Share capital 178,464,000 Euros fully paid up
Registered office: P.zza Vilfredo Pareto, 3 – 46100 Mantova
Mantova Register of Companies – Tax code and VAT number 07918540019

Half-year Financial Report of the Immsi Group as of 30 June 2016

This Interim Report on Operations is a translation provided only for the convenience of foreign readers. The Italian version will prevail.

Contents

This document was approved by the Board of Directors of Immsi S.p.A. on 29 August 2016 and is available for the public to consult at the Registered Office of the Company, on the website of the Borsa Italiana S.p.A. www.borsaitaliana.it, in the centralised storage system www.emarketstorage.com and on the Issuer's website www.immsi.it (section: "Investors/Financial statements and reports/2016") according to legislation.

COMPANY BOARDS

The Board of Directors and the Board of Statutory Auditors of Immsi S.p.A. were appointed by shareholders' resolution 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

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

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

INDEPENDENT AUDITORS AUDITORS

PricewaterhouseCoopers S.p.A.	***2012 – 2020***

GENERAL DIRECTOR DIRECTOR

Michele Colaninno

In accordance with the principles of Corporate Governance recommended by the Corporate Governance Code for Listed Companies, and pursuant to Italian Legislative Decree No. 231/01, the Board of Directors has established the following bodies:

REMUNERATION COMMITTEE

Daniele Discepolo	***Chairman***
Giovanni Sala	
Rita Ciccone	

NOMINATIONS COMMITTEE

Giovanni Sala	***Chairman***
Daniele Discepolo	
Rita Ciccone	

CONTROL AND RISK COMMITTEE

Daniele Discepolo	***Chairman***
Giovanni Sala	
Rita Ciccone	

RELATED-PARTIES COMMITTEE

Giovanni Sala	***Chairman***
Rita Ciccone	
Patrizia De Pasquale	

COMPLIANCE COMMITTEE

Marco Reboa	***Chairman***
Alessandro Lai	
Maurizio Strozzi	

LEAD INDEPENDENT DIRECTOR

Daniele Discepolo

DEPUTY CHAIRMAN

Michele Colaninno

RESPONSABILE INTERNAL AUDIT

Maurizio Strozzi

FINANCIAL REPORTING OFFICER

Andrea Paroli

INVESTOR RELATIONS

Andrea Paroli

Interim Directors' Report of the Immsi Group

The Half-year Financial Report for the six months to 30 June 2016 has been prepared in accordance with Italian Legislative Decree No. 58/1998, as amended, and the Consob Regulation on Issuers.
This Financial Report was drafted in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union, and according to IAS 34 – *Interim Financial Reporting*, applying the same accounting principles as those adopted when preparing the Group Consolidated Financial Statements to 31 December 2015 (to which we refer), and the amendments and interpretations applied by the IASB for annual periods beginning on or after 1 January 2016 (for more details, please see the notes to this document).
The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.

Information on operations

During the first half of 2016, the Immsi Group recorded growth in revenues (+1.5%) compared with the corresponding period of the previous year and posted a net profit of 2.6 million Euro.

Earnings for the period have different trends with reference to the sectors comprising the Group, based on the different business trends of the period in question.
For a clearer interpretation, the following is reported on a preliminary basis:

- the "<u>property and holding sector</u>" 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 "<u>industrial sector</u>" includes the companies owned by the Piaggio Group, while

- the "<u>marine sector</u>" includes Intermarine S.p.A. and other minor subsidiaries or associated companies of Intermarine S.p.A..

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.

Immsi Group at 30 June 2016

In thousands of Euros	*Property and holding sector*	*as a %*	*Industrial sector*	*as a %*	*Marine sector*	*as a %*	*Immsi Group*	*as a %*
Net revenues	2,192		706,496		27,436		736,124	
Operating income before depreciation and amortisation (EBITDA)	-2,909	n/m	101,472	14.4%	-119	-0.4%	98,444	13.4%
Operating income (EBIT)	-3,153	n/m	47,762	6.8%	-664	-2.4%	43,945	6.0%
Profit before tax	-9,871	n/m	30,019	4.2%	-1,543	-5.6%	18,605	2.5%
Earnings for the period including non-controlling interests	-8,488	n/m	18,011	2.5%	-1,798	-6.6%	7,725	1.0%
Earnings for the period attributable to the Group (which may be consolidated)	-5,326	n/m	9,084	1.3%	-1,136	-4.1%	2,622	0.4%
Net debt	-337,656		-479,885		-86,172		-903,713	
Personnel (number)	97		7,025		277		7,399	

Hereunder we give the same table referring to the first half of the preceding year. A comparison between the two periods is made in the specific comment related to the single business sectors presented further on:

Immsi Group at 30 June 2015

In thousands of Euros	*Property and holding sector*	*as a %*	*Industrial sector*	*as a %*	*Marine sector*	*as a %*	*Immsi Group*	*as a %*
Net revenues	2,093		693,886		29,571		725,550	
Operating income before depreciation and amortisation (EBITDA)	1,319	n/m	95,067	13.7%	-181	-0.6%	96,205	13.3%
Operating income (EBIT)	1,080	n/m	42,923	6.2%	-802	-2.7%	43,201	6.0%
Profit before tax	-5,812	n/m	24,633	3.6%	-3,583	-12.1%	15,238	2.1%
Earnings for the period including non-controlling interests	-4,210	n/m	14,780	2.1%	-2,620	-8.9%	7,950	1.1%
Earnings for the period attributable to the Group (which may be consolidated)	-2,432	n/m	7,403	1.1%	-1,655	-5.6%	3,316	0.5%
Net debt	-316,076		-535,333		-100,559		-951,968	
Personnel (number)	94		7,675		294		8,063	

It should be noted that the data given in the preceding tables refer to the results for consolidation purposes, that is in particular net of the intergroup revenues and costs and the dividends from subsidiaries.

Alternative non-GAAP performance measures

This Report contains some measures that, albeit not laid down in the IFRS ("*Non-GAAP Measures*"), derived from IFRS financial measures.

These measures – which are presented to allow a better assessment of the Group's operating performance – should not be considered as an alternative to IFRS measures. They are identical to those contained in the Annual Report and Financial Statements at 31 December 2015 and in the periodical quarterly reports of the Immsi Group.

It should also be noted that the methods for calculating these measures might not be the same as those adopted by others, as they are not specifically governed by the reference accounting standards and therefore might not be sufficiently comparable.

In particular, the following alternative performance measures have been used:

- **EBITDA**: defined as operating income before amortisation/depreciation and impairment costs of intangible assets and property, plant and equipment, as reported in the consolidated 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 financial receivables. The other financial assets and liabilities arising from the valuation at fair value of the derivative financial instruments designated as hedges and the fair value adjustment of the related hedged items do not, however, enter into determining net financial debt. The Notes include a table showing the breakdown of 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", the indicator, as formulated, represents the items and activities monitored by the Group's management.

Property and holding sector

In thousands of Euros	*30.06.2016*	*as a %*	*30.06.2015*	*as a %*	*Change*	*as a %*
Net revenues	2,192		2,093		99	4.7%
Operating income before depreciation and amortisation (EBITDA)	-2,909	n/m	1,319	n/m	-4,228	n/m
Operating income (EBIT)	-3,153	n/m	1,080	n/m	-4,233	n/m
Profit before tax	-9,871	n/m	-5,812	n/m	-4,059	n/m
Earnings for the period including non-controlling interests	-8,488	n/m	-4,210	n/m	-4,278	n/m
Earnings for the period attributable to the Group (which may be consolidated)	-5,326	n/m	-2,432	n/m	-2,894	n/m
Net debt	-337,656		-316,076		-21,580	-6.8%
Personnel (number)	97		94		3	3.2%

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** registered a net loss of approx. 5.3 million Euros for the first half of 2016, a decrease compared to the same period of the previous year, mainly due to the recognition in the 2015 half year of 1) income amounting to 2.7 million Euros, from the final collection of the deposit paid by Como S.r.l. in 2005 at the time of signing the preliminary contract for the purchase of the property complex at Pietra Ligure, following a breach by this contractor and 2) income totalling 1.27 million Euros arising from the collection by Is Molas S.p.A. of two guarantees relative to contracts with Italiana Costruzioni S.p.A., following a court ruling in favour of Is Molas S.p.A. concerning breach of the contractor.
The Net Debt of the sector was negative at -337.7 million Euro, compared to -316.1 million Euro at 30 June 2015.

The **Parent Company Immsi S.p.A.** recorded a net profit for the period of approx. 8.4 million Euros, compared to approx. 15.2 million Euros at 30 June 2015. This was mainly due to the decrease in financial income in the first half of 2016 compared with the same period of the previous year. In particular, in 2016 the Company received approx. 9 million Euros in dividends compared to 13.1 million Euros in the first half of 2015 distributed by the subsidiary Piaggio & C. S.p.A., and in May 2015 Immsi S.p.A. realised a capital gain of 2.7 million Euros from the sale of 1.9 million shares of Piaggio & C. S.p.A.
With reference to the non-financial components of income, it should be noted that the net revenues accomplished in the first half of 2016 deriving from the real-estate operations and services amount to 2.2 million Euros, basically unchanged compared to the same period in the preceding year.
The Shareholders' Equity of the Parent Company Immsi S.p.A. as of 30 June 2016 amounted to approximately 371.4 million Euros while the net financial debt amounted to 79.9 million Euros, an increase of approx. 1.8 million Euros compared to 31 December 2015, mainly as a result of cash absorption related to operations, distribution amounting to 5.1 million Euros and the payment made in the month of March 2016 of 1.1 million Euros by way of "capital increase", in compliance with the Standby Equity Commitment taken in September 2014 to subscribe and pay the capital increase deliberated by the shareholders' meeting of Alitalia - CAI on 25 July 2014 for a maximum of 10 million Euros, only partially offset by the collection of 9 million Euros of Piaggio dividends.

With regard to the subsidiary **Is Molas S.p.A**., it is pointed out that works on the construction of 15 villas in the FCn10 sector and the primary infrastructure works are ongoing. Commercial activities typical of the property sector also continued and meetings with international customers interested in buying the villas were planned.
Revenues relating to the tourist-hotel and golf activities for the first half 2016 were up (+5.3%) compared to the same period of 2015, while in terms of margins, the company recorded an operating loss of 2.4 million Euros and a net loss for consolidation purposes of 1.4 million Euros. The decline compared to the first six months of 2015 (operating loss and net loss for consolidation purposes of 0.9 and 0.8 million Euros, respectively) was mainly due to the recognition in the first half of last year of the total income of 1.27 million Euros arising from collection of two sureties relating to contracts with Italiana Costruzioni SpA, following the court ruling in favour of the subsidiary for non-performance of the contractor.
The company's net debt amounted to 40.8 million Euros, a slight improvement compared to the end of 2015 (41.2 million Euros). The change in the half year consists of the net cash flow absorbed by operations of approximately 6 million Euros, more than offset by the payment of 6.7 million Euros by the shareholder ISM Investimenti SpA partner in connection with payments of the capital increase mainly aimed at the startup of real estate activities.

With reference to the **Pietra Ligure project**, it is pointed out that, during the half year, among other things, on 19 January 2016, at the Municipality of Pietra, the Final Design of the Infrastructure Works envisaged by the urban transformation plan of the area was submitted, in compliance with the formalities required by the Urban Planning Agreement entered into with the Municipality of Pietra Ligure. Moreover, activities aimed at identifying potential parties interested in development of the Project continued.
The net profit for consolidation purposes of **Pietra S.r.l.** in the first half of 2016 was close to break-even, compared to a profit of 1.5 million Euros in the same period of the previous year, due to the recognition of income of 2.7 million Euros as a withholding of the confirmation deposit paid in 2005 by Como Srl mentioned earlier, while the net financial debt was unchanged compared to 31 December 2015, amounting to 2.6 million Euros. The operating profit of **Pietra Ligure S.r.l.**, a subsidiary of Pietra S.r.l. and which incorporates the property complex of Pietra Ligure with the related Urban Planning Permissions and Agreements, was substantially in break-even (as in the first half of 2015); net financial debt amounted to 0.3 million Euros (0.1 million Euros at 31 December 2015).

With reference to the subsidiary **Apuliae S.p.A**, there are no further updates since the Report of the Directors and Financial Statements of Immsi Group as of 31 December 2015, to which we refer. At 30 June 2016, the company was substantially in break-even, with net financial debt negative at -0.4 million Euros.

The other major companies falling within the property and holding sector also include RCN Finanziaria S.p.A. and ISM Investimenti S.p.A.. With reference to the main income and balance sheet figures of the company in question, please note that:

- **RCN Finanziaria S.p.A.**, in which Immsi S.p.A. holds 63.18% and Intermarine S.p.A. is the sole member, recorded a net loss for consolidation purposes for the Immsi Group of approximately 1.5 million Euros, in line with the first half of 2015, and net financial debt of 120.8 million Euros as of 30 June 2016, in line with the figure as of 31 December 2015;

- **ISM Investimenti S.p.A.**, in which Immsi S.p.A. holds 72.64% in terms of voting rights, and which controls Is Molas S.p.A. with an 89.48% share at the end of June, recorded a net loss for consolidation purposes for the Immsi Group of approximately 1.7 million Euros (a decline of around 0.3 million Euros compared with the first half of 2015), and net financial debt as of 30 June 2016 of 92.8 million Euros, an increase of approximately 7.3 million Euros compared with 31 December 2015, mainly following payment of 6.7 million Euros for the capital increase to the subsidiary Is Molas in the half.

Industrial sector: Piaggio Group

In thousands of Euros	*30.06.2016*	*as a %*	*30.06.2015*	*as a %*	*Change*	*as a %*
Net revenues	706,496		693,886		12,610	1.8%
Operating income before depreciation and amortisation (EBITDA)	101,472	14.4%	95,067	13.7%	6,405	6.7%
Operating income (EBIT)	47,762	6.8%	42,923	6.2%	4,839	11.3%
Profit before tax	30,019	4.2%	24,633	3.6%	5,386	21.9%
Earnings for the period including non-controlling interests	18,011	2.5%	14,780	2.1%	3,231	21.9%
Earnings for the period attributable to the Group (which may be consolidated)	9,084	1.3%	7,403	1.1%	1,681	22.7%
Net debt	-479,885		-535,333		55,448	10.4%
Personnel (number)	7,025		7,675		-650	-8.5%

With regard to the **industrial sector**, in the first half of 2016 the Piaggio Group recorded an increase in net revenues compared with the same period of 2015 (+1.8%). The revenue growth in EMEA and the Americas (+ 5.3%) more than offset the decline (- 2.8%) in India due to an unfavourable exchange rate effect (+3.5% at constant exchange rates) and that in Asia Pacific, -6.0% (-4.1% at constant exchange rates). With regard to product type, the increase in turnover was greater for two-wheeler vehicles (+ 2.2%) than for commercial vehicles (+0.7%). Consequently, the impact of two-wheeler vehicles on turnover has dropped from 71.5% in the first half of 2015 to the current 71.8%; conversely, the impact of Commercial Vehicles fell from 28.5% in the first half of 2015 to the current figure of 28.2%.

EBITDA of the Piaggio Group rose to 101.5 million Euros (from 95.1 million Euros in the first half of 2015). In relation to turnover, EBITDA was equal to 14.4% (13.7% in the first half of 2015). The operating income (EBIT) also improved, increasing from 42.9 million Euros (6.2% of net revenues) to 47.8 million Euros (6.8% of net revenues).

Net income from financing activities improved compared with the first half of the previous year by 0.5 million Euros, with net financial expenses of 17.7 million Euros (18.3 million in the first half of 2015). The improvement is related to the reduction in average indebtedness for the period, to the reduction in the cost of funding and to the improved result from investments measured at equity, almost offset by the negative contribution of currency transactions and lower capitalization of borrowing costs.

Net profit stood at 18 million Euros (2.5% of turnover), sharply down on the figure for the same period of the previous year, which amounted to 14.8 million Euros (2.1% of turnover).

Net financial debt at 30 June 2016 was 479.9 million Euros, compared with 535.3 million Euros at

30 June 2015. The reduction of approx. 55.4 million Euro was mainly due to the good operating performance and greater efficiency in the management of working capital, whose cash generation allowed payment of dividends (18 million Euros) and funding of the investment programme.

The market

Two-wheeler *business*

Based on available data, in the first half of 2016, the international two-wheeler market (scooters and motorcycles) recorded sales of approximately 21.8 million vehicles, a drop of around 0.4% compared to the same period of the previous year.

India, the most important two-wheeler market, reported a considerable increase, also in the first six months of 2016, closing with sales of over 8.7 million vehicles, up by 11.5% compared to the first half of 2015.
China continued to shed volumes in the first half of 2016, with a decrease of 17.6% compared with the same period of the previous year, representing 3.8 million units sold.
The Asian area, Asean 5, reported an increase of 1.2%, closing with sales of just over 6.1 million units. In Indonesia, the main market in this area, the downturn in sales continued in the first half of 2016, with a drop of 5.9%, and nearly 3 million vehicles sold. Conversely, sales in Vietnam went up (1.4 million units sold; +8.1% compared to the first half of 2015). Figures for sales in the Philippines are significant, with an increase of 41.9%, equal to approximately 543 thousand units.
Other countries in the Asian area (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) overall recorded a slight increase compared to the first half of 2015, closing with sales of over 670 thousand units (+0.5%). In this area, Taiwan resumed its growth trend, reporting a 6.3% increase compared to the first half of 2015 and closing the period with 351 thousand units sold. The downturn on the Japanese market continued, with a loss of 9.3%, reporting sales of nearly 191 thousand units.

The North American market, which has reversed its growth trend of recent years, reported a slight fall compared to the first half of 2015 (- 1.3%) with more than 300 thousand vehicles sold.

Brazil, the most important market in South America, also reported a downturn in the first half of 2016, (- 31.4%), closing with sales of just over 453 thousand vehicles.

Europe, which is the core region for the Piaggio Group, confirmed the positive trend, recording a 5.5% increase in sales in the two-wheeler market compared with the first half of 2015 (+9.4% for the motorcycle segment and +1.7% for the scooter segment). On the scooter market, the 50cc segment maintained its negative trend in the first half of 2016 (-3.1%), while growth in the over 50cc segment continued (+4.9%). In the motorcycle segment, performance was positive in the over 50cc and 50cc categories (+9.2% and +14% respectively).

The scooter market

Europe
In the first half of 2016, the European scooter market accounted for 353.5 thousand registered vehicles, equal to a 1.7% increase in sales compared to the same period in 2015.
In the first part of 2016 as well, over 50cc vehicle registrations showed an imbalance with 219.5 thousand units compared to 134 thousand units for the 50cc scooter market. The over 50cc scooter segment increased by 4.9% compared with the first half of 2015, while the 50cc segment fell by 3.1%.

Italy was still the most important market in the first half of 2016, with 77.7 thousand units sold, followed by France with 61.3 thousand and Spain with 53.1 thousand. Holland ranked fourth in terms of sales (33.4 thousand units), ahead of Germany, which is the fifth highest selling market with 33.2 thousand units. Finally, Greece recorded 17.2 thousand units, while the United Kingdom ended the period with 17 thousand vehicles registered.
In the first half of 2016, the Italian market recorded a growth of 10.1% compared to the first half of the previous year. The increase is due to the over 50cc segment, which grew by 12.1% to 67 units, while the 50cc segment, down by 0.6% compared to the first six months of 2015, amounted to 10.7 thousand units sold.
France, with 61.3 thousand vehicles, recorded a decrease of 5.8% compared to 65.1 thousand vehicles in the same period of the previous year: The downturn was recorded in both the 50cc segment (-6.4%) and in the over 50cc segment (- 5.1%).
Also the German market recorded a decrease (-3%) with approx. 33.2 thousand vehicles sold during the first half of 2016 compared to 34.3 thousand in the same period last year. Both the 50cc segment (-5%) and over 50cc segment (-0.8%) were affected.
Spain, instead, continued its growth trend, up by +7.3% in the first half of 2016 compared to the same period in 2015. In this case, both market segments contribute to the results: the over 50cc segment was up +8.1%, while the 50cc scooter segment rose by 2.6%.
After Italy, the highest increase was recorded in the United Kingdom, with market growth up by 8%, thanks to the excellent performance of the over 50cc segment (+12.9%) which offset the 5.9% decrease in the 50cc segment.

<u>North America</u>
In the first half of 2016, the United States, which is the main market in the area (accounting for 90% of the reference area) continued its downturn (-11.1%), with nearly 14 thousand units sold: The negative trend is higher in the over 50cc segment, whose sales were down 15.1%, while that of 50cc scooters fell by 7.4%.

<u>India</u>
The automatic scooter market increased by 19.8% in 2016, ending the year with over 2.7 million units sold.
The over 90cc range is the main product segment, with nearly 2.66 million units sold in the first half of 2016 (+20.7% compared to the previous year) and accounting for 99% of the total automatic scooter market. The 50cc scooter segment is not operative in India.

<u>Asia</u>
Vietnam, the Piaggio Group's most important market, recorded a 11.1% growth, with nearly 650 thousand items sold.

