggio Group; ii) the discount rate used for making the estimated expected cash flows current; iii) the use of the expected growth rate for the calculation of the terminal value consistently with the approach of the perpetuity growth.

As regards the figures as of point i), analyses were based on predicted financial flows relative to a four-year period assumed from 2016 budget data supplemented by forecast data relative to 2017-2019 (approved by the Board of Directors of Piaggio & C. S.p.A. on 10 February 2016).

With reference to the value of point ii), for discounting the estimated expected cash flows, a weighted average discount rate calculated beginning from the discount rates related to the different geographic segments of operation of the Piaggio Group for its own *cash-generating units* has been used, that reflect the current market evaluations of the cost of money and that take account of the specific risks of the business and of the geographic segment in which the different cash-generating units of the Piaggio Group operate. In particular, to establish the cost of its equity (" K_e ") according to the CAPM ("*Capital Asset Pricing Model*") a) a variable long-term risk-free rate for the different areas of operation of the group was considered; b) a market risk premium in an unconditional form (normal long-term premium), in order to avoid the risk of running into a "double counting" of the country risk associated to the group's operational areas; c) Beta coefficients also taking into account the Beta coefficients of main listed companies that are comparable to the Piaggio Group. The cost of debt (" K_d ") net of taxes was estimated taking account of the target financial structure that can be related to main listed companies comparable to the Piaggio Group as well as – prudentially in order to mitigate the positive impact of the current expansive monetary policy – a long-term risk-free rate. The weighted average discount rate ("WACC") used for the purposes of the impairment test net of taxes is therefore estimated equal to approximately 7.4%: the slight reduction in the WACC from the previous year (7.7% at 31 December 2014) is mainly due to the decrease in the interest rate for risk-free activities.

As regards point iii) when processing the impairment test, the final value was determined using a weighted average perpetual growth rate ("*g rate*"), calculated starting from different "*g rates*", determined by the Piaggio Group for its own internal cash-generating units. This average weighted "*g rate*" was estimated as being equal to 1.4% (in line with the figure used at 31 December 2014).

Analyses did not identify any impairment losses: therefore, no impairment loss was reflected in the data of the Consolidated Financial statements of the Immsi Group at 31 December 2015. With the above values of the basic assumptions considered, the goodwill test regarding the Piaggio Group cash-generating unit was passed with a broad margin. In addition, also on the basis of the indications contained in the Document Banca d'Italia/Consob/Isvap no. 2 of 6 February 2009 and in

the document Banca d'Italia/Consob/Isvap no. Impairment testing was successful, also considering a worst case scenario of a reduction in the perpetual growth rate ("g rate") by half a percentage point, at the same time as an increase in the WACC by a percentage point.

As regards the cash-generating unit **Intermarine** the company coincides with the definition of the "naval sector" identified by the Immsi Group in its own segment reporting, in compliance with *IFRS 8 – Operating segments*: the carrying amount of goodwill allocated to the cash-generating unit is equal to approximately 34.4 million euro. The main hypotheses and assumptions used in determining the recoverable value of the cash generating unit are related to i) the use of forecast financial data of Intermarine; ii) the discount rate used for discounting estimated expected cash flows; iii) the expected growth rate for calculating the terminal value, consistently with the approach of discounting back the "perpetual growth".

As regards values of point i) the analyses were based on a hypothesis of forecast financial flows relative to a four-year time line inferable from budget data for 2016, supplemented with forecast data for the period 2017-2018 prepared by the management of Intermarine S.p.A.: the data processed as above were approved by the Board of Directors of the company on 10 March 2016. In this regard, forecast data considered – uncertain and variable by nature – reflect the evolution of the company's order portfolio as well as its future industrial and commercial strategies: the data, in particular, are based - to a significant extent - on the acquisition of future contracts for which negotiations, at various stages, are ongoing with the Italian Navy and international navies. Updates, revisions or negative developments relative to the aforesaid assumptions and forecasts occurring after the reporting period of this evaluation could influence, even significantly, the results of impairment testing. In this regard, during preceding years, the final results of the naval sector showed significant deviations compared to estimates in financial forecasts used, even after several exceptional and unforeseeable events such as flooding at the Intermarine shipyard in Sarzana: given the intrinsically uncertain nature of the forecast data considered, it cannot be excluded that these deviations may continue to take place even in the future, with respect to the forecast data used in the impairment test carried out at 31 December 2015.

As regards the value of point ii), for discounting the estimated expected cash flows of Intermarine, a discount rate was used that reflects current market evaluations of the cost of money and takes account of the specific risks of the business and geographic segment in which the company operates. In particular, the cost of equity (" K_e ") was determined according to the CAPM ("*Capital Asset Pricing Model*"). For this purpose, we considered a) a long-term risk-free rate; b) a market risk premium in an unconditional form (normal long-term premium), in order to avoid the risk of running into a "double counting" of the country risk associated to the group's operational areas; c) a Beta coefficient calculated by taking into account also the Beta coefficient of a sample of companies comparable to the company, operating in the leisure and defence shipbuilding sector. In order to estimate the above rate, a specific risk premium equal to 3% was also considered: this methodological choice was made in light of the above analyses regarding deviations between results forecast in the 2015 budget and actual results for 2015. The cost of debt (" K_d ") net of taxes was estimated taking account of the expected financial structure of a panel of listed companies comparable to Intermarine as well as – prudentially in order to mitigate the positive impact of the current expansive monetary policy - a long-term risk-free rate. The discount rate used for the impairment test net of taxes was therefore estimated as being equal to approximately 8.52% (8.29% at 31 December 2014).

As regards point iii) when processing the impairment test, the final value was determined using a perpetual growth rate ("g rate") conservatively estimated as being equal to 1% (1.5% at 31 December 2014), which is in line with the approximation of inflation expected in Italy in the period when the Plan ends.

The analyses conducted did not highlight any impairment losses with reference to the test of goodwill allocated to the Intermarine cash-generating unit: therefore, no impairment of goodwill is

reflected in the data of the Consolidated Financial statements of the Immsi Group at 31 December 2015. Sensitivity analysis was carried out on the test results compared to the basic assumptions used such as the perpetual growth rate used to process the final value (“g rate”) and the discount rate (“WACC”), that affect the estimate of the value of use of the cash-generating unit Intermarine: the test concerning goodwill allocated to the cash-generating unit in question was passed in all reasonably considered cases. In this regard, changes in values assigned to basic assumptions considered reached the worst case scenario of a reduction in the perpetual growth rate (“g rate”) of half a percentage point, and a concomitant increase in the WACC of one percentage point.

Considering that analyses conducted to estimate the recoverable value both for the Piaggio Group cash-generating unit and for the Intermarine cash-generating unit were also determined on the basis of estimates, the Group cannot provide assurance that an impairment loss in goodwill in future periods will not be recognised.

Given the current ongoing difficulty of reference and financial markets, the various factors - both internal and external to cash generating units identified - used in making the estimates could be revised in future. The Group will constantly monitor these factors and the possible existence of future impairment losses.

Other intangible assets

The item “Other intangible assets with a finite life” totalling 449 thousand euro, mainly includes expenses incurred by Piaggio Vietnam. The item also includes assets under construction for 11 thousand euro, referring entirely to the Piaggio Group.

- F2 - PLANT, PROPERTY AND EQUIPMENT	343,465
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Net plant, property and equipment at 31 December 2015 amounted to 343,465 thousand euro, compared to 344,450 thousand euro at 31 December 2014, and comprise assets owned by the Piaggio Group for 307,608 thousand euro, of Intermarine S.p.A. for 18,404 thousand euro, of Is Molas S.p.A. for 17,270 thousand euro and of Immsi S.p.A. for 175 thousand euro. The following table details this item:

In thousands of euro	<i>Land</i>	<i>Buildings</i>	<i>Plant and machinery</i>	<i>Industrial and commercial equipment</i>	<i>Assets to be given free of charge</i>	<i>Other assets</i>	<i>TOTAL</i>
Gross amounts at 31 December 2013	44,651	177,280	444,549	515,625	10,403	52,631	1,245,139
Increases	171	5,029	18,421	11,103	118	2,887	37,729
Decreases	0	(70)	(1,397)	(2,388)	0	(2,893)	(6,748)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	43	2,491	13,550	(716)	0	839	16,207
Gross amounts at 31 December 2014	44,865	184,730	475,123	523,624	10,521	53,464	1,292,327
Accumulated depreciation at 31 December 2013	0	59,393	318,328	472,171	9,415	45,523	904,830
Depreciation	0	5,477	20,024	15,209	56	2,362	43,128
Applications	0	(59)	(1,212)	(2,197)	0	429	(3,039)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	702	4,738	(258)	0	(2,224)	2,958
Accumulated amortisation at 31 December 2014	0	65,513	341,878	484,925	9,471	46,090	947,877

Net amounts at 31 December 2014	44,865	119,217	133,245	38,699	1,050	7,374	344,450
Gross amounts at 31 December 2014	44,865	184,730	475,123	523,624	10,521	53,464	1.292.327
Increases	0	2,629	24,369	7,354	21	4,324	38,697
Decreases	0	(10)	(5,370)	(2,748)	0	(2,830)	(10,958)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	1,797	10,204	1,189	(127)	1,266	14,329
Gross amounts at 31 December 2015	44,865	189,146	504,326	529,419	10,415	56,224	1.334.395
Accumulated amortisation at 31 December 2014	0	65,513	341,878	484,925	9,471	46,090	947,877
Depreciation	0	5,717	22,701	14,646	52	4,041	47,157
Applications	0	0	(5,252)	(2,704)	0	316	(7,640)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	393	3,881	1,173	0	(1,911)	3,536
Accumulated amortisation at 31 December 2015	0	71,623	363,208	498,040	9,523	48,536	990,930
Net amounts at 31 December 2015	44,865	117,523	141,118	31,379	892	7,688	343,465

Note: The "Other movements" item includes the translation differences relating to financial statements in foreign currencies, reclassifications and write-downs.

Plant, property and equipment are depreciated at rates considered suitable for representing their useful life and in any case according to depreciation on a straight line basis, to which reference is made to paragraph *D – Accounting standards and measurement criteria*.

Plant, property and equipment at 31 December 2015 included approximately 892 thousand euro relative to freely transferable assets attributable to Intermarine, comprising light constructions, buildings and relative renovation costs, built on state-owned land in the Municipality of Messina. Buildings built on state-owned land are depreciated based on the remaining duration of the concession: These assets, held because of a concession agreement, at its expiry, must be transferred free of charge and in perfect operating conditions to the granting body.

Furthermore, borrowing costs on loans acquired to finance the building of assets that require a substantial period of time to be ready for use are capitalised as part of the cost of the assets themselves: in this regard, the Group capitalized borrowing costs for 1.405 thousand euro in the year.

Land and building

Land and industrial property refer to production facilities of the Piaggio Group located in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India) and Vinh Phuc (Vietnam), to the industrial complex of Intermarine S.p.A. in Sarzana (SP) and to the tourism/hotel structure managed by Is Molas S.p.A. in the Municipality of Pula (Cagliari). The item also includes a land and a building belonging to the Piaggio Group at Pisa which was transferred by Piaggio & C. S.p.A. in December 2009 to a property fund, consolidated on a line-by-line basis. The Group recognised 6,328 thousand euro for assets under construction at owned property.

Plant and machinery

The "Plant and machinery" item refers essentially to the production facilities of the Piaggio Group located in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam), as well as the structures owned by Intermarine S.p.A. and the facilities located in the tourism/hotel complex managed by Is Molas S.p.A., for a net overall amount (excluding assets held under finance leases) of 141,118 thousand euro. The Group recognised 23,682 thousand euro for assets under construction and as a whole it uses plant and machinery fully depreciated for a gross value of approximately 24,821 thousand euro.

Industrial and commercial equipment

The item "Industrial and commercial equipment", totalling 31,379 thousand euro, basically comprises production equipment of Piaggio & C. S.p.A., Piaggio Vehicles Private Ltd, Piaggio Vietnam Co. Ltd and Intermarine S.p.A.. The balance includes assets under construction for 6,949 thousand euro wholly recognised by the Piaggio Group and equipment fully depreciated but still in use for a total of 6,836 thousand euro wholly recognised by Intermarine S.p.A..

Main investments in equipment were made by the Piaggio Group and concerned moulds for new vehicles launched during the year or scheduled to be launched in the first half of next year, moulds for new engines and specific equipment for assembly lines.

Other assets

The "Other assets" item comprises vehicles, furniture, office fittings and EDP systems. Other assets are recognised for a total value of 7,688 thousand euro, net of relative depreciation. The Group uses fully depreciated assets belonging to this category for a gross value of 5,446 thousand euro and recognised assets under construction for 383 thousand euro. The item includes the net value, at 31 December 2015, of other assets held through lease agreements equal to 169 thousand euro and referring to vehicles used by the Aprilia Racing Team.

Warranties

At 31 December 2015, the Group had land and property encumbered by mortgages or pledges in favour of financial institutions to guarantee bank loans, to which reference is made in the paragraph *I – Commitments, risks and guarantees*.

- F3 - INVESTMENT PROPERTY	85,965
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At 31 December 2015, investment property of the Immsi Group was recognised amounting to 85,965 thousand euro, attributable to the property of Immsi S.p.A. situated in Rome – Via Abruzzi for 74,004 thousand euro and to property, plant and machinery of the Spanish site at Martorelles of the Piaggio Group for 11,961 thousand euro.

With reference to the property of the **Parent company Immsi S.p.A.**, as known, since 2008 the Company has classified it (located in Rome – Via Abruzzi) as property investment, as defined by IAS 40: the carrying amount was reassessed to the market value at the date of change of destination (equal to 72.1 million euro), since it was no longer instrumental to the typical activity, but instead an asset usable to finance other ongoing investment activities. The greater value was entered in a specific reserve of shareholders' equity, net of the related tax effect. Subsequent investments led to an increase of the property as periodically confirmed by an independent external appraisal. Moreover, the investment is no longer subject to depreciation, starting from the year 2009, as established by international accounting standards. The value recognised in the Financial Statements at 31 December 2015 includes 31 thousand euro of works in progress that will be completed and will generate profit starting from 2016.

The valuation of the real estate investment is based on an appraisal of an external consultant that estimated the fair value at the end of 2015 in line with the value recognised in the Financial Statements at 31 December 2015. The valuation criteria used in this survey refer to generally accepted valuation methodologies and principles, using discounted cash flow analysis.

The valuation is therefore based on discounting cash flows generated during the period at the estimate date. Revenues and costs were considered at present value, at the time when they arose and were discounted bank using a suitable rate.

The market value of the property complex therefore comprises the discounting of operating costs, revenues from the property according to various uses and revenues from the sale of the property assumed for capitalisation of the rental payment of the last period considered.

In order to determine the rental payment of the property, the comparative synthetic method was used which makes it possible to determine the value corresponding to the sum of money for which the property could be rented, at the time of the estimate, between an owner and lessee both interested in the transaction, in the absence of particular interests and after an adequate sale, assuming that both parties act freely, cautiously and are informed. This comparative procedure estimates the rental value by comparing recent or present transactions, relative to similar assets as regards the type, building and location. The rental payment for the asset may, therefore, be determined taking into account rental prices and making adjustments considered adequate as regards the morphological aspects of the asset, its maintenance, profitability, the qualities of any lessee and any other factor considered relevant.

The continued uncertainty on the real estate market makes it possible for prices and values to be extremely volatile at times, until the market regains stability.

Lastly, rental income referred to the property in question and recognised under net revenues amounted to 2,792 thousand euro, whereas the costs connected to it refer mainly to ordinary maintenance and operating costs of the building. Most of these costs are then charged to tenants as of building service regulations.

Mortgages existed on the property, for a total of 90 million euro guaranteeing the loan obtained in 2010 and renegotiated at the end of 2015 with Banco Popolare for 45 million euro, which is expected to be settled in 2025.

As regards the property of the **Piaggio Group**, the carrying amount of the Martorelles site at 31 December 2015 was determined by a specific appraisal conducted by an independent expert who measured the "Fair Value less cost of disposal" based on a market approach (as provided for in IFRS 13). This analysis shows an overall value of the investment which is more or less the same as the previous year and therefore the carrying amount of 11,961 thousand euro was confirmed. In this regard, the valuation took account of the current status of the property, and the project to convert the area, for the development of a retail centre prepared by the Piaggio Group, together with comparable transactions. Following the site redevelopment project, an agency management contract was given to a Spanish property company, to seek investors interested in the property. The Group uses the "fair value model" as provided for by IAS 40. If the cost criterion had still been used instead of fair value, the value of the Martorelles site would have been equal to /6,792 thousand euro.

- F4 - INVESTMENTS	9,546
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The table below details the item Investments at 31 December 2015:

In thousands of euro	<i>Balance</i> <i>31.12.2014</i>	<i>Increases</i>	<i>Decreases</i>	<i>Revaluations</i> <i>/</i> <i>Write-downs</i>	<i>Reclassifications</i> <i>/</i> <i>Exchange differences</i>	<i>Balance</i> <i>31.12.2015</i>
Investments in subsidiaries	9	8	(3)	0	0	14
Investments in affiliated companies and joint ventures	8,822	0	(1)	141	570	9,532
TOTAL	8,831					9,546

The increase of the above item refers to the equity valuation of the investment in the Zongshen Piaggio Foshan Motorcycles Co. Ltd. joint-venture. Moreover i) the Piaggio Group adjusted the value of investments in affiliated companies to the corresponding value of shareholders' equity; while ii) Intermarine S.p.A. adopted the equity method to measure investments in subsidiaries.

Below is the corresponding table related to changes that occurred during 2014:

In thousands of euro						
	Balance 31.12.2013	Increases	Decreases	Reversals / Write-downs	Reclassifications / Exchange differences	Balance 31.12.2014
Investments in subsidiaries	12	0	0	(3)	0	9
Investments in affiliated companies and joint ventures	8,156	0	0	(113)	779	8,822
TOTAL	8,168					8,831

The table below details Investments at 31 December 2015:

Investments	% Group	Book value at 31 December 2015
Accounted for using the equity method:		
Rodriquez Cantieri Navali do Brasil Ltda *)	100.00%	0
Rodriquez Pietra Ligure S.r.l.	100.00%	14
Accounted for using the cost method:		
Rodriquez Mexico *)	50.00%	0
Total subsidiaries		14
Accounted for using the equity method:		
Zongshen Piaggio Foshan Motorcycle Co. LTD.	45.00%	9,350
Total joint-ventures		9,350
Accounted for using the cost method:		
S.A.T. Societ� d'Automobiles et Triporteurs S.A.	20.00%	0
Depuradora d'Aig�es de Martorelles S.C.C.L.	22.00%	35
Pont - Tech, Pontedera & Tecnologia S.c.r.l.	20.44%	134
Consorzio CTMI – Messina	25.00%	13
Total associates		182
TOTAL		9,546

*) Inactive companies or companies in liquidation

The investment in Zongshen Piaggio Foshan Motorcycles Co. Ltd was classified under “Joint ventures” in relation to the agreement signed on 15 April 2004 between Piaggio & C. S.p.A. and Foshan Motorcycle Plant, on one side, and the Chinese company Zongshen Industrial Group Company Limited on the other side. Piaggio & C. S.p.A.’s investment in Zongshen Piaggio Foshan Motorcycles is equal to 45%, of which 12.5% through the direct subsidiary Piaggio China Company Ltd. The carrying amount of the investment is equal to 9,350 thousand euro and refers to shareholders' equity pro-rata adjusted to take into account the measurement criteria adopted by the Group.

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

Financial Statements at 31 December 2015
(figures in thousands of Euros)

	45% owned by the Piaggio Group
Working capital	4,714
Total assets	6,731
NET CAPITAL EMPLOYED	11,444
Provisions	47
Consolidated debt	2,047
Shareholders' equity	9,350
TOTAL SOURCES OF FINANCING	11,444

- F5 - OTHER FINANCIAL ASSETS	53,307
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- Non-current portion

Other non-current financial assets, equal to 36,812 thousand euro, decreased by 7,351 thousand euro compared to the value at the end of 2014 and mainly refer to financial assets available for sale, consisting of the investment (equal to 2.66% of capital) in Alitalia – Compagnia Aerea Italiana S.p.A. held by Immsi S.p.A..

This investment was recognised in the financial statements at 31 December 2015 as 12,115 thousand euro, up by 1,766 thousand euro compared to the corresponding value at 31 December 2014 (10,349 thousand euro). This increase is due to payments "for future capital increases" in compliance with the Stand-by Equity Commitment undertaken in September 2014 to subscribe and release a maximum 10 million euro capital to increase capital against payment resolved by the shareholders' meeting of Alitalia – CAI on 25 July 2014 (in relation to this commitment, the Company had already paid 5.4 million euro in 2014);

On 31 December 2014, a final agreement was signed between the long-standing shareholders of Alitalia – CAI and lender banks with a new minority shareholder of Alitalia, Etihad Airways, as part of an operation to reorganise and relaunch Alitalia, through a strategic partnership with the new partner and airline company Etihad Airways. This operation led to the establishment of a new company called Alitalia - SAI, in which the operating activities of Alitalia – CAI, a company in which Immsi is still shareholder, were transferred. For more details, see the Directors' Report and Financial Statements of the Immsi Group at 31 December 2014.

As regards this investment, valuations conducted when preparing this Report did not identify the need to carry out impairment, confirming the carrying amount recognised at 31 December 2014, increased by the value of payments of future capital increases made during the year.

Specifically, company management updated the impairment test, to assist the Board of Directors of Immsi S.p.A. for valuations in its remit, estimating the fair value of the investment using the unlevered version of the discounted cash flow method and obtaining a value in line with the carrying amount recognised at 31 December 2015. Based on official information provided by the management of the company, Alitalia – SAI recorded a result in 2015 in line with the plan that made it possible to confirm plan objectives. Immsi therefore used, in the impairment test, the industrial and financial plan for SAI which had been produced for the 2015 - 2018 period as part of the transaction that led to the entry of the new partner Etihad, with flows that had been considered for the valuation of the investment by Etihad, by the adjuster in the appraisal to transfer operating activities of CAI to SAI. Using criteria on a continual basis with those adopted in the appraisal to assign operating activities of CAI to SAI, to discount estimated financial flows, a Ke ("Cost of Equity") was used, equal to approximately 7.7% and a WACC ("Weighted Average Cost of Capital") equal to approximately 7.26%: the financial flows considered for the valuation covered a

three-year period, while for the terminal value of the investment, a perpetual growth rate "g rate" equal to 1.5% was considered, aligned with the growth rate of GDP expected for Europe for the period in question.

The item in question also includes:

- for a total of 24,658 thousand euro, the fair value of the hedging derivative instruments entered into by the Piaggio Group in relation to its foreign currency borrowings and comprising:
 - 20,290 thousand euro from the fair value of the cross currency swap relative to a private debenture loan;
 - 3,933 thousand euro from the fair value of the cross currency swap relative to a medium-term loan of the Indian subsidiary; and
 - 435 thousand euro from the fair value of the cross currency swap relative to a medium-term loan of the Vietnamese subsidiary; and
- The carrying amount of investments held in other minor companies by the Piaggio Group for a total of 39 thousand euro, down compared to 2014 for the sale of the investment in Geofor S.p.A. Pontedera (measured at 86 thousand euro at 31 December 2014) realising a capital gain of 24 thousand euro recognised as income from investments.

- Current portion

Other current financial assets, equal to 16,495 thousand euro, include:

- mainly, the fair value at 31 December 2015 of the investment (corresponding to 2,788,464 shares) held by Immsi S.p.A. in Unicredit S.p.A., equal to 14,319 thousand euro; the value of the investment had decreased by 557 thousand euro compared to 31 December 2014. The listing of the Unicredit share at 31 December 2015 amounted to 5,135 euro, lower, though not significantly, (-3.6%) than the carrying amount for Immsi S.p.A. (equal to approximately 5.326 euro per share) and therefore no impairment loss was identified: in this regard, the procedure of Immsi S.p.A. relating to the determination of the impairment of equity financial instruments classified as "Available For Sale" ("AFS") has defined alternatively the conditions of a prolonged or significant reduction in fair value on the basis of i) a reduction in the market value exceeding two thirds of the original cost; and ii) a market value continuously lower than the original carrying amount, observed over a period of time of at least two years. In exceptional circumstances, Company Management may consider any such decline as not representative of a significant or prolonged loss of value of the security and may, as an exception, defer from specified thresholds, reserving the right - in justified circumstances - to change the aforementioned thresholds in order to reflect any significant changes in the economic and financial context;
- for the remaining 2,176 thousand euro, the short-term portion of the fair value of Cross Currency Swaps stipulated by the Piaggio Group (1,959 thousand euro of CCS on medium term loans of the Indian subsidiary and 217 thousand euro of CCS on a medium term loan of the Vietnamese subsidiary).