The motorcycle market

<u>Europe</u>
With 357 thousand units registered, the motorcycle market ended the first half of 2016 with a 9.4% increase. All engine segments increased volumes. The 50cc segment recorded an increase of 14%, closing at 16.4 thousand units; 51-125cc motorcycles reached nearly 46.5 thousand units (+8.4%) and the average displacement bikes (126-750cc) totalled just over 103.5 thousand units sold (+8.4%). Finally, also the 750cc segment recorded significant growth (+9.9%), with 190.5 thousand vehicles sold.
The main market in Europe is Germany, with almost 84 thousand units, while second is France (65.7 thousand); Italy was in third place with 50.8 thousand vehicles ahead of the United Kingdom which ended the period with 48.9 thousand units; finally, Spain was ranked fifth in Europe with almost 28 thousand units.

In the first half of 2016, all main countries in the area recorded an increase in sales. Spain (+25.3%), Italy (+21.6%), United Kingdom (+7.2%), France (+6.6%), and Germany (+5.1%).

North America

In the United States (accounting for 89% of the region), the motorcycle segment decreased by 1.5%, selling 248.7 thousand units against 252.5 thousand units in the first half of 2015. The negative trend in the over 50cc segment (-1.6%) was only partly offset by the positive performance (+5.3%) of the 50cc motorcycle segment.

Asia

The most important motorcycle market in Asia is India, which reported sales of more than 5.6 million, with an increase of 8%, in the first six months of 2016.
The motorcycle market in the Asean 5 region is much less significant than the scooter market: Sales of motorcycles in Vietnam were not significant.

Commercial Vehicles

Europe

In the first six months of 2016, the European market for light commercial vehicles (vehicles with a gross vehicle weight of up to 3.5 tonnes) – in which the Piaggio Group is also present – accounted for 1,001.3 thousand units sold, an increase of 12.7% over the first six months of 2015 (source: ACEA data). In detail, the trends of main European reference markets are as follows: Germany (+10.9%), France (+12.4%), Italy (+31.3%) and Spain (+13.8%).

India

Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, went from 228.7 thousand units in the first half of 2015 to 279.3 thousand in the same period of 2016, registering a 22.1% increase.
On this market, the passenger vehicles segment recoded a positive trend of 25.7%, closing with 227 thousand units. Also the cargo segment reported an increase – albeit less (+8.7%), from 48.1 thousand units in the first six months of 2015 to 52.3 thousand units in the first half of 2016. 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 with the Porter 600 and 1000. The size of the LCV cargo market with a mass of less than 2 tons was 59.9 thousand units in the first six months of 2016, an increase of 4.5% over the first half of 2015.

The Marine sector: Intermarine

In thousands of Euros	30.06.2016	as a %	30.06.2015	as a %	Change	as a %
Net revenues	27,436		29,571		-2,135	-7.2%
Operating income before depreciation and amortisation (EBITDA)	-119	-0.4%	-181	-0.6%	62	34.3%
Operating income (EBIT)	-664	-2.4%	-802	-2.7%	138	17.2%
Profit before tax	-1,543	-5.6%	-3,583	-12.1%	2,040	56.9%
Earnings for the period including non-controlling interests	-1,798	-6.6%	-2,620	-8.9%	822	31.4%
Earnings for the period attributable to the Group (which may be consolidated)	-1,136	-4.1%	-1,655	-5.6%	519	31.4%
Net debt	-86,172		-100,559		14,387	14.3%
Personnel (number)	277		294		-17	-5.8%

With reference to the economic data of the **marine sector**, the first half of 2016 saw a slight decrease (7.2%) in net sales revenues (composed of turnover and changes in contract work in progress) compared with the same period of the previous year; this figure stood at 27.4 million Euros, compared with 29.6 million Euros in the first half of 2015. Production progress, including research and development, and the completion of constructions and deliveries, concerned in particular:

- the Defence division, with 25.9 million Euros (27.1 million in the first half of 2015), mainly due to progress in the order for construction of an integrated minesweeper platform as sub-contractor in a contract with a leading company operating in the field and in the processing relating to the construction of a naval platform in a contract with an Asian shipyard;

- the Fast Ferries and Yachts divisions, with a total of 1.5 million Euros (2.5 million during the first half of 2015), mainly for repair activities.

Production was characterised by volumes and margins on the whole insufficient to absorb the direct costs of production and overheads and therefore the company continued during the first six months of 2016 to reduce overheads as much as possible. At the same time, commercial activities continued in all the operational businesses of the company, pursuing favourable commercial opportunities.
In the Fast Ferries and Yacht sector, no significant sales contracts for new and previously owned vessels were acquired.

This led to an improvement in both EBIT, which was negative in the first half of 2016 at -0.7 million Euros (-0.8 million Euros in the same period in 2015), as well as the loss before taxes amounting to -1.5 million Euros compared to a pre-tax loss of 3.6 million Euros in the first half of 2015. The net loss for consolidation purposes for the Immsi Group at 30 June 2016 amounted to 1.1 million Euros, compared with the loss of 1.7 million Euros during the first half of 2015.

At 30 June 2016, the total value of the company’s order book stood at approximately 357 million

Euros (relating mainly to the Defence division), of which approximately 130 million euro awaiting the sole approval of the Authorities.

From an equity point of view, the net financial debt of 86.2 million Euros at 30 June 2016, represents a decrease of approximately 13.7 million Euros compared with the balance at 31 December 2015 amounting to 99.9 million Euros, mainly due to the good performance of working capital management.

Financial situation and financial performance

As previously mentioned, in the first half of 2016 the Immsi Group recorded growth in revenues compared with the same period of the previous year, along with operating margins and profit before tax, in a macroeconomic environment with tentative yet uncertain signs of recovery.

At 30 June 2016 the structure of the Immsi Group was that attached to this Interim Directors' Report. The scope of consolidation has not changed compared with the consolidated financial statements at 31 December 2015 and the consolidated financial statements at 30 June 2015.

Finally, it should be noted that the share of consolidated shareholders' equity of the Piaggio Group, which at 30 June 2016 stood at 50.44%, at 31 December 2015 and at 30 June 2015 amounted to 50.06%: the increase is attributable to the effect of the purchase by Piaggio in the first half of 2016 of 2,657 thousand treasury shares.

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. Further information on these items may be found in the Explanatory Notes on the consolidated accounting statements. Specific notes referring to the mandatory schedule items are omitted since the main aggregates coincide.

Financial performance of the Group

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

In thousands of Euros	*30.06.2016*		*30.06.2015*		*Change*	
Net revenues	**736,124**	**100%**	**725,550**	**100%**	**10,574**	**1.5%**
Costs for materials	410,793	55.8%	419,306	57.8%	-8,513	-2.0%
Costs for services and leases and rentals	141,870	19.3%	132,814	18.3%	9,056	6.8%
Employee costs	122,164	16.6%	123,431	17.0%	-1,267	-1.0%
Other operating income	52,705	7.2%	62,446	8.6%	-9,741	-15.6%
Other operating costs	15,558	2.1%	16,240	2.2%	-682	-4.2%
OPERATING INCOME BEFORE AMORTISATION AND DEPRECIATION (EBITDA)	**98,444**	**13.4%**	**96,205**	**13.3%**	**2,239**	**2.3%**
Depreciation and write-downs of plant, property and equipment	23,896	3.2%	24,510	3.4%	-614	-2.5%
Amortisation of goodwill	0	-	0	-	0	-
Amortisation and impairment of intangible assets with a definite useful life	30,603	4.2%	28,494	3.9%	2,109	7.4%
OPERATING INCOME	**43,945**	**6.0%**	**43,201**	**6.0%**	**744**	**1.7%**
Income/(loss) from investments	697	0.1%	246	0.0%	451	-
Financial income	9,607	1.3%	12,592	1.7%	-2,985	-23.7%
Borrowing costs	35,644	4.8%	40,801	5.6%	-5,157	-12.6%
PROFIT BEFORE TAX	**18,605**	**2.5%**	**15,238**	**2.1%**	**3,367**	**22.1%**
Taxes	10,880	1.5%	7,288	1.0%	3,592	49.3%
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS	**7,725**	**1.0%**	**7,950**	**1.1%**	**-225**	**-2.8%**
Gain (loss) from assets held for disposal or sale	0	-	0	-	0	-
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	**7,725**	**1.0%**	**7,950**	**1.1%**	**-225**	**-2.8%**
Earnings for the period attributable to non-controlling interests	5,103	0.7%	4,634	0.6%	469	10.1%
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	**2,622**	**0.4%**	**3,316**	**0.5%**	**-694**	**-20.9%**

The consolidated net revenues of the Immsi Group have increased by approximately 10.6 million Euros (+1.5%) to around 736.1 million Euros, mainly due to the industrial sector, which contributed about 706.5 million Euros, and the marine sector, which contributed around 27.4 million Euros. Net revenues of the property and holding sector, amounting to approximately 2.2 million Euro, were basically unchanged compared to the same period of the previous year.
The industrial sector in particular reported an increase in net revenues of around 1.8% compared with the corresponding period of the previous year (+12.6 million Euros, compared with around 693.9 million at 30 June 2015). With reference to the marine sector, net revenues at 30 June 2016 totalled 27.4 million Euros, down by 7.2% from 29.6 million Euros in the first half of 2015, mainly due to a different distribution of production progress concentrated in the second half of the year.

Operating costs and other consolidated Group net costs in the first half of 2016 totalled 637.7 million Euros (equal to 86.6% of net revenues), of which 605.0 million Euros relates to the Piaggio Group (85.6% of Group net revenues).

Costs for materials total 410.8 million Euros, 55.8% of net revenues. The cost relating to the industrial sector was 412 million Euros, or 58.3% of net revenues of the sector.
Employee costs total 122.2 million Euros, or 16.6% of net revenues. The largest part, 112.2 million Euros (15.9% of net revenues of the sector), is attributable to the Piaggio Group. The average remunerated workforce amounts to 7,371 units compared to 8,145 units in the first half of 2015. The decrease in the average workforce in the Piaggio Group is mainly concentrated in India, where as a result of a decrease in demand for commercial vehicles, less use was made of temporary labour. Average employee numbers were affected by seasonal workers in the summer (on fixed-term employment contracts). the Piaggio Group effectively hires temporary staff to cover peaks in demand typical of the summer months.
EBITDA during the first half of 2016 came to around 98.4 million Euros, or 13.4% of net revenues, compared with 96.2 million in the first half of 2015 (13.3% of net revenues for the period), an increase of 2.2 million Euros (+2.3%).

Depreciation and amortisation for the period stood at 54.5 million Euros (of which 53.7 million Euros relates to the industrial sector), representing 7.4% of turnover, in line with the first half of 2015. Depreciation of property, plant and equipment amounted to 23.9 million Euros (-0.6 million Euros compared with the first six months of 2015), while amortised intangibles excluding goodwill totalled 30.6 million Euros (28.5 million Euros in the first half of 2015).

EBIT amounted to 43.9 million Euros (+0.7 million Euros, or +1.7%, over the first half 2015) with an incidence of 6% on net revenues (in line with the figure recorded in the same period of 2015).

Moreover, it is pointed out that EBIT does not include impairments of goodwill either in the first six months of 2016 or in the same period of the previous year, in that i) based on the results forecast in the multi-year development plans prepared by Group companies and used for impairment tests performed at 31 December 2015, and ii) based on the analyses carried out by Group management when preparing this Half-year Financial Report to 30 June 2016, no write-downs were deemed necessary in that the goodwill was considered to be recoverable with future cash flows.
Considering that the analyses conducted to determine the recoverable value of Immsi Group cash-generating units has also been determined based on estimates, the Group cannot guarantee that there will be no goodwill impairment losses in future periods. Owing to the current recession in the core markets and the financial crisis, the different factors – both inside and outside the cash-generating units identified – used in preparing estimates could in the future be reviewed: the Group will constantly monitor these factors and the possible existence of future impairment losses.
Net financial income – including income from equity investments – stood at 25.3 million Euros, equal to 3.4% of the Group's net revenues (compared with -28 million Euros in the first half of

2015), and consists of -17.7 million Euros for the industrial sector (compared with -18.3 million Euros in the first half of 2015), 0.9 million Euros for the marine sector (compared to 2.8 million Euros in the first half of 2015) and 6.7 million Euros for the property and holding sector (a decrease compared with the first half of 2015, which recorded losses of 6.9 million Euros).
With reference to the marine sector, it is pointed out that, against contractual penalties of 3.1 million Euros recorded under other operating costs, previously recognized financial expenses of 1.6 million Euros have been reversed to partially offset this, based on an agreement signed with a supplier.

Profit before tax stood at 18.6 million Euros at 30 June 2016, or 2.5% of net revenues, compared with 15.2 million Euros (2.1% of net revenues) at 30 June 2015. The industrial sector contributed 30 million Euros while the marine sector and the property and holding sector had negative figures of -1.5 million Euros and -9.9 million Euros, respectively.

Taxes for the period totalled approximately 10.9 million Euros, versus 7.3 million at 30 June 2015. The tax rate amounted to 58.5% (30 June 2016) and 47.8% (June 30, 2015), respectively.

Net profit for the period, after taxation and net of non-controlling interests, totalled 2.6 million Euros (0.4% of net revenues), a slight decrease compared to 3.3 million Euros recorded at 30 June 2015 (0.5% of net revenues).

Reclassified statement of financial position of the Group

In thousands of Euros	*30.06.2016*	*as a %*	*31.12.2015*	*as a %*	*30.06.2015*	*as a %*
Current assets:						
Cash and cash equivalents	158,902	7.1%	124,510	5.8%	126,572	5.5%
Financial assets	0	0.0%	0	0.0%	0	0.0%
Operating activities	588,564	26.3%	532,092	24.7%	688,732	29.9%
Total current assets	**747,466**	**33.4%**	**656,602**	**30.5%**	**815,304**	**35.3%**
Non-current assets:						
Financial assets	0	0.0%	0	0.0%	0	0.0%
Intangible assets	848,200	37.9%	852,211	39.5%	849,981	36.9%
Plant, property and equipment	336,355	15.0%	343,465	15.9%	342,694	14.9%
Other assets	306,607	13.7%	303,420	14.1%	298,442	12.9%
Total non-current assets	**1,491,162**	**66.6%**	**1,499,096**	**69.5%**	**1,491,117**	**64.7%**
TOTAL ASSETS	**2,238,628**	**100.0%**	**2,155,698**	**100.0%**	**2,306,421**	**100.0%**
Current liabilities:						
Financial liabilities	573,814	25.6%	426,074	19.8%	344,989	15.0%
Operating liabilities	653,340	29.2%	559,908	26.0%	650,753	28.2%
Total current liabilities	**1,227,154**	**54.8%**	**985,982**	**45.7%**	**995,742**	**43.2%**
Non-current liabilities:						
Financial liabilities	488,801	21.8%	625,088	29.0%	733,551	31.8%
Other non-current liabilities	120,880	5.4%	116,534	5.4%	124,526	5.4%
Total non-current liabilities	**609,681**	**27.2%**	**741,622**	**34.4%**	**858,077**	**37.2%**
TOTAL LIABILITIES	**1,836,835**	**82.1%**	**1,727,604**	**80.1%**	**1,853,819**	**80.4%**
TOTAL SHAREHOLDERS' EQUITY	**401,793**	**17.9%**	**428,094**	**19.9%**	**452,602**	**19.6%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,238,628**	**100.0%**	**2,155,698**	**100.0%**	**2,306,421**	**100.0%**

Current assets at 30 June 2016 amounted to 747.5 million Euros, an increase of 90.9 million Euros from 31 December 2015 and a reduction of 67.8 million Euros from 30 June 2015. The increase compared with year-end 2015 is mainly due to the growth in liquid and very short-term bank deposits (+34.4 million Euros), tax receivables (+14 million Euros) and inventories (+50.3 million Euros), mainly concerning the Piaggio Group due to the seasonality of the business.

Non-current assets at 30 June 2016 stood at 1,491.2 million Euros against 1,499.1 million at 31

December 2015, a decrease of 7.9 million Euros.
Specifically, among non-current assets, intangible assets totalled 848.2 million Euros, a decrease of 4 million Euros compared with 31 December 2015, while property, plant and equipment stood at 336.4 million Euros (down by around 7.1 million Euros compared with the end of 2015). Finally, other assets amounted to 306.6 million Euros (against 303.4 million Euros at the end of 2015).

Current liabilities at 30 June 2016 amounted to 1,227.2 billion Euros, an increase compared to 31 December 2015 of 241.2 million Euros, compared to the increase in operating liabilities (+93.4 million Euros, of which +108.3 million in the Piaggio Group), related primarily to the seasonality of purchases and the increase in current financial liabilities, which increased from 426.1 million Euros to 573.8 million Euros, due to higher bank debt posted by Piaggio & C. S.p.A. and Immsi S.p.A..
Non-current liabilities at 30 June 2016 stood at 609.7 million Euros, down by approximately 131.9 million Euros from 741.6 million Euros at 31 December 2015. Consolidated Group equity and non-controlling interests totalled 401.8 million Euros at 30 June 2016, of which 152 million Euros is attributable to minority shareholders.

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

In thousands of Euros	*30.06.2016*	*as a %*	*31.12.2015*	*as a %*	*30.06.2015*	*as a %*
Current operating assets	588,564	41.3%	532,092	36.2%	688,732	45.0%
Current operating liabilities	-653,340	-45.8%	-559,908	-38.1%	-650,753	-42.6%
Net operating working capital	**-64,776**	**-4.5%**	**-27,816**	**-1.9%**	**37,979**	**2.5%**
Intangible assets	848,200	59.5%	852,211	57.9%	849,981	55.6%
Plant, property and equipment	336,355	23.6%	343,465	23.3%	342,694	22.4%
Other assets	306,607	21.5%	303,420	20.6%	298,442	19.5%
Capital employed	**1,426,386**	**100.0%**	**1,471,280**	**100.0%**	**1,529,096**	**100.0%**
Non-current non-financial liabilities	120,880	8.5%	116,534	7.9%	124,526	8.1%
Capital and reserves of non-controlling interests	151,992	10.7%	162,460	11.0%	171,839	11.2%
Consolidated shareholders' equity attributable to the Group	249,801	17.5%	265,634	18.1%	280,763	18.4%
Total non-financial sources	**522,673**	**36.6%**	**544,628**	**37.0%**	**577,128**	**37.7%**
Net financial debt *)	**903,713**	**63.4%**	**926,652**	**63.0%**	**951,968**	**62.3%**

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

In thousands of Euros	*30.06.2016*	*30.06.2015*
Cash generated internally	72,553	71,641
Change in net working capital	21,450	-55,117
Net cash flow generated from operations	**94,003**	**16,524**
Payment of dividends by the Parent Company	-5,107	0
Payment of dividends to non-controlling interests by Group companies	-8,921	-12,851
Acquisition of intangible assets	-27,301	-29,581
Purchase of plant, property and equipment	-20,324	-14,504
Net decrease from property disposals	128	204
Acquisition of non-controlling investments, net of disposal	-1,106	-1,043
Acquisition of controlling investments and business complexes, net of disposals	-4,980	5,206
Other net movements	-3,453	-6,168
Change in net debt	**22,939**	**-42,213**
Initial net debt	**-926,652**	**-909,755**
Closing net debt *)	**-903,713**	**-951,968**

Net financial debt fell from 926.7 million Euros at 31 December 2015 to 903.7 million at 30 June 2016, mainly due to free cash flow (+72.6 million Euros), to the cash generated by working capital dynamics (21.5 million Euros), offsetting net investment in property, plant and equipment and intangible assets for the period almost entirely relating to the Piaggio Group (-47.5 million Euros), and dividends paid to non-controlling interests (-14 million Euros).

Net financial debt at 30 June 2016 is analysed below and compared with the similar figure at 31 December 2015 and 30 June 2015.

In thousands of Euros	*30.06.2016*	*31.12.2015*	*30.06.2015*
Short-term financial assets			
Cash and cash equivalents	-158,902	-124,510	-126,572
Financial assets	0	0	0
Total short-term financial assets	**-158,902**	**-124,510**	**-126,572**
Short-term financial payables			
Convertible	0	0	0
Payables due to banks	515,547	372,551	267,955
Amounts due for finance leases	32	31	30
Amounts due to other lenders	58,235	53,492	77,004
Total short-term financial payables	**573,814**	**426,074**	**344,989**
Total short-term financial debt	**414,912**	**301,564**	**218,417**
Medium/long-term financial assets			
Receivables for loans	0	0	0
Other financial assets	0	0	0
Total medium/long-term financial assets	**0**	**0**	**0**
Medium/long-term financial payables			
Convertible	291,058	290,139	289,201
Payables due to banks	196,898	333,765	443,204
Amounts due for finance leases	163	179	195
Amounts due to other lenders	682	1,005	951
Total medium/long-term financial payables	**488,801**	**625,088**	**733,551**
Total medium-/long-term financial debt	**488,801**	**625,088**	**733,551**
Net financial debt *)	**903,713**	**926,652**	**951,968**

*) The indicator does not include financial assets and liabilities arising from the fair value valuation of derivative financial instruments designated as hedges and the adjustment to fair value of the related hedged items and related expenses, entirely referable to the Piaggio Group (see note G2 – “Financial liabilities” in the Explanatory Notes).

With reference to the breakdown of debt, compared to 31 December 2015, there was an increase in short-term financial debt from a balance of 301.6 million Euros to a balance of 414.9 million Euros (i.e. +113.3 million Euros), and a corresponding decrease in medium-long term financial debt from 625.1 million Euros to 488.8 million Euros (-136.3 million Euros). This trend was mainly due to the change bank debt for the details of which please refer to the condensed interim financial statements and related notes, in particular that indicated under Financial Liabilities.

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 activities in each sector (industrial and marine). For further information, please refer to the section on research and development contained in the Immsi Group Annual Report at 31 December 2015.

With reference to the **industrial sector**, in the first half of 2016 the Piaggio Group continued its policy of consolidating its technological leadership in the sector, allocating total resources of 35.1 million Euros to research and development, of which 25.0 million is capitalised under intangible assets as development costs.

As regards the **marine sector**, it should be recalled that in the last few years, Intermarine S.p.A. has embarked on several major research projects: the first project involves the design and construction of two prototypes for a new submerged-foil hydrofoil, while the second project, named “Enviroaliswath”, involves the design and construction of an innovative vessel with less environmental impact in terms of wake wash reduction. At 30 June 2016, the company had capitalised 7.7 million Euros in intangible assets, net of amortisation and deferred income, while 24.6 million has been recorded under inventories for the value of the prototypes under construction.

Risk factors

With reference to the risk factors that characterize the business of the Immsi Group, no significant variations have occurred during the first half of 2016 in relation to the contents of the Report of the Directors and the Financial Statements of the Immsi Group at 31 December 2015, to which reference is made for any further investigation. As concerns the main risks and uncertainties related to the second half of the year under examination, please refer to the paragraph related to the Events occurring after 30 June 2016 and operating outlook.

Human resources

As of 30 June 2016, Immsi Group employed 7,399 staff, of which 97 in the property and holding sector, 7,025 in the industrial sector (Piaggio Group) and 277 in naval (Intermarine S.p.A.). The following tables divide resources by category and geographical area:

Human resources by category

numbers	30.06.2016			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Senior management	7	101	8	116
Middle managers and white collars	41	2,348	148	2,537
Manual workers	49	4,576	121	4,746
TOTAL	**97**	**7,025**	**277**	**7,399**

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

numbers	Changes			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Senior management	0	-3	0	-3
Middle managers and white collars	4	-158	-8	-162
Manual workers	19	133	-12	140
TOTAL	**23**	**-28**	**-20**	**-25**

Human resources by geographic segment

numbers	30.06.2016			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Italy	97	3,619	277	3,993
Rest of Europe	0	184	0	184
Rest of the World	0	3,222	0	3,222
TOTAL	**97**	**7,025**	**277**	**7,399**

numbers	31.12.2015			
	Property and holding sector	**Industrial sector**	**Marine 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	Changes			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Italy	23	-19	-20	-16
Rest of Europe	0	-3	0	-3
Rest of the World	0	-6	0	-6
TOTAL	**23**	**-28**	**-20**	**-25**

The reduction in the workforce at 30 June 2016 is due to the industrial and marine sectors.

Stock options

As of 30 June 2016, Immsi S.p.A. has no existing stock option plan.

Also with reference to the subsidiary Piaggio & C. S.p.A., at 30 June 2016 there were no incentive plans based on the allocation of financial instruments.

Other information

Treasury shares

At 30 June 2016, 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 29 April 2016 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 2015. The meeting of the Board of Directors of Immsi S.p.A. held on 3 May 2016 – 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 Consolidated Law on Finance, with resolution no. 16839 of 19 March 2009 (the "Market Practices") and in EC regulation no. 2273/2003 of 22 December 2003 (the "Safe Harbour Regulation"). 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) – for a maximum set at 7 million Euros, 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. The purchases of treasury shares will take place in compliance with the operating conditions established by Market Practices and the Safe Harbour Regulation, where applicable, as well as legislation on "market abuse" in force at the time as well as in compliance with Art. 144-bis, paragraph 1 (b) of Consob Regulation 11971/1999 (as subsequently amended) and the provisions in any case applicable, so as to allow equal treatment of shareholders as required by Art. 132 of the Consolidated Law on Finance. The buyback programme will be implemented within 18 months from the date of the Ordinary Shareholders' Meeting of 29 April 2016.

With reference to the subsidiary Piaggio & C. S.p.A., during the half company purchased 2,657,000 treasury shares: Therefore, as of 30 June 2016, Piaggio & C. held 2,673,000 treasury shares, equal to 0.74% of the share capital.

Disputes in progress

For information on the disputes and litigation taking place at Group level, in addition to that described below, please see the directors' report on operations of the Immsi Group at 31 December 2015, in the section entitled "Disputes in progress".

As far as the **property sector** is concerned, below is a summary of events during the first half of 2016 concerning the company Is Molas S.p.A.:

- With regard to the dispute with Sarroch Granulati S.r.l., it is pointed out that with order of 13 June 2016, the Court, having found that the appellant had not filed proof of notification of resumption of the bankruptcy proceedings, ordered Sarroch Granulati to do so, postponing the hearing to 23 November 2016.by
- In connection with the appeal to the Court lodged by Is Molas against Italiana Costruzioni and in particular regarding the injunction to pay notified by the company concerning the costs incurred for the clearing the construction site, it is pointed out that the counterparty, on 8 March 2016, paid the entire amount. The next hearing for the decision on the preliminary investigations is fixed for 18 October 2016.
- As regards the appeal to the Administrative Appeals Court lodged by Italiana Costruzioni against the order issued by the Municipality of Pula, it should be noted that the Court, in its ruling of 9 June 2016, dismissed the application brought by counterparty, ordering the applicant to pay costs in favour of the accused parties.
- With regard to lawsuit concerning the "Le Ginestre" property, on 19 May 2016, the Brescia Court of Appeal upheld the validity of the expert opinion of the first instance, rejecting the appeal of Is Molas. The company intends to appeal to the Supreme Court.

Regarding the **industrial sector** (Piaggio Group), it should be explained that:

- the dispute with Altroconsumo, the Court, upholding Piaggio's application, ordered a new expert opinion on the product, referring the case to discussion at the hearing on 20 September 2016.
- 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). The Board rejected the claims brought by the company, which has appealed before the Milan Court of Appeal. With ruling of 8 June 2016, the Milan Court of Appeal dismissed the appeal of Piaggio. The company has instructed its lawyers to appeal to the Supreme Court.
- With reference to the action brought by Elma Srl, it is pointed out that the hearing for the conclusions of 3 March 2016 was not held because of the transfer of the Judge. We are currently waiting for the case to be reassigned to a new Judge.
  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 alleged damages, Piaggio opposed the proceedings in question and, therefore, the investigation phase began on 25 May 2016.
- With Yamaha Motor Italia S.p.A., Terzimotor di Terzani Giancarlo e Alberto S.n.c., Negrimotors S.r.l. and Twinsbike S.r.l., on 30 April 2016 the expert opinion in favour of Piaggio was filed. The hearing for closing arguments has been set for 9 May 2017.
- with Yamaha Hatsudoki Kabushiki Kaisha (YAMAHA MOTOR CO LTD), concerning the dispute for withdrawal from the market of the Piaggio MP3 and Gilera Fuoco motorcycles, at the first hearing before the Court of Rome, the judge granted a reprieve for the exchange of

briefs. The hearing for swearing in the expert has been scheduled for 6 October 2016.
At the first hearing before the Tribunal de Grande Istance de Paris the exchange of briefs was granted, the deadline of which is 20 September 2016.
The first hearing for the parties to appear before the Court of Düsseldorf has been set for 10 November 2016.
With Yamaha Hatsudoki Kabushiki Kaisha (YAMAHA MOTOR CO LTD), concerning the dispute for withdrawal from the market of the Aprilia RSV4 motorcycles, at the first hearing before the Court of Rome, a reprieve was granted for the exchange of briefs. The hearing for swearing in the expert has been scheduled for 20 October 2016.
At the first hearing before the Tribunal de Grande Istance de Paris the exchange of briefs was granted, the deadline of which is 20 September 2016.
The first hearing for the parties to appear before the Court of Düsseldorf has been set for 10 November 2016.

As regards the **marine sector** (Intermarine Group) it is pointed out that:

- in relation to the dispute with Atisa, the Court, in the hearing on 7 July 2016, expanded the requests made to the expert witness, both from the technical point of view and that of verification of the costs incurred by Intermarine to redo the system.
- Regarding the tax dispute of the subsidiary Rodriquez do Brasil, the last tax dispute referring to 2003 concerning value added tax, income tax and profit contribution tax is still pending, for which the company, in the light of notification of payment of 9.4 million Brazilian real (at the current value of approx. 2.6 million Euros, including taxes, penalties and interest) and following the negative outcome of the opposition proceedings in first instance, appealed in April 2016. The company is considering all possible actions in this regard.

As regards the Pietra Ligure project it is pointed out that:

- regarding the dispute with Como S.r.l., on 27 April 2016, the preliminary hearing for the opposition to the injunction of 2.7 million Euros was held, following which the Court adjourned the hearing for the conclusions to 4 July 2018.
  As regards the summons of Intermarine against Como for damages, at the hearing on 4 July 2016 the deadlines for the submission of briefs were set, adjourning the case until 3 April 2017.
- With reference to the tax dispute, it is pointed out that, on 19 April 2016, the appeal to the Supreme Court was notified, filed by the Revenue Agency against the ruling in the second instance on the registration tax refund of 264.5 thousand Euros, paid in 2007 on the purchase of the property complex of Pietra Ligure. Intermarine filed an appropriate counter appeal; the date of the hearing is pending.
- Within the scope of the dispute with the Revenue Agency, concerning the request for payment of 462.8 thousand Euros in registry tax, for the entire period of 99 years of the state maritime concession, at the hearing on 29 April 2016, the appeal of Intermarine and of the Municipality of Pietra Ligure at the Provincial Tax Commission was discussed, which issued a ruling in favour of the applicants, ordering the Revenue Agency to pay costs.

Events occurring after 30 June 2016 and operating outlook

With reference to the Parent Company, it is pointed out that subsequent to 30 June 2016 the exemptions relating to the verification, (or modification) of certain financial covenants and collateral relating to the months of June and July 2016 were obtained from the lenders to which they had been requested. This situation, primarily caused by the new sharp fall in the stock markets (including Piaggio shares as guarantee on several loan agreements), especially in June, forced the Company to take steps with as much notice as possible, but still not enough to obtain all the answers by 30 June, subsequently received with favourable outcome within the date of approval of this Half-Year Financial Report. This resulted in the reclassification to short of medium-long term credit lines with reference to 30 June. This reclassification will be changed returning the above loans to the contractual maturities in subsequent accounting closures.

As regards the operating outlook of the Immsi Group, with reference to the subsidiary **Is Molas S.p.A.**, the company will proceed with the urban infrastructure works and works for completion of the first phase of 15 houses.

As far as the **industrial sector** is concerned, in a macroeconomic context in which the global economic recovery will probably strengthen, but is still weighed by uncertainties over the pace of growth in Europe and risks of a slowdown in some countries in Far East Asia, the Piaggio Group is committed, in commercial and industrial terms, to:

- confirm its leadership position on the European two-wheeler market, optimally levering 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, levering 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.

With reference to the **marine sector** (Intermarine S.p.A.), it is pointed out how – in the current context of a global economic crisis – the company aims to grow significantly in the Defence sector, which does not appear to be experiencing the same problems as the pleasure craft and passenger transport markets. Pending start of production of all new contracts, particularly in the Defence sector, company Management:

- will rigorously monitor the progress of production of the contracts in place;
- will continue to pursue all opportunities to keep organisation costs down.

In view of the production progress that will be made in 2016, concerning ongoing contracts and planned developments for new contracts, growth in revenues and a significant improvement in

operating income is expected for 2016 compared with 2015.
From an equity point of view we expect a significant reduction in net financial exposure and an annual level of cash flow in equilibrium.

Immsi Group

Condensed interim financial statements as of 30 June 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2016

In thousands of Euros

ASSETS		30 June 2016	31 December 2015
NON-CURRENT ASSETS			
Intangible assets	*F1*	848,200	852,211
Plant, property and equipment	*F2*	336,355	343,465
Investment property	*F3*	85,831	85,965
Investments	*F4*	9,835	9,546
Other financial assets	*F5*	36,386	36,812
Tax receivables	*F6*	5,784	5,477
Deferred tax assets	*F7*	125,984	122,493
Trade receivables and other receivables	*F8*	15,479	15,820
- of which with Related Parties		*133*	*153*
TOTAL NON-CURRENT ASSETS		1,463,854	1,471,789
ASSETS HELD FOR DISPOSAL	*F9*	27,308	27,307
CURRENT ASSETS			
Trade receivables and other receivables	*F8*	205,283	204,342
- of which with Related Parties		*5,275*	*5,306*
Tax receivables	*F6*	37,406	23,396
Inventories	*F10*	338,170	287,859
Other financial assets	*F5*	7,705	16,495
Cash and cash equivalents	*F11*	158,902	124,510
TOTAL CURRENT ASSETS		747,466	656,602
TOTAL ASSETS		2,238,628	2,155,698

LIABILITIES		30 June 2016	31 December 2015
SHAREHOLDERS' EQUITY			
Consolidated shareholders' equity attributable to the Group		249,801	265,634
Capital and reserves of non-controlling interests		151,992	162,460
TOTAL SHAREHOLDERS' EQUITY	*G1*	401,793	428,094
NON-CURRENT LIABILITIES			
Financial liabilities	*G2*	511,220	648,793
- of which with Related Parties		*2,900*	*2,900*
Trade payables and other payables	*G3*	7,304	6,503
Retirement fund and similar obligations	*G4*	57,999	54,046
Other long-term provisions	*G5*	11,544	10,331
Deferred tax liabilities	*G6*	21,614	21,949
TOTAL NON-CURRENT LIABILITIES		609,681	741,622
LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL		0	0
CURRENT LIABILITIES			
Financial liabilities	*G2*	575,992	429,104
- of which with Related Parties		*308*	*226*
Trade payables	*G3*	556,983	468,641
- of which with Related Parties		*14,777*	*9,534*
Current taxes	*G7*	14,431	15,880
Other payables	*G3*	63,799	55,629
- of which with Related Parties		*1,505*	*1,634*
Current portion of other long-term provisions	*G5*	15,949	16,728
TOTAL CURRENT LIABILITIES		1,227,154	985,982
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,238,628	2,155,698

CONSOLIDATED INCOME STATEMENT AS OF 30 JUNE 2016

In thousands of Euros

		30 June 2016	30 June 2015
Net revenues	*H1*	736,124	725,550
- of which with Related Parties		*685*	*295*
Costs for materials	*H2*	410,793	419,306
- of which with Related Parties		*14,825*	*16,549*
Costs for services and leases and rentals	*H3*	141,870	132,814
- of which with Related Parties		*464*	*319*
Employee costs	*H4*	122,164	123,431
Depreciation of plant, property and equipment	*H5*	23,896	24,510
Amortisation of goodwill		0	0
Amortisation of intangible assets with a definite life	*H6*	30,603	28,494
Other operating income	*H7*	52,705	62,446
- of which with Related Parties		*433*	*357*
Other operating costs	*H8*	15,558	16,240
OPERATING INCOME		43,945	43,201
Income/(loss) from investments	*H9*	697	246
Financial income	*H10*	9,607	12,592
Borrowing costs	*H11*	35,644	40,801
- of which with Related Parties		*67*	*90*
PROFIT BEFORE TAX		18,605	15,238
Taxes	*H12*	10,880	7,288
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS		7,725	7,950
Gain (loss) from assets held for disposal or sale	*H13*	0	0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS		7,725	7,950
Earnings for the period attributable to non-controlling interests		5,103	4,634
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	*H14*	2,622	3,316

EARNINGS PER SHARE

In Euro

From continuing and discontinued activities:	*30 June 2016*	*30 June 2015*
Basic	*0.008*	*0.010*
Diluted	*0.008*	*0.010*

From continuing activities:	*30 June 2016*	*30 June 2015*
Basic	*0.008*	*0.010*
Diluted	*0.008*	*0.010*
Average number of shares:	*340,530,000*	*340,530,000*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS OF 30 JUNE 2016

In thousands of Euros

	30 June 2016	*30 June 2015*
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	7,725	7,950
Items that may not be reclassified in the Income statement		
Actuarial gains (losses) on defined benefit plans	(3,504)	2,256
Total	(3,504)	2,256
Items that may be reclassified in the Income statement		
Gains/(losses) on cash flow hedges	261	935
Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	(2,951)	5,098
Gains/(Losses) on evaluation at fair value of assets available for sale and property investments	(8,825)	1,898
Total	(11,515)	7,931
Other Consolidated Comprehensive Income (Expense)	(15,019)	10,187
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD	(7,294)	18,137
Comprehensive earnings for the period attributable to non-controlling interests	1,979	8,672
COMPREHENSIVE EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	(9,273)	9,465

The values presented in the table are all stated net of the corresponding fiscal effect.

STATEMENT OF CONSOLIDATED CASH FLOWS AS OF 30 JUNE 2016

In thousands of Euros

		30.06.2016	30.06.2015
Operating activities			
Profit before tax		18,605	15,238
Depreciation of plant, property and equipment (including investment property)	*H5*	23,896	24,510
Amortisation of intangible assets	*H6*	30,603	28,494
Provisions for risks and for severance indemnity and similar obligations	*H4 - H8*	10,978	12,091
Write-downs (reversals of fair value measurements)	*H7 – H8*	576	3,093
Losses / (Gains) on the disposal of plant, property and equipment (including investment property)	*H7 – H8*	(89)	(68)
Interest income	*H10*	(2,145)	(245)
Dividend income	*H10*	(7)	0
Interest expense	*H11*	25,709	26,695
Amortisation of grants	*H7*	(2,150)	(1,412)
Portion of earnings before taxes of affiliated companies (and other companies valued using the equity method)	*H9*	(697)	(246)
Change in working capital:			
(Increase) / Decrease in trade receivables	*F8*	(29,050)	(84,657)
(Increase)/Decrease in inventories	*F10*	(50,311)	(15,421)
Increase / (Decrease) in trade payables	*G3*	87,490	46,799
(Increase) / Decrease in contract work in progress	*F8*	25,274	(5,782)
Increase / (Decrease) in provisions for risks	*G5*	(6,323)	(8,536)
Increase / (Decrease) in retirement fund and similar obligations	*G4*	(238)	(8,825)
Other changes		(7,760)	16,515
Cash generated from operating activities		124,361	48,243
Interest paid		(22,439)	(25,451)
Taxes paid		(10,687)	(8,826)
Cash flow from operations		91,235	13,966
Investing activities			
Acquisition of subsidiaries, net of cash and cash equivalents		(4,980)	0
Sale price of subsidiaries, net of cash and cash equivalents		0	5,206
Investments in plant, property and equipment	*F2*	(20,323)	(14,501)
Sale price, or repayment value, of plant, property and equipment (including investment property)	*F2*	217	272
Investments in intangible assets	*F1*	(27,301)	(29,581)
Sale price, or repayment value, of intangible assets		0	44
Purchase of non-consolidated investments	*F4*	0	(7)
Sale price of non-consolidated investments		1	0
Purchase of financial assets	*F5*	(1,110)	(1,036)
Collected interests		311	211
Other flows from assets held for disposal or sale		(1)	(3)
Grants received		0	159
Cash flow from investing activities		(53,186)	(39,236)
Financing activities			
Loans received	*G2*	109,083	178,030
Outflow for repayment of loans	*G2*	(103,125)	(113,135)
Repayment of finance leases		(15)	(16)
Outflow for dividends paid to Parent Company Shareholders	*G1 - N*	(5,107)	0
Outflow for dividends paid to non-controlling interests		(8,921)	(12,851)
Cash flow from financing activities		(8,085)	52,028
Increase / (Decrease) in cash and cash equivalents		29,964	26,758
Opening balance		104,415	75,899
Exchange differences		(1,236)	3,150
Closing balance		133,143	105,807

Changes in working capital include an increase in trade payables and other payables towards Related Parties for 5,098 thousand Euros and a decrease in trade receivables and other receivables from Related Parties for 30 thousand Euros. For greater detail on the relations between Related Parties taking place during the first half of 2016 please refer to the tables at the end of this Half-year Financial Report.