- F6 -	TAX RECEIVABLES	28,873
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Current and non-current amounts due from tax authorities total 28,873 thousand euro and are as follows:

- Non-current portion

In thousands of euro	<i>Balance 31.12.2015</i>	<i>Balance 31.12.2014</i>
VAT receivables	3,001	1,811
Income tax receivables	1,927	1,219
Other tax receivables	549	611
TOTAL	5,477	3,641

- Current portion

In thousands of euro	<i>Balance 31.12.2015</i>	<i>Balance 31.12.2014</i>
VAT receivables	16,312	34,972
Income tax receivables	5,967	1,675
Other tax receivables	1,117	2,615
TOTAL	23,396	39,262

Tax receivables due within 12 months mainly refer to receivables of the Piaggio Group for VAT, down compared to 31 December 2014 mainly because of the reduction in VAT of the Indian subsidiary of the Piaggio Group.

Immsi S.p.A. has tax consolidation contracts with the subsidiaries Piaggio & C. S.p.A., Piaggio Concept Store Mantova S.r.l., Aprilia Racing S.r.l., Apuliae S.p.A., Intermarine S.p.A., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l. and Pietra Ligure S.r.l.. As regards contracts signed with these companies, the Parent Company Immsi S.p.A., as consolidating entity, recognised tax receivables for 391 thousand euro in its financial statements, relative to withholding taxes transferred from companies of the agreement, recognised in the current portion as they concern disposal to subsidiaries pursuant to article 43-ter of Presidential Decree no. 602/73 to be offset in 2016. Group taxation calculated for 2015 reflected a consolidated tax loss, so in 2016 advance corporate income tax will not be paid.

- F7 - DEFERRED TAX ASSETS

122,493

At 31 December 2015, net deferred tax assets that will fall due within 12 months total 13,959 thousand euro (8,286 thousand euro at 31 December 2014) while those falling due beyond 12 months amount to 108,534 thousand euro (107,779 thousand euro at 31 December 2014): these values are recorded net of deferred tax liabilities which are uniform as regards maturity and nature.

Deferred tax liabilities were determined applying the tax rate in effect in the year when temporary differences occur. Therefore, the Group adjusted deferred tax assets and liabilities to the new rate introduced by Italian Law no. 208/2015 (2016 Stability Law), which amended article 77, paragraph 1 of the Consolidated Law on Income Tax (TUIR), reducing the nominal corporate income tax (IRES) rate from 27.5% to 24%, with effect for tax periods after the period ending 31 December 2016. The change in the tax rate led to a reduction in deferred tax liabilities of the Group at 31 December 2014, recognised in the income statement for a total of 14.4 million euro.

The **Piaggio Group** recognised 56,434 thousand euro of deferred tax assets compared to 46,434 thousand euro recorded at 31 December 2014: this increase is due to the recognition of deferred tax assets on temporary deductible changes.

Deferred tax assets recognised by **Intermarine S.p.A.** amount to 43,973 thousand euro (compared to 47,553 thousand euro at 31 December 2014): the relative tax benefit was measured solely on tax losses and on temporary differences for which there is the probability of realising future taxable amounts able to absorb them, taking account of the forecast plan drawn up by Intermarine and also considering the results expected by the national consolidated tax convention of which the Parent Company Immsi S.p.A. is the consolidating party and Intermarine S.p.A. is a member.

Deferred tax assets accrued by **Is Molas S.p.A.** totalled 11,981 thousand euro (12,770 thousand euro at 31 December 2014) and refer to temporary differences recorded during 2015 and previous years, losses for the years from 2004 to 2015 in addition to the excess of interest payable and similar costs not deducted in previous years but that may be carried forward to subsequent years.

As regards the measurements to define the deferred tax assets, the Group mainly took account of i) the tax regulations in the various countries in which it operates; ii) their impact in terms of timing

differences and any tax benefits deriving from the use of prior tax losses in consideration of their falling due; iii) the estimated financial results for each individual company; iv) the economic and tax repercussions of the implementation of the reorganisations; and v) of the agreements and plans of national tax consolidation over a period of five years. In view of the above considerations and also for the sake of prudence, the tax benefits deriving from the losses carried forward and from temporary differences were not fully recognised.

Gross deferred tax assets are as follows:

In thousands of euro

	Total ex VAT	Tax effect	Recognised	Not recognised
Temporary differences for allocations to provisions	75,694	20,774	n/a	n/a
Other differences	70,751	17,563	n/a	n/a
Total of provisions and other changes	146,445	38,337	37,561	776
Tax losses	352,017	88,106	86,732	1,374
Grand total at 31 December 2015	498,462	126,443	124,293	2,150

Unrecognised deferred tax assets – amounting to 2,150 thousand euro – are entirely attributable to the Piaggio Group, against prior losses and other temporary differences.

For comparability, the corresponding table at 31 December 2014 is shown below:

In thousands of euro

	Total ex VAT	Tax effect	Recognised	Not recognised
Temporary differences for allocations to provisions	68,396	19,991	n/a	n/a
Other differences	58,172	17,130	n/a	n/a
Total of reserves and other changes	126,568	37,121	35,716	1,405
Fiscal losses	332,458	94,810	82,172	12,638
Grand total at 31 December 2014	459,026	131,931	117,888	14,043

- F8 - TRADE RECEIVABLES AND OTHER RECEIVABLES 220,162

- Non-current portion

Trade receivables and other receivables included under non-current assets total 15,820 thousand euro against 16,071 thousand euro at 31 December 2014 and are broken down as follows:

In thousands of euro	Balance 31.12.2015	Balance 31.12.2014
Amounts due from affiliated companies	153	197
Other receivables	15,667	15,874
TOTAL	15,820	16,071

Receivables due from affiliated companies only comprise receivables from Fondazione Piaggio. Other non-current receivables include 10,975 thousand euro of prepaid expenses, 1,043 thousand euro of guarantee deposits, 58 thousand euro of amounts advanced to employees and other

receivables of various kinds. These include in particular the receivable of 2,227 thousand euro recognised by Is Molas and referring to the “La Ginestre” case.

The item in question includes trade receivables due after 12 months recognised by Intermarine S.p.A. and to this date entirely written down for 1,203 thousand euro.

- Current portion

Trade receivables and other current receivables are represented by the following:

In thousands of euro	Balance 31.12.2015	Balance 31.12.2014
Trade receivables	120,031	114,894
Receivables due from subsidiaries	2,604	2,575
Amounts due from affiliated companies	693	545
Amounts due from joint ventures	2,009	3,377
Other receivables	79,005	115,578
TOTAL	204,342	236,969

The item trade receivables comprises amounts referred to normal sales transactions, recognised net of a provision for bad debts equal to 31,695 thousand euro (of which 1,203 thousand euro related to non-current receivables), which at 31 December 2014 had increased by 574 thousand euro compared to 31 December 2015.

The following table shows the movements of the provision in question during 2015:

In thousands of euro	
Balance at 31.12.2014	31,121
Increases for allocations	840
Decreases for use	(266)
Other changes	0
Balance at 31.12.2015	31,695

The Piaggio Group transfers on a regular basis a large part of its trading receivables with and without recourse: The Group has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts were formalised for the substantial transfer of risks and benefits.

At 31 December 2015, trade receivables still due, sold without recourse, totalled 84,037 thousand euro: on such receivables, the Piaggio Group received payment before the natural expiry of the receivable for 83,013 thousand euro. At 31 December 2015, the advances received – both from factoring firms and from banks – on disposals of trade receivables with recourse totalled 15,321 thousand euro and are offset in the corresponding item under current liabilities.

The balance of the item receivables due from subsidiaries, equal to 2,604 thousand euro, mainly refers to trade receivables due from the subsidiary Rodriquez Cantieri Navali do Brasil Ltda. The balance of receivables due from affiliated companies refers to receivables due from Consorzio CTMI for 693 thousand euro, while receivables due from joint ventures, equal to 2,009 thousand euro at 31 December 2015, refer to Zongshen Piaggio Foshan Motorcycle Co. Ltd..

Other receivables include advances to suppliers for 4,496 thousand euro, mainly recognised by the subsidiary Intermarine S.p.A., accrued income and deferred charges for a total of 6,640 thousand euro, advances to employees for 2,500 thousand euro, guarantee deposits for 250 thousand euro,

receivables due from social security institutes for 36 thousand euro, receivables relating to hedging instruments for 647 thousand euro and other receivables of a various type.

Finally other receivables include the equivalent value of works in progress to order net of advances received, referring entirely to the subsidiary Intermarine S.p.A., whose composition is given below.

In thousands of euro	Balance 31.12.2014	Increases	Decreases	Balance 31.12.2015
Contract work in progress gross of advances	199,259	39,801	(28,221)	210,839
Contractual advances received from customers	144,390			159,384
Contract work in progress net of advances	54,869			51,455
Costs incurred	171,363			172,349
Margins recognised (net of losses)	27,896			38,490

- F9 -	ASSETS HELD FOR DISPOSAL	27,307
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The net carrying amount of assets held for sale amounts to 27,307 thousand euro and refers nearly entirely to the property portfolio of Pietra Ligure acquired at the public auction of the State in December 2007 for a total of 19.1 million euro and recognised under buildings held for disposal in relation to contracts and obligations undertaken by the company. The increase of 2,580 thousand euro compared to the figure at 31 December 2014 is attributable to the capitalisation of development costs of the property project incurred in 2015 and to the capitalisation of costs incurred during previous years and recognised under other assets by Pietra S.r.l.. For an update on the progress of the project concerning the property portfolio of Pietra Ligure, see the Report on Operations of the Immsi Group at 31 December 2015.

- F10 -	INVENTORIES	287,859
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Inventories are measured at the lower of cost and market value and totalled 287,859 thousand euro at the end of the reporting period, comprising:

In thousands of euro	Balance at 31.12.2015			Balance at 31.12.2014		
	Cost	Write-down	Net	Cost	Write-down	Net
Cls stk ex mat	40	0	40	35	0	35
Raw materials	109,393	(15,054)	94,339	115,666	(16,661)	99,005
Work in progress and semi-finished products	82,698	(1,102)	81,596	79,306	(1,102)	78,204
Finished products	136,757	(24,873)	111,884	152,810	(24,033)	128,777
TOTAL	328,888	(41,029)	287,859	347,817	(41,796)	306,021

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

At 31 December 2015, the Piaggio Group recognised, net of write-downs, inventories for 212,812 thousand euro referred to components, accessories, 2-wheeler, 3-wheeler and 4-wheeler vehicles. Intermarine S.p.A. contributed 41,609 thousand euro, mainly concerning raw materials and products in progress for prototypes, own construction and repairs. Finally, Is Molas S.p.A. records 33,438 thousand euro of inventories at the end of the reporting period relating to the hotel business, as well as work in progress and semi-finished products comprising land, volumes, costs for services and consultancy for the property development project relating to the allotment located in Is Molas - Cagliari.

- F11 -	CASH AND CASH EQUIVALENTS	124,510
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Cash and cash equivalents at the end of the reporting period totalled 124,510 thousand euro against 103,942 thousand euro at 31 December 2014, as detailed in the table below:

In thousands of euro	Balance 31.12.2015	Balance 31.12.2014
Cheques	1	7
Cash and cash equivalents	107	115
Securities	5,464	5,934
Amounts due from banks within 90 days	118,938	97,886
TOTAL	124,510	103,942

The aggregate in question refers to cash, current bank accounts, deposits refundable on demand and other short-term high-liquidity financial investments readily convertible into cash and subject to an insignificant risk of change in value.

The item Securities refers to deposit contracts made by the Indian subsidiary of the Piaggio Group in order to use the cash temporarily available in an effective way, while receivables from banks with a maturity of less than 90 days (attributable to the Piaggio Group for 95,913 thousand euro) mainly refer to bank and postal deposits.

- G - INFORMATION ON MAIN LIABILITIES

Amounts are stated in thousands of euro unless otherwise indicated.

- G1 -	SHAREHOLDERS' EQUITY	428,094
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Shareholders' equity at 31 December 2015 amounted to 428,094 thousand euro, of which 265,634 thousand euro referred to consolidated shareholders' equity attributable to the Group and 162,460 thousand euro referring to capital and reserves of non-controlling interests.

Share capital

At 31 December 2015, the share capital of Immsi S.p.A., fully subscribed and paid up, comprised 340,530,000 ordinary shares with no nominal value, for a total of 178,464,000.00 euro.

As already stated, at 31 December 2015, Immsi S.p.A. held no treasury shares. Each ordinary share entitles the holder to a proportionate part of distributable profits and of the shareholders' equity resulting from any liquidation, as well as unlimited voting rights.

Legal reserve

The legal reserve comprises reserves allocated following the distribution of profits of Immsi S.p.A. from the year 2000 to the year 2013, in accordance with provisions of law and totalled 6,989 thousand euro at the end of 2015.

Other reserves

This item totalled 197,798 thousand euro. The share premium reserve includes the consideration of shares underwritten following the increase in share capital of Immsi S.p.A. in 2005 and 2006, net of uses to cover losses for 342 thousand euro, for a total amount of 94,874 thousand euro. Other reserves also include the reserve generated from the Group's transition to international accounting standards at 1 January 2004, equal to 5,300 thousand euro, details of which are in the Report to the Financial Statements at 31 December 2005, also available on the website www.immsi.it. The stock option reserve amounts to 6,742 thousand euro while the reserve allocated to the measurement of financial instruments is negative amounting to 1,806 thousand euro. Other changes primarily include the effects of redistributing reserves between the Group and non-controlling interests, due to changes in the consolidation portions of shareholders' equity of the Piaggio Group following the sale of shares of Piaggio & C S.p.A. by Piaggio & C S.p.A..

The details of the item are shown in the table below:

In thousands of euro	Extraordinary reserve	Share premium reserve / share capital increase	IAS transition reserve	Reserves as per Law no. 413/91	Legal reserves	Translation reserves	Stock option reserve	Reserve for actuarial gains (losses) relative to defined benefit plan	Financial instrument measurement reserve	Other changes	Total other provisions
Balances at 31 December 2014	7,103	95,216	5,300	4,602	1,153	(10,164)	6,742	(4,328)	(1,669)	94,271	198,226
Allocation of Group earnings to Retained Earnings/Losses	(7,103)	(342)	0	0	0	0	0	0	0	0	(7,445)
Other changes	0	0	0	0	0	0	0	0	0	2,438	2,438
Overall earnings for the period	0	0	0	0	0	1,591	0	996	(137)	2,129	4,579
Balances at 31 December 2015	0	94,874	5,300	4,602	1,153	(8,573)	6,742	(3,332)	(1,806)	98,837	197,798

Retained earnings

Retained earnings amount to 108,063 thousand euro negative and refer to cumulative Group earnings.

Non-controlling interests capital and reserves

At 31 December 2015 the balance of share capital and reserves attributable to third party shareholders totalled 162,460 thousand euro, down by 11,463 thousand euro compared to 31 December 2014.

This change can mainly be explained, considering:

- the portion of the net loss for the period attributable to non-controlling interests;
- the change in the portion attributable to the Parent Company Immsi S.p.A. of some of the main subsidiary companies.

- G2 -	FINANCIAL LIABILITIES	1.077.897
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Financial liabilities at 31 December 2015 amounted to 1,077,897 thousand euro: the portion recognised as non-current liabilities amounted to 648,793 thousand euro, compared to 591,136 at 31 December 2014, while the portion recognised as current liabilities amounted to 429,104 thousand euro, registering a decrease compared to 440,483 thousand euro at 31 December 2014. Financial liabilities also include the fair value measurement of financial derivatives used to hedge exchange and interest rate risks and the adjustment of relative items hedged - underwritten by the Piaggio Group – for a total of 26,735 thousand euro, of which 23,705 thousand euro recognised as non-current liabilities and 3,030 thousand euro as current liabilities. As already stated, net financial debt does not include financial assets and liabilities arising from the fair value measurement of financial derivatives used for hedging, the fair value adjustment of relative hedged items and related accruals.

The following tables summarise the composition by type of the gross Financial debt:

- Non-current portion

In thousands of euro	<i>Balance 31.12.2015</i>	<i>Balance 31.12.2014</i>
Bonds	290,139	288,369
Payables due to banks	333,765	283,372
Amounts due under finance leases	179	211
Amounts due to other lenders	1,005	1,262
TOTAL	625,088	573,214

We point out that in the item Amounts due to bank and in the item Bonds there are financings treated from an accounting point of view according to the criterion of amortised cost. According to this criterion the nominal amount of the liability is decreased by the amount of the relative issuing and/or stipulation costs in addition to any costs linked to refinancing previous liabilities.

The amortisation of these costs is determined on an effective interest rate basis, and namely the rate which discounts the future flows of interest payable and reimbursements of principle at the net carrying amount of the financial liability. Furthermore, some financial liabilities attributable to the Piaggio Group are entered at fair value with recognition of the relative effects in the Income Statement.

- Current portion

In thousands of euro	Balance 31.12.2015	Balance 31.12.2014
Payables due to banks	372,551	383,225
Amounts due under finance leases	31	30
Amounts due to subsidiaries *)	225	55
Amounts due to other lenders	53,267	57,173
TOTAL	426,074	440,483

*) not consolidated on a global integration basis

The composition of gross financial debt is as follows:

In thousands of euro	Balance at 31.12.2015	Balance at 31.12.2014	Nominal value at 31.12.2015	Nominal value at 31.12.2014
Bonds	290,139	288,369	301,799	301,799
Payables due to banks	706,316	666,597	708,810	669,288
Amounts due under finance leases	210	241	210	241
Amounts due to subsidiaries *)	225	55	225	55
Amounts due to other lenders	54,272	58,435	54,272	58,434
TOTAL	1.051.162	1.013.697	1.065.316	1.029.817

*) not consolidated on a global integration basis

The following table shows the reimbursement plan for gross financial debt at 31 December 2015 of the Group:

In thousands of euro	Nominal value at 31/12/2015	Amounts falling due within 12 months	Amounts falling due within 31.12.2016	Amounts falling due within 31.12.2017	Amounts falling due within 31.12.2018	Amounts falling due within 31.12.2019	Portions falling due
Bonds	301,799	0	9,669	9,669	10,359	11,050	261,052
Payables due to banks	708,810	372,584	125,875	135,503	47,707	4,594	22,547
Amounts due under finance leases	210	31	33	35	111	0	0
Amounts due to subsidiaries *)	225	225	0	0	0	0	0
Amounts due to other lenders	54,272	53,267	328	331	336	10	0
TOTAL	1.065.316	426,107	135,905	145,538	58,513	15,654	283,599

*) not consolidated on a global integration basis

The following table analyses gross financial debt by currency and interest rate:

In thousands of euro	Balance at 31.12.2014	Balance at 31.12.2015	Nominal value at 31.12.2015	Interest rate at 31.12.2015
Euro	941,705	973,325	987,479	3.61%
Vietnamese Dong	31,596	31,323	31,323	9.61%
Japanese Yen	4,751	4,730	4,730	2.87%
Indian Rupee	21,385	18,709	18,709	10.19%
Indonesian Rupiah	3,112	3,327	3,327	10.52%
US Dollar	11,148	19,748	19,748	3.14%
TOTAL	1.013.697	1.051.162	1.065.316	3.91%

Amounts due to banks mainly include the following loans:

IMMSI S.p.A.

- a loan undersigned in June 2010 by the Company and renegotiated in December 2015 with Banco Popolare for a total of 45 million euro maturing at the end of 2025, with repayment in six-monthly instalments at a rate equal to the Euribor increased by a spread. the loan has been recognised in the financial statements on an amortised cost basis for 44,501 thousand euro, of which 4,500 thousand euro relative to instalments that may be repaid in 2016, which were therefore recognised in the current portion. The loan is guaranteed by mortgages on property located in Rome – via Abruzzi for a total of 90 million euro, in addition to the payment of income from lease contracts on the same property being paid into an account subject to special conditions, up to the amount of the interest instalment closest to maturity. The loan agreement has two covenants, which had been met at the date of this report. To cover the risk of interest rate fluctuation for cash flows, Immsi S.p.A. kept on the existing interest rate swap hedging contract, which changes the variable rate into a fixed rate for the entire duration of the contract on 75% of the nominal value of the loan taken out in 2010;
- a revolving credit line granted by the bank Monte dei Paschi di Siena for a total nominal value of 30 million euro (entirely used at 31 December 2015). The line, maturing in April 2017 and with a benchmark rate equal to the variable Euribor increased by a spread requires a covenant to be met;
- a revolving credit line, disbursed by Intesa Sanpaolo for 25 million euro, fully used at 31 December 2015, with a benchmark rate equal to the Euribor increased by a spread and maturing in June 2017. This line requires a covenant to be met;
- a credit line granted by Intesa Sanpaolo for a total nominal amount of 15 million euro (fully used at 31 December 2015), and recognised in the financial statements at a value of 14,986 thousand euro based on the amortised cost principle. The line, maturing in February 2016 and with a benchmark rate equal to the variable Euribor increased by a spread requires a covenant to be met;
- a revolving credit line granted by Unicredit for 25 million euro (of which 14 million euro used at 31 December 2015), with a benchmark rate equal to the Euribor increased by a spread and renewed up to May 2017. This line requires a covenant to be met;
- a loan granted by Banca Popolare dell'Emilia Romagna for a nominal residual amount of 7.5 million euro and recognised in the financial statements at 31 December 2015 for 7,457 thousand euro based on the amortised cost principle, maturing in March 2017 and with a benchmark rate equal to the Euribor increased by a spread. This line has a repayment schedule of six-monthly instalments in increasing amounts, of which 5 million euro maturing within 12 months, requiring two covenants to be met;
- a revolving credit line granted by the bank Banca Nazionale del Lavoro for a total of 20 million euro (fully used at 31 December 2015). The line, maturing in April 2018 and with a benchmark rate equal to the variable Euribor increased by a spread requires two covenants to be met;
- a revolving credit line, disbursed by Banco Popolare for 20 million euro (fully used at 31 December 2015), maturing in November 2016 and with a benchmark rate equal to the variable Euribor increased by a spread;
- a Bullet – Multi Borrower loan disbursed by Intesa Sanpaolo for a total of 130 million, of which 125.3 million euro disbursed at the end of 2015, maturing in December 2016 with a benchmark rate equal to the variable Euribor increased by a spread, of which 70 million euro granted to Immsi S.p.A., 30 million euro granted to ISM Investimenti S.p.A. and 25.3 million euro granted to Intermarine S.p.A.;
- a securities loan agreement between Immsi S.p.A. and Banca Akros, which - against a loan of 2,787,000 Unicredit shares, envisages a cash collateral from the bank of approximately 13,294 thousand euro represented by the market value of the share at the date of subscription net of a

spread, which takes into account any downward fluctuations in the share. The contract, which expires on withdrawal, envisages a fee equal to 0.05% and interest payable equal to the EONIA increased by a spread, calculated on the cash collateral disbursed by Banca Akros.

All covenants of the above loan agreements were met at the end of 2015, and the Company deposited a total of 28.95 million Piaggio shares and 104.7 million Piaggio shares as a lien to guarantee the loans.

Piaggio Group

- a medium-term loan for a residual amount of 10,714 thousand euro from the European Investment Bank to finance Research & Development investments planned for the 2009-2012 period. The loan will mature in February 2016 and has a repayment schedule of 14 six-monthly instalments with a benchmark rate equal to the variable Euribor increased by a spread. The contractual terms envisage covenants. An interest rate swap was taken out on this loan to hedge the interest rate risk;
- a medium-term loan for 43,636 thousand euro from the European Investment Bank to finance Research & Development investments planned for the 2013-2015 period. The loan will mature in December 2019 and has a repayment schedule of 11 six-monthly instalments at a fixed rate. The contractual terms envisage loan covenants;
- a syndicated loan for 113,271 thousand euro (of a nominal value of 115,000 thousand euro) signed in July 2014 for an amount of 220,000 thousand euro and increased in April 2015 for 30,000 thousand euro. This overall loan of 250,000 thousand euro comprises a four-year tranche of 175,000 thousand euro as a revolving credit line of which a nominal value of 40,000 thousand euro had been used at 31 December 2015 and a tranche as a five-year loan with amortisation of 75,000 thousand euro which has been wholly disbursed. The contractual terms envisage loan covenants;
- a loan of 19,992 thousand euro (nominal value of 20,000 thousand euro) granted by Banco Popolare and undersigned in July 2015. This loan consists of a tranche of 10,000 thousand euro maturing in January 2017 and a tranche of 10,000 thousand euro granted as a three-year loan with repayments made in full;
- a 24,946 thousand euro medium-term loan (nominal value of 25,000 thousand euro) granted by Banca Popolare Emilia Romagna in June 2015. The loan matures on June 2019 and will be repaid with a repayment schedule of six-monthly instalments as from 31 December 2016;
- a medium-term loan for 10,545 thousand USD, with 6,521 thousand euro still available granted by International Finance Corporation (a World Bank member) to the subsidiary Piaggio Vehicles Private Limited with interest accruing at a variable rate. The loan matures on June 2018 and will be repaid with a repayment schedule of six-monthly instalments as from January 2014. Contract terms provide for a guarantee from Piaggio & C. S.p.A. and compliance with some covenants. Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;
- a medium-term loan of 15,851 thousand USD, with 12,122 thousand euro still available granted by International Finance Corporation to the subsidiary Piaggio Vehicles Private Limited with interest accruing at a variable rate. The loan matures in June 2019 and will be repaid with a repayment schedule of six-monthly instalments as from July 2015. Contract terms provide for a guarantee from Piaggio & C. S.p.A. and compliance with some covenants. Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;
- a medium-term loan of 13,107 thousand USD, with 11,276 thousand euro still available granted by International Finance Corporation to the subsidiary Piaggio Vietnam with interest accruing at a variable rate. The loan matures in July 2018 and will be repaid with a repayment schedule of six-monthly instalments as from July 2014. Contract terms provide for a guarantee from Piaggio & C. S.p.A. and compliance with some covenants. Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;

- 1,796 thousand euro of loans from various banks granted pursuant to Law no. 346/88 on subsidised applied research;
- an eight-year loan of 300 thousand euro from ICCREA in December 2008 granted under Law no. 100/90.