This schedule illustrates the changes in cash and cash equivalents totalling 158.9 million Euros at 30 June 2016, gross of short-term bank overdrafts of 25.8 million Euros.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS OF 30 JUNE 2016

In thousands of Euros

In thousands of Euros	Share capital	Reserves and retained earnings(losses)	Earnings for the period	Shareholders' equity attributable to the Group	Capital and reserves of non-controlling interests	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						
Allocation of Group earnings to Dividends					(12,851)	(12,851)
Allocation of Group earnings to Retained Earnings/Losses		(70,814)	70,814			
Purchase of treasury shares by Piaggio & C. S.p.A.						
Sale of treasury shares by Piaggio & C. S.p.A.						
Other changes		3,110		3,110	2,095	5,205
Overall earnings for the period		6,149	3,316	9,465	8,672	18,137
Balances as of 30 June 2015	***178,464***	***98,983***	***3,316***	***280,763***	***171,839***	***452,602***

In thousands of Euros	Share capital	Reserves and retained earnings(losses)	Earnings for the period	Shareholders' equity attributable to the Group	Capital and reserves of non-controlling interests	Shareholders' equity attributable to the Group and non-controlling interests
Balances at 31 December 2015	***178,464***	***96,724***	***(9,554)***	***265,634***	***162,460***	***428,094***
Allocation of Group earnings to the Legal Reserve		775	(775)			
Allocation of Group earnings to Dividends			(5,107)	(5,107)	(8,921)	(14,028)
Allocation of Group earnings to Retained Earnings/Losses		(15,436)	15,436			
Purchase of treasury shares by Piaggio & C. S.p.A.		(2,512)		(2,512)	(2,468)	(4,980)
Sale of treasury shares by Piaggio & C. S.p.A.						
Other changes		1,059		1,059	(1,058)	1
Overall earnings for the period		(11,895)	2,622	(9,273)	1,979	(7,294)
Balances as of 30 June 2016	***178,464***	***68,715***	***2,622***	***249,801***	***151,992***	***401,793***

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2016

- A - GENERAL ASPECTS

Immsi S.p.A. (the "Company") is a limited company established under Italian law with its registered office at P.zza Vilfredo Pareto, 3, Centro Direzionale Boma, Mantova. The main activities of the Company and its subsidiaries (the "Immsi Group"), the information on the relevant events occurred after 30 June 2016 and on the predictable evolution of operations are described in the Interim Directors' Report on Operations. At 30 June 2016, Immsi S.p.A. was directly and indirectly controlled, pursuant to Article 93 of the Consolidated Law on Finance, by Omniaholding S.p.A., a company wholly owned by the Colaninno family, through the subsidiary Omniainvest S.p.A.

The condensed half-year 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, suitably reclassified and adjusted where necessary to adapt them to the Group's accounting principles.
The financial statements are expressed in Euros since that is the currency in which most of the Group's transactions take place.
The amounts in the above schedules and in the Explanatory Notes on the consolidated accounting statements are stated in thousands of Euros (if not otherwise indicated).

Note that the Group carries out activities that, with main reference to the industrial sector, are characterized by significant seasonal changes of sales during the year.

These condensed half-year financial statements are subject to limited audit by PricewaterhouseCoopers S.p.A. pursuant to the mandate granted by the Shareholders' Meeting in 11 May 2012 for the period 2012-2020.

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The condensed interim financial statements were prepared in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Union, as well as in compliance with the provisions established in Article 9 of Legislative Decree No. 38/2005 (Consob Resolution No. 15519 dated 27 July 2006 containing the "Provisions for the presentation of financial statements", Consob Resolution No. 15520 dated 27 July 2006 containing the "Changes and additions to the Regulation on Issuers adopted by Resolution No. 11971/99", and Consob Communication No. 6064293 dated 28 July 2006 containing the "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 condensed half-year financial report has been prepared in accordance with IAS 34 – *Interim Financial Reporting* applying the same accounting principles and policies used in the preparation of the Consolidated financial statements as of 31 December 2015, other than those discussed in the following paragraph "New accounting principles, amendments and interpretations adopted from 1 January 2016".
The information provided in the Half-Year Report should be read together with the Consolidated Financial Statements as of 31 December 2015, prepared according to IFRS.

The financial statements have been prepared on a going concern basis with reference to a future period of 12 months from 30 June 2016. Despite a difficult economic and financial context, with a sharp fall in stock markets which led to the Parent Company and its subsidiaries not being able to meet certain financial parameters and collateral values related to the listing of the subsidiary Piaggio & C. S.p.A. at 30 June 2016, for which appropriate exemption was requested and obtained, the Group determined that there were no significant uncertainties regarding business continuity. The Directors, in the light of the above, took actions aimed at finding solutions to ensure financial equilibrium for the next 12 months, taking into account the possible risk of future trends of weak stock markets, which represent a significant uncertainty with regard to the dimensioning of the credit lines currently granted to the Parent Company.

The preparation of the interim financial statements requires the Company Management to make estimates and assumptions that affect, among other things, the reported amounts of revenues, expenses, assets and liabilities recorded and disclosure of contingent assets and liabilities at the date of the end of the period. If in the future such estimates and assumptions, carried out by the management, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances may occur to change.
For a more detailed description of the most significant measurement methods of the Group, see the section “Accounting standards and measurement criteria – Use of estimates” in the Consolidated Financial Statements of the Immsi Group at 31 December 2015.

In addition, some evaluative processes, particularly the more complex ones such as the determination of any losses in value of fixed assets (“impairment”), are generally carried out completely only at the time of drawing up the annual financial statements, when all the potentially necessary information is available, saving the cases in which there are indicators that require immediate evaluation of possible losses of value.

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 condensed interim financial statements are therefore composed of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and these Explanatory Notes to the consolidated financial statements.
With reference to Consob Resolution no. 15519 of 27 July 2006 it is pointed out that, as regards the financial schedules, specific Income statement and Statement of financial position schedules have been inserted with the evidence of significant Related Party dealings and non-recurring transactions. It is pointed out that in both the first half of 2015 as well as 2016 there were no significant non-recurring transactions, as defined by Consob Communication no. DEM/6064293 of 28 July 2006.
Moreover, there were no significant atypical transactions during the first half of 2016 and of the corresponding period of the previous year, as defined in Consob Communication no. DEM/6037577 of 28 April 2006 and no. 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 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 interest.

Consolidated Statement of Comprehensive Income
The Consolidated Statement of Comprehensive Income is presented as provided for in IAS 1 revised. It requires the indication of the Income attributable to the Owners of the Parent and to non-controlling interests to be recorded net of the corresponding fiscal effect. In this respect, it should be noted that on 16 June 2011, the IASB issued an amendment to IAS 1 – *Presentation of financial statements* to require entities to group all items presented in Other comprehensive income based on whether they are potentially reclassifiable to profit or loss.

Consolidated statement of financial position
The Consolidated balance sheet 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.

Statement of changes in consolidated 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.

Other information

The following exchange rates were used to translate the financial statements of companies included in the scope of consolidation into Euros:

	Spot exchange rate at 30 June 2016	Average exchange rate 1st half 2016	Spot exchange rate at 31 December 2015	Average exchange rate 1st half 2015
US Dollar	1.1102	1.11594	1.0887	1.11579
Pounds Sterling	0.8265	0.77877	0.73395	0.73233
Indian Rupee	74.9603	75.00187	72.0215	70.12440
Singapore Dollars	1.4957	1.53997	1.5417	1.50608
Chinese Renminbi	7.3755	7.29646	7.0608	6.94081
Croatian Kuna	7.5281	7.55941	7.638	7.62773
Japanese Yen	114.05	124.41362	131.07	134.20424
Vietnamese Dong	24,583.58	24,728.10126	24,435.06	23,858.57440
Canadian Dollars	1.4384	1.48444	1.5116	1.37736
Indonesian Rupiah	14,632.43	14,968.97504	15,029.50	14,468.81304
Brazilian Real	3.5898	4.12955	4.3117	3.31015

- B - SCOPE OF CONSOLIDATION

At 30 June 2016, the Immsi Group structure is the one attached at the end of these Explanatory Notes. The scope of consolidation has not changed compared with the consolidated financial statements at 31 December 2015 and the consolidated financial statements at 30 June 2015.

Finally, it should be noted that the share of consolidated shareholders' equity of the Piaggio Group, which at 30 June 2016 stood at 50.44%, at 31 December 2015 and at 30 June 2015 amounted to 50.06%: the increase is a result of the effect of the purchase by Piaggio in the first half of 2,657 thousand treasury shares.

- C - CONSOLIDATION PRINCIPLES

Please refer to the explanatory and additional notes on the consolidated financial statements at 31 December 2015 for details of the consolidation principles adopted by the Company for the preparation of the condensed interim financial statements of the Immsi Group.

- D - ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The accounting standards implemented in drawing up these condensed interim financial statements of the Immsi Group are the same ones followed in drawing up the consolidated financial statements as of 31 December 2015 to which we refer you for further details.

NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS FROM 1 JANUARY 2016

The standards, amendments and interpretations applied by the Group since 1 January 2016 are listed below.

- IAS 16 and IAS 38 "*Clarification of Acceptable Methods of Depreciation and Amortisation*": according to the changes, it is considered inappropriate to adopt an amortisation/depreciation method based on revenues. 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.
- IFRS 11 "Joint arrangements: recording the acquisition of investments in jointly controlled assets": the changes provide clarification on the recording for accounting purposes of the acquisition of investments in jointly controlled assets constituting a business. The amendments are applicable in a retrospective manner for years commencing from or after 1 January 2016.
- Annual amendments to IFRS 2012-2014: 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.

- IAS 1 "Presentation of Financial Statements": the amendment to the principle in question is intended to provide clarification on the aggregation or disaggregation of financial statement items if the amount is significant, 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. Moreover, the amendment requires the presentation of headings, partial results and additional items, also separating the items listed in section 54 (Statement of Financial Position) and 82 (Income Statement) of IAS 1, when this presentation is significant for the purposes of understanding the statement of financial position and financial position and performance of the entity.

The Group is assessing the feasibility of adopting IAS 27 Revised "Separate Financial Statements": the 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.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE

At the date of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for the adoption of certain accounting standards and amendments. The Group will adopt these new standards, amendments and interpretations, based on the application date indicated, and will evaluate potential impact, when the standards, amendments and interpretations are endorsed by the European Union.

- 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 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.

- In the month of January 2016, the IASB published IFRS 16 "Leases". This new standard will replace the current IAS 17. The main change concerns the accounting by lessees that, according to IAS 17, were required to make a distinction between a financial lease (in the budget) and operating leases (off budget). With IFRS 16, operating leases will be treated for accounting purposes as financial leases. The IASB has provided for the optional exemption for certain leasing contracts and low value and short-term leases.
  This principal will apply from 1 January 2019. Early application will be possible if IFRS 15 "Revenue from contracts with customers" is jointly adopted.
- In February 2016, the IASB issued an amendment to IAS 12 "Income Taxes." These amendments clarify how to enter active deferred taxes related to debt instruments calculated at *fair value*.
  These amendments will apply from 1 January 2017.
- In February 2016, the IASB issued an amendment to IAS 7 "Statement of Cash Flows." These amendments to IAS 7 introduce additional information that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. These amendments will apply from 1 January 2017.
- In June 2016, the IASB issued an amendment to IFRS 2 “Share-based Payment”. These amendments clarify how some share-based payments are recognised. These amendments will apply from 1 January 2018.

- E - SEGMENT REPORTING

The application of IFRS 8 – *Operating Segments* is mandatory as of 1 January 2009. This principle requires operating segments to be identified on the basis of an internal reporting system which Company management utilises to allocate resources and assess performance.
The information for operating segments presented below reflects the internal reporting system utilised by management for making strategic decisions. In this respect, as regards individual *business* areas, wherever possible information is provided relating to the property and holding, industrial and marine sectors.

Information by business areas

Income statement

In thousands of Euros	*Property and holding sector*	*Industrial sector*	*Marine sector*	*Immsi Group*
Net revenues to non-controlling interests	2,192	706,496	27,436	736,124
Intercompany net revenues				0
NET REVENUES	**2,192**	**706,496**	**27,436**	**736,124**
OPERATING INCOME	**-3,153**	**47,762**	**-664**	**43,945**
Income/(loss) from investments	0	697	0	697
Financial income				9,607
Borrowing costs				35,644
PROFIT BEFORE TAX				**18,605**
Taxes				10,880
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS				**7,725**
Gain (loss) from assets held for disposal or sale				0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS				**7,725**
Earnings for the period attributable to non-controlling interests				5,103
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP				**2,622**

Statement of financial position

In thousands of Euros	*Property and holding sector*	*Industrial sector*	*Marine sector*	*Immsi Group*
Segment assets	366,669	1,685,342	186,435	2,238,446
Investments in affiliated companies	0	169	13	182
TOTAL ASSETS	**366,669**	**1,685,511**	**186,448**	**2,238,628**
TOTAL LIABILITIES	**344,538**	**1,292,320**	**199,977**	**1,836,835**

Other information

In thousands of Euros	*Property sector and holding*	*Industrial sector*	*Marine sector*	*Immsi Group*
Investments in plant, property and equipment and intangible assets	**334**	**46,971**	**319**	**47,625**
Depreciation, amortisation and write-downs	**259**	**54,224**	**592**	**55,075**
Cash flow from operating activities	**-11,506**	**88,737**	**14,004**	**91,235**
Cash flow from investing activities	**-6,393**	**-46,475**	**-318**	**-53,186**
Cash flow from financing activities	**-4,044**	**8,951**	**-12,992**	**-8,085**

Information by geographical areas

The following table presents the Group income statement and balance sheet figures or the first half of 2016 in relation to the geographical areas "of origin", that is, with reference to the country of the company which received the revenues or which owns the assets.

It should be noted that the breakdown of revenues by geographic "destination" area, i.e. with reference to the customer's nationality, is analysed under net revenues in the income statement.

Income statement

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Immsi Group*
Net revenues to non-controlling interests	440,870	14,401	165,020	30,823	85,010	736,124
Intercompany net revenues						0
NET REVENUES	**440,870**	**14,401**	**165,020**	**30,823**	**85,010**	**736,124**

Statement of financial position

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Immsi Group*
Segment assets	1,842,223	30,252	177,718	48,045	140,208	2,238,446
Investments in affiliated companies	147	35	0	0	0	182
TOTAL ASSETS	**1,842,370**	**30,287**	**177,718**	**48,045**	**140,208**	**2,238,628**

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Immsi Group*
Total receivables *	**118,557**	**18,835**	**28,103**	**9,737**	**19,349**	**194,581**
Total payables **	**434,557**	**41,618**	**99,506**	**1,324**	**51,081**	**628,086**

* Contract works in progress and Amounts due from the Tax authorities are not included.
** Financial liabilities and current tax payables are not included.

Other information

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Immsi Group*
Investments in plant, property and equipment and intangible assets	**40,832**	**64**	**2,950**	**303**	**3,475**	**47,625**
Depreciation, amortisation and write-downs	**42,055**	**150**	**6,572**	**85**	**6,213**	**55,075**

For comparability, the corresponding tables referring to 30 June 2015 are shown below:

Information by business areas

Income statement

In thousands of Euros	*Property and holding sector*	*Industrial sector*	*Marine sector*	*Immsi Group*
Net revenues to non-controlling interests	2,093	693,886	29,571	725,550
Intercompany net revenues				0
NET REVENUES	**2,093**	**693,886**	**29,571**	**725,550**
OPERATING INCOME	**1,080**	**42,923**	**-802**	**43,201**
Income/(loss) from investments	0	246	0	246
Financial income				12,592
Borrowing costs				40,801
PROFIT BEFORE TAX				**15,238**
Taxes				7,288
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS				**7,950**
Gain (loss) from assets held for disposal or sale				0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS				**7,950**
Earnings for the period attributable to non-controlling interests				4,634
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP				**3,316**

Statement of financial position

In thousands of Euros	*Property and holding sector*	*Industrial sector*	*Marine sector*	*Immsi Group*
Segment assets	366,302	1,685,538	254,369	2,306,209
Investments in affiliated companies	0	198	14	212
TOTAL ASSETS	**366,302**	**1,685,736**	**254,383**	**2,306,421**
TOTAL LIABILITIES	**320,787**	**1,275,942**	**257,090**	**1,853,819**

Other information

In thousands of Euros	*Property and holding sector*	*Industrial sector*	*Marine sector*	*Immsi Group*
Investments in plant, property and equipment and intangible assets	**293**	**43,492**	**297**	**44,082**
Depreciation, amortisation and write-downs	**254**	**54,532**	**1,311**	**56,097**
Cash flow from operating activities	**-5,563**	**30,546**	**-11,017**	**13,966**
Cash flow from investing activities	**3,879**	**-42,971**	**-144**	**-39,236**
Cash flow from financing activities	**5,435**	**39,059**	**7,534**	**52,028**

Information by geographical areas

Income statement

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Immsi Group*
Net revenues to non-controlling interests	412,167	13,665	169,845	39,372	90,501	725,550
Intercompany net revenues						0
NET REVENUES	**412,167**	**13,665**	**169,845**	**39,372**	**90,501**	**725,550**

Statement of financial position

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Immsi Group*
Segment assets	1,907,178	33,980	189,653	38,024	137,374	2,306,209
Investments in affiliated companies	170	42	0	0	0	212
TOTAL ASSETS	**1,907,325**	**33,983**	**189,653**	**38,024**	**137,436**	**2,306,421**

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Immsi Group*
Total receivables *	**163,109**	**34,724**	**32,774**	**11,989**	**26,793**	**269,389**
Total payables **	**396,475**	**88,486**	**106,028**	**2,355**	**33,355**	**626,699**

* Contract works in progress and Amounts due from the Tax authorities are not included.
** Financial liabilities and current tax payables are not included.

Other information

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Immsi Group*
Investments in plant, property and equipment and intangible assets	**37,192**	**56**	**1,549**	**84**	**5,201**	**44,082**
Depreciation, amortisation and write-downs	**40,184**	**186**	**8,669**	**58**	**5,581**	**54,678**

- F - INFORMATION ON THE MAIN ASSET ITEMS

Amounts are stated in thousands of Euros unless otherwise indicated.

- F1 - INTANGIBLE ASSETS 848,200

Net intangible assets at 30 June 2016 amounted to 848,200 thousand Euros, a decrease of 4,011 thousand Euros compared with 31 December 2015. the reduction in the half is almost entirely attributable to the intangible assets of the Piaggio Group due mainly to amortization accruing in the period that was only partially offset by investments in the half.
Changes in this item are presented below:

In thousands of Euros	*Development costs*	*Concessions, patents, industrial and similar rights*	*Trademarks and licences*	*Goodwill*	*Other intangible assets*	*TOTAL*
Gross amounts at 31 December 2014	**199,734**	**282,472**	**149,200**	**625,421**	**9,569**	**1,266,396**
Increases	27,030	2,495	0	0	56	29,581
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	4,640	566	0	0	479	5,685
Gross amounts at 30 June 2015	**231,404**	**285,533**	**149,200**	**625,421**	**10,104**	**1,301,662**
Accumulated amortisation at 31 December 2014	**91,834**	**216,709**	**91,314**	**11,439**	**8,525**	**419,821**
Depreciation	16,230	9,426	2,414	0	424	28,494
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	2,492	467	0	0	407	3,366
Accumulated amortisations at 30 June 2015	**110,556**	**226,602**	**93,728**	**11,439**	**9,356**	**451,681**
Net amounts at 30 June 2015	**120,848**	**58,931**	**55,472**	**613,982**	**748**	**849,981**
Gross amounts at 31 December 2015	**232,130**	**317,609**	**149,200**	**625,421**	**9,692**	**1,334,052**
Increases	24,961	2,285	0	0	55	27,301
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	(2,251)	(230)	0	0	(46)	(2,527)
Gross amounts at 30 June 2016	**254,840**	**319,664**	**149,200**	**625,421**	**9,701**	**1,358,826**
Accumulated amortisations at 31 December 2015	**126,600**	**238,417**	**96,142**	**11,439**	**9,243**	**481,841**
Depreciation	15,800	12,243	2,414	0	146	30,603
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	(1,588)	(187)	0	0	(43)	(1,818)
Accumulated amortisations at 30 June 2016	**140,812**	**250,473**	**98,556**	**11,439**	**9,346**	**510,626**
Net amounts at 30 June 2016	**114,028**	**69,191**	**50,644**	**613,982**	**355**	**848,200**

NB: 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 mainly include costs for products and engines in projects for which there is an expectation for the period of the useful life of the asset to see net sales at such a level as to allow the recovery of the costs incurred. This item includes assets under construction for 35,796 thousand Euros 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 regard to the Piaggio Group, during the first half of 2016, development costs of approximately

10.2 million Euros were charged directly to the consolidated income statement. Financial charges on loans acquired to finance the development of products that require a substantial period of time to be completed are capitalised as part of the cost of the assets themselves, in accordance with the relevant accounting standard IAS 23 – *Borrowing Costs*. Development costs included under this item are amortised on a straight line basis over 5 years (founding products) or 3 years, in consideration of their remaining useful life.

With reference to the naval sector (Intermarine S.p.A.) please refer to the Interim Directors' Report of the Immsi Group as of 30 June 2016 – paragraph "Activity of Research & Development".

Concessions, patents, industrial and similar rights

The net balance of this item, equal to 69,191 thousand Euros at 30 June 2016, is mainly related to the Piaggio Group (68,800 thousand Euros) and is composed of software, patents and know-how, relating particularly to the Vespa, GP 800, MP3, RSV4, MP3 hybrid and 1,200cc engine vehicles. Increases for the period mainly refer to new calculation, design and development techniques and methodologies developed by the Group, referring to the main new products in the 2016-2017 range. Industrial patent and intellectual property rights costs are amortised over three years.

Trademarks and licences

The trademarks and licences with a finite life item, totalling 50,644 thousand Euros, is as follows:

In thousands of Euros	As of 30 June 2016	As of 31 December 2015	Change
Guzzi trademark	17,062	17,875	(813)
Aprilia trademark	33,526	35,123	(1,597)
Minor trademarks	56	60	(4)
Total Trademark	**50,644**	**53,058**	**(2,414)**

Goodwill

The goodwill registered by the Group has unchanged compared to 31 December 2015 and its composition is detailed in the following table:

In thousands of Euros	***Net balance at 30.06.2016***
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 investee companies' shareholders' equity at the time of the purchase, reduced by the related cumulative amortisation until 31 December 2003. In adopting international accounting standards for the first time, the Group chose not to apply IFRS 3 – *Business Combinations* retrospectively to acquisitions carried out prior to 1 January 2004. Accordingly, the goodwill generated by acquisitions made prior to the date of adoption of IFRS was left unchanged as previously calculated under Italian GAAP, subject to determination and reporting of any impairments. As of 1 January 2004 goodwill is no longer amortised: the recoverable value of the cash-generating unit to which the goodwill was allocated is verified by determining the recoverable value (value in use) and submitted to an impairment test, applying the method required by the International Accounting Standard IAS 36. Such value has been estimated on the basis of:

- the present value of future financial flows over a multi-year forecasting period that are estimated to be generated by the continuous use of the assets relating to individual cash generating units ("Discounted Cash Flow" method in its "Unlevered" version); 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.

It should be borne in mind, lastly, that goodwills recoverability is checked at least once a year (as of 31 December), even failing indicators of a possible loss of value.

While the balance sheet of the Immsi Group as of 31 December 2015 was being drawn up, 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 the 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.
For the Piaggio Group, it has been deemed reasonable to consider the Piaggio Group cash-generating unit as coinciding with the Piaggio Group as a whole (Piaggio & C. S.p.A. and its subsidiaries). Therefore, all considerations relating to the estimated value in use of the cash-generating unit and its use for impairment test purposes were developed by considering the Piaggio Group at consolidated level. It should be noted that the book value of the goodwill allocated to such cash-generating unit is equal to around 579.5 million Euros.

Regarding the Intermarine cash-generating unit, **Intermarine** S.p.A. coincides with the"marine sector" identified by the Immsi Group in its segment reporting in accordance with *IFRS 8 – Operating Segments*: the carrying amount of goodwill allocated to the cash-generating unit is equal to approximately 34.4 million Euro.
Therefore, please refer to the explanatory and additional Notes on the consolidated financial statements contained in the Report as of 31 December 2015 of the Immsi Group for greater detail on the principal assumptions used in the determination of the utilization value of the cash-generating unit Piaggio Group and Intermarine. It should be recalled that with reference to both cash-generating units, the analysis carried out at 31 December 2015 did not indicate any impairment losses for the goodwill tested: therefore no write-down has been made in the Consolidated Financial Statements of the Immsi Group at 31 December 2015.

As concerns the Piaggio Group cash-generating unit, the management of the group has verified, as is the case for all cash-generating units internal to the Piaggio Group, that the EBIT forecasted in the approved budget and by the plan used for the impairment tests as of 31 December 2015 has essentially been achieved and that the rates applied at the time are still valid. Therefore there are no indications of impairment of the goodwill and it was therefore unnecessary to conduct any

impairment tests on the carrying value of the goodwill recognised by the Immsi Group and allocated to the cash-generating unit Piaggio Group.
With reference to the Intermarine cash-generating unit, there are no indications of goodwill impairment losses: EBIT for the first half of 2016 is in line with the budget forecast and the rates applied at 31 December 2015 still seem valid.
As observed during the analysis performed at 31 December 2015, impairment tests are based on forward-looking data that are uncertain and changeable by nature and that reflect changes in the company's order book and its future industrial and commercial strategies: such data, in particular, is essentially based on the acquisition of future contracts, in relation to which negotiations are currently under way with several foreign navies. In this regard, we point out that in previous years, Intermarine's results showed significant variances with respect to what was forecast in the forward-looking financial data used, even after several exceptional and unforeseeable events, such as flooding at the Intermarine site in Sarzana: given the intrinsically uncertain nature of the forward-looking data considered, it cannot be ruled out that these variances may continue to occur in the future.

Considering that the analyses conducted to estimate the recoverable value both for the Piaggio Group cash-generating unit and for Intermarine cash-generating unit has also been determined on the basis of estimates, the Group cannot assure that there will not be a loss in value of the goodwill in future periods. Owing to the current context of the crunch in the markets of reference and in the financial markets, the different factors – both inside and outside the identified cash-generating units – used in drawing up the estimates could in the future be reviewed. The Group will constantly monitor these factors and the possible existence of future impairment losses.

Other intangible assets
The "Other intangible assets with a finite life" item, totalling 355 thousand Euros, mainly includes charges held by Piaggio Vietnam.

- F2 - PLANT, PROPERTY AND EQUIPMENT 336,355

Net plant, property and equipment at 30 June 2016 totalled 336,355 thousand Euros, compared with 343,465 thousand Euros at 31 December 2015, and comprise assets mainly recognised by the Piaggio Group for 300,823 thousand Euros, Intermarine S.p.A. for 18,013 thousand Euros, and Is Molas S.p.A. for 17,353 thousand Euros. The following table details this item:

In thousands of Euros	*Land*	*Buildings*	*Plant and machinery*	*Industrial and commercial equipment*	*Assets to be given free of charge*	*Other assets*	*TOTAL*
Gross amounts at 31 December 2014	**44,865**	**184,730**	**475,123**	**523,624**	**10,521**	**53,464**	**1,292,327**
Increases	0	1,557	7,850	2,934	21	2,098	14,460
Decreases	0	(10)	(82)	0	0	(733)	(825)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	2,412	10,903	1,185	(127)	914	15,287
Gross amounts at 30 June 2015	**44,865**	**188,689**	**493,794**	**527,743**	**10,415**	**55,743**	**1,321,249**
Accumulated amortisation at 31 December 2014	**0**	**65,513**	**341,878**	**484,925**	**9,471**	**46,090**	**947,877**
Depreciation	0	2,850	11,690	8,304	26	1,640	24,510
Applications	0	0	(23)	0	0	351	328
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	480	4,442	1,169	0	(251)	5,840

Accumulated amortisations at 30 June 2015	**0**	**68,843**	**357,987**	**494,398**	**9,497**	**47,830**	**978,555**
Net amounts at 30 June 2015	**44,865**	**119,846**	**135,807**	**33,345**	**918**	**7,913**	**342,694**
Gross amounts at 31 December 2015	**44,865**	**189,146**	**504,326**	**529,419**	**10,415**	**56,224**	**1,334,395**
Increases	0	747	11,119	4,822	0	3,609	20,297
Decreases	0	0	(43)	(5)	0	(348)	(396)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	(923)	(6,678)	(3,060)	5,431	(388)	(5,618)
Gross amounts at 30 June 2016	**44,865**	**188,970**	**508,724**	**531,176**	**15,846**	**59,097**	**1,348,678**
Accumulated amortisations at 31 December 2015	**0**	**71,623**	**363,208**	**498,040**	**9,523**	**48,536**	**990,930**
Depreciation	0	2,784	12,251	6,713	24	2,124	23,896
Applications	0	0	(22)	(5)	0	(185)	(212)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	(218)	(4,077)	(2,829)	5,431	(598)	(2,291)
Accumulated amortisations at 30 June 2016	**0**	**74,189**	**371,360**	**501,919**	**14,978**	**49,877**	**1,012,323**
Net amounts at 30 June 2016	**44,865**	**114,781**	**137,364**	**29,257**	**868**	**9,220**	**336,355**

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

Property, plant and equipment primarily relate to the Intermarine S.p.A. industrial facility at Sarzana (La Spezia), the hotel and resort managed by Is Molas S.p.A. in Pula (Cagliari) and the Piaggio Group’s production plants located in Pontedera (Pisa), Noale (Venezia), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam). The increases mainly refer to moulds for new vehicles launched during the period, as well as the new painting plant for two-wheeler products at Pontedera. The financial charges on purpose loans acquired to finance the building of properties 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 capitalised borrowing costs for 311 thousand Euros during the first half of 2016.

Plant, property and equipment at 30 June 2016 include 868 thousand Euros relating to freely transferable assets owned by Intermarine S.p.A., consisting of light constructions, property and related restructuring costs, built on State land in the city of Messina. Buildings constructed on State land are depreciated according to the residual duration of the concession: following the renewal of the concession for that area, the company adjusted the depreciation calculation based on the new information available. These assets, held because of a concession agreement, at its expiry, must be freely and in a perfect state of operation transferred to the granting body.
Finally, it should be remembered that the assets described below – lands excluded – are amortized at rates considered fit to represent their useful life and in any case according to a plan of fixed rate amortization, for details of which reference is made to the Report and financial statements of the Immsi Group as of 31 December 2015 – paragraph “Accounting standards and measurement criteria”.

At 30 June 2016, the net value of assets held under lease agreements was 143 thousand Euros, comprising vehicles used by the Aprilia Racing Team. Future lease commitments are detailed in the section on financial liabilities.

The Group also uses fully amortised property, plant and equipment for 40,625 thousand Euros, of which 24,795 thousand Euros relates to plant and machinery, 6,836 thousand Euros to industrial and commercial equipment, 4,408 thousand Euros to freely transferable assets and 4,586 thousand

Euros to other assets.

Guarantees
At 30 June 2016, the Group has land and property encumbered by mortgages or pledges in favour of financial institutions to guarantee bank loans. For more information, please refer to the Annual Report of the Immsi Group at 31 December 2015, in the section on "Commitments, risks and guarantees".

- F3 - INVESTMENT PROPERTY 85,831

At 30 June 2016, the Immsi Group recognised investment properties for 85,831 thousand Euros, comprising the Immsi S.p.A. building in Via Abruzzi, Rome for 74,020 thousand Euros and property, plant and equipment at the Piaggio Group's Spanish site in Martorelles for 11,811 thousand Euros.

With reference to the building used by the **Parent Company Immsi S.p.A.** (in Via Abruzzi, Rome), as previously mentioned, since 2008 the Company has classified this as investment property, as defined in 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. The investment is no longer subject to depreciation starting from the year 2009, as required by international accounting standards.
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. During the first half of 2016, according to the Company's Management, no events or circumstances occurred to suggest that the asset in question could have been significantly impaired. The increase of 16 thousand Euros compared with the value recognised at 31 December 2015 relates to engineering works carried out during the first half of the current financial year.

Rental income referred to the building and recognised by Immsi S.p.A. during the first half of 2016 among Net proceeds revenues amounts to approximately 1.3 million Euros. 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.

As previously mentioned, investment property recognised by the **Piaggio Group** refers to the Spanish site of Martorelles, where production was stopped in March 2013 and relocated to Italian sites.
The net book value as of 30 June 2016 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 identified the total value of the investment as 11,811 thousand Euros. In this regard, the valuation took account of the current status of the property, the project to convert the area, for the development of a retail centre prepared by the 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 in IAS 40. Therefore, the measurement updated in 2016 resulted in a charge of 150 thousand Euros, adjusted to fair value, being recognised under other costs in the income statement for the period.
The information required under IFRS 7 concerning the fair value measurement, as well as sensitivity to the variables used as a basis for the assessment, can be found in section P – Information on financial instruments.

- F4 - INVESTMENTS 9,835

Equity investments, at 9,835 thousand Euros, have increased by 289 thousand Euros compared with 31 December 2015.
Note that the carrying amount of equity investments held by Immsi S.p.A. in fully consolidated subsidiaries – equal to 322.3 million Euros at 30 June 2016 – is fully eliminated on consolidation.
This item mainly includes the valuation of the equity share held by the Piaggio Group in the joint venture Zongshen Piaggio Foshan, adjusted to take into account the measurement criteria adopted by the Group, as well as the recoverable amount determined following the impairment of Piaggio & C. S.p.A. The following table summarises the main financial highlights of the joint venture:

Financial Statements as of 30 June 2016
In thousands of Euros

	45% owned by the Piaggio Group
Working capital	7,503
Total assets	4,399
NET CAPITAL EMPLOYED	**11,902**
Provisions	45
Consolidated debt	2,217
Shareholders’ equity	9,640
TOTAL SOURCES OF FINANCING	**11,902**

- F5 - OTHER FINANCIAL ASSETS 44,091

- Non-current portion

Other non-current financial assets totalled 36,386 thousand Euros and consist of:

- available-for-sale financial assets, represented by the investment of 13,222 thousand Euros (2.73% of the capital) in Alitalia – CAI held by Immsi. S.p.A.;
- the fair value of hedging instruments in place in the Piaggio Group and in particular 19,729 thousand Euros for the fair value of cross currency swaps in place on the debenture loan, 3,171 thousand Euros for the fair value of Cross Currency Swaps in place on the medium term loan of the Indian subsidiary and 225 thousand Euros for the Cross Currency Swap in place on the medium-term loan of the Vietnamese subsidiary;
- the book value of the equity investments held in other smaller companies by the Piaggio Group for an overall amount of approx. 39 thousand Euros.

With reference to the equity investment in Alitalia - CAI, compared to the book value at 31 December 2015, amounting to 12,115 thousand Euros, there was an increase of 1,107 thousand Euros due to the payment made in March 2016 for the capital increase, pursuant to the Stand-by Equity Commitment taken in September 2014 to subscribe and pay for a maximum capital increase of 10 million Euros deliberated by the shareholders' meeting of Alitalia - CAI on 25 July 2014.

In connection with this equity investment, given that as at 30 June 2016 there is no information other than that known at the end of 2015, the carrying value recorded at 31 December 2015 was confirmed, increased by the value of the payment made in the first half 2016.

- Current portion

Other current financial assets totalled 7,705 thousand Euros at 30 June 2016, a decrease of 8,790 thousand Euros compared with 31 December 2015. This item includes 2,062 thousand Euros relating to the current portion of the fair value of the Cross Currency Swaps in place on the medium-term loans of the Indian subsidiary and 150 thousand Euro to the current portion of the Cross Currency Swaps in place on the medium-term loan of the Vietnamese subsidiary.
Moreover, other current assets includes the investment (equal to 2,788,464 shares) held by Immsi S.p.A. in Unicredit S.p.A., measured at fair value at the reporting date of 30 June 2016, amounting to 5,493 thousand Euros. the value of the investment decreased by 8,826 thousand Euros compared to 31 December 2015. The Unicredit share price at 30 June 2016 stood at 1.97 Euros, lower than the book value (equal to approximately 5.326 Euros per share). This difference is not considered to be a permanent impairment as determined by the procedure adopted by Immsi S.p.A.: in this regard, this procedure 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

- F6 - TAX RECEIVABLES 43,190

Current and non-current receivables due from the tax authorities totalled 43,190 thousand Euros, an increase of 14,317 thousand Euros from the end of 2015 as a result of substantially higher VAT receivables recognised in the current portion. The details are shown below by maturity:

- Non-current portion

In thousands of Euros	*Balance at 30.06.2016*	*Balance at 31.12.2015*
VAT receivables	2,924	3,001
Income tax receivables	2,311	1,927
Other tax receivables	549	549
TOTAL	**5,784**	**5,477**

- Current portion

In thousands of Euros	*Balance at 30.06.2016*	*Balance at 31.12.2015*
VAT receivables	31,020	16,312
Income tax receivables	5,188	5,967
Other tax receivables	1,198	1,117
TOTAL	**37,406**	**23,396**

- F7 - DEFERRED TAX ASSETS 125,984

As of 30 June 2016, net deferred tax assets that will fall due within 12 months total 14,780 thousand Euros while those falling due beyond 12 months amount to 111,204 thousand Euros.
The Piaggio Group has recognised 57,452 thousand Euros of deferred tax assets compared to 56,434 thousand Euros recorded as of 31 December 2015. The deferred tax assets recognised by the subsidiary Intermarine S.p.A. at 30 June 2016 total 44,223 thousand Euros (compared with 43,973 thousand Euros at 31 December 2015), while those recognised by the subsidiary Is Molas S.p.A. total 12,745 thousand Euros (compared with 11,981 thousand Euros at 31 December 2015). The remaining share of 11,564 thousand Euros is recorded by the other companies belonging to the property and holding sector, net of eliminations and consolidation adjustments.

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 consolidated tax convention 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.

- F8 - TRADE RECEIVABLES AND OTHER RECEIVABLES 220,762

- Non-current portion

Trade receivables and other receivables included under non-current assets total 15,479 thousand Euros (net of the corresponding provisions for write-down of 1,203 thousand Euros), against 15,820 thousand Euros at 31 December 2015 and are detailed below:

In thousands of Euros	*Balance at 30.06.2016*	*Balance at 31.12.2015*
Amounts due from affiliated companies	133	153
Other receivables	15,346	15,667
TOTAL	**15,479**	**15,820**

- Current portion

Trade receivables and other receivables (including the value of work in progress) included under current assets are as follows:

In thousands of Euros	*Balance at 30.06.2016*	*Balance at 31.12.2015*
Trade receivables	149,131	120,031
Amounts due from subsidiaries *)	2,599	2,604
Amounts due from affiliated companies	599	693
Amounts due from joint ventures	2,078	2,009
Other receivables	50,876	79,005
TOTAL	**205,283**	**204,342**

*) not consolidated on a global integration basis

Current third party trade receivables amounted to 149,131 thousand Euros at 30 June 2016, an

increase of around 29,100 thousand Euros compared with the value recorded at 31 December 2015 (120,031 thousand Euros): as already mentioned, the growth in this value is mainly linked to the seasonality of Piaggio Group sales, which are mainly concentrated in the spring and summer months.
The "Trade receivables" item comprises amounts due from normal sales transactions, stated net of a bad debt reserve of 30,927 thousand Euros, an increase of 435 thousand Euros compared with 31 December 2015.
The balance of the item receivables due from subsidiaries, equal to 2,599 thousand Euro, refers to trade receivables due from the subsidiary Rodriquez Cantieri Navali do Brasil Ltda, consolidated not line by line but using the equity method. The balance of receivables from associated companies refers entirely to receivables from Fondazione Piaggio and Consorzio CTMI, while receivables from joint ventures (equal to 2,078 thousand Euros at 30 June 2016) refer to receivables from Zongshen Piaggio Foshan Motorcycle Co.Ltd., as detailed in the statement of intercompany and related party transactions at the end of this document.

It should also be remembered that the Piaggio Group transfers on a regular basis a large part of its trading receivables mainly with the "pro-soluto" and "pro-solvendo" clause [i.e., without and with recourse]. Piaggio 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 have been formalised for the substantial transfer of risks and benefits. At 30 June 2016, trade receivables not yet due and assigned without recourse totalled 123,525 thousand Euros, on which the Piaggio Group received payment before the normal due date for 114,202 thousand Euros.
As of 30 June 2016, the advances received – both from factoring firms and from banks – on "pro-solvendo" disposals of trade receivables total 19,978 thousand Euros and are offset in the current liabilities.

Other receivables include mainly advances to suppliers of 5,260 thousand Euros mainly recognised by the subsidiary Intermarine S.p.A. and accrued income and prepaid expenses totalling 9,746 thousand Euros.

Finally the other receivables include the equivalent value of the works in progress to order net of the advance payments received, referable entirely to the subsidiary Intermarine S.p.A., whose composition is detailed as follows:

In thousands of Euros	***Balance at 31.12.2015***	***Increases***	***Decreases***	***Balance at 30.06.2016***
Contract work in progress gross of advances	**210,839**	22,538	0	**233,377**
Contractual advances received from customers	159,384			207,196
Contract work in progress net of advances	**51,455**			**26,181**
Costs sustained	172,349			190,367
Margins recognised (net of losses)	38,490			43,010

- F9 - ASSETS HELD FOR DISPOSAL 27,308

The net carrying amount of assets held for disposal amounts to 27,308 thousand Euro, almost unchanged compared to 31 December 2015, 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. 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 338,170

Inventories are measured at the lower of cost and market value and total 338,170 thousand Euros at the year end and comprise:

In thousands of Euros	*Balance at 30.06.2016*			*Balance at 31.12.2015*		
	Cost	*Write-down*	*Net*	*Cost*	*Write-down*	*Net*
Consumables	62	0	62	40	0	40
Raw materials	129,957	(15,809)	114,148	109,393	(15,054)	94,339
Work in progress and semi-finished products	88,236	(1,102)	87,134	82,698	(1,102)	81,596
Finished products	160,918	(24,092)	136,826	136,757	(24,873)	111,884
TOTAL	**379,173**	**(41,003)**	**338,170**	**328,888**	**(41,029)**	**287,859**

The increase compared to the figure recorded as of 31 December 2015 (+50,311 thousand Euros) is mainly ascribable to the Piaggio Group and is derived from the production peak typical of the summer months, resulting from the aforementioned seasonal nature of the group's business. 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.