All financial liabilities indicated above are unsecured, and based on results at 31 December 2015, all covenants on loans had been met.

Intermarine S.p.A.

- loans disbursed by Intesa Sanpaolo for a total of 26.8 million euro to be repaid in relation to residual proceeds from the contract with the Finnish Navy, guaranteed by a lien on shares of Piaggio & C S.p.A. held by Immsi S.p.A. and letters of guarantee;
- loan for a nominal 15 million euro relative to an "Amortizing Loan" line issued by Intesa Sanpaolo in November 2012, with a maturity of six years, three years of pre-amortization and co-obligation of the parent company Immsi S.p.A.: this line is secured by a first mortgage on property in Sarzana and an insurance obligation;
- a revolving credit line from Intesa Sanpaolo equal to 18 million euro, for the priority use of settling payables due to main strategic suppliers, fully used at 31 December 2015 and guaranteed by a lien on Piaggio & C. S.p.A. shares held by Immsi S.p.A. maturing in September 2016;
- financial payables for advance transactions by Banca Carige for approximately 2.5 million euro: this line is assisted by a letter of patronage issued by Immsi S.p.A.;
- financial payables for advance transactions by Banca IFIS for approximately 13.8 million euro (secured, as regards contract advances, by a letter of patronage issued by RCN Finanziaria S.p.A. and by Immsi S.p.A.);
- financial payables for the loan granted by Banca Carige in March 2012 with reference to damage caused by flooding in October 2011 for a total of 80 thousand euro with monthly repayments, of which 46 thousand euro due after the year;
- the use of current account overdrafts with various banks for a total amount of approximately 1.2 million euro.

Is Molas S.p.A.

- a variable rate loan granted by Monte dei Paschi di Siena to Is Molas S.p.A., valid until withdrawal, usable for cash, for a total of 20 million euro equal to the actual debt for capital, interest and additional costs accrued and payable;
- a first mortgage on the "Le Ginestre" real estate complex for a duration of 7 years, stipulated in November 2009 with Banca Popolare di Lodi (now Banco Popolare) for an amount equal to 5 million euro, which to date is outstanding for approximately 2 million euro; the terms of the mortgage require 2 years of pre-payment at the three-month Euribor increased by a *spread*.

The item Bonds for 290,139 thousand euro (nominal value equal to 301,799 thousand euro) refers to:

- 51,569 thousand euro (nominal value of 51,799 euro) related to a private debenture loan (US Private Placement) issued by Piaggio & C. S.p.A. in July 2011 for 75,000 USD wholly subscribed by an American institutional investor, payable in 5 annual instalments from July 2017, with a semi-annual coupon at a fixed annual nominal rate. At 31 December 2015 the fair value measurement of the debenture loan was equal to 71,253 thousand euro (the fair value is determined based on IFRS relative to fair value hedging). A Cross Currency Swap has been taken out on this debenture loan to hedge the exchange risk and interest rate risk;
- 238,570 thousand euro (nominal value equal to 250,000 thousand euro) refers to the high yield debenture loan issued in April 2014 for 250,000 thousand euro maturing in April 2021 and with

semi-annual coupon at a fixed annual nominal rate. Standard & Poor's and Moody's assigned a B+ rating with a stable outlook and a B1 rating with a stable outlook respectively.

The company may repay the amount of the high yield debenture loan issued in April 2014, early, in full or in part, under the conditions indicated in the indenture. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IAS 39 AG30 g).

Payables for finance leases refer to a lease granted for 210 thousand euro by VFS Servizi Finanziari for the use of vehicles.

Payables to other lenders totalled 54,272 thousand euro, of which 53,267 thousand euro due after the year. Their breakdown was as follows:

- subsidised loans for a total of 1,263 thousand euro provided by the Italian Ministry of Economic Development and Italian Ministry of Education, University and Research using regulations to encourage exports and investments in research and development (non-current portion of 951 thousand euro).
- a loan for 66 thousand euro granted by BMW Finance to the Piaggio Group for the purchase of cars;
- two shareholder loans of 6,000 and 8,477 thousand euro respectively granted to RCN Finanziaria S.p.A. by Intesa Sanpaolo (shareholder of the company), convertible into shares of the beneficiary, maturing during 2015. These loans were extensively discussed by shareholders with a view to restoring agreements; the times of these negotiations, with shareholder loans connected to them, meant that the renewal of the loans was deferred;
- shareholder loans for 23,144 thousand euro with a duration of 10 years, maturing in December 2018, granted by IMI Investimenti S.p.A. (shareholder of the company) to ISM Investimenti S.p.A.;
- financial advances from factoring companies and banks for credit sold with recourse relative to trade receivables amounting to 15,321 thousand euro and entirely referred to the Piaggio Group.

- G3 -	TRADE PAYABLES AND OTHER PAYABLES	530,773
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Trade payables to other lenders totalled 530,773 thousand euro, of which 527,300 thousand euro due after the year. Trade payables and other current payables are detailed below:

In thousands of euro	<i>Balance 31.12.2015</i>	<i>Balance 31.12.2014</i>
Trade payables	462,250	492,578
Amounts due to affiliated companies	9,381	14,910
Amounts due to parent companies	40	23
Other payables	55,629	58,611
TOTAL	527,300	566,122

With particular reference to the Piaggio Group, to facilitate credit conditions for its suppliers, the group has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements.

These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.

At 31 December 2015, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to 145,032 thousand euro (168,431 thousand euro at 31 December 2014).

Payables to affiliated companies at 31 December 2015, equal to 9,381 thousand euro, mainly refer to purchases made by Piaggio Foshan Motorcycles of the Piaggio Group.

The "Other current payables" item is detailed below:

In thousands of euro	Balance 31.12.2015	Balance 31.12.2014
Amounts due to employees	17,972	19,165
Liabilities connected to hedging instruments	3,450	506
Advances from customers	826	822
Amounts due to partners and shareholders	1	2
Amounts due for guarantee deposits	0	36
Amounts due to company boards	145	410
Amounts due to social security institutions	8,050	10,022
Other amounts due to third parties	2,086	2,500
Other amounts due to affiliated companies	30	39
Accrued expenses	6,876	7,323
Deferred income	5,290	5,195
Other payables	10,903	10,833
TOTAL	55,629	58,611

Amounts due to employees include holidays accrued and not taken and other remuneration to pay, as at 31 December 2015, while amounts to social security institutes basically refer to amounts owing for items payable by companies and employees relative to salaries and wages as well as sums accrued and not paid.

- G4 -	RESERVES FOR PENSIONS AND SIMILAR OBLIGATIONS	54,046
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The reserve for pensions and similar obligations at 31 December 2015 amounted to 54,046 thousand euro, down by 6,697 thousand euro compared to the figure at 31 December 2014. Below is the breakdown of its composition and movements:

In thousands of euro	Balance 31.12.2014	Service cost	Actuarial (gain) loss	Interest cost	Uses and other movements	Balance 31.12.2015
Termination benefits	59,885	9,340	(3,073)	944	(13,832)	53,264
Other funds	858	0	0	0	(76)	782
TOTAL	60,743	9,340	(3,073)	944	(13,908)	54,046

The item Other funds is mainly attributable to the Piaggio Group and includes i) funds for personnel set aside by foreign companies of the group; and ii) the supplementary indemnity fund for customers, that represents the indemnities owing to the agents of the Piaggio Group in case of the agency contract winding up due to events not ascribable to them.

Uses refer to the payment of benefits already accrued in previous years, while allocations refer to benefits accrued in the period.

The item Provision for termination benefits comprises termination benefits for employees of Italian companies belonging to the Immsi Group and includes post-employment benefits identified as defined benefit plans.

The economic / technical assumptions used to discount the value by the companies of the Immsi Group operating in Italy are described below:

- Technical annual discount rate 1.34-2.30%;
- Annual rate of inflation

1.50% for 2016;
1.80% for 2017;
1.70% for 2018;
1.60% for 2019;
2.00% from 2020 onwards;
- Annual rate of increase in termination benefits

2.625% for 2016;
2.850% for 2017;
2.775% for 2018;
2.700% for 2019
3.00% from 2020 onwards.

As regards the discount rate, the iBoxx Corporates AA rating (Piaggio Group) and iBoxx Corporates A rating (other Group companies) with a duration from 7 to 10+ were used for the evaluation.

The table below shows the effects, in absolute terms, at 31 December 2015, which would have occurred following changes in reasonably possible actuarial assumptions:

	Provision for post-employment benefits
<i>In thousands of euro</i>	
Turnover rate +2%	52,866
Turnover rate -2%	53,516
Inflation rate + 0.25%	53,916
Inflation rate - 0.25%	52,404
Discount rate + 0.50%	50,817
Discount rate - 0.50%	55,673

The average duration of the bond ranges from 7 to 30 years, while future payments estimated in the Group are equal to:

Year	Future amounts
<i>In thousands of euro</i>	
1	3,664
2	3,163
3	4,723
4	1,547
5	4,959

Being an actuarial valuation, the results depend on the technical bases adopted such as - among others - the interest rate, the inflation rate and the expected turnover. A variation of these parameters could lead to a significant change in the liability estimated to date: similar impacts may be caused by unexpected changes in other technical bases.

The German and Indonesian subsidiaries of the Piaggio Group have provisions for employees identified as defined benefit plans. At 31 December 2015, these provisions amounted to 194 thousand euro.

- G5 - OTHER LONG-TERM RESERVES**27,059**

The balance of other long-term reserves, including the portion due within 12 months, totalled 27,059 thousand euro at the end of December 2015, registering a decrease of 2,949 thousand euro compared to 31 December 2014. The other reserves recognised in the financial statements are detailed below:

In thousands of euro	<i>Balance</i>	<i>Provisions</i>	<i>Applications</i>	<i>Other</i>	<i>Balance</i>	<i>Of</i>
	<i>31.12.2014</i>			<i>movements</i>	<i>31.12.2015</i>	<i>which</i>
						<i>current</i>
Provision for product warranties	14,414	11,218	(11,279)	213	14,566	10,872
Provisions for risk on investments	3,328	0	(282)	0	3,046	2,817
Provision for contractual risks	4,121	208	0	0	4,329	416
Other provisions for risks and charges	8,145	247	(3,443)	169	5,118	2,623
TOTAL	30,008	11,673	(15,004)	382	27,059	16,728

The product warranty provision refers to allocations recognised at 31 December 2015 by the Piaggio Group for 11,445 thousand euro and by Intermarine S.p.A. for 3,121 thousand euro for technical warranty operations on products covered by warranties, which are expected to be carried out in the contractual warranty period. As regards – in particular – the forecasts made by the Piaggio Group, this period varies according to the type of goods sold and the market, and is also determined by the customer take-up to commit to planned maintenance. With reference to Intermarine S.p.A., the company allocates this reserve for maintenance under warranty to be carried out in the future years on naval vessels under construction, delivered during the year and/or in previous years, determined on the basis of the estimate of costs incurred in the past for similar vessels.

As regards other main provisions recognised, the provision for risks on investments refers to 2,789 thousand euro for the hedging of negative shareholders' equity of the investee Rodriquez Cantieri Navali do Brasil Ltda.

The provision for contractual risks refers mainly to costs that could arise from the negotiation of an ongoing supply contract in the Piaggio Group, while other provisions for risks and charges include the provision for legal risks allocated by the Piaggio Group and amounting to 2,107 thousand euro.

- G6 - DEFERRED TAX LIABILITIES**21,949**

The item "Deferred tax liabilities" refers to tax payables provisioned by the individual companies on the basis of applicable national laws. The balance was offset by 1,800 thousand euro by deferred tax assets, of a uniform maturity and type.

Deferred tax assets were recognised by the Piaggio Group for 4,369 thousand euro, by the Parent Company Immsi S.p.A. for 17,484 thousand euro (mainly concerning the fair value measurement of the investment property in Rome) and by Intermarine S.p.A. for 96 thousand euro. The reduction in the item in the year for a total of 2,820 thousand euro compared to the value recognised at 31 December 2014 is mainly attributable to the adjustment to 24% of the corporate income tax rate, as introduced by regulations on 22 December 2015.

- G7 - CURRENT TAXES**15,880**

The item Current taxes - which includes tax payables recognised in the financial statements of individual consolidated companies, allocated as regards taxes based on applicable national legislation - increased by 105 thousand euro compared to the end of 2014, and is broken down as follows:

In thousands of euro	<i>Balance 31.12.2015</i>	<i>Balance 31.12.2014</i>
Amounts due for income tax	7,513	8,379
VAT payables	1,859	970
Amounts due for withholding tax	5,895	5,949
Amounts due for local taxes	38	40
Other payables	575	437
TOTAL	15,880	15,775

VAT payables refer nearly entirely (1,833 thousand euro) to the Piaggio Group, while amounts due for withholding tax refer mainly to withholdings on salaries, on termination payments and self-employed income.

H – INFORMATION ON THE MAIN INCOME STATEMENT ITEMS

Amounts are stated in thousands of euro unless otherwise indicated.

Before analysing the individual item, it is pointed out that the general information on costs and revenues is contained in the Report on Operations, in accordance with art.2428 of the Italian civil code.

- H1 - NET REVENUES	1.362.012
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Revenues from sales and services at 31 December 2015 amounted to 1,362,012 thousand euro, up by 6.9% (+87,435 thousand euro) compared to the previous year. The increase is attributable in particular to the marine sector (+82,014 thousand euro, +6.8%), and marginally to the industrial sector (+5,321 thousand euro, +9.4%), while the figure for the property and holding sector was basically unchanged at 4,919 thousand euro (+2.1%).

This item is stated net of premiums given to the customers of the Piaggio Group (dealer) and it does not include transport costs recharged to customers and the recovery of advertising costs invoiced, which are shown under other operating income. Moreover, revenues do not include recharges for building service fees, offset with the related costs incurred by the Parent Company Immsi S.p.A..

Below is a division of net revenues by business sectors and by geographic segment of destination, that is, referring to the nationality of the customer:

By business segment

In thousands of euro	Year 2015		Year 2014	
	Amount	%	Amount	%
Property and holding sector	4,919	0.4%	4,819	0.4%
Industrial sector (Piaggio Group)	1,295,286	95.1%	1,213,272	95.2%
of which Two-Wheeler business	884,900	65.0%	841,000	66.0%
of which Commercial Vehicle business	410,386	30.1%	372,272	29.2%
Shipyard sector (Intermarine Group)	61,807	4.5%	56,486	4.4%
TOTAL	1.362.012	100.0%	1.274.577	100.0%

By geographic segment

In thousands of euro	Year 2015		Year 2014	
	Amount	%	Amount	%
Italy	240,684	17.7%	203,064	15.9%
Other European countries	493,820	36.3%	479,743	37.6%
Rest of the world	627,508	46.1%	591,770	46.4%
TOTAL	1.362.012	100.0%	1.274.577	100.0%

- H2 - COSTS FOR MATERIALS**785,366**

Costs for materials totalled 785,366 thousand euro, compared to 728,406 thousand euro for the previous year. The percentage of costs accounting for net revenues was basically in line with the figure for the previous year, going up from 57.1% in 2014 to 57.7% in the current period.

The item includes 25,616 thousand euro (20,674 thousand euro in 2014) for purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan, that are sold on European and Asian markets.

The item in question does not include costs recharged to customers and tenants, for an equal amount, and costs related to assets held for disposal, which are recognised separately in a specific item in the Income Statement. The following table details the content of this item:

In thousands of euro	Year 2015	Year 2014
Change in inventories of finished products, work in progress and semi-finished products	12,799	(8,224)
Change in capitalised piecework	(132)	(1,492)
Purchase of raw materials and consumables	763,298	750,034
Change in raw materials and consumables	9,401	(11,912)
TOTAL	785,366	728,406

- H3 - COSTS FOR SERVICES AND LEASES AND RENTALS**268,669**

Costs for services and leases and rentals total 268,669 thousand euro. Below is a breakdown of this item:

In thousands of euro	Year 2015	Year 2014
Transport costs	34,136	33,729
Product warranty costs	9,145	10,024
Advertising and promotion	31,564	23,561
Third party work	30,433	24,784
External maintenance and cleaning costs	9,544	8,936
Employee costs	18,169	16,576
Technical, legal, tax, administrative consultancy, etc.	24,873	28,697
Sundry commercial expenses	12,478	10,647
Energy, telephone, postage costs, etc.	19,254	19,599
Services provided	9,142	9,281
Insurance	4,683	5,141
Cost of company boards	4,519	4,647
Sales commissions	1,096	1,266
Part-time staff and staff of other companies	2,319	2,724
Bank charges and commission	5,345	5,197
Quality-related events	10,836	4,214
Other expenses	24,575	15,857
TOTAL COSTS FOR SERVICES	252,111	224,880
Rental instalments of business property	6,976	6,365
Other instalments	9,582	9,530
TOTAL COSTS FOR LEASES AND RENTALS	16,558	15,895
TOTAL COSTS FOR SERVICES AND LEASES AND RENTALS	268,669	240,775

The increase of 27,894 thousand euro (+11.6%) in the item was mainly due to higher costs for services (+27,231 thousand euro, +12.1%), and marginally by the increase in costs for leases and rentals (+663 thousand euro, +4.2%).

The increase in costs for services was due in particular to higher expenses for advertising and promotion and partly for costs incurred in the year for quality incidents relative to the Piaggio Group.

The item under review includes Related Party Transactions for 781 thousand euro, which are detailed in a paragraph contained within this Report.

- H4 - PERSONNEL COSTS	231,868
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Employee costs are broken down as follows:

In thousands of euro	Year 2015	Year 2014
Salaries and wages	170,327	167,528
Social security contributions	46,733	46,896
Termination benefits	9,340	9,363
Retirement benefit and similar	0	388
Early retirement incentives	4,613	5,107
Other costs	855	402
TOTAL	231,868	229,684

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

	Year 2015	Year 2014
Senior management	120	111
Middle managers and employees	2,782	2,868
Blue collars	5,041	5,207
TOTAL	7,943	8,186

Employee costs increased in absolute terms by 2,184 thousand euro compared to figures for the previous year (+1%).

Employee costs include 4,613 thousand euro relating to costs for mobility plans mainly for the Pontedera and Noale production sites, while in 2014 these costs, relative to the same production sites, were equal to 5,107 thousand euro.

The average number of employees was affected by seasonal workers in the summer months (with fixed-term contracts and fixed-term service contracts) used to deal with typical peaks in demand in the summer months.

In 2015, the Group reduced employee numbers, continuing its restructuring, streamlining and organisational cutbacks. At 31 December 2015, Group employees totalled 7,943, down by 243 (-3%) compared to 31 December 2014.

As required by international accounting standards, no costs for stock options were recognised under employee costs, with no stock options in either 2015 or 2014.

- H5 -	DEPRECIATION OF PLANT, PROPERTY AND EQUIPMENT	47,157
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Depreciation recognised at 31 December 2015 for plant, property and equipment is listed below, with depreciation rates indicated in the section on accounting standards adopted by the Group:

In thousands of euro	Year 2015	Year 2014
Depreciation of buildings	5,717	5,477
Depreciation of plant and machinery	22,701	20,024
Depreciation of industrial and commercial equipment	14,646	15,209
Depreciation of assets to be given free of charge	52	56
Depreciation of other assets	4,041	2,362
DEPRECIATION OF PLANT, PROPERTY AND EQUIPMENT	47,157	43,128

- H6 -	AMORTISATION OF FINITE LIFE INTANGIBLE ASSETS	59,566
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Amortisation of intangible assets with a finite life recognised in 2015 totalled 59,566 thousand euro, and is broken down as follows:

In thousands of euro	Year 2015	Year 2014
Amortisation of development costs	32,722	26,780
Amortisation of concessions, patents, industrial and similar rights	21,233	15,500
Amortisation of trademarks and licences	4,828	4,828
Amortisation software	28	25
Amortisation of other intangible assets with a finite life	755	857
AMORTISATION OF INTANGIBLE ASSETS	59,566	47,990

As set out in more detail in the paragraph on intangible assets, as from 1 January 2004, goodwill is no longer amortised, but tested annually for impairment. For further details, readers are referred to Explanatory and Additional Note F1 – Intangible Assets. Amortisation of intangible assets does not include impairment of goodwill during 2015 or in the previous year, as – based on tests carried out – it was not necessary to carry out impairment because goodwill was considered recoverable through future financial flows relative to the cash generating units the goodwill was allocated to.

- H7 -	OTHER OPERATING INCOME	114,066
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The “Other operating income” item comprises:

In thousands of euro	Year 2015	Year 2014
Gains on the disposal of plant, property and equipment	259	44
Sponsorships	4,059	2,845
Grants	3,839	3,454
Recovery of sundry costs	31,584	30,556
Licence rights	3,104	3,072
Sale of materials and sundry equipment	1,074	1,415
Insurance settlements	3,775	4,985
Increases in fixed assets from internal work	47,047	39,103
Income from the fair value revaluation of investment property	0	4,615
Rnts rcv	3,706	650
Other operating income	15,619	10,543
TOTAL	114,066	101,282

The increase is mainly due to the capitalisation of development projects for new products, greater revenues from the rental of racing bikes to teams taking part in various championships and to the growth in sponsorships in the Piaggio Group.

In 2014, this item included "profit from changes in the fair value of investment property" referred to the valuation of the Spanish site of Martorelles for 4,615 thousand euro.

The item contributions includes 2,344 thousand euro for state and EU contributions for research projects. The grants are recognised in profit or loss, with reference to the amortisation and depreciation of capitalised costs for which the grants were received. This item also includes contributions for exports (1,143 thousand euro) received from the Indian subsidiary of the Piaggio Group.

"Recovery of sundry costs" (less the amount in reduction of costs incurred) are related to transport costs recharged to customers, the charges for which are classified under "Costs for services and use of third party assets".

The item under review includes Related Party Transactions for 648 thousand euro, which are detailed in a paragraph contained within this Report.

- H8 - OTHER OPERATING COSTS	29,398
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The item Other operating costs at 31 December 2015 amounted to 29,398 thousand euro and is broken down as follows:

In thousands of euro	Year 2015	Year 2014
Losses on the disposal of plant, property and equipment	11	81
Duties and taxes not on income	5,862	5,235
Loss in value of plant, property and equipment	29	291
Provisions for product warranty	11,218	11,473
Provisions for litigation	200	0
Provisions for future and other risks	255	1,094
Write-down of trade receivables (including provisions to the provision for bad debts)	3,185	2,478
Write-down of financial (including provisions to the provision for bad debts)	37	0
Other operating costs	8,601	7,599
TOTAL	29,398	28,251

Overall other operating costs recorded an increase mainly due to higher duties and taxes other than income tax and to miscellaneous expenses.

The item in question includes Related-Party Transactions for 19 thousand euro, with details given in the relative paragraph in this Report.

- H9 - EARNINGS ON INVESTMENTS	165
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The item recorded a positive balance at 31 December 2015 of 165 thousand euro and mainly refers to the equity measurement of the investment held by the Piaggio Group in the joint venture Zongshen Piaggio Foshan Motorcycle Co. Ltd..

- H10 - FINANCIAL INCOME**20,577**

Financial income recognised by the Group in 2015 is detailed below:

In thousands of euro		
	Year 2015	Year 2014
Interest receivable	1,020	915
Exchange gains	18,938	12,737
Income from fair value hedging and interest rates	1	730
Dividends	130	5
Other items	488	293
TOTAL	20,577	14,680

During 2015, financial income was lower by 5,897 thousand euro compared to the figure recorded for the previous year: this increase is mainly due to higher exchange gains, recorded above all by the Piaggio Group, which were basically offset during the year by the increase in exchange losses.

- H11 - BORROWING COSTS**76,605**

Borrowing costs at 31 December 2015 are broken down as follows:

In thousands of euro		
	Year 2015	Year 2014
Interest payable on bank loans	26,515	28,310
Interest payable on loans from third parties	7,469	7,559
Interest payable on bonds	15,498	18,548
Other interest payable	3,330	2,768
Commissions payable	2,564	2,647
Charges for impairment of negotiable securities	0	64,350
Exchange losses	19,225	13,682
Fair value and interest rate hedging charges	649	680
Financial component of retirement funds and termination benefits	880	1,432
Other charges	475	981
TOTAL	76,605	140,957

Borrowing costs for 2015 decreased by 64,352 thousand euro compared to the previous year, mainly due to the fact that at 31 December 2014 a write-down of 64,350 thousand euro had been recognised by Immsi S.p.A. for the investment in Alitalia - CAI, following the impairment loss identified by impairment testing.