As of 30 June 2016, the Piaggio Group recognises, net of write-downs, inventories for 257,003 thousand Euros referred to components, accessories, 2-wheeled, 3-wheeled and 4-wheeled vehicles. Intermarine S.p.A. contributed 41,245 thousand Euro, mainly concerning raw materials and products in progress for prototypes, own construction and repairs. Finally, Is Molas S.p.A. recorded 39,922 thousand Euros of inventories at the half-year end relating to the hotel business, as well as work in progress and semi-finished products represented by 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 158,902

Cash and cash equivalents at the year end total 158,902 thousand Euros against 124,510 thousand Euros as of 31 December 2015, as detailed in the table below:

In thousands of Euros	*Balance at 30.06.2016*	*Balance at 31.12.2015*
Cheques	5	1
Cash and cash equivalents	132	107
Securities	12,561	5,464
Receivable due from banks within 90 days	146,204	118,938
TOTAL	**158,902**	**124,510**

This item covers 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 variation in value. For details of changes during the first half of 2016 in the item in question, please see the statement of consolidated cash flows at 30 June 2016.

Cash and cash equivalents are mainly present in the Piaggio Group (approx. 152.6 million Euros) and are intended to finance short-term debt and loan instalments due, as well as support the investments planned by group companies. The item Securities mainly refers to contracts of deposit made by the Indian subsidiary of the Piaggio Group to effectively utilise its temporary liquidity.

- G - INFORMATION ON THE MAIN LIABILITY ITEMS

Amounts are stated in thousands of Euros unless otherwise indicated.

- G1 - SHAREHOLDERS' EQUITY 401,793

Shareholders' equity at 30 June 2016 stands at 401,793 thousand Euros, of which 249,801 thousand Euros is Group consolidated shareholders' equity and 151,992 thousand Euros capital and reserves of non-controlling interests.

Share capital

At 30 June 2016, the share capital of Immsi S.p.A., fully subscribed and paid up, comprises 340,530,000 ordinary shares without par value, for a total of 178,464,000.00 Euros. At 30 June 2016, 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 to 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 2015, in accordance with the provisions of law and totals 7,764 thousand Euros at the end of June 2016, an increase compared to 31 December 2015 of 775 thousand Euros.

Other reserves

This item totals 186,961 thousand Euros, 10,837 thousand Euros decrease compared to the value recorded as of 31 December 2015.
The details of the item "Other reserves" are shown below:

In thousands of Euros	*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 in other reserves*	*Total other reserves*
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***
Other changes										1,059	1,059
Overall earnings for the period						(1,464)		(1,794)	(8,637)		(11,895)
Balances as of 30 June 2016	***0***	***94,874***	***5,300***	***4,602***	***1,153***	***(10,036)***	***6,742***	***(5,127)***	***(10,443)***	***99,896***	***186,961***

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

thousand Euros, net of uses of 342 thousand Euros.
Other reserves also included the reserve created by the transition to international accounting standards made by the Group on 1 January 2004, totalling 5,300 thousand Euros at the end of June 2016 and unchanged from 31 December 2015. For more details, please refer to the financial statements at 31 December 2005, available on the website www.immsi.it. The stock option reserve amounts to 6,742 thousand Euros (unchanged compared to 31 December 2015) while the reserve allocated for the valuation of financial instruments is negative at -10,443 thousand Euros, mainly due to the reduction in the fair value of the Unicredit shares held the Parent Company: for further details, please refer to Note *F5 – Other financial assets.*

Retained earnings

Retained earnings total 126,010 thousand Euros and represent the accumulated losses of the Group.

Capital and reserves of non-controlling interests

As of 30 June 2016 the balance of share capital and reserves attributable to third party shareholders totals 151,992 thousand Euros, a 10,468 thousand Euros decrease compared to 31 December 2015. This change mainly derives from recognising the share of net income for the period attributable to non-controlling interests, net of dividends paid to minority shareholders.

- G2 - FINANCIAL LIABILITIES 1,087,212

Financial liabilities total 1,087,212 thousand Euros at 30 June 2016, a 9,315 thousand Euros decrease compared to the value recorded at 31 December 2015. The portion recorded under non-current liabilities amounts to 511,220 thousand Euros, against 648,793 at 31 December 2015, while the portion included among current liabilities totals 575,992 thousand Euros, an increase of 146,888 thousand Euros compared with year-end 2015.
Financial liabilities also include the fair value measurement of financial derivatives to hedge exchange risk and interest rate risk and adjustment of the related hedged items – underwritten by the Piaggio Group – for a total of 24,597 thousand Euros (of which 22,419 in the non-current portion), a decrease of 2,138 thousand Euros from 31 December 2015. As already mentioned, according to the Consob Communication of 28 July 2006 and in compliance with the CESR Recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", net financial debt does not include financial assets and liabilities arising from the valuation at fair value of derivative financial instruments designated as hedges, the fair value adjustment of the related hedged items and the related accruals.

The attached tables summarise the financial liabilities by type of financial debt:

- Non-current portion

In thousands of Euros	*Balance at 30.06.2016*	*Balance at 31.12.2015*
Convertible	291,058	290,139
Payables due to banks	196,898	333,765
Amounts due for finance leases	163	179
Amounts due to other lenders	682	1,005
TOTAL	**488,801**	**625,088**

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 deceased 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 Euros	***Balance at 30.06.2016***	***Balance at 31.12.2015***
Payables due to banks	515,547	372,551
Amounts due for finance leases	32	31
Amounts due to subsidiaries *)	308	225
Amounts due to other lenders	57,927	53,267
TOTAL	**573,814**	**426,074**

*) not consolidated on a global integration basis

The composition of the gross Financial debt is the following:

In thousands of Euros	***Book value as of 30.06.2016***	***Book value as of 31.12.2015***	***Nominal value as of 30.06.2016***	***Nominal value at 31.12.2015***
Convertible	291,058	290,139	301,799	301,799
Payables due to banks	712,445	706,316	714,850	708,810
Amounts due for finance leases	195	210	195	210
Amounts due to subsidiaries *)	308	225	308	225
Amounts due to other lenders	58,609	54,272	58,609	54,272
TOTAL	**1,062,615**	**1,051,162**	**1,075,761**	**1,065,316**

*) not consolidated on a global integration basis

The following schedule shows the repayment plan for the gross financial debt of the Immsi Group at 30 June 2016:

In thousands of Euros	***Nominal value as of 30.06.2016***	***Amounts falling due within 12 months***	***Amounts due by 30.06.2018***	***Amounts due by 30.06.2019***	***Amounts due by 30.06.2020***	***Amounts falling due within 30.06.2021***	***Portions falling due***
Convertible	301,799	0	9,669	9,669	10,359	261,050	11,052
Payables due to banks	714,850	516,429	63,926	78,468	39,683	7,773	8,571
Amounts due for finance leases	195	32	34	129	0	0	0
Amounts due to subsidiaries	308	308	0	0	0	0	0
Amounts due to other lenders	58,609	57,927	330	334	16	2	0
TOTAL	**1,075,761**	**574,696**	**73,959**	**88,600**	**50,058**	**268,825**	**19,623**

*) not consolidated on a global integration basis

The following table analyses the gross Financial debt by currency and interest rate:

In thousands of Euros	Book value as of 31.12.2015	Book value as of 30.06.2016	Nominal value as of 30.06.2016	Interest rate as of 30.06.2016
Euro	973,325	949,354	962,500	3.46%
Vietnamese Dong	31,323	66,477	66,477	7.57%
Japanese Yen	4,730	3,069	3,069	2.75%
Indian Rupee	18,709	16,444	16,444	9.92%
Indonesian Rupiah	3,327	2,050	2,050	9.50%
US Dollar	19,748	25,221	25,221	3.08%
TOTAL	**1,051,162**	**1,062,615**	**1,075,761**	**3.81%**

Amounts due to banks mainly include the following loans:

IMMSI S.p.A.

With reference to the Parent Company it is pointed out that, mainly due to the sharp fall in share prices in the first half of the year, with a further acceleration from the beginning of June, in particular linked to fears of capital solidity of the European banking sector, but which in fact then also involved all the other sectors, the values of listed companies held by Immsi S.p.A., i.e. Piaggio S.p.A. and Unicredit S.p.A., incurred sharp depreciations.

Since these securities are used by the Company to secure several credit lines used by itself or by other Group companies, by the end of the half year a momentary situation of non-compliance with certain financial covenants and Values to Loan came about.

The Company therefore promptly activated the appropriate requests for exceptions or exemptions with respect to the contractual provisions, but the time needed to manage these processes resulted in obtaining the various positive replies only subsequent to 30 June 2016.

This necessitated the temporary reclassification of medium-long term credit lines to short-term in this Half-year Financial Report, due to the various clauses protecting the creditor generally provided for in loan agreements, including the acceleration clause. This reclassification will be changed returning the above loans to the contractual maturities in subsequent accounting closures in the light of obtaining the necessary waivers from the banks. In this connection, reference is made to the paragraph dedicated to the Basis of preparation of these condensed interim financial statements.

Below is the detail of the breakdown of bank debt of the Parent Company:

- 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 42,045 thousand Euro, of which 4,500 thousand Euro relative to instalments that may be repaid within 12 months. 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 includes two covenants, to be verified on 31 December of each year. 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 Euros (fully used as of 30 June 2016). 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 complied with, to be verified on 31 December of each year;
- a revolving credit line, disbursed by Intesa Sanpaolo for 25 million Euro, fully used at 30 June 2016, with a benchmark rate equal to the Euribor increased by a spread and maturing in June 2017. This line includes a covenant, complied with at 30 June 2016;
- credit line granted by Intesa Sanpaolo for a total nominal value of 15 million Euros (fully drawn at 30 June 2016) maturing in February 2017 and reference rate equal to the variable Euribor plus a spread, includes a covenant, respected at 30 June 2016;
- revolving credit line granted by Unicredit for a total of 25 million Euro (of which 14.5 million Euro used at 30 June 2016), with a benchmark rate equal to the Euribor increased by a spread and renewed up to May 2017. This line includes a covenant, marginally breached at 30 June and subsequently exempted at such due date;
- loan granted by Banca Popolare dell'Emilia Romagna for a residual nominal value of 5 million Euros and entered in the balance sheet at 30 June 2016 for 4,980 thousand Euros, based on the amortised cost principle, with final repayment due in March 2017 and a reference rate equal to Euribor plus a spread. This line includes accumulated amortisation in half-yearly instalments of increasing amount and compliance with two covenants, one of which marginally breached at 30 June and subsequently exempted at such due date;
- a revolving credit line granted by the bank Banca Nazionale del Lavoro for a total of 20 million Euros (fully used at 30 June 2016). The line, finally maturing in April 2018 and with a benchmark rate equal to the variable Euribor increased by a spread requires two covenants to be met, to be verified on 31 December of each year; In addition the line includes compliance with a minimum unit value of Piaggio shares given as collateral. This threshold, as a result of the drop in share prices, was exceeded and the consequent request for reduction of this value was accepted by the bank;
- a revolving credit line, disbursed by Banco Popolare for 20 million Euro (fully used at 30 June 2016), 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 2016, maturing in June 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.; With reference to the above line, the Company requested a temporary exemption (from 30 June to 31 October inclusive) from verification of the Value to Loan, which was accepted in August;
- a securities loan agreement between Immsi S.p.A. and Banca Akros, which - against a loan of 2,788,464 Unicredit shares, envisages a cash collateral from the bank of approximately 5,240 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.

The Company has deposited as collateral for its bank borrowing a total of 20.79 million Piaggio shares and pledged a total of 130.22 million Piaggio shares.

Piaggio Group

- a medium-term loan for 38,182 thousand Euro from the European Investment Bank to finance Research & Development investments planned for the 2013-2015 period. The loan will fall due in December 2019 and has a repayment schedule of 11 fixed-rate annual instalments. The contractual terms envisage loan covenants;
- medium-term loan granted by the European Investment Bank (for a total amount of 70,000 thousand Euros) to be used by the end of 2016, recognised for the amount of 29,886 thousand Euros (nominal value of 30,000 thousand Euros, to finance the Research & Development investment plan planned for the period 2016-2018. The loan will fall due in February 2023 and has a repayment schedule of 7 fixed-rate annual instalments. The contractual terms envisage loan covenants;
- syndicated loan of 93,610 thousand Euros (with nominal value of 95,000 thousand Euros) signed in July 2014 for 220,000 thousand Euros and increased in April 2015 by 30,000 thousand Euros. This loan comprises a four-year tranche of 175,000 thousand Euros, granted in the form of a revolving credit line of which a nominal value of 20,000 thousand Euros was used as of 30 June 2016, and a five-year tranche with amortisation of 75,000 thousand Euros, fully disbursed. The contractual terms envisage loan covenants;
- a loan granted by Banco Popolare and recognised for the amount of 18,326 thousand Euro (with nominal value of 18,333 thousand Euros) subscribed in July 2015. This loan comprises a tranche maturing in January 2017 of 10,000 thousand Euros, granted in the form of a revolving credit line of which a nominal value of 10,000 thousand Euros was used as of 30 June 2016, and a three-year tranche with amortisation of 8,333 thousand Euros;
- a 24,954 thousand Euro medium-term loan granted by Banca Popolare Emilia Romagna in June 2015 (nominal value of 25,000 thousand Euros). The loan matures on 5 June 2019 and will be repaid with an amortisation plan with six-monthly instalments as from 31 December 2016;
- an 8,436 thousand US dollar medium-term loan, recognised for the amount of 5,012 thousand Euros, 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 will fall due on 15 January 2018 and has an amortisation 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 13,869 thousand US dollar medium-term loan, recognised for the amount of 10,191 thousand Euros, granted by International Finance Corporation to the subsidiary Piaggio Vehicles Private Limited with interest accruing at a variable rate. The loan will fall due on 15 July 2019 and has an amortisation schedule of six-monthly instalments 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;
- 10,922 thousand US dollar medium-term loan, recognised for the amount of 9,340 thousand Euros, granted by International Finance Corporation to the subsidiary Piaggio Vietnam with interest accruing at a variable rate. The loan will fall due on 15 July 2018 and has an amortisation schedule of six-monthly instalments 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;
- 291,989,585 thousand Vietnamese dong medium-term loan, recognised for the amount of 11,877 thousand Euros, granted by VietinBank to the Piaggio Vietnam subsidiary (for a total amount of 414,000,000 thousand Vietnamese dong) to finance further investments in R&D. The loan matures in June 2021, with a repayment schedule in 7 six-monthly instalments, starting from June 2018, with a fixed rate for the first year, followed by a variable rate;

- loans from various banks pursuant to Italian Law No. 346/88 on subsidised applied research amounting to 1,796 thousand Euros;
- an eight-year loan of 150 thousand Euros from ICCREA in December 2008 granted under Law no. 100/90.

The financial covenants and other contractual commitments provided for by the main loan agreements, as described above, according to the results as of 30 June 2016, have been met.
All the above financial liabilities are unsecured.

Intermarine S.p.A.

- loans disbursed by Intesa Sanpaolo for a total of 26.8 million Euros to be repaid in correlation with the 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;
- a Bullet – Multi Borrower loan from Intesa Sanpaolo granted to Immsi S.p.A. for a total of 130 million Euro, of which 25.3 million Euros granted to Intermarine S.p.A., maturing in at the end of 2016.
- loan for a nominal 12.5 million Euros relating to an “Amortising Loan” facility issued by Intesa Sanpaolo in November 2012, with a maturity of six years, four years of pre-amortisation and co-obligation of the parent Immsi S.p.A.: this facility is accompanied by a first mortgage on the Sarzana warehouse and a first degree insurance assignment;
- a revolving credit line from Intesa Sanpaolo for 18 million Euros, to be used mainly for the settlement of liabilities towards key strategic suppliers, fully used as of 30 June 2016 and guaranteed by a lien on Piaggio & C. S.p.A. shares held by Immsi S.p.A.; With reference to the above line, Intermarine requested, and obtained in August, exemption at 30 June 2016 from verification of the Value to Loan;
- financial payables for advance transactions by Banca Carige for approximately 0.5 million Euro: this line is assisted by a letter of patronage issued by Immsi S.p.A.;
- financial liabilities for the advance from Banca IFIS for around 4.1 million Euros (accompanied by comfort letters issued by RCN Finanziaria S.p.A. and Immsi S.p.A.), together with a facility with the same counterparty for advances on invoices, of which around 1.9 million Euros has been used;

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;
- senior mortgage loan on the “Le Ginestre” real estate complex for a term of eight years, agreed in November 2009 with Banca Popolare di Lodi for an initial amount of 5 million Euros, on which approximately 1.6 million Euros is currently outstanding: the terms of the mortgage require 2 years of pre-payment and a reference rate equal to Euribor increased by a *spread*.

For a more detailed description of the financial instruments used to hedge these liabilities and of any covenants imposed, please refer to section P – Information on financial instruments.

The item Bonds, recognised by the Piaggio Group for 291,058 thousand Euros (nominal value of 301,799 thousand Euros) refers to:

- 51,607 thousand Euros (nominal value of 51,799 thousand Euros) for the private bond (US Private Placement) issued on 25 July 2011 for 75,000 thousand US dollars, fully subscribed by an American institutional investor repayable in five annual instalments starting from July 2017, with semi-annual coupon. As of 30 June 2016 the fair value measurement of the debenture loan was equal to 70,928 thousand Euros (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;

- 239,451 thousand Euros (nominal value of 250,000 thousand Euros) for a high-yield debenture loan issued on 24 April 2014 for a nominal amount of 250,000 thousand Euros, falling due on 30 April 2021 and with a semi-annual coupon with fixed annual nominal rate of 4.625%. 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 is entitled to early repayment of the high-yield debenture loan issued on 24 April 2014, in whole or in part, according to the terms specified 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).

Finance lease payables relate to vehicle leases granted by VFS Servizi Finanziari to the Piaggio Group (195 thousand Euros, of which the non-current portion totals 163 thousand Euros).

Overall, amounts due to other lenders are equal to 58,609 thousand Euros, of which 57,927 thousand Euros falling due within one year. The main components are the following:

- financial advances from factoring companies and banks for trade receivables assigned with recourse, totalling 19,978 thousand Euros and relating entirely to the Piaggio Group;
- subsidised loans for a total of 951 thousand Euros provided by the Italian Ministry of Economic Development and Italian Ministry of Education, University and Research under legislation to encourage exports and investments in research and development;
- 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 financing for 23,144 thousand Euros with a term of 10 years and expiring in December 2018, granted by IMI Investimenti S.p.A. (company shareholder) to ISM Investimenti S.p.A..

- G3 - TRADE PAYABLES AND OTHER PAYABLES 628,086

Trade payables and other payables amounted to 628,086 thousand Euros (compared with 530,773 thousand Euros at 31 December 2015), of which 620,782 thousand Euros (524,270 thousand Euros at 31 December 2015) is due within a year: the increase in this item during the first half of 2016 is mainly due to the seasonality of the Piaggio Group's business.

The following is a breakdown of the trade payables and other current liabilities:

In thousands of Euros	***Balance at 30.06.2016***	***Balance at 31.12.2015***
Trade payables	544,518	462,250
Amounts due to affiliated companies	14,579	9,381
Amounts due to parent companies	64	40
Other payables	63,799	55,629
TOTAL	**622,960**	**527,300**

To facilitate access to credit for its suppliers, the Piaggio 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.
As of 30 June 2016, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to 197,250 thousand Euros (147,341 thousand Euros as of 31 December 2015).
Payables to associated companies at 30 June 2016 primarily refer to the purchase of vehicles by the Piaggio Group from the Chinese joint venture Zongshen Piaggio Foshan Motorcycle Co. Ltd..

The "Other current payables" item is detailed below:

In thousands of Euros	***Balance at 30.06.2016***	***Balance at 31.12.2015***
Amounts due to employees	28,764	17,972
Liabilities connected to hedging instruments	2,468	3,450
Advances from customers	1,007	826
Amounts due to company boards	373	145
Amounts due to social security institutions	7,101	8,050
Other amounts due to third parties	1,113	2,086
Other amounts due to affiliated companies	30	30
Other amounts due to joint ventures	1,472	1,604
Accrued expenses	8,100	6,876
Deferred income	5,531	5,290
Other payables	7,840	9,300
TOTAL	**63,799**	**55,629**

It should be remembered that amounts due to employees mainly include holidays accrued and not used, and other amounts to be paid, while payables due to associated companies are made of other payables due to Fondazione Piaggio.

- G4 - RESERVES FOR PENSIONS AND SIMILAR OBLIGATIONS 57,999

The reserve for pension and similar obligations amounts to 57,999 thousand Euros at 30 June 2016, an increase of around 3,953 thousand Euros compared with the figure at 31 December 2015.

The reserve is detailed below:

In thousands of Euros	***Balance at 31.12.2015***	***Service cost***	***Actuarial (gain) loss***	***Interest cost***	***Uses and other changes***	***Balance at 30.06.2016***
Termination benefits	53,264	4,191	(3,504)	454	2,785	57,190
Other funds	782	0	0	0	27	809
TOTAL	**54,046**	**4,191**	**(3,504)**	**454**	**2,812**	**57,999**

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.