Net of this item, borrowing costs at 31 December 2015 were aligned with the balance of the previous year, mainly due to:

- lower costs due to the reduction in the cost of debt because of refinancing operations during 2014 and a non-recurring cost of 3.6 million euro in 2014, relative to the Piaggio Group,
- greater exchange losses, above all in the Piaggio Group, offset by the increase in exchange gains recognised under the item financial income.

Taxation on the income of companies consolidated on a line-by-line basis recognised in the Financial Statements at 31 December 2015 amounted to 11,863 thousand euro, and is broken down as follows:

In thousands of euro	Year 2015	Year 2014
Current taxes	8,955	8,278
Deferred tax liabilities	2,908	(5,699)
TOTAL	11,863	2,579

Taxes for the period increased by 9,284 thousand euro compared to 31 December 2014. As the impairment recognised by the Parent Company Immsi S.p.A. for the investment held in Alitalia – Compagnia Aerea Italiana S.p.A., amounting to 64,350 thousand euro, had been recognised in the previous year, the calculation of the average consolidated tax rate in the two years compared, is not considered as significant. Taxes for the year include the adjustment of deferred tax assets and liabilities to the new nominal tax rate for corporate income tax for the 2017 tax year, equal to 24%, compared to the current rate of 27.5%, as provided for by the 2016 Stability Law. This adjustment had an overall effect on the income statement of 14.4 million euro negative.

The Parent Company Immsi S.p.A., Piaggio & C. S.p.A., Piaggio Concept Store Mantova S.r.l., Intermarine S.p.A., Apuliae S.p.A., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l., Pietra Ligure S.r.l. and Aprilia Racing S.r.l. are party to the National Consolidated Tax Convention, and were therefore able to recognise overall deferred tax assets for 2015 of 10.4 million euro, in the view of results forecast for the Immsi Group.

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

	TOTAL
Profit before tax	-1,809
Theoretical rate (27.5%)	
Theoretical income taxes	-497
Tax effect arising from the change in the corporate tax rate from 27.5% to 24%	14,368
Effect arising from changes in Profit before tax and deferred tax liabilities	-8,539
Reverse deferred tax liabilities allocated in previous years on temporary changes	0
Tax effect arising from deferred tax liabilities	0
Tax effect arising from taxes on income produced abroad	10,998
Other differences	-7,716
Income taxes referred to previous years	0
Tax on the distribution of dividends	2,997
Income tax recognised in the financial statements (IRES)	11,611
Regional production tax (IRAP)	252
Income taxes recognised in the financial statements	11,863

The impact arising from the regional production tax rate was determined separately, as this tax is not calculated on the basis of profit before tax.

- H13 - GAIN/LOSS ON THE DISPOSAL OF ASSETS	0
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At the end of the reporting date, there were no gains or losses from assets held for sale or disposal, as well as for the previous year.

- H14 - EARNINGS FOR THE PERIOD	(9,554)
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At 31 December 2015, the Immsi Group posted a loss for the period of 9,554 thousand euro, after attributing a loss of 4,118 thousand euro to non-controlling interests.

- I - COMMITMENTS, RISKS AND GUARANTEES

The main guarantees issued by banks on behalf of Piaggio & C. S.p.A in favour of third parties are listed below:

Type	In thousands of euro
Guarantee of BCC-Fornacette issued in favour of the Livorno Customs Authority for Piaggio goods handling in the Port of Livorno	200
A guarantee of BCC-Fornacette issued to Pisa Customs Authorities for handling Piaggio goods at the Pisana docks and at Livorno Port	200
Guarantee of BCC-Fornacette issued for Piaggio & C. S.p.A. in favour of Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	1,321
Guarantee of Banco di Brescia issued in favour of the Municipality of Scorzè, to guarantee the urbanisation and construction of the plant in Scorzè	166
Guarantee of Banca Intesa Sanpaolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	140
Guarantee of Banca Intesa Sanpaolo issued to the Ministry of the Defence National Algeria, to guarantee contract obligations for the supply of vehicles	158
A guarantee of Intesa Sanpaolo issued to Hafei Motor for an ongoing supply agreement	1,500
A guarantee of Monte dei Paschi di Siena issued to Chen Shin Rubber for an ongoing supply agreement	650
A guarantee of the Banca Nazionale del Lavoro issued to China Shipping Containers Lines for a supply agreement	100
A guarantee of Banca Nazionale del Lavoro - Innovation and Networks Executive Agency issued for Project 1_HeERO	350

The main guarantees given to third parties recorded by Intermarine are detailed below:

Subject	In thousands of euro
Italian public entities for minesweepers and lookouts	56,397
Foreign public entity of the European Community	21,529
Italian operator for the supply of the integrated minesweeper platform	10,822
Ministries for research projects	4,074
Foreign public entity of Arab countries	3,491
Como S.r.l.	2,700
Various minor items	1,060

Guarantees to third parties mainly refer to guarantees issued for contracts ongoing with the following customers:

- The Ministry of Defence, for 56,397 50.127 thousand euro, of which 50,127 thousand euro referred to the performance bond and to guarantees issued for payments received as an advance on the Gaeta minesweeper modernisation contract, signed in 2009 and 6,270 thousand euro relative to deposits and bonds for other ongoing contracts;
- a foreign public organisation of the European Community, for 21,529 thousand euro, referred to the supply contract for 3 minesweepers, of which i) 12,240 thousand euro for a contract guarantee issued by the parent company RCN Finanziaria S.p.A.; and ii) the remaining portion referred to guarantees for payments received as advances issued by SACE with Immsi S.p.A. as joint and several guarantor (as described below);
- Italian operator active in the naval sector for the supply of an integrated minesweeper platform, for 10,822 thousand euro referred to the performance bond and to guarantees on advances on the contract to build a minesweeper;
- A foreign public entity of Arab countries, for 3,491 thousand euro, referred to guarantees for post delivery bonds issued to Oman for constructions C351 and C353. These guarantees are covered by a counter-guarantee of Immsi S.p.A. (as described below).

Other risks were also recognised, for 2,412 thousand euro (2,933 thousand euro at 31 December 2014), referred to the maximum penalty that may be calculated for the commitment undertaken by Intermarine S.p.A. with the Industrial Participation agreement (obligation to source exports of Finnish products) signed along with the construction contract with the foreign public entity of the European Community.

Lastly, to guarantee the payable to ISP obtained from Intermarine for 15 million euro, a first degree loan was issued up to a maximum of 200%.

With reference to the company **Is Molas S.p.A.**, 7.4 million euro were recognised relative to the value of the commitment undertaken with the Municipality of Pula on 26 March 2015, following the stipulation of the New Additional Planning Act. Finally, as collateral for bank loans, a first mortgage was issued by the subsidiary Is Molas S.p.A. on the real estate complex "Le Ginestre" for 10 million euro.

With reference to the subsidiary Apuliae S.p.A. commitments were found totalling approximately 1.4 million euro related i) by approximately 1.3 million euro to the contract entered into for the renovation of the property located in S. Maria di Leuca (Lecce); and ii) by approximately 0.1 million euro to the lease agreement with the Municipality of Castrignano del Capo (Lecce) concerning the twenty nine year lease of the former school building. Notwithstanding what has been described regarding the lawsuits that prevent the implementation of the entire investment, it was deemed best not to change the amount of the aforementioned contractual obligation, since the contract is formally still in force, although its execution is currently suspended.

With reference to the **Parent Company Immsi S.p.A.**, see the section "Commitments, risks and guarantees" in the "Notes to the Financial Statements at 31 December 2015" of the separate financial statements of Immsi S.p.A..

- L - RELATED-PARTY TRANSACTIONS

Reference should be made to the relevant paragraph as regards the main business relations of Group companies with related parties.

- M - FINANCIAL POSITION

Net financial debt of the Immsi Group at 31 December 2015 is shown below. Further details of the main components are provided in the tables in the Report on Operations and the related information below them:

(in thousands of Euros)	31.12.2015	31.12.2014
Cash and cash equivalents	-124,510	-103,942
Other short-term financial assets	0	0
Medium/long-term financial assets	0	0
Short-term financial payables	426,074	440,483
Medium/long-term financial payables	625,088	573,214
Net financial debt *)	926,652	909,755

*) The indicator does not include financial assets and liabilities arising from the fair value measurement of financial derivatives designated as hedges and the fair value adjustment of the related hedged items and related expenses (see note G2 – “Financial liabilities” in the Notes)

- N - DIVIDENDS PAID

As proposed by the Board of Directors on 16 March 2015 and approved by the Ordinary Shareholders' Meeting of 13 May 2015, the Parent Company Immsi S.p.A. did not distribute dividends in 2015.

Immsi S.p.A. did not pay dividends during 2014.

- O - EARNINGS PER SHARE

Earnings per share

The earnings per share is calculated by dividing the net income/loss for the year attributable to Parent company shareholders by the average weighted number of ordinary shares in issue during the period, from which any own shares held are excluded.

The average number of shares in issue is calculated by using the principle of retrospectively applying the changes in the number of shares in issue.

	Year 2015	Year 2014
Net profit attributable to ordinary shareholders (in thousands of euro)	(9,554)	(70,814)
Average weighted number of shares in circulation during the year	340,530,000	340,530,000
Basic earnings per share	(0.028)	(0,208)

Diluted earning per share

Diluted earning per share is calculated by dividing the net income/loss for the year attributable to Parent company Ordinary Shareholders by the average weighted number of shares in issue during the year, taking account of the diluting effect of potential shares. Any treasury shares held are excluded from this calculation.

The Company had no category of potential ordinary shares at 31 December 2015, therefore the diluted income per share coincides with the basic earning per share indicated above.

- P - INFORMATION ON FINANCIAL INSTRUMENTS

Information on financial instruments, the risks connected with them, as well as “sensitivity analysis” in accordance with requirements of IFRS 7 that came into force on 1 January 2007, is given below.

The following table shows the financial instruments of the Immsi Group registered in the financial statements at 31 December 2015 and at 31 December 2014:

In thousands of euro	31 December 2015	31 December 2014
ASSETS		
NON-CURRENT ASSETS		
<i>Other financial assets</i>	36,773	29,375
Financial receivables	0	0
Financial assets	36,773	29,375
CURRENT ASSETS		
<i>Other financial assets</i>	16,495	14,876
Financial receivables	0	0
Financial assets	16,495	14,876
LIABILITIES		
NON-CURRENT LIABILITIES		
<i>Financial liabilities</i>	648,793	591,136
Bonds	290,139	288,369
Payables due to banks	333,765	283,372
Amounts due under finance leases	179	211
Amounts due to other lenders	1,005	1,262
Financial liabilities for hedging instruments	23,705	17,922
CURRENT LIABILITIES		
<i>Financial liabilities</i>	429,104	440,483
Payables due to banks	372,551	383,225
Amounts due under finance leases	31	30
Amounts due to subsidiaries	225	55
Amounts due to other lenders	53,267	57,173
Financial liabilities for hedging instruments	3,030	0

Financial assets

Current and non-current financial assets are fully commented upon in Note *F5 – Other financial assets*, to which reference is made.

Current and non-current liabilities

Current and non-current liabilities are fully commented upon in Note *G2 – Financial liabilities*, to which reference is made. divided by type and detailed by expiry date.

The main loan agreements entered into by Group companies (fully described in the above note), require – in line with market practices for borrowers with a similar credit standing – compliance with:

- financial covenants, on the basis of which the financed company undertakes to comply with certain levels of contractually defined financial indices, with the most significant - in particular for the Piaggio Group - comprising the ratio of net financial debt/gross operating margin (EBITDA), measured on the consolidated perimeter of the Group, according to definitions agreed on with lenders;
- negative pledges according to which the company may not establish collaterals or other constraints on company assets;

- “pari passu” clauses, on the basis of which the loans will have the same repayment priority as other financial liabilities;
- change of control clauses, which are effective if the majority shareholder loses control of the company;
- limitations on the extraordinary operations the company may carry out.

The measurement of financial covenants and other contract commitments is monitored by the Group companies on an ongoing basis, in particular, based on results at 31 December 2015, all covenants had been fully met. Finally, any failure to comply with these covenants and other contractual commitments applied to the loans mentioned above - if not adequately remedied within the agreed time - could result in the requirement of early repayment of the related outstanding debt.

For more details, see the information in Note G2 – *Financial liabilities*.

Lines of credit

At 31 December 2015 the Immsi Group had irrevocable credit lines available until maturity amounting to 1,174.7 million euro. For further details reference is made to the Note G2 on Financial liabilities.

Management of financial risks

The financial risks to which the Immsi Group believes it is potentially exposed are:

- the management of capital and the liquidity risk;
- the exchange risk;
- the interest rate risk; and
- the credit risk.

In the **Piaggio Group**, management of these risks is centralized and treasury operations are performed based on policies and formalized guidelines, valid for all companies in the group.

Capitals management and liquidity risk

The liquidity risk derives from the possibility that available financial resources may not be sufficient to hedge, with due procedures and times, future disbursements generated by financial and/or commercial obligations.

The **Parent Company Immsi S.p.A.** operates with financing for the Group’s subsidiaries and/or by issuing guarantees finalized at facilitating their supply: the above operations are regulated under normal market conditions.

With particular reference to the **Piaggio Group**, to face such a risk, cash flows and the company’s credit line needs are monitored and/or managed centrally under the control of the Group’s Treasury Department, in order to guarantee an effective and efficient management of the financial resources as well as optimise the debt’s maturity standpoint. Moreover, Piaggio & C. S.p.A. finances the temporary cash requirements of Group companies by providing direct or indirect short-term loans regulated in market conditions or through guarantees. A cash pooling zero balance system is used between Piaggio & C. S.p.A. and European subsidiaries to reset the receivable and payable balances of subsidiaries on a daily basis, for a more effective and efficient management of liquidity in the Eurozone.

For greater coverage of the risk of liquidity, at 31 December 2015 the Immsi Group had unused credit lines available for 366.8 million euro (266.4 million euro at 31 December 2014) of which 161.8 million euro maturing within 12 months and 205 million euro maturing at a later date.

Management believes that currently available funds, in addition to those that will be generated from operating and financing activities, will enable the Group to meet its own needs arising from investments, management of working capital and repayment of debts when they become due, and will ensure an adequate level of operational and strategic flexibility.

Exchange rate risk management

The Immsi Group – particularly through the subsidiaries of the Piaggio Group and through the subsidiary Intermarine S.p.A. – operates in an international context where transactions are conducted in currencies different from Euro. This exposes the Group to risks arising from exchange rates fluctuations: currency exchange rate risk hedging contracts are entered into solely by companies belonging to the aforementioned groups.

In particular the **Piaggio Group** has an exchange rate risk management policy which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flows. This policy analyses:

- the transaction exchange risk: the policy wholly covers this risk which arises from differences between the recognition exchange rate of receivables or payables in foreign currency in the financial statements and the recognition exchange rate of actual collection or payment. To cover this type of exchange risk, the exposure is naturally offset in the first place (netting between sales and purchases in the same currency) and if necessary, by signing currency future derivatives, as well as advances of receivables denominated in currency;
- the translation exchange risk: arises from the conversion into Euros of consolidated financial statements of subsidiaries drawn up in currencies different from Euros performed during the consolidation process: the policy adopted by the group does not impose the hedging of such a kind of exposure;
- the economic exchange risk: arises from changes in company profitability in relation to annual figures planned in the economic budget on the basis of a reference change (the "budget change") and is covered by derivatives. The items of these hedging operations are therefore represented by foreign costs and revenues forecast by the sales and purchases budget. The total of forecast costs and revenues is processed monthly and relative hedging is positioned exactly on the average weighted date of the economic event, recalculated based on historical criteria. The economic occurrence of future receivables and payables will occur during the budget year.

Cash flow hedging related to the Piaggio Group

At 31 December 2015, the Group had undertaken the following futures operations (recognised based on the regulation date), relative to payables and receivables already recognised to hedge the transaction exchange risk:

Company	Operation	Currency	Amount in local currency	Value in local currency (forward exchange rate)	Average maturity
			<i>In thousands</i>	<i>In thousands</i>	
Piaggio & C.	Purchase	CNY	58,700	8,315	29/01/2016
Piaggio & C.	Purchase	JPY	225,000	1,700	13/01/2016
Piaggio & C.	Purchase	SEK	1,000	109	29/02/2016
Piaggio & C.	Purchase	USD	11,500	10,575	21/01/2016
Piaggio & C.	Sale	CAD	640	434	29/01/2016
Piaggio & C.	Sale	CNY	11,900	1,652	15/01/2016
Piaggio & C.	Sale	GBP	650	879	30/03/2016
Piaggio & C.	Sale	INR	506,000	6,969	10/01/2016
Piaggio & C.	Sale	USD	5,650	5,121	29/01/2016
Piaggio Group	Sale	€	415	442	28/01/2016

Piaggio Indonesia	Purchase	USD	128	1,820,070	15/02/2016
Piaggio Indonesia	Purchase	€	3,620	56,986,716	02/02/2016
Piaggio Vehicles	Sale	€	1,645	119,895	23/02/2016
Piaggio Vehicles	Sale	USD	2,211	147,136	01/02/2016
Piaggio Vespa BV	Sale	HRK	17,050	2,227	15/01/2016
Piaggio Vespa BV	Sale	SGD	610	401	18/02/2016

At 31 December 2015, the group had the following transactions to hedge the business risk:

Company	Operation	Currency	Amount in local currency	Value in local currency (forward exchange rate)	Average maturity
			<i>In thousands</i>	<i>In thousands</i>	
Piaggio & C.	Purchase	CNY	254,700	35,462	02/06/2016
Piaggio & C.	Sale	GBP	7,240	10,516	19/06/2016

To hedge the business risk, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders. At 31 December 2015, the overall fair value of hedging instruments on the exchange risk recognised on a hedge accounting basis was positive, amounting to 285 thousand euro. During 2015, profit under other components of the Statement of comprehensive income was recognised amounting to 285 thousand euro and profit from other components of the Statement of comprehensive income was reclassified under profit/loss for the period amounting to 656 thousand euro. The net balance of cash flows during 2015 is shown below, divided by main currency:

	Amounts in million of euro
	Cash-flow 2015
Pound Sterling.....	26.2
Indian Rupee.....	22.6
Croatian Kuna.....	2.8
US Dollar.....	19.0
Canadian Dollar.....	5.4
Indonesian Rupiah.....	11.1
Vietnamese Dong.....	20.4
Chinese Yuan*).....	(36.2)
Japanese Yen.....	(5.7)
Total cash flow in foreign currency.....	65.6

*) flow partially settled in euro

The subsidiary **Intermarine** also hedges risks arising from fluctuating exchange rates through specific operations related to single orders that require invoicing in currencies other than the euro. In particular, the policy concerning the exchange risk adopted by the group totally eliminates any risk by defining a fixed forward exchange rate to hedge fluctuating exchange rates. At 31 December 2015, no forward sales contracts were ongoing.

In view of the above, assuming an appreciation of 3% of the mean exchange rate of the euro on the unhedged portion of the economic exposure on main currencies observed in 2015, the impact on profit would have been approximately 2 million euro.

Management of the interest rate risk

The exposure to interest rate risk arises from the necessity to fund operating activities, both industrial and financial, of Group companies and to use available liquidity. Changes in interest rates may affect the costs and returns of investment and financing operations: this risk arises from fluctuations in interest rates and the impact this may have on future cash flows arising from floating rate financial assets and liabilities. Therefore, the Group regularly measures and controls its exposure to interest rates changes with the aim of reducing the fluctuation of borrowing costs limiting the risk of a potential rise in interest rates: this objective is pursued both through an appropriate mix of fixed rate and floating rate exposure, and through the use of derivative instruments, mainly Interest Rate Swaps and Cross Currency Swaps, also according to practices established by its own management policies.

With reference to the **Piaggio Group**, at 31 December 2015, the following hedging derivative instruments were recognised:

Hedging of financial flows (cash flow hedging)

- an Interest Rate Swap to hedge the variable rate loan for a nominal amount of 117,857 thousand euro (at 31 December 2015 10,714 thousand euro) granted by the European Investment Bank. The structure has fixed step-up rates, in order to stabilise financial flows associated with the loan; in accounting terms, the instrument is recognised on a cash flow hedge basis, with profits/losses arising from the fair value measurement allocated to a specific reserve in Shareholders' equity; at 31 December 2015, the fair value of the instrument was negative by 59 thousand euro. sensitivity analysis of the instrument, assuming a 1% increase and decrease in the shift of the variable rates curve, shows a potential impact on Shareholders' Equity, net of the relative tax effect, which was negligible.

Fair value hedging derivatives (fair value hedging and fair value options)

- a Cross Currency Swap to hedge the private debenture loan issued by Piaggio & C. S.p.A. for a nominal amount of 75,000 thousand USD dollars. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. At 31 December 2015, the fair value of the instrument was equal to 20,289 thousand euro. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to 120 thousand euro negative; sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement – net of the relative tax effect – of 78 thousand euro and 74 thousand euro negative respectively, assuming constant exchange rates. whereas assuming a 1% reversal and write-down of exchange rates, sensitivity analysis identified a potential impact on the Income statement – net of the relative tax effect – of 35 thousand euro negative and 37 thousand euro positive respectively;
- a cross currency swap to hedge loans relative to the Indian subsidiary for 10,545 thousand USD (at 31 December 6,520 thousand euro) granted by International Finance Corporation. The purpose of the instruments is to hedge the exchange risk and interest rate risk, turning the loan from US dollars to Indian Rupees, and half of said loan from a variable rate to a fixed rate; At 31 December 2015 the fair value of the instruments was equal to 3,238 thousand euro. sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement – net of the relative tax effect – of 20 thousand euro positive and 21 thousand euro negative respectively, assuming constant exchange rates. The assumption

of a reversal and write-down of 1% of the exchange rate of the Indian Rupee had a negligible effect on the Income Statement;

- a cross currency swap to hedge loans relative to the Indian subsidiary for 15,851 thousand USD (at 31 December 12,122 thousand euro) granted by International Finance Corporation. The purpose of the instruments is to hedge interest rate risk and exchange risk, turning the loan from US dollars to Indian Rupees, and to hedge the interest rate risk on the US dollar. At 31 December 2015 the fair value of the instruments was equal to 2,654 thousand euro. sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect and assuming constant exchange rates that was negligible. Even assuming a 1% increase and decrease in the exchange rate of the Indian Rupee, sensitivity analysis of the instrument and its underlying, showed a potential impact on the Income Statement - net of the relative tax effect - that was negligible;
- a cross currency swap to hedge the loan relative to the Vietnamese subsidiary for 13,107 thousand USD (at 31 December 11,726 thousand euro) granted by International Finance Corporation. The purpose of the instruments is to hedge the exchange risk and partially hedge the interest rate risk, turning the loan from US dollars at a variable rate into Vietnamese Dong at a fixed rate, except for a minor portion (24%) at a variable rate. At 31 December 2015 the fair value of the instruments was positive amounting to 652 thousand euro. sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement – net of the relative tax effect – of 63 thousand euro positive and 64 thousand euro negative respectively, assuming constant exchange rates. Even assuming a 1% increase and decrease in the exchange rate of the Vietnamese Dong, sensitivity analysis of the instrument and its underlying, showed a potential impact on the Income Statement - net of the relative tax effect - that was negligible.

At 31 December 2015, the Group had a cross currency swap relative to the Indian subsidiary to hedge the intercompany loan of 5,000 thousand euro granted by Piaggio & C. S.p.A.. The purpose of the instrument is to hedge the exchange risk and interest rate risk, turning the loan from Euros to Indian Rupees and from a variable to a fixed rate. Based on hedge accounting principles, this derivative is classified as non-hedging and therefore is measured at fair value with measurement effects recognised in profit or loss. At 31 December 2015 the fair value of the instrument was equal to 890 thousand euro. Sensitivity analysis of the instrument, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect, of 14 thousand euro and 15 thousand euro negative respectively, assuming constant exchange rates. Assuming a 1% appreciation and depreciation of the exchange rate of the Indian Rupee, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement – net of the relative tax effect – of 30 thousand euro negative and 31 thousand euro respectively.

<i>In thousands of euro</i>	FAIR VALUE
<i>Piaggio & C. S.p.A.</i>	
Interest Rate Swap	(59)
Cross Currency Swap	20,289
<i>Piaggio Vehicles Private Limited</i>	
Cross Currency Swap	3,238
Cross Currency Swap	2,654
Cross Currency Swap	(890)
<i>Piaggio Vietnam</i>	
Cross Currency Swap	652

Moreover, the Parent Company **Immsi S.p.A.** has an Interest Rate Swap to change 75% of flows for interest relative to the loan, for residual nominal amounts of 15.3 million euro with Banco Popolare from a variable to a fixed rate. at 31 December 2015, the fair value of the instrument amounted to 649 thousand euro. In 2015, profit amounting to 298 thousand euro was recognised in other components of the statement of comprehensive income.

Management of the credit risk

The Group considers that its exposure to credit risk is as follows:

In thousands of euro	31 December 2015	31 December 2014
Bank funds and securities	124,510	103,942
Financial assets	53,307	44,337
Tax receivables	28,873	42,903
Trade receivables and other receivables	220,162	253,040
Total	426,852	444,222

In particular, the **Piaggio Group** monitors or manages credit centrally by using established policies and guidelines. The portfolio of trade receivables shows no signs of concentrated credit risk in light of the broad distribution of its own licensee or distributor network. In addition, most trade receivables are short-term. In order to optimise credit management, Piaggio & C. S.p.A. has established revolving programmes with some primary factoring companies for selling its trade receivables without recourse in Europe and the United States.

With reference to the subsidiary **Intermarine**, whose business typically means that receivables are concentrated with a few customers, the most significant customers in quantitative terms are public organisations: moreover, in general production to order requires substantial advance payments by the customer as works progress, thereby reducing the credit risk.

With reference to other companies of the Immsi Group, there is currently no significant exposure to credit risk.

Hierarchical fair value valuation levels

IFRS 13 – *Fair value measurement* applies as from 1 January 2013. The Standard defines fair value on the basis of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of an active market or market that does not operate regularly, fair value is measured by valuation techniques. The standard defines a fair value hierarchy:

- level 1 quoted prices taken from an active market in terms of assets and liabilities under valuation;
- level 2 directly (prices) or indirectly (price-derived) observable market inputs other than level 1 inputs;
- level 3 inputs not based on observable market data.

The valuation techniques that refer to levels 2 and 3 must take into account adjustment factors that measure the risk of failure of both parties: to this end, the principle introduces the concepts of *Credit Value Adjustment (CVA)* and *Debit Value Adjustment (DVA)*. The CVA allows the inclusion, in the determination of the fair value, of the credit risk of the counterparty, while the DVA reflects the insolvency risk of companies.

IFRS 7 also requires the fair value of debts recognised on a amortised cost basis to be measured, for disclosure purposes only. The table below indicates these values:

<i>In thousands of euro</i>	Nominal value	Carrying amount	Fair Value Estimate
Piaggio Group - High yield debenture loan	250,000	238,570	256,690
Piaggio Group - Private debenture loan	51,799	51,569	71,618
Piaggio Group - BPER [Banca Popolare dell'Emilia Romagna] credit line	25,000	24,946	24,291
Piaggio Group - BEI (2013-2015 R&D fund)	43,636	43,636	42,979
Piaggio Group - Syndicated Revolving Credit line	40,000	38,852	38,201
Piaggio Group - Syndicated loan maturing in July 2019	75,000	74,419	52,644
Immsi S.p.A. – Mortgage loan with Banco Popolare	45,000	44,501	37,537
Immsi S.p.A. – Credit line maturing in February 2016	15,000	14,986	15,086
Immsi S.p.A. – Credit line maturing in March 2017	7,500	7,457	7,601
Immsi S.p.A. – Credit line maturing in April 2018	20,000	19,853	19,085

For other financial liabilities of the Immsi Group not expressly included in the table provided, the carrying amount is essentially similar to the fair value.

The table below shows the assets and liabilities measured at fair value at 31 December 2015, by fair value measurement hierarchical level.

In thousands of Euros	Level 1	Level 2	Level 3
Assets measured at fair value	14,319		12,115
Hedging financial derivatives		26,181	652
Investment property			85,965
Other assets		647	39
Total assets measured at fair value	14,319	26,828	98,771
Liabilities measured at fair value		(107,554)	
Hedging financial derivatives		(1,548)	
Other liabilities		(420)	
Total liabilities measured at fair value	0	(109,522)	0
Balance at 31 December 2015	14,319	(82,694)	98,771

Hierarchical level 1 includes the carrying amount of the investment held by Immsi S.p.A. in Unicredit S.p.A., down by 557 thousand euro compared to 31 December 2014 following a slight decrease in the share price recorded at the end of 2015.

Hierarchical level 2 includes among the assets the positive value of the derivative hedging financial instruments attributable to the Piaggio Group, while the liabilities include the negative value of the derivative financial instruments (Interest Rate Swap) attributable to the Parent company Immsi S.p.A..

Lastly, hierarchical level 3, under financial assets, includes the carrying amount of the investment held by Immsi S.p.A. in Alitalia – Compagnia Aerea Italiana S.p.A..

Investment property mainly includes the fair value of investment property attributable to Immsi S.p.A. (situated in Via Abruzzi, Rome) and the former Spanish site at Martorelles of the Piaggio Group.

The measurement of the Cross Currency Swap in place for the Vietnamese subsidiary of the Piaggio Group was classified within hierarchical level 3: this classification reflects the characteristics of illiquidity of the local market that do not allow for measurement with traditional criteria. If valuation techniques typical of liquid markets had been adopted, which is not the case for the Vietnamese market, derivatives would have had a negative fair value totalling 355 thousand euro (rather than a positive fair value of 652 thousand euro, included under financial hedging instruments - level 3) and accrued expenses on financial derivatives equal to 734 thousand euro. The following table highlights changes that occurred within various levels during 2015:

In thousands of Euros	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<i>Balance at 31 December 2014</i>	14,876	(87,373)	96,367
Gain and (loss) recognised in profit or loss		4,747	568
Increases/(Decreases)	(557)	(68)	1,836
<i>Balance at 31 December 2015</i>	14,319	(82,694)	98,771

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND INVESTMENTS AT 31 DECEMBER 2015

Pursuant to Consob Resolution no. 11971 of 14 May 1999 as amended (article 126 of the Regulations), a list of IMMSI Group companies and its material investments is set out below. The list states the companies, divided according to consolidation procedure.

The following are also shown for each company: the company name, registered office and country of establishment, as well as the share capital in the original currency. The percentages held by IMMSI S.p.A. or other group companies are also indicated. The percentage of Ordinary Shareholders' Meeting votes is also shown in a separate column, where it differs from the percentage of share capital held.

Company name	Currency	Share Capital (subscribed and paid-up)	% of Share Capital owned	% votes (if different)
LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS ON A LINE-BY-LINE BASIS				
IMMSI S.p.A. Mantova (Mantova) – Italy Parent Company	Euro	178,464,000.00		
Apuliae S.p.A. Lecce (Lecce) – Italy Immsi S.p.A. investment: 85.69%	Euro	1,000,000.00	85.69%	
ISM Investimenti S.p.A. Mantova (Mantova) – Italy Immsi S.p.A. investment: 72.64%	Euro	6,654,902.00	72.64%	
Is Molas S.p.A. Pula (Cagliari) – Italy ISM Investimenti S.p.A. investment: 89.48%	Euro	5,898,437.00	89.48%	
Pietra S.r.l. Milano (Milan) – Italy Immsi S.p.A. investment: 77.78%	Euro	40,000.00	77.78%	
Pietra Ligure S.r.l. Mantova (Mantova) – Italy Investment of Pietra S.r.l. 100.00%	Euro	10,000.00	100.00%	
Immsi Audit S.c.a r.l. Mantova (Mantova) – Italy Immsi S.p.A. investment: 25.00% Is Molas S.p.A. investment: 25.00% Piaggio & C. S.p.A. investment: 25.00% Intermarine S.p.A. investment: 25.00%	Euro	40,000.00	100.00%	
RCN Finanziaria S.p.A. Mantova (Mantova) – Italy Immsi S.p.A. investment: 63.18%	Euro	32,135,988.00	63.18%	
Intermarine S.p.A. Sarzana (La Spezia) – Italy RCN Finanziaria S.p.A. investment: 100.00%	Euro	9,990,000.00	100.00%	
Piaggio & C. S.p.A. Pontedera (Pisa) – Italy Immsi S.p.A. investment: 50.06%	Euro	207,613,944.37	50.06%	
Aprilia Brasil Industria de Motociclos S.A.*) Manaus – Brazil Aprilia World Service Holding do Brasil Ltda. investment: 51.00%	R\$	2,020,000.00	51.00%	
aprilias racing s.r.l. Pontedera (Pisa) – Italy Piaggio & C. S.p.A. investment: 100.00%	Euro	250,000.00	100.00%	
Aprilia World Service Holding do Brasil Ltda.*) San Paolo – Brazil Piaggio Group Americas Inc. investment: 99.99995%	R\$	2,028,780.00	99.99995%	
Atlantic 12- Property investment fund Milano (Milan) – Italy Piaggio & C. S.p.A. investment: 100.00%	Euro	10,439,872.51	100.00%	

Company name	Currency	Share Capital (subscribed and paid-up)	% of Share Capital owned	% votes (if different)
Foshan Piaggio Vehicles Technology Research & Development Co. Ltd Foshan City – China Piaggio Vespa B.V. investment: 100.00%	RMB	10,500,000.00	100.00%	
Nacional Motor S.A. Barcelona – Spain Piaggio & C. S.p.A. investment: 100.00%	Euro	60,000.00	100.00%	
Piaggio Asia Pacific PTE Ltd. Singapore – Singapore Piaggio Vespa B.V. investment: 100.00%	SGD	100,000.00	100.00%	
Piaggio Advanced Design Center Corp. California – USA Piaggio & C. S.p.A. investment: 100.00%	USD	100,000.00	100.00%	
Piaggio China Co. LTD Hong Kong – China Piaggio & C. S.p.A. investment: 99.99999%	USD	12,100,000.00	99.99999%	
Piaggio Concept Store Mantova S.r.l. Mantova - Italy Piaggio & C. S.p.A. investment: 100%	Euro	100,000.00	100.00%	
Piaggio Deutschland GmbH Düsseldorf – Germany Piaggio Vespa B.V. investment: 100.00%	Euro	250,000.00	100.00%	
Piaggio España S.L.U. Alcobendas – Spain Piaggio & C. S.p.A. investment: 100.00%	Euro	426,642.00	100.00%	
Piaggio Fast Forward Inc. Wilmington – USA Piaggio & C. S.p.A. investment: 89.47%	USD	1,676.47	89.47%	
Piaggio France S.A.S. Clichy Cedex – France Piaggio Vespa B.V. investment: 100.00%	Euro	250,000.00	100.00%	
Piaggio Group Americas Inc. New York - USA Piaggio Vespa B.V. investment: 100.00%	USD	2,000.00	100.00%	
Piaggio Group Canada, Inc. Toronto – Canada Piaggio Group Americas Inc. investment: 100.00%	CAD\$	10,000.00	100.00%	
Piaggio Group Japan Tokyo – Japan Piaggio Vespa B.V. investment: 100.00%	YEN	99,000,000.00	100.00%	
Piaggio Hellas S.A. Athens – Greece Piaggio Vespa B.V. investment: 100.00%	Euro	2,204,040.00	100.00%	
Piaggio Hrvatska D.o.o. Spalato – Croatia Piaggio Vespa B.V. investment: 75.00%	HRK	400,000.00	75.00%	
Piaggio Limited Bromley Kent – UK Piaggio Vespa B.V. investment: 99.9996% Piaggio & C. S.p.A. investment: 0.0004%	GBP	250,000.00	100.00%	
Piaggio Vehicles Private Limited Maharashtra – India Piaggio & C. S.p.A. investment: 99.9999971% Piaggio Vespa B.V. investment: 0.0000029%	INR	349,370,000.00	100.00%	
Piaggio Vespa B.V. Breda – Holland Piaggio & C. S.p.A. investment: 100%	Euro	91,000.00	100.00%	
Piaggio Vietnam Co. Ltd. Hanoi – Vietnam Piaggio & C. S.p.A. investment: 63.70% Piaggio Vespa B.V. investment: 36.30%	VND	64,751,000,000.00	100.00%	
PT Piaggio Indonesia Jakarta – Indonesia Piaggio Vespa B.V. investment: 99.00% Piaggio & C. S.p.A. investment: 1.00%	Rupiah	4,458,500,000.00	100.00%	

Company name	Currency	Share Capital (subscribed and paid-up)	% of Share Capital owned	% votes (if different)
INVESTMENTS IN SUBSIDIARIES, ASSOCIATED AND JOINT CONTROL COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD				
Zongshen Piaggio Foshan Motorcycle Co. Ltd. Foshan City – China Piaggio & C. S.p.A. investment: 32.50% Piaggio China Co. Ltd. investment: 12.50%	USD	29,800,000.00	45.00%	
Rodriquez Cantieri Navali do Brasil Ltda. Rio de Janeiro – Brazil Intermarine S.p.A. equity investment: 100.00% less one share held by Rodriquez Pietra Ligure S.r.l.	R\$	2.617.019,00	100.00%	
Rodriquez Engineering S.r.l. *) Messina (Messina) – Italy Intermarine S.p.A. investment: 100.00%	Euro	119,756.00	100.00%	
Rodriquez Pietra Ligure S.r.l. Milano (Milan) – Italy Intermarine S.p.A. investment: 100.00%	Euro	20,000.00	100.00%	
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES VALUED USING THE COST METHOD				
Depuradora d'Aigües de Martorelles S.C.C.L. Barcelona – Spain Nacional Motor S.A. equity investment: 22.00%	Euro	60,101.21	22.00%	
Pont - Tech, Pontedera & Tecnologia S.c.r.l. Pontedera (Pisa) – Italy Piaggio & C. S.p.A. equity investment: 20.44%	Euro	884,160.00	20.44%	
S.A.T. Société d'Automobiles et Triporteurs S.A. Tunisi – Tunisia Piaggio Vespa B.V. equity investment: 20.00%	TND	210,000.00	20.00%	
Mitsuba Italia S.p.A. Pontedera (Pisa) – Italy Piaggio & C. S.p.A. equity investment: 10.00%	Euro	1,000,000.00	10.00%	
Rodriquez Mexico *) La Paz – Mexico Intermarine S.p.A. equity investment: 50.00%	Pesos	50,000.00	50.00%	
Consorzio CTMI – Messina Messina (Messina) – Italy Intermarine S.p.A. investment: 25.00%	Euro	53,040.00	25.00%	
Fondazione Piaggio Pontedera (Pisa) – Italy Piaggio & C. S.p.A. equity investment: 66.67%	Euro	103,291.38	66.67%	

*** Non-operating company or company in liquidation.

* * *

This document was published on 8 April 2016 by authorisation of the Chairman of the Company, Roberto Colaninno.

Certification of the Consolidated Financial Statements pursuant to article 154-*bis* of Italian Legislative Decree no. 58/98

The undersigned Roberto Colaninno, as Chairman of the Board of Directors, Michele Colaninno, as Chief Executive Officer and Andrea Paroli, as Executive in charge of financial reporting of Immsi S.p.A., certify, also taking into account provisions of article 154-*bis*, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the company and
- the actual application

of the administrative and accounting procedures for preparing the consolidated financial statements at 31 December 2015.

With regard to the above, no relevant aspects are to be reported.

In addition, it is certified that the consolidated financial statements at 31 December 2015:

- were drawn up in compliance with applicable international accounting standards recognized by the European Union in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to accounting records;
- are adequate for giving a true and fair view of the financial position, performance and cash flows of the Issuer and of companies included in the scope of consolidation.

The Report on Operations includes reliable analysis of operations, as well as the situation of the Issuer and of companies included in the scope of consolidation, along with a description of the main risks and uncertainties to which they are exposed.

23 March 2016

The Chairman
Roberto Colaninno

Financial Reporting Officer
financial reporting
Andrea Paroli

Chief Executive Officer
Michele Colaninno

IMMSI S.p.A.

Financial Statements
to
31 December 2015

Immsi S.p.A. Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Shareholders' Equity, detailing amounts attributable to Related-Party and intergroup transactions:

Statement of Financial Position

In thousands of euro

ASSETS	Notes	31/12/2015	31/12/2014
NON-CURRENT ASSETS			
Intangible assets		0	0
Plant, property and equipment	C1	175	247
- of which intergroup and related parties		10	16
Investment property	C2	74,004	73,887
Investments in subsidiaries and associates	C3	322,332	322,359
Other financial assets	C4	12,115	11,449
- of which intergroup and related parties		0	1,100
Tax receivables	C5	0	411
Deferred tax assets	C6	0	0
Trade receivables and other receivables	C7	7	22
- of which related parties and intergroup		0	15
TOTAL NON-CURRENT ASSETS		408,633	408,375
ASSETS HELD FOR DISPOSAL			
		0	0
CURRENT ASSETS			
Trade receivables and other receivables	C7	52,167	44,988
- of which intergroup and related parties		51,416	44,246
Tax receivables	C5	502	1,443
Inventories		0	0
Works in progress to order		0	0
Other financial assets	C4	176,553	164,734
- of which intergroup and related parties		162,234	149,857
Cash and cash equivalents	C8	18,702	2,651
TOTAL CURRENT ASSETS		247,924	213,816
TOTAL ASSETS		656,557	622,191
LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		178,464	178,464
Reserves and retained earnings		182,863	246,607
Net profit for the period	E10	15,496	(65,628)
TOTAL SHAREHOLDERS' EQUITY	D1	376,823	359,443
NON-CURRENT LIABILITIES			
Financial liabilities	D2	117,311	70,025
Trade payables and other payables	D5	674	947
Retirement fund and similar obligations	D3	342	344
Other long-term provisions		0	0
Deferred tax liabilities	D4	17,485	19,624
TOTAL NON-CURRENT LIABILITIES		135,812	90,940
LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL			
		0	0
CURRENT LIABILITIES			
Financial liabilities	D2	141,780	169,405
Trade payables	D5	913	1,152
- of which intergroup and related parties		84	291
Current taxes	D6	425	404
Other payables	D5	803	847
- of which intergroup and related parties		2	2
Current portion of other long-term provisions		0	0
TOTAL CURRENT LIABILITIES		143,921	171,808
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		656,557	622,191

Income Statement

In thousands of euro

	Notes	2015	2014
Financial income	E1	24,811	7,841
- of which intergroup and related parties		21,793	7,538
Borrowing costs	E2	(10,188)	(74,200)
Income/(loss) from investments		0	0
Operating income	E3	4,434	4,549
- of which intergroup and related parties		1,982	2,049
Costs for materials		(35)	(40)
Costs for services, leases and rentals	E4	(3,395)	(3,479)
- of which intergroup and related parties		(408)	(548)
Employee costs	E5	(1,321)	(1,295)
Depreciation of plant, property and equipment	E6	(86)	(78)
Amortisation of goodwill		0	0
Amortisation of intangible assets with a definite life		0	0
Other operating income	E7	150	230
- of which intergroup and related parties		86	86
Other operating costs	E8	(769)	(838)
PROFIT BEFORE TAX		13,601	(67,309)
Taxation	E9	1,895	1,681
- of which intergroup and related parties		1,868	968
EARNINGS AFTER TAX FROM OPERATING ACTIVITIES		15,496	(65,628)
Gain (loss) from assets held for disposal or sale		0	0
NET PROFIT FOR THE PERIOD	E10	15,496	(65,628)

Comprehensive Income Statement

In thousands of euro

	Notes	2015	2014
NET PROFIT FOR THE PERIOD	E10	15,496	(65,628)
Items that may be reclassified to profit or loss:			
Profits (losses) from the fair value measurement of assets available for sale (AFS)		(557)	(124)
Effective portion of profit (losses) from instruments to hedge financial flows		298	(21)
Adjustment of the Investment Property reserve		2,129	0
Items that cannot be reclassified in the Income statement:			
Actuarial gains (losses) relative to defined benefit plans		15	(44)
TOTAL GAINS (LOSSES) OF THE PERIOD	D1	17,381	(65,817)

The values presented in the above table are all given net of the corresponding tax effect.

Statement of Cash Flows

In thousands of euro

This table shows the changes in cash and cash equivalents, net of short-term bank overdrafts (equal to 0 during the two periods compared).

	Notes	31/12/2015	31/12/2014
Operating activities			
Profit before tax	E10	13,601	(67,309)
Depreciation of plant, property and equipment	E6	86	78
Amortisation of intangible assets		-	-
Provisions for risks and for severance indemnity and similar obligations	D3	75	80
Write-downs / (Reversals)	C3-C4	30	64,380
Losses / (Gains) on the disposal of property, plant and equipment (including investment property)		3	5
Losses / (Gains) on the disposal of securities		(2,670)	-
Interest receivable (1)	E1	(8,146)	(7,003)
Dividend income (2)	E1	(13,156)	-
Interest payable	E2	8,912	8,765
Change in working capital			
(Increase) / Decrease in trade receivables (3)	C7	(5,044)	(6,514)
Increase / (Decrease) in trade payables (4)	D5	(239)	15
Increase / (Decrease) in reserves for severance indemnity and similar obligations	D3	(77)	(80)
Other changes (5)		8,979	4,725
Cash generated from operating activities		2,354	(2,857)
Interest paid	E2	(8,659)	(8,519)
Taxes paid		-	(167)
Cash flow from operations		(6,305)	(11,543)
Investing activities			
Acquisition of subsidiaries, net of cash and cash equivalents (8)	C3	(2,508)	-
Sale price of subsidiaries, net of cash and cash equivalents (9)	C3	5,206	-
Investments in property, plant and equipment (including investment property)	C1-C2	(133)	(237)
Sale price, or repayment value, of plant, property and equipment (including investment property)		-	39
Loans provided (6)	C4	(12,377)	(12,071)
Repayment of loans (7)	C4	1,100	13,907
Purchase of financial assets	C4	(1,766)	(16,999)
Collected interests		12	13
Dividends from investments (2)	E1	13,156	-
Cash flow from investing activities		2,690	(15,348)
Financing activities			
Loans received	D2	173,217	107,849
Outflow for repayment of loans	D2	(153,555)	(80,817)
Outflow for dividends paid	H	-	-
Cash flow from financing activities		19,662	27,032
Increase / (Decrease) in cash and cash equivalents		16,047	141
Opening balance		2,655	2,514
Exchange differences		-	-
Closing balance		18,702	2,655

(1) of which 8,131 thousand euro from financings granted to companies in the Group;

(2) dividends paid out by Piaggio & C. S.p.A.;

(3) of which 5,049 thousand euro increased for receivables from companies in the Group;

(4) of which 208 thousand euro decreased related to payables to companies in the Group and other Related Parties;

(5) of which approximately 2,135 thousand euro for an increase in receivables due from companies of the Group adhering to tax consolidated agreements;

(6) entirely referred to loans to subsidiaries;

(7) referred to receivables due from Intermarine S.p.A.;

(8) relative to the payment of future capital increases in favour of RCN Finanziaria S.p.A.;

(9) relative to the sale of 1.9 million shares of Piaggio.

Changes in Shareholders' Equity

Note D1

In thousands of euro

	Share capital	Extraordinary reserve A - B - C	Share premium reserve A - B	Reserves for the fair value measurement of financial assets available for sale	Reserves for the fair value measurement of hedging instruments	Reserve for the measurement of entities under common control	Investment Property Revaluation reserve	Actuarial evaluation reserve on defined benefit plans	Revaluation reserve A - B - D	Legal reserve TO	Other legal reserves A - B - D	IAS transition reserve	Earnings reserve A - B - C	Earnings for the period	Shareholders' equity
Balances at 31 December 2013	178,464	7,103	95,216	151	(926)	65,087	40,709	4	4,602	6,247	1,153	(1,614)	14,223	14,843	425,259
Increases in share capital against															0
Allocation of earnings to the Legal Reserve										742				(742)	0
Allocation of earnings to															0
Allocation of earnings to Retained													14,101	(14,101)	0
Purchase of treasury															0
Other changes															0
Comprehensive income				(124)	(21)			(44)						(65,628)	(65,817)
Balances at 31 December 2014	178,464	7,103	95,216	27	(947)	65,087	40,709	(40)	4,602	6,989	1,153	(1,614)	28,324	(65,628)	359,443

In thousands of euro

	Share capital	Extraordinary reserve A - B - C	Share premium reserve A - B	Reserves for the fair value measurement of financial assets available for sale	Reserves for the fair value measurement of hedging instruments	Reserve for the measurement of entities under common control	Investment Property Revaluation reserve	Actuarial evaluation reserve on defined benefit plans	Revaluation reserve A - B - D	Legal reserve TO	Other legal reserves A - B - D	IAS transition reserve	Earnings reserve A - B - C	Earnings for the period	Shareholders' equity
Balances at 31 December 2014	178,464	7,103	95,216	27	(947)	65,087	40,709	(40)	4,602	6,989	1,153	(1,614)	28,324	(65,628)	359,443
Increases in share capital against payment															0
Allocation of earnings to the Legal Reserve															0
Allocation of earnings to Dividends															0
Allocation of earnings to Retained Earnings/Losses		(7,103)	(342)										(58,184)	65,628	0
Purchase of treasury shares															0
Other changes															0
Comprehensive income				(557)	298		2,129	15						15,496	17,381
Balances at 31 December 2015	178,464	0	94,874	(531)	(649)	65,087	42,838	(25)	4,602	6,989	1,153	(1,614)	(29,860)	15,496	376,823

Available for:

A: Cover losses

B: Share capital increase

C: Distribution to shareholders

D: Distribution to shareholders under tax suspension

Notes to the financial statements at 31 December 2015

Note	Description
TO	General aspects
B	Accounting standards and measurement criteria
C	Information on main assets
C1	Plant, property and equipment
C2	Investment property
C3	Investments in subsidiaries and associates
C4	Other financial assets
C5	Tax receivables
C6	Deferred tax assets
C7	Trade receivables and other receivables
C8	Cash and cash equivalents
W	Information on main liabilities
D1	Shareholders' equity
D2	Financial liabilities
D3	Reserves for severance indemnity and similar obligations
D4	Deferred tax liabilities
D5	Trade payables and other payables
D6	Current taxes
AND	Information on main Income Statement items
E1	Financial income
E2	Borrowing costs
E3	Operating income
E4	Costs for services, leases and rentals
E5	Employee costs
E6	Depreciation of plant, property and equipment
E7	Other operating income
E8	Other operating costs
E9	Taxation
E10	Net profit for the period
F	Commitments, risks and guarantees
G	Net debt
H	Dividends paid
I	Group and Related-Party Transactions
L	Risks and uncertainties
M	Auditing costs

A – General aspects

Immsi S.p.A. (the Company) is a limited company established under Italian law and has registered offices in Mantova - P.zza Vilfredo Pareto, 3 and sub-offices in via Abruzzi, 25 – Rome and via Broletto, 13 – Milan. The main activities of the company and its subsidiaries (the Group) are described in the first section of the Directors' Report on operation.