"Other funds" mainly concerns the Piaggio Group and comprises i) provisions for employees allocated by the Group's foreign companies; 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 provisions refer to benefits accrued in the period.

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 1.05% - 1.40%;
- 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;
  2.85% for 2017;
  2.775% for 2018;
  2.70% 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, as of 30 June 2016, which would have occurred following changes in reasonably possible actuarial assumptions:

In thousands of Euros

Assumptions taken into consideration	**Provision for termination benefits**
Turnover rate +2%	56,107
Turnover rate -2%	58,289
Inflation rate + 0.25%	57,913
Inflation rate - 0.25%	56,247
Discount rate + 0.50%	54,477
Discount rate - 0.50%	59,876

The average duration of the bond ranges from 6.7 to 31 years, while future payments estimated in the Group are equal to:

In thousands of Euros

Year	**Future amounts**
1	4,100
2	3,700
3	1,455
4	4,819
5	5,727

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.

- G5 - OTHER LONG-TERM PROVISIONS 27,493

The balance of other long-term reserves, including the portion falling due within 12 months, totals 27,493 thousand Euros at the end of June 2016, a 434 thousand Euro increase compared to 31 December 2015.

The other reserves recognised in the financial statements are detailed below:

In thousands of Euros	*Balance at 31.12.2015*	*Allocations*	*Applications*	*Other changes*	*Balance at 30.06.2016*	*Of which current*
Provision for product warranties	14,566	5,880	(4,920)	(7)	15,519	11,004
Provisions for risk on equity investments	3,046	0	(219)	0	2,827	2,598
Provision for contractual risks	4,329	454	0	(2)	4,781	416
Other provisions for risks and charges	5,118	453	(1,184)	(21)	4,366	1,931
TOTAL	**27,059**	**6,787**	**(6,323)**	**(30)**	**27,493**	**15,949**

The product warranty provision refers to allocations recognised at 30 June 2016 by the Piaggio Group for 12,142 thousand Euro and by Intermarine S.p.A. for 3,377 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 2,598 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 2,050 thousand Euro.

- G6 - DEFERRED TAX LIABILITIES 21,614

The “Deferred tax liabilities” item refers to tax payables provisioned by the individual companies on the basis of applicable national laws. The balance was offset by 1,825 thousand Euro by deferred tax assets, of a uniform maturity and type.
Deferred tax assets are mainly recognised by the Piaggio Group for 4,023 thousand Euros and by the Parent Company Immsi S.p.A. for 17,540 thousand Euros, mainly concerning the fair value measurement of investment property in Rome).

- G7 - CURRENT TAXES 14,431

The “Current taxation” item, which includes tax payables allocated in relation to tax charges for individual companies under the applicable national laws, has decreased by 1,449 thousand Euros compared with the end of 2015. A breakdown of this item is given below:

In thousands of Euros	*Balance at 30.06.2016*	*Balance at 31.12.2015*
Amounts due for income tax	7,257	7,513
VAT payables	2,728	1,859
Amounts due for withholding tax	3,662	5,895
Amounts due for local taxes	26	38
Other payables	758	575
TOTAL	**14,431**	**15,880**

The item under examination, which refers for 13,540 thousand Euros to the Piaggio Group, includes tax payables recorded in the financial statements of each consolidated company, allocated in relation to tax charges referring to individual companies on the basis of applicable national laws, whereas amounts due for withholding tax are mainly recorded against withholdings on salaries, on termination payments and self-employed income.
Payables for tax withholdings made refer mainly to withholdings on employees' earnings, on employment termination payments and on self-employed earnings.

- H - INFORMATION ON THE MAIN INCOME STATEMENT ITEMS

Amounts are stated in thousands of Euros unless otherwise indicated.

Before analysing the individual item, it is pointed out that the general information on costs and revenues is contained in the Interim Directors' Report on operations, in accordance with art. 2428 of the Italian civil code.

- H1 - NET REVENUES 736,124

Revenues from sales and services of the Immsi Group at 30 June 2016 total 736,124 thousand Euros (an increase of 10,574 thousand Euros compared with the same period of the previous year, or +1.5%), of which 706,496 thousand Euros is attributable to the industrial sector (+12,610 thousand Euros or +1.8%), 27,436 thousand Euros to the marine sector (-2,135 thousand Euros or -7.2%) and the balance to the property and holding sector (2,192 thousand Euros, up from 30 June 2015).
This item is stated net of premiums given to the customers of the Piaggio Group (dealers) 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 the revenues by business sectors and by geographical area of destination, that is, referring to the nationality of the customer.

By business segment

In thousands of Euros	*First half of 2016*		*First half of 2015*	
	Amount	***%***	***Amount***	***%***
Property and holding sector	2,192	0.3%	2,093	0.3%
Industrial sector (Piaggio Group)	706,496	96.0%	693,886	95.6%
of which Two-Wheeler business	507,400	68.9%	496,300	68.4%
of which Commercial Vehicle business	199,096	27.0%	197,586	27.2%
Shipyard sector (G. Rodriquez)	27,436	3.7%	29,571	4.1%
TOTAL	**736,124**	**100.0%**	**725,550**	**100.0%**

By geographic segment

In thousands of Euros	*First half of 2016*		*First half of 2015*	
	Amount	***%***	***Amount***	***%***
Italy	145,785	19.8%	127,883	17.6%
Other European countries	306,850	41.7%	295,074	40.7%
Rest of the World	283,489	38.5%	302,593	41.7%
TOTAL	**736,124**	**100.0%**	**725,550**	**100.0%**

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

- H2 - COSTS FOR MATERIALS 410,793

Costs for materials total 410,793 thousand Euros, compared with 419,306 thousand Euros in the same period of the previous year: this item does not include the costs recharged to customers and tenants, for the same amount, or costs relating to assets held for disposal, recorded separately in the specific income statement item.
The percentage impact on net revenue rose to 55.8% at 30 June 2016, from 57.8% in the first half of 2015.
Costs for materials in Piaggio Group rose from 409,794 in the first half of 2015 to 412,043 in the same period of 2016, representing an increase of 2,249 thousand Euros or +0.5%.

The item includes 14,825 thousand Euros (16,549 thousand Euros in the first half of 2015) for purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan, which are sold on European and Asian markets.
The table below details the contents of the item under examination:

In thousands of Euros	*First half of 2016*	*First half of 2015*
Change in inventories of finished products, work in progress and semi-finished products	(40,247)	(137)
Change in capitalised piecework	(232)	(61)
Purchase of raw materials and consumables	462,097	430,423
Change in raw materials and consumables	(10,825)	(10,919)
TOTAL	**410,793**	**419,306**

- H3 - COSTS FOR SERVICES AND LEASES AND RENTALS 141,870

Costs for services and leases and rentals total 141,870 thousand Euro Below is a breakdown of this item:

In thousands of Euros	*First half of 2016*	*First half of 2015*
Transport costs	18,484	18,232
Product warranty costs	4,322	4,139
Advertising and promotion	18,125	15,080
Outsourced manufacturing	17,144	15,067
External maintenance and cleaning costs	4,775	4,439
Employee costs	8,448	9,170
Technical, legal, tax, administrative consultancy, etc.	9,991	9,648
Sundry commercial expenses	6,060	6,006
Energy, telephone, postage costs, etc.	9,567	9,725
Services provided	4,744	4,380
Insurance	2,316	2,490
Cost of company boards	2,129	2,364
Sales commissions	1,121	486
Part-time staff and staff of other companies	1,980	1,127
Other expenses	23,940	22,080
TOTAL COSTS FOR SERVICES	**133,146**	**124,433**
Rental instalments of business property	3,530	3,657
Other instalments	5,194	4,724
TOTAL COSTS FOR LEASES AND RENTALS	**8,724**	**8,381**
TOTAL COSTS FOR SERVICES AND LEASES AND RENTALS	**141,870**	**132,814**

Costs for services and leases increased by 9,056 thousand Euros compared to the same period last year, mainly due to higher advertising and promotion costs and outsourced work.

- H4 - EMPLOYEE COSTS 122,164

Employee costs are broken down as follows:

In thousands of Euros		
	First half of 2016	***First half of 2015***
Salaries and wages	90,845	91,216
Social security contributions	25,443	25,374
Termination benefits	4,191	4,314
Personnel restructuring costs	1,118	2,053
Other costs	567	474
TOTAL	**122,164**	**123,431**

In the first half of 2016, employee costs decreased slightly by 1,267 thousand Euros (-1%) compared with the corresponding period of the preceding year.
Under employee costs, 1,118 thousand Euros was recorded for charges related to mobility plans applied to the Piaggio Group production sites in Pontedera and Noale.
Average employee numbers were affected by seasonal workers in the summer (on fixed-term employment contracts). the Group effectively hires temporary staff to cover peaks in demand typical of the summer months.

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

	First half of 2016	***First half of 2015 (*)***
Senior management	116	121
Middle managers and white collars	2,586	2,834
Manual workers	4,669	5,190
TOTAL	**7,371**	**8,145**

*) At the end of 2015, an update of the criteria for identifying professional groups in India was made for better alignment with those of the Group, which resulted in a reclassification of comparable data for the 1st half of 2015.

- H5 - DEPRECIATION OF TANGIBLE ASSETS 23,896

A summary of the depreciations of plant, property and equipment as of 30 June 2016 is provided below:

In thousands of Euros		
	First half of 2016	***First half of 2015***
Depreciation of buildings	2,784	2,850
Depreciation of plant and machinery	12,251	11,690
Depreciation of industrial and commercial equipment	6,713	8,304
Depreciation of assets to be given free of charge	24	26
Depreciation of other assets	2,124	1,640
DEPRECIATION OF PLANT, PROPERTY AND EQUIPMENT	**23,896**	**24,510**

- H6 - AMORTISATION OF INTANGIBLE ASSETS WITH A FINITE LIFE 30,603

During the first half of 2016, amortisation recognised on intangible assets with a finite life amounted to 30,603 thousand Euros. The item under examination comprises the following:

In thousands of Euros		
	First half of 2016	***First half of 2015***
Amortisation of development costs	15,800	16,230
Amortisation of concessions, patents, industrial and similar rights	12,228	9,407
Amortisation of trademarks and licences	2,414	2,414
Amortisation software	15	19
Amortisation of other intangible assets with a finite life	146	424
AMORTISATION OF INTANGIBLE ASSETS	**30,603**	**28,494**

Since 1 January 2004, goodwill has no longer been amortised but has been subjected to impairment tests at least annually: see the explanatory note on intangible assets for details of the activities carried out. Here it should be noted that the amortisation of intangible assets does not include goodwill impairment either in the first six months of 2016 or in the corresponding period of the previous year, as i) based on the results projected in the long-term development plans prepared by Group companies and used in the impairment tests carried out at 31 December 2015, and ii) based on the analysis conducted by Group Management during the preparation of this Half-year Financial Report at 30 June 2016, no need arose for any write-downs as the goodwill was deemed to be recoverable through future cash flows.

Considering that the analyses conducted to estimate the recoverable value for the Immsi Group cash-generating unit were also determined based on estimates, the Group cannot guarantee that there will be no goodwill impairment losses in future periods. Owing to the current recession in the core markets and the financial crisis, the different factors – both inside and outside the cash-generating units identified – used in preparing estimates could in the future be reviewed: the Group will constantly monitor these factors and the possible existence of future impairment losses.

- H7 - OTHER OPERATING INCOME 52,705

The "Other operating income" item comprises:

In thousands of Euros		
	First half of 2016	***First half of 2015***
Gains on the disposal of plant, property and equipment	93	72
Sponsorships	1,057	2,415
Grants	2,150	1,412
Recovery of sundry costs	17,841	18,796
Licence rights	1,125	1,616
Sale of materials and sundry equipment	378	548
Insurance settlements	700	3,211
Increases in fixed assets from internal work	21,971	20,688
Rents received	1,906	1,816
Other operating income	5,484	11,872
TOTAL	**52,705**	**62,446**

Other operating income decreased compared with the corresponding period of the preceding year by 9,741 thousand Euros (-15.6%).

- H8 - OTHER OPERATING COSTS 15,558

The "Other operating costs" item totals 15,558 thousand Euros as of 30 June 2016 and comprises the following:

In thousands of Euros	First half of 2016	First half of 2015
Losses on the disposal of plant, property and equipment	4	4
Duties and taxes not on income	2,872	3,015
Provisions for future and other risks	6,787	7,777
Write-down of trade receivables (including provisions to the provision for bad debts)	576	3,093
Other operating costs	5,319	2,351
TOTAL	**15,558**	**16,240**

The reduction in this item is due in part to lower provisions for warranty and partly to lower write-down of receivables in current assets (in particular in the Piaggio Group).
Other operating costs include contractual penalties of approximately 3.1 million Euros applied to Intermarine on an order in progress, with partial offset of 1.6 million Euro in Borrowing Costs, previously recognised and now reversed as a result of a agreement related to the settlement of the case in question with a supplier.
At 30 June 2016, the item in question included a loss of 150 thousand Euros from the change in fair value of investment property due to the lower value recognised by the expert valuation of the Spanish site of Martorelles.

- H9 - INCOME/(LOSS) FROM INVESTMENTS 697

Income from investments amounted to 697 thousand Euros in the first half and relates to the Group's share of the profits of the joint venture Zongshen Piaggio Foshan, valued at equity (246 thousand Euros at 30 June 2015).

- H10 - FINANCIAL INCOME 9,607

Financial income recognised by the Group as of 30 June 2016 is detailed below:

In thousands of Euros	First half of 2016	First half of 2015
Interest income	2,152	245
Exchange gains	7,036	11,880
Income from non-hedging derivatives	0	125
Income from fair value hedging and interest rates	82	0
Other income	337	342
TOTAL	**9,607**	**12,592**

The decrease of 2,985 thousand Euros is mainly due to exchange rate losses recorded by the Piaggio Group.

- H11 - BORROWING COSTS 35,644

The financial charges as of 30 June 2016 are detailed below:

In thousands of Euros	First half of 2016	First half of 2015
Interest payable on bank loans	14,182	15,148
Interest payable on loans from third parties	3,778	3,392
Interest payable on debenture loans	6,768	6,633
Other interest payable	981	1,522
Commissions payable	1,347	1,492
Exchange losses	7,722	11,788
Fair value and interest rate hedging charges	285	155
Financial component of retirement funds and termination benefits	422	364
Other charges	159	307
TOTAL	**35,644**	**40,801**

Borrowing Costs at 30 June 2016 decreased by 5,157 thousand Euros compared to the same period last year. The decrease in average debt and its cost are the factors that have contributed most to this improvement. In the first half of 2016, there was a decrease in foreign exchange losses (-4,066 thousand Euros compared with the same period of 2015) recorded by the Piaggio Group in particular, offset by a reduction of foreign exchange gains recognised in financial income.

- H12 - TAXES 10,880

The expected tax expense on the income of companies consolidated with the line by line consolidation method in the financial statements at 30 June 2016 amounted to 10,880 thousand Euros, with a percentage of income before taxes of 58.5% (47.8% in the first half of 2015).

- H13 - GAIN/LOSS ON THE DISPOSAL OF ASSETS 0

At the condensed interim balance sheet date there are no gains or losses from assets intended for sale or disposal, as well as for the corresponding period of the previous year.

- H14 - EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP 2,622

Earnings for the period attributable to the Immsi Group amounts to 7,725 thousand Euros, of which 5,103 thousand Euros relates to non-controlling interests.

- I - COMMITMENTS, RISKS AND GUARANTEES

For the main commitments, risks and guarantees, where not specifically updated in these notes, please refer to the explanatory notes on the consolidated financial statements at 31 December 2015 for a general overview of the Group.

- L - TRANSACTIONS WITH RELATED PARTIES

Reference should be made to the relevant section at the end of this document for the main business relations between Group companies and related parties.

- M - FINANCIAL POSITION

The Immsi Group Net financial position at 30 June 2016 is shown below, compared with the corresponding figures at 31 December 2015 and at 30 June 2015. Further details of the main components are provided in the tables in the Interim Directors' Report on operations and the related information below them:

In thousands of Euros	***30.06.2016***	***31.12.2015***	***30.06.2015***
Cash and cash equivalents	-158,902	-124,510	-126,572
Other short-term financial assets	0	0	0
Medium/long-term financial assets	0	0	0
Short-term financial payables	573,814	426,074	344,989
Medium/long-term financial payables	488,801	625,088	733,551
Net financial debt *)	**903,713**	**926,652**	**951,968**

*) The indicator does not include financial assets and liabilities arising from the fair value measurement of derivative financial instruments designated as hedges and the adjustment to fair value of the related hedged items and related expenses, entirely referable to the Piaggio Group (see note G2 – “Financial liabilities” in the Explanatory Notes)

in conformity with the CESR recommendation of 10 February 2005 “Recommendations for the consistent implementation of the European Commission’s Regulation on Prospectuses”, the net financial debt, as formulated, represents the items and activities monitored by the Group's management.

- N - DIVIDENDS PAID

As proposed by the Board of Directors on 23 March 2016 and as approved by the Ordinary Shareholders’ Meeting on 29 April 2016, the Parent Company distributed dividends during the first half of 2016 for a total of 5.1 million Euros, while it did not distribute any in 2015.

- O - EARNINGS PER SHARE

Earnings per share

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

	First half of 2016	First half of 2015
Net profit attributable to ordinary shareholders (in thousands of Euros)	2,622	3,316
Average weighted number of shares in circulation during the year	340,530,000	340,530,000
Basic earnings per share	**0.008**	**0.010**

Diluted earning per share

Diluted earning per share is calculated by dividing the net income for the year attributable to Parent Company Ordinary Shareholders by the average weighted number of shares in circulation during the year, taking account of the diluting effect of potential shares. Excluded from this calculation are any treasury shares held.

The Company has no category of potential ordinary shares as of 30 June 2016, therefore the diluted income per share coincides with the above basic earning per share.

- P - INFORMATION ON FINANCIAL INSTRUMENTS

Below we summarise the information related to the financial instruments, the risks connected with them, as well as the "sensitivity analysis" in accordance with the requirements of IFRS 7. The following table shows the financial instruments of the Immsi Group registered in the financial statements as of 30 June 2016 and as of 31 December 2015:

In thousands of Euros	*30 June 2016*	*31 December 2015*
ASSETS		
NON-CURRENT ASSETS		
Other financial assets	***36,347***	***36,773***
Financial receivables	0	0
Financial assets	36,347	36,773
CURRENT ASSETS		
Other financial assets	***7,705***	***16,495***
Financial receivables	0	0
Financial assets	7,705	16,495
LIABILITIES		
NON-CURRENT LIABILITIES		
Financial liabilities	***511,220***	***648,793***
Convertible	291,058	290,139
Payables due to banks	196,898	333,765
Amounts due for finance leases	163	179
Amounts due to other lenders	682	1,005
Financial liabilities for hedging instruments	22,419	23,705
CURRENT LIABILITIES		
Financial liabilities	***575,992***	***429,104***
Payables due to banks	515,547	372,551
Amounts due for finance leases	32	31
Amounts due to subsidiaries	308	225
Amounts due to other lenders	57,927	53,267
Financial liabilities for hedging instruments	2,178	3,030

Financial assets

The current and non-current financial assets are fully commented upon within the Explanatory note *F5 – Other financial assets*, which reference is made to.

Current and non-current liabilities

Current and non-current liabilities are fully commented upon in Note *G2 – Financial liabilities*, to which reference is made. In this section the debt is divided by type and detailed by maturity.

The main loan agreements entered into by Group companies (fully described in the above-mentioned explanatory note), require – in line with market practices for borrowers with a similar credit standing – compliance with:

1) financial covenants based on which the company is committed to meeting certain contractually agreed financial ratios. The most common and significant covenants include the ratio of net financial debt to EBITDA, net debt to shareholders' equity and EBITDA/net borrowing costs, measured on a company and/or consolidated basis according to definitions agreed with the lenders;
2) negative pledges that limit the company's capacity to establish collateral or other constraints on company assets;
3) "*pari passu*" clauses, on the basis of which the loans will have the same repayment priority as other financial liabilities, and change of control clauses, which are effective if the majority shareholder loses control of the company;
4) limitations on the extraordinary transactions the company may carry out.

The measurement of financial covenants and other contractual commitments is monitored by the Group on an ongoing basis, particularly on the contractually agreed measurement dates.
Failure to comply with the covenants and other contract commitments of the loan and debenture loan, if not remedied in agreed times, may give rise to an obligation for the early repayment of the outstanding amount of the loan. Item *G2 – Financial liabilities* includes any covenants not met as of 30 June 2016 and which are subject to negotiation with the corresponding banks.

Lines of credit

At 30 June 2016 the Group had irrevocable credit lines up to expiry, which amount to 1,160.0 million Euros (1,174.7 million Euros at 31 December 2015), the detail of which is found in the Explanatory note *G2 – Financial liabilities*.