At 31 December 2015, Immsi S.p.A. was directly and indirectly controlled, pursuant to article 93 of the TUF, by Omniaholding S.p.A., a company wholly owned by the Colaninno family, through the subsidiary Omniainvest S.p.A..

Following the coming into force of European Regulation no. 1606 in July 2002, Immsi S.p.A. has adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission, the updates of those pre-existing ones (IAS), as well as the documents of the International Financial Reporting Interpretations Committee (IFRIC) deemed applicable to the transactions carried out by the Company.

The financial statements of Immsi S.p.A. are drawn up in compliance with Legislative Decree no. 58/1998, as well as in compliance with provisions issued pursuant to article 9 of Italian Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated 27/7/06 containing "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated 27/7/06 containing "Changes and additions to the Regulation on Issuers" adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28/7/06 containing "Corporate reporting required in accordance with article 114, paragraph 5 of Italian Legislative Decree no. 58/98"). The Company did not consider presentation of segment information, as established in IFRS 8, as significant.

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

For information on significant events and operating outlook, see the Report on Operations at 31 December 2015.

These Financial Statements are audited by PricewaterhouseCoopers S.p.A. pursuant to the appointment granted by the Shareholders' Meeting on 11 May 2012 for the period 2012-2020.

Presentation of the financial statements

The Consolidated Financial Statements consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Shareholders' Equity and the Notes.

As provided for by Consob Ruling no. 15519 of 27 July 2006, the financial statements include specific evidence of related-party and intergroup transactions.

In relation to options in IAS 1 "Presentation of Financial Statements", Immsi S.p.A. opted to present the following types of accounting statements:

- **Statement of Financial Position:** The Statement of Financial Position is presented in sections with Assets, Liabilities and Shareholders' Equity indicated separately. Assets and Liabilities are shown in the financial statements on the basis of their classification as current and non-current;
- **Income Statement:** The Income Statement is presented with the items classified by kind of costs. The Company, in view of the economic importance of the financial component in relation to the real estate and services component, has adopted a format for the Income Statement which shows the main activity of Immsi S.p.A. at the top of the statement;
- **Statement of Comprehensive Income:** The Statement of Comprehensive Income is presented in accordance with the provisions of IAS 1 revised, net of a possible tax component. The items presented in Other comprehensive profits/(losses) are grouped according to whether or not they can be subsequently reclassified in the Income statement;

- **Cash Flow Statement:** The Cash Flow Statement is presented divided into areas generating cash flows, as indicated by international accounting standards. The Statement adopted by Immsi has been prepared using the indirect method;
- **Statement of Changes in Shareholders' Equity:** The Statement of Changes in Shareholders' Equity is presented as required by the IAS 1 revised. It includes the Statement of Comprehensive Income. Reconciliation between the opening and closing balance of each item for the period is presented.

B - Accounting standards and measurement criteria

The accounting standards adopted in preparing these financial statements are the same as those adopted for preparing the financial statements at 31 December 2014, except for the contents of the section on main accounting standards adopted as from 1 January 2015.

The Directors have prepared the financial statements on the basis of the historical cost principle as requested for the measurement of some financial statement items and with the assumption that the company is a going concern as, despite a difficult economic and financial context, the uncertainties identified, as defined by IAS, are not significant and do not generate significant doubts as to the assumption that the business is a going concern.

No atypical, unusual or non-recurrent operations were recorded during 2014 and 2015.

No exceptional circumstances occurred requiring departures from legal provisions concerning Financial Statements pursuant to article 2423, section 4 of the Italian Civil Code.

The international accounting standards adopted are listed and summarized below.

Intangible assets

An intangible asset is recorded only if it is identifiable, verifiable and it is likely to generate future economic benefits and its costs can be reliably determined.

These assets are recognised at acquisition or production cost and amortised on a straight line basis over their estimated useful life, if they have a finite useful life. Intangible assets with an indefinite useful life are not amortised but are subject to impairment testing.

The amortisation period for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period: if the expected useful life proves different from previous estimates, the amortisation period is changed accordingly.

Plant, property and equipment

Plant, property and equipment are recorded at purchase cost, including directly related charges, net of accumulated depreciation and impairment losses. For an asset that justifies capitalisation, the cost also includes any borrowing costs that are directly attributable to acquisition, construction or production of the asset.

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

Plant, property and equipment in progress are valued at cost and are depreciated from the period in which they come into operation.

Depreciation is determined on a straight-line basis over the estimated useful life of the assets or, in the case of disposal, until the end of the previous year.

Land is not depreciated.

Profits and losses arising from the sale or disposal of assets are measured as the difference between the sale revenue and net book value of the asset and are entered in the income statement for the period.

At 31 December 2015, the Company did not hold any assets under finance lease agreements.

Other plant, property and equipment are depreciated applying the rates indicated below, reduced

by half for fixed assets acquired during the year:

Plant and machinery	from 15% to 30%
Furniture and fittings, electrical machines	12%
Personal computers, hardware, EDP and telephone systems	20%
Vehicles	25%
Other equipment	15%

Investment property

As provided for by IAS 40, a non-instrumental property owned in order to obtain rent and/or for the appreciation of the property is measured at fair value.

Investment property is not amortised and is eliminated from the financial statements when sold or when the investment property is unusable in the longer term and no future economic benefits are expected from its sale.

The Company annually revises the carrying amount of investment property held or more frequently if required by facts or circumstances.

Investments

Investments in subsidiaries and affiliated companies are recorded at cost adjusted for any impairment.

Purchase and sale flows relative to investments are based on the FIFO criterion.

Impairment

Plant, property and equipment and investments in subsidiaries and affiliated companies are tested for impairment annually, or more frequently. If there is evidence that such assets have suffered a prolonged or significant loss in value, the asset's recoverable amount is estimated to determine the amount of the impairment and it is immediately observed in the Income Statement. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the asset's cash generating unit. The recoverable amount is the higher of an asset's fair value less costs to sell (if available) and its value in use. In measuring the value in use, estimated future cash flows are discounted at their fair value, using a rate net of taxes, which reflects current market changes in the fair value of money and specific risks of the asset.

If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset is land or buildings other than investment property recognised at revalued amounts, in which case the loss is recognised in the relative revaluation reserve.

As regards the measurement of investments, if any portion belonging to losses of the investee attributable to the Company exceeds the carrying amount of the investment and the Company is liable for them, the value of the investment is reset and the portion of any further losses is recorded as a provision in liabilities.

Should the recorded write-down no longer be valid, the book value of the asset is increased to the new value arising from the estimate made of its recoverable value, but not more than the net carrying amount that the asset would have had if the write-down for impairment losses had not been made. The restored value is posted to the Income statement.

Receivables

Receivables are recorded at their nominal adjusted value, in order to align them to their presumed realisable value, through the recording of a bad debt provision. This provision is calculated on the basis of the recovery assessments carried out by analysis of the individual positions and of the

overall risk of all the receivables, also taking account of any guarantees.

When the payment of the sum due is deferred beyond normal credit terms offered to customers and the financial effect associated with such deferral is significant, it is necessary to discount the receivable.

Cash and cash equivalents

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

Financial assets

The item financial Assets includes: i) assets held for trading (*fair value to profit and loss*), ii) investments held at maturity, iii) loans and receivables and iv) the residual category for assets available for sale.

Financial assets include current securities, i.e. short-term or negotiable securities that represent temporary investments of liquidity and do not meet requirements for classification as cash equivalents. Their initial measurement takes account of the transition costs directly attributable to their purchase or issue.

After initial recognition, financial instruments available for sale and held for trading are measured at fair value.

When financial assets are held for trading, the gains and losses arising from changes in the fair value are charged to the Income statement. When financial assets are available for sale, namely they are not classified as financial assets held for trading and they are not loans or receivables, the gains and losses arising from changes in the fair value are charged to the Statement of Comprehensive Income until the financial asset is sold or de-recognised; at that time, accumulated gains or losses, including gains or losses previously recognized in shareholders' equity, are recognised in the Income statement of the period.

Investments held to maturity and not for trading purposes (loans and receivables originating from normal operations), and financial assets with medium-long term maturities, for which no quotations are available on an active market and whose fair value cannot be determined reliably, are valued on an amortised cost basis net of any write-downs applied to reflect impairment losses.

Loans and receivables originating during typical operations that Immsi S.p.A. does not hold for trading purposes, for which the fair value cannot be reliably determined, and that do not have a fixed maturity, are measured at purchase cost.

Financial liabilities

Financial liabilities include loans that are recognised at the original sums received and are recognised and reversed from the financial statements on the basis of their trade date. Non-current financial liabilities which differ from financial liabilities measured at fair value and recognized in the Income statement, are entered net of the accessory acquisition fees and, subsequently, are measured with the amortised cost method, using the effective interest rate.

The Company's activities are exposed primarily to financial risks from changes in interest rates. The Company uses derivative instruments to hedge risks arising from changes in interest rates on certain irrevocable commitments and planned future transactions. Derivatives are initially measured at fair value represented by the initial amount.

Derivative financial instruments are used solely for hedging purposes, in order to hedge against fluctuations in interest rates. In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective

throughout the reporting periods for which it is designated.

Financial liabilities hedged with derivative instruments are booked according to the methods established for hedge accounting, applicable to the cash flow hedge: the profit and loss portion on the hedging instrument that is considered actual coverage is charged in the prospectus of the Statement of Comprehensive Income, the aggregate gain or loss is removed from Shareholders' equity and recognised in profit or loss in the same period during which the hedged transaction is recognised. The ineffective portion of the profits and losses on the hedging instrument is entered in the Comprehensive Income.

If a hedging instrument or hedge relationship is terminated, but the hedged transaction has not yet been completed, the aggregate gains and losses, up to that moment recorded in Shareholders' equity, are recognised in profit or loss at the moment when the related transaction takes place. If the hedged transaction is no longer expected to occur, the unrealised gains or losses suspended in Shareholders' equity are recognised immediately in the Income statement.

Payables

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

Employee benefits

With the adoption of the IFRS, termination benefits accrued up to 31 December 2006, that will now be held by the company, is considered a defined benefit obligation to be recorded in accordance with IAS 19 "Employee Benefits", consequently, it must be recalculated using the projected unit credit method, by undertaking actuarial valuations at the end of each period.

Liabilities for employee termination benefits recognised in the financial statements represent the present value of liabilities for defined benefit plans adjusted to take account of actuarial gains and losses and unrecorded costs related to previous employment services.

The cost components of defined benefits are recognised as follows:

- costs relative to services are recognised in profit or loss under employee costs;
- net borrowing costs of liabilities or assets with defined benefits are recognised in profit or loss as financial income/(borrowing costs), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking account of the payment of contributions and benefits during the period;
- the remeasurement components of net liabilities, which include actuarial gains and losses, returns on assets (excluding interest income recognised in profit or loss) and any change in the limit of the assets, are immediately recognised as Other total profits (losses). These components must not be reclassified to the Income Statement in a subsequent period.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated on all temporary taxable differences between the carrying amount and their tax value.

Deferred tax assets on tax losses are recognised only to the extent that the existence of adequate future taxable income of the Group against which to use this positive balance is considered likely. The value of deferred tax assets is revised annually and is reduced to the extent to which the existence of sufficient taxable income to allow the whole or partial recovery of such assets is no longer probable.

Deferred tax assets and the provision for deferred tax liabilities are offset when there is a legal right to offset them and when the taxes are due to the same tax authority.

Deferred taxation is determined on the basis of the tax rates which are expected to be applied in the periods in which such temporary differences will occur or be extinguished.

Deferred taxes may not be discounted and are classified as non-current assets and liabilities.

Financial income and expenses

Financial income and expenses are recorded on an accrual basis.

Financial income includes dividends, interest income on invested funds and income arising from financial instruments.

Interest income is charged to the Income statement as it accrues, considering the effective yield.

Interests due on financial payables are calculated using the effective interest rate method.

Dividends in the Income statement are recognised when, following the resolution by an investee company to distribute a dividend, the relative credit right arises.

Operating revenues and costs

Costs and revenues from the sale of assets are recognised in the financial statements only when the risks and related benefits of ownership of the assets are transferred while, as concerns services, costs and revenues, they are recognised in profit or loss with reference to their progress and the benefits achieved at the date of the financial statements.

The reporting criteria required by IAS 18 are applied to one or more operations as a whole when they are so closely connected that the commercial result cannot be valued without making reference to such operations as to a single whole, therefore the income from re-charging costs for materials and services sustained by Immsi S.p.A. on behalf of companies in the Group or third parties is not recognised in profit or loss as it is offset against the relative costs that generated it.

Current taxes

Income taxes for the year are calculated using the tax rates in force at end of the reporting period and are recognised in profit or loss, except for items directly charged or debited to Shareholders' equity, in which case the tax effect is recognised directly as a reduction or increase in the Shareholders' equity item.

Other taxation unrelated to income is included in other operating costs.

Income tax for regional production tax is recognised in the amounts due to the tax authorities net of advances while as for corporate income tax it is noted, that since 2007 the Company has undersigned with some companies of the Group a national fiscal consolidated contract, therefore the payables, advance payments and withholdings suffered were transferred at the end of the year to the fiscal consolidated company. Immsi, as the consolidating company, has recognised in its own financial statements the net effect of the amount due to companies transferring tax losses and tax receivables, and the receivable due from companies transferring a taxable amount with a counter entry of the cumulative receivable or payable vis-à-vis the tax authorities.

Use of estimates

The preparation of the financial statements and notes in compliance with IAS/IFRS requires Management to make estimates and assumptions that have an impact on the values of assets and liabilities in the financial statements and on disclosure relating to contingent assets and liabilities at the reporting date. Actual results could differ from estimates. Estimates are used, among others, to evaluate activities subject to impairment testing, and to identify provisions for bad debts, amortisation and depreciation, impairment losses of assets, employee benefits, taxes and other provisions and reserves. Estimates and assumptions are periodically revised and the effects of any change are recognised in profit or loss.

It should be pointed out that, in particular, considering the current global economic and financial crisis, assumptions about future trends reflect a significant degree of uncertainty. Consequently, the Group cannot rule out the possibility that next year's results will differ from estimates and may require adjustments that are even considerable and which are not foreseeable and cannot be estimated at present.

New accounting standards applicable as from 1 January 2015

At the date of these financial statements, competent bodies of the European Union had completed the approval process necessary for the application of new accounting standards and amendments as from 1 January 2015. The adoption of the new standard has not resulted in any significant effects for Immsi S.p.A.. For a brief description of the main amendments to international accounting standards applied and/or applicable as from 1 January 2015, as well as standards for which at the date of these financial statements, the competent bodies of the European Union have not yet completed the approval process necessary for adoption, reference is made to the Notes to the Consolidated Financial Statements of the Immsi Group at 31 December 2015.

C – Information on main asset items

C1	Plant, property and equipment	175
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Changes in plant, property and equipment are broken down as follows:

In thousands of euro	Plant, property and equipment
Assets at 31.12.14	247
- Capital amount	1,385
- Accumulated depreciation	-1,138
Increases for investments	14
Decreases for depreciation	-86
Decreases for disposals	-0
- (Capital amount)	-2
- Accumulated depreciation	2
Assets at 31.12.15	175
- Capital amount	1,397
- Accumulated depreciation	-1,222

The item includes plant, furniture and fittings, office and electronic machinery, cars and various equipment.

C2	Investment property	74,004
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The Company classified the property located in Rome – via Abruzzi as investment property, as defined by IAS 40, revaluing the carrying amount based on the market value at the date of change of destination as equal to 72.1 million euro, since it was no longer instrumental to business operations, but an asset usable to finance other ongoing investment activities. The greater value was entered in a specific reserve of shareholders' equity, net of the related tax effect. Subsequent investments have led to an increase of the property.

The investment is no longer subject to depreciation starting from the year 2009, as required by international accounting standards. The value recognised in the financial statement includes 31 thousand euro of works in progress that will be completed and will generate profit starting from 2016.

The valuation of the investment property is based on an appraisal of an external advisor that estimated a fair value at the end of 2015 in line with the value recognised in the financial statements at 31 December 2015. The valuation criteria used in this appraisal refer to generally accepted valuation methodologies and principles, using discounted cash flow analysis.

The valuation is therefore based on discounting cash flows generated during the period at the estimate date. Revenues and costs were considered at present value, at the time when they arose and were discounted bank using a suitable rate.

The market value of the property complex therefore comprises the discounting of operating costs, revenues from the property according to various uses and revenues from the sale of the property assumed for capitalisation of the rental payment of the last period considered.

In order to determine the rental payment of the property, the comparative synthetic method was used which makes it possible to determine the value corresponding to the sum of money for which the property could be rented, at the time of the estimate, between an owner and lessee both interested in the transaction, in the absence of particular interests and after an adequate sale, assuming that both parties act freely, cautiously and are informed. This comparative procedure

estimates the rental value by comparing recent or present transactions, relative to similar assets as regards the type, building and location. The rental payment for the asset may, therefore, be determined taking into account rental prices and making adjustments considered adequate as regards the morphological aspects of the asset, its maintenance, profitability, the qualities of any lessee and any other factor considered relevant.

The continued uncertainty on the real estate market makes it possible for prices and values to be extremely volatile at times, until the market regains stability.

Rental income referred to the building and was recognised under operating income, amounting to 2,792 thousand euro. Connected costs mainly refer to ordinary maintenance and management of the building. Most of these costs are then charged to tenants as of building service regulations.

Mortgages are secured on the property in Rome, for a total of 90 million euro guaranteeing the loan obtained in 2010 and renegotiated at the end of 2015 with Banco Popolare for 45 million euro, which is expected to be settled in 2025.

C3	Investments in subsidiaries and associates	322,332
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The total value of investments in subsidiaries and affiliated companies was down slightly compared to the value recognised at 31 December 2014 of 322,359 million euro, due to the sale of 1.9 million Piaggio shares, partially offset by the increase in the investment held in RCN Finanziaria S.p.A..

The main data from the last financial statements approved by the Boards of subsidiaries are given below. The data have been calculated based on the adoption of international accounting standards.

Company Name and Head office	Share capital	Shareholders' equity	Net profit	% of Share Capital owned	Pro rata shareholders' equity	Difference between pro rata shareholders' equity and carrying amount	No. of shares	Carrying amount
Apuliae S.p.A. Lecce	1,000	668	-198	85.69%	572	-767	2,000,000	1,339
ISM Investimenti S.p.A. Mantova	6,655	28,394	-5,395	72.64%	20,626	-15,834	6,654,902	36,460
Piaggio & C. S.p.A. Pontedera (Pisa) *)	207,614	320,321	15,058	50.06%	160,367	-84,889	361,208,380	245,256
RCN Finanziaria S.p.A. Mantova	32,136	21,539	-4,120	63.18%	13,609	-6,897	64,271,976	20,506
Pietra S.r.l. Milan	40	25,160	1,812	77.78%	19,569	809	n/a	18,761
Immsi Audit S.C. a R.L. Mantova	40	29	4	25.00%	7	-3	n/a	10

*) percentage and number of shares net of treasury shares.

APULIAE S.p.A.

The equity investment in Apuliae S.p.A. is recognised in the financial statements for the amount underwritten upon establishing the company in December 2003, increased by the amount paid for a future increase in share capital in January 2004 for 2 millions euro and in December 2012 for 92 thousand euro. As a consequence of the extended suspension of the restructuring activities relating to the "ex Colonia Scarciglia" building in Santa Maria di Leuca (Lecce), during 2006 Immsi wrote down its shareholding by 2,453 thousand euro. The Extraordinary Shareholders' Meeting of Apuliae S.p.A. held in 2008 resolved, partial coverage of the losses accumulated at 31 December 2007 equal to 2,490 thousand euro by writing down the shareholders' equity and zeroing the reserve of 2 million euro paid by Immsi. The General Meeting in late 2012 resolved to partially

cover the accumulated losses at 30 September 2012 amounting to 620 thousand euro through a reduction of the share capital.

At present the suspension of renovation work, which began in March 2005, following investigations by the legal authorities, is still pending. Reference is made to the sections on the Property and holding sector and Disputes in progress in the Directors' Report and the Financial Statements of the Immsi Group at 31 December 2015 for an update on the situation.

ISM INVESTIMENTI S.p.A.

The company ISM Investimenti S.p.A. with IMI Investimenti S.p.A. as its minority shareholder, after a capitalisation operation, acquired from Immsi S.p.A. shares, equal to 60% of the capital, relative to the investment in Is Molas S.p.A., previously held directly by Immsi S.p.A., paying an amount equal to 84 million euro. The operation was in line with Immsi's strategy to concentrate some of the Group's tourist-real estate development activities in a specific company, with the objective of associating partners with these initiatives to strengthen the asset base. On the basis of agreements between the shareholders, Immsi S.p.A. has maintained control of Is Molas S.p.A..

After the conversion into shares in 2013 of the convertible financial instruments issued and subscribed by partners in 2010, Immsi S.p.A. holds 4,834,175 category A shares, while IMI Investimenti S.p.A. holds 1,820,727 category B shares, with investments (in terms of voting rights) equal to 72.64% and 27.36% respectively. In this regard, considering the different equity rights of the two shareholders established by the co-investment and shareholders agreement signed at the time of the initial investment as supplemented and amended in 2013 - the portion of shareholders' equity of ISM Investimenti S.p.A. consolidated by Immsi S.p.A. was estimated to be 60.39% at 31 December 2015, unchanged compared to 2014.

The value of the investment is 15,834 thousand euro greater than pro-rata shareholders' equity. This difference is believed to be recoverable in the light of the present progress of the project for residential and tourist-hotel development presented by the indirect subsidiary Is Molas S.p.A..

Reference is made to the section on the Property and holding sector and Disputes in progress in the Directors' Report and the Financial Statements of the Immsi Group at 31 December 2015 for an update on the situation.

PIAGGIO & C. S.p.A.

Immsi S.p.A.'s investment in Piaggio & C. S.p.A., recognised under assets at 31 December 2015 amounts to 245,256 thousand euro, down compared to 31 December 2014, due to the sale of 1.9 million shares in May 2015. Following the operation to cancel and purchase treasury shares undertaken by Piaggio & C. S.p.A. in 2015, Immsi's stake went up 50.59% at 31 December 2014 to 50.06% at 31 December 2015.

The value of the investment calculated based on the specific listing at December 2015 amounted to 420,607 thousand euro.

The portion of share capital at 31 December 2015 was 84,889 thousand euro more than the pro-rata shareholders' equity. This difference is considered by the Directors to be recoverable in relation to the development plans of the Piaggio Group as backed up by the impairment test carried out on 31 December 2015. Analyses conducted did not highlight any impairment loss as regards the carrying amount of the investment held by Immsi S.p.A. in Piaggio & C. S.p.A..

In particular, with the values considered for the main basic assumptions adopted for impairment testing (i.e. weighted average "g rate" for the Piaggio Group equal to approximately 1.4% and average weighted WACC for the Piaggio Group estimated to be approximately 7.4%), the test concerning the value in use of the investment held in the Piaggio Group was passed with a broad margin. In addition, also on the basis of the indications contained in the Document Banca d'Italia/Consob/Isvap no. 2 of 6 February 2009 and in the document Banca d'Italia/Consob/Isvap no. the impairment test was passed in all reasonably considered cases. In this regard, changes in

values assigned to basic assumption considered reached the worst case scenario of a reduction in the perpetual growth rate (“*g rate*”) of one percent, and an increase in the WACC of one percent. In this regard, changes in values assigned to basic assumption considered reached the worst case scenario of a reduction in the perpetual growth rate (“*g rate*”) of one percent, and an increase in the WACC of one percent.

Lastly, of the 180,828,621 Piaggio shares held by Immsi S.p.A. at 31 December 2015, 162,149,962 thousand Piaggio shares were filed to guarantee loans granted by banks to Group companies.

RCN Finanziaria S.p.A.

The investment, equal to 63.18% of the capital of RCN Finanziaria S.p.A., is recognised in the financial statements at a value of 20,506 thousand euro, up compared to the figure at 31 December 2014 of 2,509 thousand euro relative to interest income of Immsi which the Parent Company converted into a payment for a future capital increase.

The portion of share capital at 31 December 2015 was 6,897 thousand euro more than the pro-rata shareholders' equity. this difference is considered by the Directors to be recoverable in relation to development plans of the indirect subsidiary Intermarine S.p.A. as backed up by the impairment test carried out on 31 December 2015. Analyses conducted did not highlight any impairment loss as regards the carrying amount of the investment held by Immsi S.p.A..

The main hypotheses and assumptions used in determining the recoverable value of the investment are related to i) the use of financial data of Intermarine S.p.A., a 100% subsidiary of RCN Finanziaria S.p.A.; ii) the discount rate used for discounting estimated expected cash flows; and iii) the expected growth rate for calculating the terminal value, consistently with the approach of discounting back the “perpetual growth”. For more details on impairment testing and the relative underlying assumptions, see the Notes to the consolidated financial statements of the Immsi Group. The forecast data considered – uncertain and variable by nature – reflect the evolution of the company’s order portfolio as well as its future industrial and commercial strategies. The data, in particular, are based - to a significant extent - on the acquisition of future contracts for which negotiations, at various stages, are ongoing with the Italian Navy and international navies. updates, revisions or negative developments relative to the aforesaid assumptions and forecasts occurring after the reporting period of this evaluation, could influence, even significantly, the results of impairment testing.

In this regard, during previous years the final results of Intermarine S.p.A. showed significant deviations compared to forecasts of forward looking financial data used, even after several exceptional and non foreseeable events, such as the floods at the Intermarine site in Sarzana: given the intrinsically uncertain nature of the forecast data considered, it cannot be excluded that these deviations may continue to take place even in the future, with respect to the forecast data used for evaluations carried out at 31 December 2015.

Lastly, an impairment loss for the investment was recorded amounting to 22,607 thousand euro, based on the results of impairment testing carried out in 2010, 2011, 2012 and 2013. Given that the analyses conducted to determine the recoverable amount were also carried out on the basis of estimates, the existence of adequate cash flows to allow the recovery of the carrying amount of the equity investment and the period within which those flows will be produced, is dependent on the outcome of initiatives provided within the forecast data of Intermarine S.p.A.. In particular, this data assumes as recovery in economic and financial stability in the medium term, mainly thanks to orders acquired by the Defence business and the reduction of indirect costs and overheads. Given the current difficulty of reference and financial markets, the management of the Company cannot guarantee that there will be no further impairment losses of the investment in future periods: as a number of factors - both internal and external to Intermarine S.p.A. - considered in the calculation of the estimates could also be revised in the future, the Company will constantly monitor these factors and the possible existence of future impairment losses.

PIETRA S.r.l.

At the end of 2006, Immsi S.p.A. acquired a 77.78% investment in Rodriguez Pietra Ligure S.r.l., which was then transformed into Pietra S.r.l., recognised in the financial statements for a total of 18,761 thousand euro, corresponding to the amount paid on the initial underwriting and at subsequent capital increases.

This company, originally established by Rodriguez Cantieri Navali S.p.A. (now Intermarine S.p.A.), was then sold to the two current shareholders (Immsi S.p.A. and Intesa San Paolo S.p.A.), in order to sign an agreement to sell the future receivable relating to the Pietra Ligure shipyard project with Rodriguez Cantieri Navali S.p.A..

At the same time as the sale of the receivable, Rodriguez Cantieri Navali S.p.A. granted Pietra S.r.l. subscription rights for the acquisition of the entire stake in the Pietra Ligure S.r.l., the newco assigned the industrial complex along with the area transferred from the State, at the price of 300 thousand euro. The subscription rights were subject to the suspension condition of failure to sign the final contract of sale of the investment which Rodriguez Cantieri Navali S.p.A. and the promissory purchaser Como S.r.l. had committed to as of the preliminary contract indicated, were exercised at the end of May 2015.

This project refers to the shipyard area located in Pietra Ligure (Savona) that – in the intentions of the subsidiary – would be turned into a property complex with apartments, a hotel, mooring places, shops and other services. The area concerned was acquired during a public auction in 2007. Reference is made to the sections on the Property and holding sector and Disputes in progress in the Directors' Report and the Financial Statements of the Immsi Group at 31 December 2015 for an update on the situation.

Lastly, in 2008, a company was established called IMMSI Audit Società Consortile di Internal Auditing del Gruppo Immsi a R.L. (IMMSI Audit S.c. a r.l.), with Immsi S.p.A. subscribing 25% of the share capital, equal to 10 thousand euro.

C4	Other financial assets	188,668
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Below is a breakdown of other financial assets held by Immsi S.p.A.:

	2015	2014
Other non-current financial assets:	12,115	11,449
Financial assets available for sale (afs)	12,115	10,349
Financial receivables due from third parties	-	-
Financial receivables due from Group companies	-	1,100
Other current financial assets:	176,553	164,734
Financial assets available for sale (afs)	14,319	14,876
Financial receivables due from third parties	-	-
Financial receivables due from Group companies	162,234	149,857
Total other financial assets	188,668	176,183

Other non-current financial assets include the value of the investment in Alitalia – Compagnia Aerea Italiana S.p.A. acquired in 2008. The value of the investment recognised in the financial statements at 31 December 2015 is equal to 12,115 thousand euro, registering an increase of 1,766 thousand euro due to payments "for future capital increases" in compliance with the Stand-by Equity Commitment undertaken in September 2014 to subscribe and release a maximum 10 million euro capital to increase capital against payment resolved by the shareholders' meeting of Alitalia – CAI on 25 July 2014.

After this operation, Immsi S.p.A. held a 2.66% investment at 31 December 2015.

On 31 December 2014, a final agreement was signed between the long-standing shareholders of Alitalia – CAI and lender banks with a new minority shareholder of Alitalia, Etihad Airways, as part of an operation to reorganise and relaunch Alitalia, through a strategic partnership with the new partner and airline company Etihad Airways. This operation led to the establishment of a new company called Alitalia - SAI, in which the operating activities of Alitalia – CAI, a company in which Immsi is still shareholder, were transferred. For more details, see the Directors' Report and Financial Statements of the Immsi Group at 31 December 2014.

As regards this investment, valuations conducted when preparing this Report did not identify the need to carry out impairment, confirming the carrying amount recognised at 31 December 2014, increased by the value of payments of future capital increases made during the year.

Specifically, company management updated the impairment test, to assist the Board of Directors of Immsi S.p.A. for valuations in its remit, estimating the fair value of the investment using the unlevered version of the discounted cash flow method and obtaining a value in line with the carrying amount recognised at 31 December 2015. Based on official information provided by the management of the company, Alitalia – SAI recorded a result in 2015 in line with the plan that made it possible to confirm plan objectives. Immsi therefore used, in the impairment test, the industrial and financial plan for SAI which had been produced for the 2015 - 2018 period as part of the transaction that led to the entry of the new partner Etihad, with flows that had been considered for the valuation of the investment by Etihad, by the adjuster in the appraisal to transfer operating activities of CAI to SAI. Using criteria on a continual basis with those adopted in the appraisal to assign operating activities of CAI to SAI, to discount estimated financial flows, a Ke (“Cost of Equity”) was used, equal to approximately 7.7% and a WACC (“Weighted Average Cost of Capital”) equal to approximately 7.26%: the financial flows considered for the valuation covered a three-year period, while for the terminal value of the investment, a perpetual growth rate “g rate” equal to 1.5% was considered, aligned with the growth rate of GDP expected for Europe for the period in question.

Other current financial assets at 31 December 2015 amounted to 176,553 thousand euro and include the shareholding in Unicredit and loans granted to subsidiaries.

The latter amount to 162,234 thousand euro, up by 12,377 thousand euro compared to the end of 2014.

In particular, the Company has receivables amounting to 105,126 thousand euro due from RCN Finanziaria S.p.A. which include, among others, two convertible shareholder loans subscribed by the Parent Company, for 26.8 million euro and 12 million euro respectively, maturing in 2015, for which the Company has already stated its intention of renewing. Receivables due from RCN Finanziaria increased in the year, mainly due to the portion of interest capitalised at the end of 2015 and accrued on the first convertible shareholder loan, equal to 596 thousand euro, and for the sale of credit with payment without recourse between Pietra Ligure S.r.l., as obligor, Immsi, as transferor and RCN Finanziaria as transferee, under which the Parent Company sold 1.1 million euro of financial receivables due from Pietra Ligure to RCN Finanziaria for the same amount.

The Company also granted loans to ISM Investimenti S.p.A. for a total of 28,811 thousand euro, plus capitalised interest, of which 8,121 granted in 2015, mainly to allow the subsidiary to take part in the capital increase operation undertaken by Is Molas S.p.A..

Loans receivable include 21,600 thousand euro payable to the Parent Company by Is Molas S.p.A., 2,730 thousand euro payable by Pietra S.r.l. and 330 thousand euro payable to the subsidiary Apuliae S.p.A..

Current financial assets available for sale include the investment held in Unicredit equal to 14,319 thousand euro for 2,788,464 shares. The fair value of the investment, represented by the share price at the end of 2015, is down compared to the end of 2014, by approximately 557 thousand euro and is recognised under positive components of the Statement of Comprehensive Income net of the relative tax effect.

At the end of the year the value of the investment was broken down as follows:

In euro	Purchase cost		Market Value	
	unit	overall	unit	overall
Unicredit	5.326	14,850,590	5.135	14.318.763

2,787,000 Unicredit shares were restricted at 31 December 2015 due to a securities loan contract guaranteed by cash collateral that the Company undersigned with Banca Akros in December 2007 and has periodically renewed. Contractually agreements between the parties do not modify the ownership of securities subject of the loan but they solely transfer the rights and duties deriving from their possession for the duration of the contract, therefore the investment is recognised as an asset of Immsi against a liability equal to the liquidity disbursed by the Bank as collateral.

In fact, the existing contract with Banca Akros requires a cash collateral of 13,294 thousand euro at 31 December 2015 to be delivered by the intermediary, represented by the market value of the security net of a margin accounting for any downward trends, against the loan of the above Unicredit securities. The contract, which expires on withdrawal, envisages a fee receivable and interest payable equal to the EONIA increased by a spread, calculated on the cash collateral disbursed by Banca Akros.

C5	Tax receivables	502
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Tax receivables amount to 502 thousand euro and are recognised exclusively in the current portion. The Company opted to be a part of the Group taxation system, as provided for by articles 117 *et seq.* of the Consolidated Income Tax Act (National Consolidated Tax Convention) along with the subsidiaries Piaggio & C. S.p.A., Aprilia Racing S.r.l., Apuliae S.p.A., Intermarine S.p.A., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l., Pietra Ligure S.r.l. and Piaggio Concept Store Mantova S.r.l.. As regards contracts signed with these companies, the Parent Company Immsi S.p.A., as consolidating entity, recognised tax receivables for 391 thousand euro in its financial statements, relative to withholding taxes transferred from companies of the agreement, recognised in the current portion as they concern disposal to subsidiaries pursuant to article 43-*ter* of Presidential Decree no. 602/73 to be offset in 2016.

A further 111 thousand euro were recognised as receivables for IRAP (regional tax on production activities).

C6	Deferred tax assets	0
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The Company recognised gross deferred tax assets amounting to 1,801 thousand euro, of which 234 thousand euro for temporary differences for costs deductible in subsequent years and approximately 1,567 thousand euro for tax losses with a recoverability under the national consolidated tax convention confirmed in future years (when estimating the recoverable value, the Company considered the long-term plans of Group companies that are included in the tax convention). The item was adjusted due to the change in the corporate income tax rate, decreased to 24% as from 1 January 2017, based on a provision introduced on 22 December 2015.

Deferred tax assets were entirely offset by deferred tax liabilities as they refer to the same income

tax owing to the tax authorities and may be recovered in similar times.

C7	Trade receivables and other receivables	52,174
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Current trade receivables and other receivables are nearly entirely recognised in the current portion and refer to trade receivables from third parties and from Group companies for lease contracts, management contracts, fees paid for positions held by employees of the Parent Company, interest, fees on guarantees and expenses charged for activities managed by Immsi S.p.A. on behalf of subsidiaries. This item includes receivables due from companies belonging to the Immsi Group for 38,584 thousand euro, and namely Intermarine for 654 thousand euro, Is Molas for 9,811 thousand euro, RCN Finanziaria for 24,966 thousand euro, Piaggio for 739 thousand euro, ISM Investimenti for 1,915 thousand euro and the remainder from other Group companies. Other current receivables of Immsi S.p.A., as the consolidating company, defined in the national consolidated tax convention, include the net receivable from companies party to the convention, for a total amount of 12,832 thousand euro.

Trade receivables are recorded net of a bad debt reserve prudently allocated for 784 thousand euro against the uncertain recoverability of approximately 690 thousand euro receivables due from Volare Group relative to the rental of a portion of the property of Via Pirelli – Milan sold by Immsi during 2005. In this respect, the Volare Group has been in receivership since the end of 2004 and Immsi, proving its debts, has been admitted to the benefit. The filing of the plan to distribute assets relative to privileged creditors pursuant to article 2764 of the Italian Civil Code (receivables of lessors of property) is pending.

Immsi S.p.A. received guarantees and guarantee deposits for a total of 649 thousand euro for lease agreements stipulated for the property in Rome.

The Company has not recorded any receivables from foreign companies due after 5 years.

C8	Cash and cash equivalents	18,702
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This item covers cash and current bank accounts. The amount is affected by the sum of 24,556 thousand euro issued in favour of the Company by Banco Popolare after the renegotiation of the mortgage, for which details are given in the section on Financial Liabilities.

For this loan, Immsi is required to channel income from the lease into a special account, for the entire duration of the contract, and to keep a minimum amount there equal to the interest instalment closest to maturity. This sum, equal to 113 thousand euro at 31 December 2015 is, to all effects, unavailable up to the minimum amount for payment of the interest instalment due in June 2016.

D - Information on main liabilities

D1	Shareholders' equity	376,823
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Share capital

At 31 December 2015, the share capital of Immsi S.p.A. totalled 178,464,000.00 euro, fully subscribed and paid up, and represented by 340,530,000 ordinary shares with no nominal value.

Each ordinary share entitles the holder to a proportionate part of distributable profits and of the shareholders' equity resulting from any liquidation, as well as to unlimited voting rights.

As regards proxies to increase share capital and authorizations to purchase treasury shares, see the 2015 Report on Corporate Governance and Ownership.

Other reserves and retained earnings

The item Other reserves at 31 December 2015 is broken down as follows:

- legal reserve comprising provisions approved following the distribution of the profit for the year for 6,989 thousand euro;
- legal reserves for a total of 1,153 thousand euro;
- revaluation reserve for plant, property and equipment, established in accordance with Law no. 413/91 by Sirti and transferred to Immsi following the demerger for 4,602 thousand euro;
- the fair value measurement reserve of investment property for 42,838 thousand euro, of which the increase at 31 December 2014 of 2,129 thousand euro is solely attributable to the adjustment of the tax effect calculated for the revaluation of the property in Rome to the corporate income tax rate of 24%. For details of this operation generating this reserve, see the item Investment Property;
- share premium reserve that includes the increase in share capital of 44,880 thousand euro in early 2005, as well as 50,336 in 2006, net of uses of 342 thousand to cover losses in 2014;
- evaluation reserve under common control equal to 65,087 thousand euro, in compliance with guidelines as of OPI (Assirevi preliminary guidelines on IFRS) no. 1, whose underlying operation, concerning the subsidiaries Is Molas S.p.A. and ISM Investimenti S.p.A., is commented on in the Investments item;

The item Other reserve includes the negative component arising from the retrospective measurement of the actuarial gain/loss referred to defined benefit obligations for 25,531 thousand euro, the reserve for transition to international accounting standards for 1,614 thousand euro and the reserve relative to the fair value of the hedging instrument - an interest rate swap - for 649 thousand euro.

The loss for 2014, equal to 65,628 thousand euro, as resolved by the Shareholders' Meeting of 13 May 2015 was covered by retained earnings and by the extraordinary reserve, and by partial use of the above share premium reserve.

No others uses are recorded in the three previous years to cover losses, increase capital or distribute profit to shareholders.

As a result, the Shareholders' Equity of the Company includes losses carried forward for 29,860 thousand euro, comprising the loss accrued in 2012.

Comprehensive Income Statement

In 2015, the Statement of Comprehensive Income recorded a loss for the period of 17,381

thousand euro, against an adjustment in the investment property reserve for 2,129 thousand euro necessary due to the change in the corporate income tax rate in effect since 1 January 2017 (24%), the positive change in the fair value of the interest swap hedging instrument for 298 thousand euro, the lower fair value of the investment in Unicredit compared to the value at the end of 2014, equal to 557 thousand euro, and the adjustment of 15 thousand euro for the measurement of defined benefit plans concerning the actuarial profit generated in 2015.

D2	Financial liabilities	259,091
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Non-current financial liabilities equal to 117, 311 include a loan undersigned in June 2010 by the Company and renegotiated in December 2015 with Banco Popolare for a total of 45 million euro maturing at the end of 2025, with repayment in six-monthly instalments at a rate equal to the Euribor increased by a spread. the loan has been recognised in the financial statements on an amortised cost basis for 44,501 thousand euro, of which 4,500 thousand euro relative to instalments that may be repaid in 2016, which were therefore recognised in the current portion. The loan is guaranteed by mortgages on property located in Rome – via Abruzzi for a total of 90 million euro, in addition to the payment of income from lease contracts on the same property being paid into an account subject to special conditions, up to the amount of the interest instalment closest to maturity.

The loan agreement has two covenants. The former, defined gearing ratio, is to be calculated as the ratio between net financial liabilities and shareholders' equity, defined interest service cover ratio, and is calculated as the ratio between the rental payments for the lease of the property in Rome and interest on the loan. If even one of the two ratios is not met, Immsi must state the reason and steps taken to restore the agreed conditions or bank may terminate the loan agreement.

To cover the risk of interest rate fluctuation for cash flows, Immsi S.p.A. kept on the existing interest rate swap hedging contract, which changes the variable rate into a fixed rate for the entire duration of the contract on 75% of the nominal value of the loan taken out in 2010; The rate has been fixed at 2.41% in addition to a spread. The fair value measurement of this hedging instrument is recognised as a liability, with a counter entry in the Statement of Comprehensive Income.

The non-current component also includes:

- a loan from Banca Popolare dell'Emilia Romagna for nominal value of 15 million euro maturing on 31 March 2017 and with a benchmark rate equal to the three-month Euribor increased by a spread. The loan provides for six-monthly increasing repayments and is recognised on an amortised cost basis for a value of 7,457 thousand euro, of which 5 million maturing in 2016 and therefore recognised in the current portion. This loan also has two covenants relative to the Net debt/EBITDA and Net debt/shareholders' equity ratio at an Immsi Group level;
- a revolving credit line granted until April 2018 by Banca Nazionale del Lavoro for 20 million euro. This loan has a benchmark rate equal to the variable Euribor increased by a spread. In addition to a minimum threshold for Piaggio share listing, the line also requires two covenants to be met regarding the ratio between Ebitda/ Net financial charges at an Immsi Group level and Net debt/Shareholders' equity of Immsi S.p.A.. The loan is recognised on an amortised cost basis and is equal to 19,853 thousand euro;
- a revolving credit line with Istituto Monte dei Paschi di Siena for a total of 30 million euro maturing in April 2017. The agreements have a benchmark rate equal to the variable Euribor increased by a spread and a covenant relative to the minimum value of consolidated Shareholders' Equity. The line is recognised in the financial statements at nominal value as periodic charges contractually apply throughout the duration of the loan;

- a revolving credit line granted until June 2017 by Intesa Sanpaolo for 25 million euro at a benchmark rate equal to the three-month Euribor increased by a spread. The related covenant establishes a ratio between consolidated Net Debt and the Shareholders' Equity of the Group.

All covenants of the above medium/long-term loan agreements were met at the end of 2015, and the Company deposited a total of 4.5 million Piaggio and 37.2 million Piaggio shares as a lien to guarantee the loans.

Current financial liabilities at the end of 2015 amounted to 141,780 thousand euro and include, besides the current portion of medium/long-term loans with Banco Popolare and Banca Popolare dell'Emilia Romagna for a total of 9.5 million euro, the following:

- a Bullet – Multi Borrower loan from Intesa Sanpaolo for a total of 130 million euro, maturing in June 2016, for 125.3 million euro, of which 70 million euro granted to Immsi S.p.A., 30 million euro granted to ISM Investimenti S.p.A. and 25,3 million euro granted to Intermarine S.p.A., maturing in December 2016. This loan has a benchmark rate equal to the variable Euribor increased by a spread.
- a credit line from Intesa Sanpaolo in February 2013 for a total nominal amount of 15 million euro, recognised in the financial statements on an amortised cost basis and equal to 14,986 thousand euro. The loan, maturing in 3 years and with a benchmark rate equal to the six-month Euribor increased by a spread, requires a covenant to be met relative to the ratio between Net Debt/Shareholders' Equity at an Immsi Group level;
- a revolving credit line equal to 25 million euro, of which 14 million used at the end of 2015, disbursed by Istituto Unicredit at a rate equal to the variable Euribor increased by a spread, renewed up until May 2017. The agreements require a covenant to be met, calculated based on the ratio between the total value of shares held by Immsi S.p.A. in Piaggio & C. S.p.A. and the net debt of the Company;
- a revolving credit line granted by Banco Popolare for a total of 20 million euro maturing in November 2016, with a benchmark rate equal to the variable Euribor increased by a spread.

A further 4.6 million euro relative to a revolving line of credit granted by Intesa Sanpaolo do not appear to have been used at the end of the year.

The covenants of loan agreements maturing in 2016 were met at 31 December 2015 and the Company filed 24.45 million Piaggio shares as a guarantee and approximately 67.5 million Piaggio shares million as a lien.

Current financial liabilities also include the cash collateral received from Banca Akros for the Unicredit securities loan for 13,294 thousand euro. For details, see the item Other Financial Assets.

Nominal financial payables, by due date, are shown below:

In thousands of euro	Within 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
Payables to banks	141,794	62,000	24,500	4,500	4,500	22,500	259,794

D3	Reserves for severance indemnity and similar obligations	342
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Liabilities only include the reserve for termination benefits totalling 342 thousand euro at the end of 2015. As provided for by Legislative Decree no. 252/2005 and by Law no. 296 of 27 December

2006, since Immsi has fewer than 50 employees, the termination benefit of employees that did not opt to assign the benefit to other types of supplementary welfare schemes, continued to be managed by the company, unless otherwise indicated by personnel.

New IFRS identify the liability relating to termination benefits using the actuarial measurement method. An estimate is made of the probable employment period in the company for each employee. For this period, annual salaries were revised based on an expected rate of inflation and a portion (legal rate) was allocated as termination benefit.

The portion of termination benefit already accrued, and which will accrue at the foreseeable date of termination of employment, is revised as required by law and discounted by a rate equal to 2.3%. As regards the discount rate, the iBoxx Corporates A rating with a 10+ duration at 31 December 2015 was used as the valuation reference.

The parameters used in the evaluation are shown below:

	Inflation rate	Rate of increase in termination benefit
2015	0.60%	1.95%
2016	1.20%	2.40%
2017	1.50%	2.625%
2018	1.50%	2.625%
since 2019	2.00%	3.00%

The table below shows the effects, at 31 December 2015, which would have occurred following changes in reasonably possible actuarial assumptions:

In thousands of euro	Provision for post-employment benefits
Turnover rate +2%	340
Turnover rate -2%	345
Inflation rate + 0.25%	348
Inflation rate - 0.25%	337
Discount rate + 0.50%	328
Discount rate - 0.50%	357

Estimated future payments are shown below:

In thousands of euro	Future amounts
1	52
2	21
3	21
4	22
5	106

The average duration of the bond is 12 years.

Being an actuarial valuation, the results depend on the technical bases adopted such as, among others, the interest rate, the inflation rate and the expected turnover. A variation of these parameters could lead to a significant change in the liability estimated to date; similar impacts may be caused by unexpected changes in other technical bases.

Movements in the fund during the year are shown below:

<i>In thousands of euro</i>	
Balance at 31.12.2014	344
Service cost	23
Use for employment termination/advances	-17
Interest cost	7
Actuarial (gain)/loss	-15
Balance at 31.12.2015	342

As foreseen by the amendment to IAS 19, the cost components relating to the provision of work and net borrowing costs, equal to 30 thousand euro, were directly recognised in profit or loss, whereas the recognition of actuarial gains arising from the remeasurement each year of liabilities, equal to 15 thousand euro, was recorded in the Statement of Comprehensive Income.

D4	Deferred tax liabilities	17,485
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Deferred tax liabilities at 31 December 2015 total 17,485 thousand euro, net of the portion of deferred tax assets allocated for temporary differences and fiscal losses, offset by 1.801 thousand euro in that they are consistent for nature and the Tax authority.

Gross deferred tax liabilities are recognised for temporary differences in the taxation of positive components for 213 thousand euro, and above all for the fair value measurement of the investment property in Rome, for 17,986 thousand euro against lower depreciation recognised during the transition to accounting standards, relative to buildings and plant depreciated net of the value of land and the recoverable value at the end of their useful life, amounting to 1,087 thousand euro.

These last two components, unchanged compared to the previous year, were affected by the adjustment to 24% of the corporate income tax rate, as established in the provision of 22 December 2015.

D5	Trade payables and other payables	2,390
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Other non-current debts, equal to 674 thousand euro, include nearly exclusively the mark to market value at the end of 2015 of the hedging instrument for the interest rate variation risk (IRS) with reference to 75% of the 2010-2019 mortgage loan contract of an original 46 million euro, renegotiated with Banco Popolare at the end of 2015. The changed compared to 2014, amounts to 298 thousand euro and is recognised in the Statement of Comprehensive Income.

Current trade payables refer to invoices received and not yet paid and to invoices to be received recognised on an accrual basis and total 913 thousand euro, of which 84 thousand euro to Related Parties and other companies of the Group.

Other current payables mainly include payables to social security institutes for 124 thousand euro, payables to employees and company bodies for 255 thousand euro, accrued liabilities and deferred income for 422 thousand euro.

At the end of 2015, no trade payables or other payables due to foreign companies or payables due after 5 years were recognised.

D6	Current taxes	425
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Current taxes at 31 December 2014 refer to taxes withheld on the income of employees and freelance workers amounting to 399 thousand euro and tax payables for VAT amounting to 26 thousand euro.

Group taxation calculated for 2015 recorded a tax loss, therefore no advance payments on corporate income tax will be made in 2016.

E - Information on the main Income Statement items

E1	Financial income	24,811
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Details of financial income for 2015 and a relative comparison with the previous year are given below:

<i>In thousands of euro</i>	2015	2014
Dividends from subsidiaries	13,156	-
Gains from the sale of subsidiaries' shares	2,670	-
Interests and commission from subsidiaries	8,637	7,538
Other financial income	348	303
Total	24,811	7,841

The increase compared to 2014 is mainly attributable to the sum of 13,156 thousand euro collected for dividends paid by Piaggio & C. S.p.A. and a capital gain of 2,670 thousand euro realised in 2015 from the sale of 1.9 million Piaggio shares.

Other financial income realised in 2014 and 2015 mainly refers to income recognised by Banca Akros for a securities loan agreement secured by cash collateral, following the distribution of Unicredit dividends received and referring to the shares covered by the agreement.

E2	Borrowing costs	10,188
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Borrowing costs amount to 10,188 thousand euro and include nearly entirely interest and charges accrued on bank borrowings. The item records a decrease compared to the previous year, equal to 74,200 thousand euro, including the recognition by the Company of the write-down in the investment in Alitalia – Compagnia Aerea Italiana S.p.A., equal to 64,350 thousand euro.

E3	Operating income	4,434
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Operating income, equal to 4,434 thousand euro, includes 1,641 thousand euro referred to service contracts with Group companies and revenues for approximately 2,792 thousand euro from the lease on the property situated in Rome, of which 341 thousand euro to Group companies.

Revenues from recharging costs for materials and services sustained by Immsi S.p.A. on behalf of Group companies and tenants are not recognised in profit or loss as they are offset by relative costs generating them, as provided for by IAS 18, according to which the commercial result of operations that in their entirety are strictly related, may not be measured without referring to such operations as a whole.

E4	Costs for services, leases and rentals	3,395
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Costs for services and leases and rentals, net of costs recharged in accordance with IAS 18 as described above, total 3,395 thousand euro, of which approximately 408 thousand euro deriving from intergroup transactions and with related parties, the details of which are provided at the end of these Notes.

Costs for services and leases and rentals are broken down as follows:

<i>In thousands of euro</i>	2015	2014
External maintenance and cleaning expenses	165	139
Employee costs	24	31
Technical, legal, tax, administrative consultancy, etc.	645	734
Material, promotional activities and brands	5	21
Energy, telephone, postal costs, etc.	56	54
Insurance	41	44
Board of Directors operating costs	1,653	1,672
Board of Statutory Auditors operating costs	144	141
Communication and publication costs	14	14
Certification fees	59	85
Listing rights and Securities Centralised Administration	72	58
Building service fees, security and porter costs	48	48
Bank charges	8	7
Expenses for website handling and maintenance	10	10
Charges for property rentals	377	362
Charges for rents and other rentals	66	56
Miscellaneous expenses	8	3
Total	3,395	3,479

E5	Employee costs	1,321
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Employee costs recognised in 2015 refer to salaries for approximately 971 thousand euro, social security contributions for 275 thousand euro and provisions as termination benefit for 75 thousand euro. For more details on the latter item, see the item Reserves for severance indemnity and similar obligations.

Immsi S.p.A. currently has no employee stock option plan.

As required by paragraph 1-bis of article 78 of the Consob Regulation on Issuers, the Company did not carry out operations for the purchase or subscription of shares by employees pursuant to article 2358 of the Italian Civil Code.

The average workforce paid in the year is 12 employees, of which 3 senior managers.

E6	Depreciation of plant, property and equipment	86
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Depreciation of plant, property and equipment recognised in 2015 amounted to 86 thousand euro and refers to electronic machines, hardware, vehicles, furniture and fittings and miscellaneous equipment. Since 2009, buildings and plants relating to the property owned in Via Abruzzi 25 – Rome have not been depreciated. For further details, reference is made to the comment in the item Investment Property.

As regards investments during the year, it was deemed appropriate to apply the depreciation rates reduced by 50% due to their limited use. The Company also fully depreciated those assets of minor value whose use had essentially ended during the year.

E7	Other operating income	150
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This item amounted to 150 thousand euro, net of income generated from recharged costs as provided for by IAS 18, and basically refers to income for fees repaid by Company employees for company positions held within the Group, contingent items and the recovery of insurance costs and compensation.

E8	Other operating costs	769
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Details of other operating costs are indicated below:

<i>In thousands of euro</i>	2015	2014
Capital losses on disposals	3	5
ICI/IMU (local property tax/local tax)	532	532
Provisions for risks on receivables	30	30
Other taxes and duties	174	219
Other operating charges	30	52
Total	769	838

E9	Taxation	1,895
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Income tax for the year recognised in 2015 represents a positive income component of 1,895 thousand euro.

The item profit before tax accounted for a minimum part of taxable income as regards income tax, because most components comprise financial items, which are tax-neutral; these are commented on under the item Financial Income.

Under the item Taxes, the Company recognised the counter entry of the adjustment of the corporate income tax rate to 24% applicable as from 1 January 2017 of deferred tax assets and liabilities, for a net negative amount of approximately 94 thousand euro.

The item Taxes includes income arising from the use, in the context of tax consolidation, of the foreign ROL for the deduction of interest paid, that individual member companies would not have been able to deduct independently. The agreements between the parties establish that the benefit for deducing this financial expense, equal to 50%, if the ROL transferred is from foreign companies that may be virtually consolidated, is recognised by the consolidating entity. The positive income effect amounted to 1,868 thousand euro in 2015 (shown in the table under the item Other adjustments), and may change when the tax return CNM2016 is filed.

The reconciliation between the theoretical tax burden and actual tax burden is shown below:

CORPORATE INCOME TAX	Income		Taxation	
	Earnings	Temporary components	Current	Deferred
<i>In thousands of euro</i>				
Profit before tax	13,601			
Theoretical tax charge (benefit)			3,740	
Temporary differences taxable in subsequent years	-467	-467	-128	128
Temporary differences deductible in subsequent years	202	-202	56	-56
Reversal of temporary differences arising in previous years	-249	249	-69	69
Permanent differences that will not be annulled in subsequent years	-14,642	0	-4,025	0
Total differences	-15,156	-419	-4,166	141
Taxable income	-1,555			
Total tax expense (benefit) on income for the period			-426	141
Other amendments			-1,868	257
Total tax expense (benefit) on income recognised in the financial statements			-2,294	399

The Company estimated negative revenues for IRAP purposes for 2015.

E10	Net profit for the period	15,496
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Immsi S.p.A. realised a net profit equal to 15,496 thousand euro in particular due to positive financial components recognised in 2015.

F – Commitments, risks and guarantees

The Company as a first mortgage and a second mortgage on property in Rome recognised for a total of 90 million euro, guaranteeing the long-term loan obtained in June 2010 and renegotiated at the end of 2015 with Banco Popolare for a total of 45 million euro.

With this financing, Immsi must for the entire duration of the contract channel the revenues from leasing into a deposit account and keep a minimum amount there equal to the interest instalment nearest maturity.

Intesa Sanpaolo has issued a revocable signed credit line equal to 400 thousand euro, of which Immsi used 350 thousand euro for the Cassa di Previdenza Integrativa (supplementary social security fund) of personnel of Istituto San Paolo di Torino, with which Immsi stipulated a lease contract in December 2008 for the property located in Milan – via Broletto 13.

To guarantee the lease contracts of the property in Rome in effect at 31 December 2015 Immsi S.p.A. received guarantees for a total of 623 thousand euro and guarantee deposits for 26 thousand euro.

As regards the credit lines and bank loans received, the Company deposited 28.95 million shares as a guarantee, and approximately 104.7 million Piaggio shares as a lien; for further details, reference is made to the item Financial liabilities.

Immsi S.p.A. also issued a guarantee for a loan granted by Intesa Sanpaolo to Intermarine for 18 million euro, a commitment to issue equity in favour of Intermarine so that it can meet the financial requirements for the development and completion of its contracts.

Immsi has also signed an independent first demand guarantee for a maximum amount of 33.8 million euro and issued a letter of commitment in favour of Intesa Sanpaolo to guarantee the revolving loan granted to Intermarine S.p.A. by Intesa, of which 26.8 million euro used, related to future flows of the contract with the Finnish Navy.

The subsidiary pays remuneration to Immsi for the issue of these guarantees, in proportion to the amounts disbursed by the bank.

Immsi S.p.A. filed 28.5 million Piaggio shares as a lien, to guarantee the above loans.

Following the contract stipulated between the Finnish Navy and the subsidiary Intermarine S.p.A. for the construction of three minesweepers, two of which already delivered, the Finnish Navy granted three advance payments, for an amount of 115% of the sum received, through insurance guarantees issued by SACE, which has stated its willingness to issue said guarantees provided there is the co-obligation of Immsi S.p.A.. The Parent Company is remunerated in proportion to the sums secured. In consideration of the progress made, the guarantee for the last vessel equal to 8.1 million euro is still outstanding.

As part of the supply contract for five catamarans to the Sultanate of Oman, for which Intermarine stipulated a signature line of agreement with a pool of banks for an amount of 84.5 million US dollars to guarantee payment of the consideration envisaged in the contract signed with the Sultanate of Oman for 90 million US dollars, Immsi counter-guaranteed the “pre-delivery performance bond”, “advanced payment bond” and “post-delivery bond” issued by the above banks for a maximum amount of 60 million US dollars by issuing a bank guarantee, and a letter of patronage for any part exceeding such amount in relation to Intermarine S.p.A.’s obligations to channel payments.

At the end of 2015, with all vessels completed, the actual exposure of Intermarine S.p.A. to banks for the post-delivery bond was equal to 3.8 million USD. The guarantor banks granted an extension of the relative guarantees up to September 2020.

Immsi S.p.A. has issued a letter of patronage on the surety issued by Banco Popolare (Efibanca) in favour of the company Como for the down payment of 2.7 million euro paid by it to Intermarine S.p.A. and a letter of patronage as a guarantee for credit facilities granted by Banca Carige to Intermarine S.p.A. of which 2.5 million euro in late 2015 used for advances.

Immsi is also co-obligated for the repayment of the loan of 15 million euro that Intesa Sanpaolo granted to the subsidiary Intermarine, maturing at the end of 2018.

In relation to the line of credit in place between Intermarine S.p.A. and Banca IFIS S.p.A., in the form of an advance on contract and factoring for the sale of receivables from the Italian Navy arising from the refitting contract of the Gaeta Minesweeper, Banca IFIS was issued a letter of patronage by the direct parent company RCN Finanziaria S.p.A. confirmed by Immsi S.p.A.. The value of the guarantee at the end of 2015 amounted to 4.3 million euro.

Immsi, in relation to the 30 million euro loan granted to ISM Investimenti S.p.A. by Intesa Sanpaolo, undertook, in the interests of IMI Investimenti S.p.A., to grant a shareholder loan for the amount necessary to enable ISM to repay its debt in full, if it fails to refinance this amount due to Intesa Sanpaolo on the market.

G – Net debt

The net financial debt at 31 December 2015 of Immsi S.p.A. is shown below. For further details on main components, reference is made to the Notes to these financial statements.

<i>In thousands of euro</i>	31/12/2015	31/12/2014
Cash and cash equivalents	(18,702)	(2,651)
Other short-term financial assets	(162,234)	(149,857)
Medium/long-term financial assets	0	(1,100)
Short-term financial payables	141,780	169,405
Medium/long-term financial payables	117,311	70,025
Net Financial debt	78,155	85,822

Net financial debt at 31 December 2015 amounted to 78,155 thousand euro, down by 7,667 thousand euro compared to the figure at 31 December 2014.

<i>In thousands of euro</i>	31/12/2015	31/12/2014
Cash generated internally	3,240	(9,684)
Change in net working capital	3,625	(1,854)
Net cash flow generated from operations	6,865	(11,538)
Payment of dividends by the Parent company	0	0
Acquisition of plant, property and equipment and investment property	(133)	(237)
Net decrease from property disposals	3	44
Acquisition of non-controlling investments, net of disposal	(1,766)	(16,999)
Acquisition of controlling investments, net of disposal	2,698	0
Other net movements	0	0
Change in net debt	7,667	(28,730)
Initial net debt	(85,822)	(57,092)
Closing net debt	(78,155)	(85,822)

In compliance with CESR recommendation of 10 February 2005 “Recommendations for the consistent implementation of the European Commission’s Regulation on Prospectuses”, the indicator, thus formulated, represents aspects monitored by the Group's management and differs from recommendations in Consob Communication no. 6064293 of 28 July 2006, as it also includes the non-current portion of financial receivables.

H - Dividends paid

Immsi S.p.A. did not distribute dividends in 2015 or 2014.

I - Group and Related-Party Transactions

As regards disclosure on related-party transactions as of IAS 24 undertaken by Immsi S.p.A., the transactions undertaken with these entities were carried out in normal market conditions or according to specific regulatory provisions.

In compliance with Regulation no. 17221 on transactions with Related Parties issued by Consob on 12 March 2010 as amended by Ruling no. 17389 of 23 June 2010, the Company adopted a new procedure to regulate procedures to approve related-party transactions, available on the website of the Issuer www.immsi.it, in the section Governance.

The main economic effects (excluding revenues to deduct from subsidiaries and parent companies in compliance with IAS 18) and financial effects of Related-Party transactions and their impact on financial statement items of Immsi S.p.A. at 31 December 2015 are shown below:

Main financial items	2015 amounts in thousands of euro	% accounting for financial statement items	Description of the nature of transactions	2014 amounts in thousands of euro
Transactions with Related Parties:				
Current trade payables	19	2.1%	Tax advisory services provided by Studio Girelli e Associati	19
Costs for services, leases and rentals	53	1.6%	Tax advisory services provided by Studio Girelli e Associati	39
Transactions with Parent companies:				
Costs for services, leases and rentals	222	6.5%	Rental of offices in Mantova provided by Omniaholding S.p.A.	217
Transactions with Subsidiaries:				
Plant, property and equipment	10	5.8%	Plants and fittings provided by Is Molas S.p.A.	15
Current trade receivables and other receivables	654	1.3%	Amounts due from Intermarine S.p.A. for recharged costs, rental of offices in Rome, interest, fees and a consultancy contract	9,482
	24,966	47.9%	Amounts due from RCN Finanziaria S.p.A. for recharged costs and interest	13,671
	9,811	18.8%	Amounts due from Is Molas S.p.A. for recharged costs, a consultancy contract and interest	8,002
	1,915	3.7%	Amounts due from ISM Investimenti S.p.A. for recharged costs and interest	1,411
	740	1.4%	Receivables due from Piaggio & C. S.p.A. for expenses charged, advisory contracts and the payment of fees	620
	486	0.9%	Amounts due from Pietra S.r.l. for interest	358
	12,832	24.6%	Amounts due from the national consolidated tax convention	10,697
Other current financial assets	105,126	59.5%	Loans granted to RCN Finanziaria S.p.A.	103,250
	21,600	12.2%	Loans granted to Is Molas S.p.A.	21,600
	32,449	18.4%	Loans granted to ISM Investimenti S.p.A.	22,577
	2,730	1.5%	Loans granted to Pietra S.r.l.	2,230
	330	0.2%	Loans granted to Apuliae S.p.A.	200
Current trade payables	57	6.3%	Payables due to Piaggio & C. S.p.A. for expenses charged	104
Financial income	13,156	53.0%	Dividends from Piaggio & C. S.p.A.	0
	4,754	19.2%	Interest income from RCN Finanziaria S.p.A.	4,147
	510	2.1%	Interest income and guarantee fees from Intermarine S.p.A.	644
	1,075	4.3%	Interest income from Is Molas S.p.A.	1,061
	2,158	8.7%	Interest income from ISM Investimenti S.p.A.	1,569
	122	0.5%	Interest income from Pietra S.r.l.	109
Operating income	13	0.0%	Interest income from Apuliae S.p.A.	0
	1,326	29.9%	Consultancy and assistance contract and rental of offices in Rome rented to Piaggio & C. S.p.A.	1,325
	600	13.5%	Consultancy & assistance contract with Is Molas S.p.A.	600
Costs for services, leases and rentals	48	1.1%	Consultancy & assistance contract and rental of offices in Rome rented to Intermarine S.p.A.	115
	75	2.2%	Internal auditing services by Immsi Audit S.c.a.r.l.	78
Other operating income	57	1.7%	Amounts recharged to receive from Piaggio & C. S.p.A.	56
	80	53.3%	Payment of fees from Piaggio & C. S.p.A.	80
Taxation	1,868	98.6%	Proceeds on use of foreign ROL within CNM	968

Figures including non-deductible VAT.

As regards relations, guarantees and commitments ongoing with Group companies, see item F - Commitments, Risks and Guarantees.

L - Risks and uncertainties

Financial instruments

With reference to financial instruments, already commented on in the Notes, the Parent Company did not recognise any differences between the fair value and the carrying amount for all items in question, excluding investments in Unicredit, the details of which are included in the section on financial assets. At 31 December 2015, the Company had no long-term fixed rate assets and/or liabilities for which it is necessary to recalculate the relative value according to current market rates.

In thousands of euro	31.12.2015	31.12.2014
ASSETS		
NON-CURRENT ASSETS		
Other financial assets	12,115	11,449
Financial receivables	0	1,100
Financial assets	12,115	10,349
CURRENT ASSETS		
Other financial assets	176,553	164,734
Financial receivables	162,234	149,857
Financial assets	14,319	14,876
LIABILITIES		
NON-CURRENT LIABILITIES		
Financial liabilities	117,311	70,025
Payables due to banks	117,311	70,025
CURRENT LIABILITIES		
Financial liabilities	141,780	169,405
Payables due to banks	141,780	169,405

Interest Rate Risk

Variations in interest rates on the market can impact the fair value of a financial asset or liability.

Exposure to market risk arising from the variation in interest rates is mainly connected to medium and long-term loans.

The following table shows the nominal value, by expiry in relation to 31 December 2015, of the Company's financial assets and liabilities, that are shown at the interest rate risk, divided depending on whether they are contractually subject to fixed or variable rates (net of any specific hedging instruments for interest rate changes).

In thousands of euro	In 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	After 5 years	Total
Total fixed rate	-3,833	-3,833	-3,833	-3,833	0	0	-15,332
Total variable rate	24,273	-58,167	-20,667	-667	-4,500	-22,500	-82,228

An increase or decrease of 1% of the Euribor with reference to the net specific exposure of Immsi S.p.A. would have produced greater or lesser interest for 822 thousand euro per year.

Price Risk

Concerning the price risk on investments held by the Company and classified as other financial assets available for sale, see the comments in this Note.

Credit risk

The following table analyse by maturity the item of Trade receivables, including written-down or guaranteed payables, with comments in the Notes to the financial statements.

In thousands of euro	31.12.2015	31.12.2014
Receivables past due:		
0-30 days	3,809	3,700
30-60 days	34	36
60-90 days	191	128
> 90 days	34,875	30,548
Total receivables past due	38,909	34,412
Total receivables maturing	28	-4
Total	38,937	34,408

Tax receivables were offset in the first few months of 2016 by other receivables basically comprising accruals and deferrals.

Liquidity Risk

While the Company is not exposed to its own and specific risks of liquidity connected with its holding business, it could be affected by critical situations concerning subsidiaries, especially those for which it has granted short-term loans. As regards debt, the Company basically renewed expired credit lines in 2015 with new loans with a longer duration.

At the end of 2015, the Company had unused credit lines totalling 15.6 million euro, of which 11 million euro referred to the Unicredit credit line of 25 million euro and 4.6 million euro relative to the revolving credit line with agreed withdrawal, from Intesa Sanpaolo.

As concerns the liquidity risk to which the Immsi Group is exposed, in relation to its own operations, see Notes to the consolidated financial statements.

Hierarchical fair value valuation levels

As regards financial instruments recognised at fair value in the Statement of Financial Position, IFRS 7 requires these values to be classified on the basis of hierarchical levels which reflect the significance of the inputs used in determining fair value. These levels are as follows:

- level 1 – quoted prices in active markets for assets or liabilities measured;
- level 2 – inputs other than quoted prices included within Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;
- level 3 – inputs not based on observable market data.

With reference to assets measured at fair value that have quotations on an active market held by Immsi S.p.A. (level 1) Unicredit shares in the portfolio at 31 December 2015 were equal to 2,788,464 shares, for a total value at that date of 14,319 thousand euro.

The fair value of the investment, represented by the share price at the end of 2015, is down compared to the end of 2014, by approximately 557 thousand euro.

At 31 December 2015, non-current liabilities included the hedging instrument (IRS) underwritten to hedge 75% of the 2010-2019 loan, renegotiated at the end of 2015, for a total of 45 million euro with Banco Popolare, with a fair value at the end of the year which was 649 thousand euro negative (level 2 financial instruments).

The financial assets measured at fair value for which there are no observable market data (level 3) amounted to 86,119 thousand euro and refer to 12,115 thousand euro for the investment held in Alitalia – Compagnia Aerea Italiana S.p.A. and 74,004 thousand euro for the investment property located in via Abruzzi, Rome.

In addition, IFRS 7 requires the fair value of payables recognised on an amortised cost basis, to be determined, only for disclosure purposes, as indicated below.

In thousands of euro	Nominal value	Carrying amount	Fair Value Estimate
Immsi S.p.A. – Mortgage loan with Banco Popolare	45,000	44,501	37,537
Immsi S.p.A. – Credit line maturing in March 2017	7,500	7,457	7,601
Immsi S.p.A. – Credit line maturing in February 2016	15,000	14,986	15,086
Immsi S.p.A. – Credit line maturing in April 2018	20,000	19,853	19,085

The difference between the fair value and nominal liabilities is justified by use of the rates curve for unsecured payables in the fair value measurement procedure, while typically financial liabilities of the Parent Company are mainly secured.

For other financial liabilities not expressly included in the table provided, the carrying amount is considered to be basically aligned with the fair value.

M - Auditing costs

As regards disclosure obligations pursuant to article 149-*duodecies* of the Issuer Regulation, concerning remuneration pertaining to the year for appointments assigned by Immsi S.p.A. to the independent auditors, remuneration paid in 2015 to Pricewaterhouse Coopers S.p.A. amounted to 43,695 euro (in addition to costs, additional fees and regulatory fees). In this respect, the Shareholders' Meeting of 11 May 2012 appointed PricewaterhouseCoopers S.p.A. as independent auditors for the 2012-2020 period.

* * *

This document was published on 8 April 2016 by authorisation of the Chairman of the Company, Roberto Colaninno.

Certification of the financial statements pursuant to article 154-*bis* of the Legislative Decree no. 58/98

The undersigned Roberto Colaninno, as Chairman of the Board of Directors, Michele Colaninno, as Chief Executive Officer and Andrea Paroli, Executive in charge of financial reporting of Immsi S.p.A., certify, also taking account provisions of article 154-*bis*, paragraphs 3 and 4 of the Italian Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the company and
- effective application

of the administrative and accounting procedures for preparing the financial statements during 2015.

With regard to the above, no relevant aspects are to be reported.

In addition, it is certified that the Financial Statements at 31 December 2015:

- were drawn up in compliance with applicable international accounting standards recognized by the European Union in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to accounting records;
- are adequate for giving a true and fair view of the financial position, performance and cash flows of the Issuer.

The Report on Operations includes reliable analysis of operations, as well as the situation of the Issuer and of companies included in the scope of consolidation, along with a description of the main risks and uncertainties to which they are exposed.

23 March 2016

The Chairman
Roberto Colaninno

Financial Reporting Officer
financial reporting
Andrea Paroli

Chief Executive Officer
Michele Colaninno