Management of financial risks

The financial risks to which the Immsi Group believes to be potentially exposed to 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 centralised and treasury operations are performed in the sphere of policy and formalised guidelines, valid for all the 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, in the means and times, future disbursements generated by financial and/or commercial bonds.
The **Parent Company Immsi S.p.A.** provides financing for the Group's subsidiaries and/or issues guarantees to facilitate their funding: these 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. Between Piaggio & C. S.p.A. and the European subsidiaries of the Piaggio Group, there is also an active cash pooling zero balance system that enables the asset and liability balances of the subsidiaries to be reset daily, resulting in more effective and efficient management of liquidity in the Euro area.

For greater coverage of liquidity risk, at 30 June 2016 the Immsi Group had unused credit lines available for 344.6 million Euros (366.8 million Euros at 31 December 2015), of which 144.7 million Euros was due within 12 months and 199.9 million Euros after 12 months.

The Directors believe that the 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: exchange-risk hedging contracts are entered into solely by companies belonging to the aforementioned groups.

In particular the **Piaggio Group** has an outstanding 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:

- transaction exchange risk: the policy wholly covers this risk, which arises from differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and the exchange rate recorded on the related 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;
- translation risk: arises from the conversion into Euro of the financial statements of subsidiaries prepared in currencies other than the Euro during consolidation: the policy adopted by the Piaggio Group does not require hedging of this type of exposure;
- 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 relating to the Piaggio Group

At 30 June 2016, the following futures transactions were outstanding (recognised based on the settlement date), relating to payables and receivables already recognised to hedge transaction exchange risk:

Company In thousands	**Operation**	**Currency**	**Amount in currency**	**Value in local currency (forward exchange rate)**	**Average maturity**
Piaggio & C.	Purchase	GBP	800	966	30/09/2016
Piaggio & C.	Purchase	CNY	87,700	11,825	16/07/2016
Piaggio & C.	Purchase	JPY	285,000	2,341	06/07/2016
Piaggio & C.	Purchase	SEK	12,700	1,344	29/07/2016
Piaggio & C.	Purchase	USD	18,331	16,231	09/07/2016
Piaggio & C.	Sale	CAD	3,930	2,720	06/08/2016
Piaggio & C.	Sale	GBP	700	841	30/09/2016
Piaggio & C.	Sale	INR	96,000	1,273	27/07/2016
Piaggio & C.	Sale	JPY	35,000	302	29/07/2016
Piaggio & C.	Sale	SEK	10,800	1,156	12/08/2016
Piaggio & C.	Sale	USD	7,240	6,510	04/08/2016
Piaggio Group Americas	Purchase	CAD	4,996	3,853	27/07/2016
Piaggio Group Americas	Sale	CAD	2,950	2,267	25/07/2016
Piaggio Vespa BV	Sale	HRK	9,200	1,224	29/07/2016
Piaggio Vietnam	Sale	€	18,600	466,129,000	20/08/2016
Piaggio Indonesia	Purchase	€	5,740	259,663	27/08/2016
Piaggio Indonesia	Purchase	USD	95	128,668	12/08/2016
Piaggio Vehicles Private Limited	Purchase	€	101	7,609	29/07/2016
Piaggio Vehicles Private Limited	Sale	€	2,312	178,374	26/08/2016
Piaggio Vehicles Private Limited	Sale	USD	3,805	259,663	27/08/2016

As of 30 June 2016, the Group had undertaken the following hedging transactions on the exchange risk:

Company In thousands	**Operation**	**Currency**	**Amount in currency**	**Value in local currency (forward exchange rate)**	**Average maturity**
Piaggio & C.	Purchase	CNY	99,000	13,584	19/09/2016
Piaggio & C.	Sale	GBP	2,830	3,999	26/09/2016

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. As of 30 June 2016, the overall fair value of hedging instruments on the exchange risk recognised on a hedge accounting basis was positive, amounting to 311 thousand Euros. During the first half of 2016, profits recognised in other comprehensive

income amounted to 249 thousand Euros, while losses of 223 thousand Euros were reclassified from other comprehensive income to profit/loss for the period.
The net balance of cash flows during the first half of 2016 is shown below in the main currencies:

In millions of Euros	**Cash Flow**
Canadian Dollar	3.4
Pound Sterling	14.8
Japanese Yen	(1.8)
US Dollar	(15.0)
Indian Rupee	2.3
Croatian Kuna	1.5
Chinese Yuan*	(30.2)
Vietnamese Dong	8.3
Indonesian Rupiah	6.4
Total cash flow in foreign currency	**(10.3)**

* cash flow partially in USD

The subsidiary **Intermarine S.p.A.** generally hedges the risks deriving from exchange rate fluctuations through specific operations linked to individual orders that require billing in currencies other than the Euro. As of 30 June 2016, no forward sales contracts were ongoing.

In view of the above, a hypothetical 3% appreciation/depreciation of the Euro would generate, respectively, potential profits of 299 thousand Euros and losses of 317 thousand Euros.

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 the Group's company besides to use the available cash. Changes in interest rates may affect the costs and the returns of investment and financing operations. The Group, therefore, regularly measures and controls its exposure to interest rates changes and manages such risks also resorting to derivative instruments, mainly *Interest Rate Swap* and *Cross Currency Swap*, also according to what established by its own management policies.

With reference to the **Piaggio Group**, as of 30 June 2016, the following hedging derivatives were taken out:

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. As of 30 June 2016, the fair value of the instrument was 19,729 thousand Euros. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to -236 thousand Euros; the sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the interest rates curve, showed a potential impact on the income statement, net of the related tax effect, of 76 thousand Euros and -72 thousand Euros respectively, assuming constant exchange rates; assuming a 1% appreciation and depreciation of the exchange rates, the sensitivity analysis identified a potential impact on the income statement, net of the related tax effect, of -24 thousand Euros and 24 thousand Euros respectively;

- a Cross Currency Swap to hedge loans relative to the Indian subsidiary for 8,436 thousand USD (at 30 June 2016 amounting to 5,012 thousand Euros) 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; As of 30 June 2016, the fair value of the instruments was 2,646 thousand Euros. The sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the interest rates curve, showed a potential impact on the income statement, net of the related tax effect, of 13 thousand Euros and -13 thousand Euros respectively, assuming constant exchange rates. Assuming a 1% appreciation and depreciation of the exchange rate of the Indian rupee, the sensitivity analysis of the instrument and its underlying identified a potential impact on the income statement, net of the related tax effect, of -1 thousand Euros and 1 thousand Euros respectively;
- a Cross Currency Swap to hedge loans relative to the Indian subsidiary for 13,869 thousand USD (at 30 June 2016 amounting to 10,191 thousand Euros) 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. As of 30 June 2016, the fair value of the instruments was 2,587 thousand Euros. The sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the interest rates curve, showed a potential impact on the income statement, net of the related tax effect, of 14 thousand Euros and -14 thousand Euros respectively, assuming constant exchange rates. Assuming a 1% appreciation and depreciation of the exchange rate of the Indian rupee, the sensitivity analysis of the instrument and its underlying identified a potential impact on the income statement, net of the related tax effect, of -3 thousand Euros and 3 thousand Euros respectively;
- Cross Currency Swap to hedge loans relating to the Vietnamese subsidiary for 10,922 thousand USD (9,340 thousand Euros outstanding at 30 June 2016) 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. As of 30 June 2016 the fair value of the instruments was positive at 375 thousand Euros. The sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the interest rates curve, showed a potential impact on the income statement, net of the related tax effect, of 44 thousand Euros and -45 thousand Euros respectively, assuming constant exchange rates. Assuming a 1% appreciation and depreciation of the exchange rate of the Vietnamese dong, the sensitivity analysis of the instrument and its underlying identified a potential impact on the income statement, net of the related tax effect, of -1 thousand Euros and 1 thousand Euros respectively.

In thousands of Euros	***FAIR VALUE***
Piaggio & C. S.p.A.	
Cross Currency Swap	19,729
Piaggio Vehicles Private Limited	
Cross Currency Swap	2,646
Cross Currency Swap	2,587
Piaggio Vietnam	
Cross Currency Swap	375

Moreover, the Parent Company **Immsi S.p.A.** activated an Interest Rate Swap to change a portion of the flows for interests relative to the senior mortgage loan with Banco Popolare from a variable to a fixed rate. As of 30 June 2016, the fair value of the instrument was negative at 535 thousand Euros. In the half, profit amounting to 114 thousand Euro was recognised in other components of the statement of comprehensive income.

Credit risk

The Group considers that its exposure to credit risk is as follows:

In thousands of Euros	*30 June 2016*	*31 December 2015*
Bank funds and securities	158,770	124,510
Financial assets	44,091	53,307
Tax receivables	43,190	28,873
Trade receivables and other receivables	220,762	220,162
Total	***466,813***	***426,852***

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 S.p.A.**, which in view of the nature of its business can present receivables concentrated among a few customers, it is noted that the most significant customers in quantitative terms are represented by public bodies: in general the production to order requires substantial advance payments by the customer based on progress of the work, thereby reducing the credit risk.
With reference to the 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 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.

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 the Group.

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:

	Nominal value	Carrying amount	Fair Value *
In thousands of Euros			
Piaggio Group - High yield debenture loan	250,000	239,451	258,793
Piaggio Group – Private debenture loan	51,799	51,607	72,265
Piaggio Group - BEI (2013-2015 R&D fund)	38,182	38,182	37,982
Piaggio Group - BEI (2016-2018 R&D fund)	30,000	29,886	27,541
Piaggio Group – B. Pop. Emilia Romagna credit line	25,000	24,954	24,291
Piaggio Group – Banco Popolare loan	8,333	8,326	6,620
Piaggio Group - Syndicated Revolving Credit line	20,000	19,077	19,487
Piaggio Group - Syndicated loan maturing in July 2019	75,000	74,533	74,592
Piaggio Group – Medium-term VietinBank loan	11,877	11,877	10,922
Immsi S.p.A. – Mortgage loan with Banco Popolare	42,750	42,045	36,181
Immsi S.p.A. – Credit line maturing in March 2017	5,000	4,980	5,080
Immsi S.p.A. – Credit line maturing in April 2018	20,000	19,878	19,452

**) For the Piaggio Group, the value was reduced by the DVA relating to the issuer, i.e., it includes the risk of insolvency of Piaggio.*

For the other financial liabilities of the Immsi Group it is deemed that the book value is essentially similar to the fair value.

The table below shows the assets and liabilities valued at fair value as of 30 June 2016, based on fair value hierarchical levels:

In thousands of Euros	*Level 1*	*Level 2*	*Level 3*
Assets measured at fair value	5,493	0	13,222
Hedging financial derivatives		24,962	375
Investment property		0	85,831
Other assets		602	39
Total assets	***5,493***	***25,564***	***99,467***
Liabilities measured at fair value		(100,939)	
Hedging financial derivatives		(535)	0
Other liabilities		(290)	
Total liabilities	***0***	***(101,764)***	***0***
Balance as of 30 June 2016	***5,493***	***(76,200)***	***99,467***

<u>Hierarchical level 1</u> includes the carrying amount of the investment held by Immsi S.p.A. in Unicredit S.p.A., up by 8,825 thousand Euro compared to 31 December 2015 following a decrease in the share price recorded at the end of June 2016.

<u>Hierarchical level 2</u> includes the positive value of the hedging derivatives attributable to the Piaggio

Group, among the assets, while the liabilities include, in addition to the value of financial instruments measured at fair value of the Piaggio Group, the negative value of derivative financial instruments (Interest Rate Swap) attributable to the Parent Company Immsi S.p.A.

Lastly, hierarchical level 3 includes, under financial assets, the carrying amount of the investment held by Immsi S.p.A. in Alitalia – CAI.
Investment property mainly includes the fair value of the investment property attributable to Immsi S.p.A. (located in Via Abruzzi, Rome) and the former Piaggio Group site in Martorelles, Spain.
Finally, it should be noted that the valuation of the Cross Currency Swap arranged on the Piaggio Group's Vietnamese subsidiary has been 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 we had adopted the valuation techniques typical of liquid markets – a characteristic that is notably not found in the Vietnamese market – the derivatives would have expressed a negative fair value amounting to 342 thousand Euros (instead of a positive 375 thousand Euros, included in the derivative financial instruments – Level 3) and accrued expenses on hedging derivatives amounting to 590 thousand Euros.

The following table highlights the changes that occurred during the first half of 2016:

In thousands of Euros	*Level 1*	*Level 2*	*Level 3*
Balance at 31 December 2015	*14,319*	(82,694)	*98,771*
Gain and (loss) recognised in the income statement		6,294	(427)
Increases/(Decreases)	(8,826)	200	1,123
Balance as of 30 June 2016	***5,493***	***(76,200)***	***99,467***

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND EQUITY INVESTMENTS AS OF 30 JUNE 2016

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 given 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	% of vote (if different)
LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS ON A LINE-BY-LINE BASIS				
IMMSI S.p.A. Mantova (MN) – Italy Parent Company	Euro	178,464,000.00		
Apuliae S.p.A. Lecce (LE) – Italy Immsi S.p.A. investment: 85.69%	Euro	1,000,000.00	85.69%	
ISM Investimenti S.p.A. Mantova (MN) – Italy Immsi S.p.A. investment: 72.64%	Euro	6,654,902.00	72.64%	
Is Molas S.p.A. Pula (CA) – Italy ISM Investimenti S.p.A. investment: 89.48%	Euro	5,898,437.00	89.48%	
Pietra S.r.l. Milano (MI) – Italy Immsi S.p.A. investment: 77.78%	Euro	40,000.00	77.78%	
Pietra Ligure S.r.l. Mantova (MN) – Italy Investment of Pietra S.r.l. 100.00%	Euro	10,000.00	100.00%	
Immsi Audit S.c.a r.l. Mantova (MN) – 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 (MN) – 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 (PI) – Italy Immsi S.p.A. investment: 50.06%	Euro	207,613,944.37	50.06%	50.44%
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%	
Aprilia Racing S.r.l. Pontedera (PI) – 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 (MI) – Italy Piaggio & C. S.p.A. investment: 100.00%	Euro	10,580,503.49	100.00%	

Company name	Currency	Share Capital (subscribed and paid-up)	% of Share Capital owned	% of vote (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	12,110,000.00	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. Boston – USA Piaggio & C. S.p.A. investment: 87.00%	USD	1,676.47	87.00%	
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. Split – Croatia Piaggio Vespa B.V. investment: 100.00%	HRK	400,000.00	100.00%	
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	% of vote (if different)
EQUITY INVESTMENTS IN SUBSIDIARIES, ASSOCIATED AND JOINT CONTROL COMPANIES VALUED 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. investment: 100.00% less one share held by Rodriquez Pietra Ligure S.r.l.	R$	3,803,888.00	100.00%	
Rodriquez Engineering S.r.l. *) Messina (ME) – Italy Intermarine S.p.A. investment: 100.00%	Euro	119,756.00	100.00%	
Rodriquez Pietra Ligure S.r.l. Milano (MI) – Italy Intermarine S.p.A. investment: 100.00%	Euro	20,000.00	100.00%	
EQUITY 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 (PI) – Italy Piaggio & C. S.p.A. investment: 20.45%	Euro	884,160.00	20.45%	
S.A.T. Societé d'Automobiles et Triporteurs S.A. Tunis – Tunisia Piaggio Vespa B.V. investment: 20.00%	TND	210,000.00	20.00%	
Mitsuba Italia S.p.A. Pontedera (PI) – Italy Piaggio & C. S.p.A. investment: 10.00%	Euro	1,000,000.00	10.00%	
Rodriquez Mexico *) La Paz – Mexico Intermarine S.p.A. investment: 50.00%	Pesos	50,000.00	50.00%	
Consorzio CTMI – Messina Messina (ME) – Italy Intermarine S.p.A. investment: 25.00%	Euro	53,040.00	25.00%	
Fondazione Piaggio Pontedera (PI) – Italy Piaggio & C. S.p.A. investment: 66.67%	Euro	103,291.38	66.67%	

*** Non-operating company or company in liquidation.

Group and related party transactions

As regards the information to be provided on related party transactions in accordance with *IAS 24 – Related Parties Disclosures*, kept by the companies of the Groups, it should be pointed out that such transactions take place as part of normal operations at market conditions or as laid down under specific laws. No atypical or unusual transactions were carried out during the period to 30 June 2016. 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 following table shows the impact of related party transactions on the consolidated income statement and balance sheet of the Immsi Group at 30 June 2016: the financial effects arising from consolidated intergroup operations were eliminated during consolidation.
For comparative purposes, the following table shows the income statement data at 30 June 2016 and the balance sheet data at 31 December 2015.

Main economic and financial items	Amounts in thousands of Euros 30.06.2016	% accounting for financial statement items	Description of the nature of transactions	Comparable amounts in thousands of Euros
Transactions with Related Parties:				
Trade payables and other current payables	*108*	*0.0%*	*Tax advisory services provided by St. Girelli & Ass. and by Trevi S.r.l. to the Group*	*106*
Costs for services and leases and rentals	*108*	*0.1%*	*Tax advisory services provided by St. Girelli & Ass. and by Trevi S.r.l. to the Group*	*205*
Transactions with Parent companies:				
Non-current financial liabilities	*2,900*	*0.6%*	*Piaggio debenture loan (PO) undersigned by Omniaholding S.p.A.*	*2,900*
Current trade payables	*80*	*0.0%*	*Rental of offices provided by Omniaholding S.p.A. to the Group*	*47*
Costs for services and leases and rentals	*260*	*0.2%*	*Rental of offices provided by Omniaholding S.p.A. to the Group*	*510*
Borrowing costs	*67*	*0.2%*	*Charges related to the Piaggio debenture loan undersigned by Omniaholding S.p.A.*	*134*
Transactions with Subsidiaries, Affiliated Companies, Joint Ventures:				
Trade receivables and other non-current	*133*	*0.9%*	*Receivables from Fondazione Piaggio*	*133*
Current trade receivables and other receivables	*3,177*	*1.5%*	*Receivables from Consorzio CTMI and Rodriquez do Brasil*	*3,297*
	2,098	*1.0%*	*Trade receivables due from Piaggio Foshan and Fondazione Piaggio*	*2,009*
Current financial liabilities	*308*	*0.1%*	*Financial payables to Rodriquez Engineering S.r.l. and Rodriquez Pietra Ligure S.r.l.*	*226*
Current trade payables	*14,564*	*2.6%*	*Trade payables by Piaggio & C. S.p.A. to Piaggio Foshan*	*9,311*
	15	*0.0%*	*Payables to Consorzio CTMI*	*70*
Other current payables	*1,502*	*2.4%*	*Payables to Fondazione Piaggio and Piaggio*	*1,634*
Net revenues	*684*	*0.1%*	*Sales to Piaggio Foshan*	*794*
	1	*0.0%*	*Revenues from the Consortium CTMI*	*101*
Costs for materials	*14,825*	*3.6%*	*Purchases of Piaggio & C. S.p.A. from Piaggio*	*25,616*
Costs for services and leases and rentals	*84*	*0.1%*	*Costs for services from Consorzio CTMI and Rodriquez Engineering S.r.l.*	*36*
Other operating income	*433*	*0.8%*	*Income from Piaggio Foshan*	*648*

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.

Certification of the condensed interim financial statements pursuant to Article 154-bis of Legislative Decree No 58/98

The undersigned Roberto Colaninno, as Chairman of the Board of Directors, Michele Colaninno, as Managing Director and Andrea Paroli, Manager in charge of preparing the Company accounts and documents of Immsi S.p.A., certify, also taking account of the provisions of art.154-bis, paragraphs 3 and 4 of the Italian Legislative Decree no. 58 of 24 February 1998:

- the appropriateness with regard to the Company's characteristics and
- effective application

of the administrative and accounting procedures for the preparation of the condensed interim financial statement in the course of the first half of 2016.

With regard to the above, no relevant aspects are to be reported.

In addition, it is certified that the condensed interim financial statements:

- were drawn up in conformity with the applicable international accounting standards recognized by the European Union in accordance with the regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to accounting records;
- are suited to provide a truthful and correct representation of the issuer's assets and liabilities, profit and loss and financial situation, as well as its consolidated subsidiaries.

The Interim management report includes an analysis of the significant events affecting the Company in the first six months of the current fiscal year and the impact of such events on the Company's condensed interim financial statements as well as a description of the main risks and uncertainties for the second half of the year in addition to an analysis of the information on the significant related party transactions.

29 August 2016

The Chairman
Roberto Colaninno

The Manager in charge of preparing the
Company accounts and documents
Andrea Paroli

Chief Executive Officer
Michele Colaninno

Report of the Independent Auditors on the review of the Condensed Consolidated Interim Financial Statements as of 30 June 2016

pwc

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
IMMSI SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of IMMSI SpA and its subsidiaries (the IMMSI Group) as of 30 June 2016, comprising the statement of profit/(loss) for the period, the statement of profit/(loss) for the period and other items of comprehensive income, the statement of financial position, the consolidated cash flow statement, the statement of changes in shareholders' equity and related notes. The directors of IMMSI SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of the IMMSI Group as of 30 June 2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it

Brescia, 30 August 2016

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers