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 registration number 07918540019

Half-Yearly Financial Report of Immsi Group to 30 June 2018

This Interim Financial Report as of 30 June 2018 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

Contents:

This document was approved by the Board of Directors of Immsi S.p.A. on 3 September 2018 and is available for the public to consult at the registered office of the Company, in the centralised storage system www.emarketstorage.com and on the Issuer's website www.immsi.it (section: "Investors/Financial statements and reports/2018") 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 10 May 2018 and will remain in office until the date the Shareholders' Meeting is convened to approve the financial statements for the year ending 31 December 2020.

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***
Gianpiero Succi	***Director***
Patrizia De Pasquale	***Director***
Paola Mignani	***Director***
Devis Bono	***Director***

BOARD OF STATUTORY AUDITORS
STATUTORY AUDITORS

Alessandro Lai	***Chairman***
Giovanni Barbara	***Statutory Auditor***
Maria Luisa Castellini	***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***
Paola Mignani	
Rita Ciccone	

CONTROL AND RISKS COMMITTEE

Daniele Discepolo	***Chairman***
Paola Mignani	
Rita Ciccone	

RELATED-PARTIES COMMITTEE

Rita Ciccone	***Chairman***
Paola Mignani	
Patrizia De Pasquale	

COMPLIANCE COMMITTEE

Marco Reboa	***Chairman***
Giovanni Barbara	
Maurizio Strozzi	

APPOINTMENT PROPOSALS COMMITTEE

Daniele Discepolo	***Chairman***
Paola Mignani	
Rita Ciccone	

LEAD INDEPENDENT DIRECTOR

Daniele Discepolo

CEO AND GENERAL MANAGER

Michele Colaninno

INTERNAL AUDIT MANAGER

Maurizio Strozzi

FINANCIAL REPORTING OFFICER

Andrea Paroli

INVESTOR RELATIONS

Andrea Paroli

All information on powers reserved for the Board of Directors, the authority granted to the Chairman and CEO, as well as functions of various Committees of the Board of Directors, is available in the *Governance* section of the Issuer's website www.immsi.it.

Half-Yearly Financial Report of the Immsi Group

The Half-year Financial Report for the six months to 30 June 2018 was 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 Immsi Group Consolidated Financial Statements at 31 December 2017 (to which we refer), except for the application as from 1 January 2018 of IFRS 15 "Revenue from Contracts with Customers" with effects substantially attributable only to the industrial sector. An analysis of the impact of applying this standard is provided in the Notes to the Financial Statements.
In order to compare the figures for the two periods compared in this half-yearly financial report, an *adjusted* accounting statement for the first half of 2017 has been recalculated by applying IFRS 15; therefore, the comments contained therein consider the *adjusted* income figures.
Moreover, the Group adopted IFRS 9 "*Financial Instruments*" early, with effect from 1 January 2017. For further information on the impacts deriving from the application of the new standard, reference should be made to the detailed description provided in the Notes to the Immsi Group Consolidated Financial Statements at 31 December 2017.

The Group has also considered the amendments and interpretations envisaged by the IASB and applicable as from 1 January 2018 (for details see the Notes to this document) and has taken into account the interpretations of the *International Financial Reporting Interpretations Committee* ("IFRIC"), previously known as the *Standing Interpretations Committee* ("SIC").

Information on operations

During the first half of 2018 the Immsi Group continued the improvement it has shown in recent years, both from an economic and a financial point of view. All indicators show an increase compared to 2017: turnover (at constant exchange rates) grew by 4.5%, Ebit by 12.3% and net profit including non-controlling interests by 9.8%. Financial debt at 30 June 2018 also improved, dropping by more than 20 million euros compared with 30 June 2017.

Results 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 "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.r.l., Pietra S.r.l., Pietra Ligure S.r.l. and RCN Finanziaria S.p.A.;
- the "industrial sector" includes the companies owned by the Piaggio group, while
- the "marine sector" includes Intermarine S.p.A. and other minor subsidiaries or associated companies of Intermarine S.p.A..

Financial highlights for the Immsi Group are presented below, divided by business segment.

Immsi Group at 30 June 2018

In thousands of euros	*Sector property and holding*	*as a %*	*Sector industrial*	*as a %*	*Sector marine*	*as a %*	*Group Immsi*	*as a %*
Net revenues	2,039		729,592		42,440		774,071	
Operating income before depreciation and amortisation (EBITDA)	-1,549	n/m	116,608	16.0%	9,038	21.3%	124,097	16.0%
Operating income (EBIT)	-1,781	n/m	61,885	8.5%	7,424	17.5%	67,528	8.7%
Profit before tax	-9,337	n/m	48,506	6.6%	6,730	15.9%	45,899	5.9%
Earnings for the period including non-controlling interests	-8,961	n/m	26,678	3.7%	4,584	10.8%	22,301	2.9%
Group earnings for the period (which may be consolidated)	-5,282	n/m	13,358	1.8%	3,324	7.8%	11,400	1.5%
Net debt	-364,451		-431,362		-47,418		-843,231	
Personnel (number)	98		6,976		270		7,344	

The following table shows the same figures for the first half of last year. The comparison between the two periods in question is shown in the specific comment subsequently presented in relation to the individual sectors:

Immsi Group at 30 June 2017

In thousands of euros	*Sector property and holding*	*as a %*	*Sector Industrial adjusted**	*as a %*	*Sector marine*	*as a %*	*Group Immsi Adjusted**	*as a %*
Net revenues	1,986		720,866		52,394		775,246	
Operating income before depreciation and amortisation (EBITDA)	-1,757	n/m	113,977	15.8%	10,297	19.7%	122,517	15.8%
Operating income (EBIT)	-1,992	n/m	52,974	7.3%	9,153	17.5%	60,135	7.8%
Profit before tax	-6,386	n/m	36,944	5.1%	8,089	15.4%	38,647	5.0%
Earnings for the period including non-controlling interests	-6,110	n/m	21,516	3.0%	4,910	9.4%	20,316	2.6%
Group earnings for the period (which may be consolidated)	-3,124	n/m	10,863	1.5%	3,560	6.8%	11,299	1.5%
Net debt	-353,606		-454,612		-55,128		-863,346	
Personnel (number)	97		6,584		278		6,959	

*The figures for the first half of 2017 have been restated following application of IFRS 15

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

Alternative non-GAAP performance measures

This Report includes a number of indicators that, while not required by IFRS ("Non-GAAP Measures"), derive from financial parameters provided by it (Consob Communication DEM/6064293 of July 28, 2006 and subsequent amendments and additions, including Consob Communication No. 0092543 of 3 December 2015, which implements the guidelines of ESMA/2015/1415 on alternative *performance* indicators).

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 2017 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 (or net 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	*30.06.2018*	*as a %*	*30.06.2017*	*as a %*	*Change*	*as a %*
Net revenues	2,039		1,986		53	2.7%
Operating income before depreciation and amortisation (EBITDA)	-1,549	n/m	-1,757	n/m	208	11.8%
Operating income (EBIT)	-1,781	n/m	-1,992	n/m	211	10.6%
Profit before tax	-9,337	n/m	-6,386	n/m	-2,951	-46.2%
Earnings for the period including non-controlling interests	-8,961	n/m	-6,110	n/m	-2,851	-46.7%
Group earnings for the period (which may be consolidated)	-5,282	n/m	-3,124	n/m	-2,158	-69.1%
Net debt	-364,451		-353,606		-10,845	-3.1%
Personnel (number)	98		97		1	1.0%

The “property and holding sector” consolidates 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.r.l., Pietra S.r.l., Pietra Ligure S.r.l. and RCN Finanziaria S.p.A..

Overall, the **property and holding sector** reported a net loss for consolidation purposes of approximately 5.3 million euros in the first half of 2018, worse compared to figures for the same period of the previous year, mainly due to financial income of 3.35 million euros in February 2017 arising from the sale of option rights assigned to Immsi as part of the UniCredit capital increase which the Parent Company did not take part in.
Net Debt of the sector was negative at 364.5 million euros, compared to -353.6 million euros at 30 June 2017.

The **Parent Company Immsi S.p.A.** recorded a net profit for the period of approximately 9.6 million euros, compared to approximately 12.1 million euros at 30 June 2017. This was mainly due to higher financial income in the first half of 2017 compared to the same period of 2018. In particular, in February 2017 Immsi S.p.A. generated income of 3.35 million euros from the sale of the above-mentioned Unicredit option rights. The dividends that the Company received in 2018, amounting to approximately 9.9 million euros, are in line with those distributed by the subsidiary Piaggio & C. S.p.A. in 2017.
With reference to non-financial income components, net revenues realised in the first half of 2018 from real-estate operations and services amounted to 2.2 million euros, basically unchanged compared to the same period of the previous year.
Net financial debt amounted to 66.5 million euros, down by approximately 7 million euros compared to 31 December 2017, mainly due to the cash generated from operations of approximately 7.7 million euros, including the financial proceeds described above, partially offset by increases related to investment property of 0.7 million euros.
The Shareholders' equity of the Parent Company Immsi S.p.A. at 30 June 2018 amounted to 365.3 million euros, an increase compared to the balance at the end of 2017, amounting to 356 million euros, due to the result for the period, partially offset by the recognition in the other components of the comprehensive income of the adjustment of the carrying amount of the Unicredit share package to the value recorded at 30 June 2018, whose fair value amounted to 4 million euros.

In preparing this Half-year Financial Report at 30 June 2018, the Parent Company did not carry out any specific impairment testing on the carrying amount of investments held in companies consolidated on a line-by-line basis, as these investments and any changes resulting from relative impairment tests would have been eliminated in full during consolidation.

With regard to the subsidiary **Is Molas S.p.A.**, the construction of the 4 mockup villas has been completed and the construction company has delivered the remaining 11 villas of the FCn10' sector to the company at an advanced but raw state (a stage that allows potential customers the choice of flooring and finishes). The company is continuing the marketing activities aimed at identifying buyers also at the international level.
Revenues relating to tourist/hotel and golf activities for the first half of 2018 were slightly up compared to the same period of 2017, thanks also to early opening of the hotel compared to 2017 , while in terms of margins, the company recorded an operating loss of 1.3 million euros and a net loss for consolidation purposes of 1 million euros, in line with the same period of 2017.
The company's net financial debt amounted to 63.7 million euros, up on the figure at the end of 2017 (56.5 million euros). The change in the period is attributable to net cash flows used in operations.

With reference to the Pietra Ligure project, activities aimed at identifying potential parties interested in development of the Project continued.
Net profit for consolidation purposes of **Pietra S.r.l.** in the first half of 2018 was substantially in line with the same period of the previous year, while net financial debt remained unchanged from 31 December 2017 amounting to 2.7 million euros. **Pietra Ligure S.r.l.**, a subsidiary of Pietra S.r.l. and which incorporates the property complex of Pietra Ligure with related Planning Permissions and Agreements, recorded an operating loss of 0.2 million euros (as in the first half of 2017), and net financial debt amounted to 1 million euros (0.9 million euros at 31 December 2017).

With reference to the subsidiary **Apuliae S.p.A**, there are no further updates since the Report of Directors and Financial Statements of the Immsi Group at 31 December 2017, to which reference is made. At 30 June 2018, the company posted a substantial break-even position, with unchanged net debt compared to 31 December 2017 at a negative value of 0.6 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 main financial data of the company:

- **RCN Finanziaria S.p.A.**, in which Immsi S.p.A. holds 72.51% and Intermarine S.p.A. is the sole member, recorded a net loss for consolidation purposes for the Immsi Group of approximately 1.8 million euros (1.9 million euros in the first half of 2017), and net financial debt of 122.3 million euros as of 30 June 2018, in line with the figure at 31 December 2017;

- **ISM Investimenti S.p.A.** recorded a net loss for consolidation purposes for the Immsi Group of approximately 2 million euros (down by 0.2 million euros compared to the first half of 2017), and net financial debt at 30 June 2018 equal to 107.7 million euros, up by approximately 0.6 million euros compared to the figure at 31 December 2017. The company, which is the parent of Is Molas S.p.A., with a 92.59% stake at the end of June, is an investee of Immsi S.p.A. which holds a 72.64% share and of IMI Investimenti S.p.A. that holds 27.36% in terms of voting rights. In this regard – in light of the analysis of the impairment test carried out at the end of 2017 and the various property rights of the two shareholders as set out in the joint investment agreement and shareholders agreement stipulated at the time of the initial investment as integrated and amended in 2013 – the portion of net equity of ISM Investimenti S.p.A. consolidated by Immsi S.p.A. is estimated at 51.55% from 31 December 2017, down on 60.39% at 30 June 2017.

Industrial sector: Piaggio group

In thousands of euros	*30.06.2018*	*as a %*	*30.06.2017 adjusted*[*]	*as a %*	*Change*	*as a %*
Net revenues	729,592		720,866		8,726	1.2%
Operating income before depreciation and amortisation (EBITDA)	116,608	16.0%	113,977	15.8%	2,631	2.3%
Operating income (EBIT)	61,885	8.5%	52,974	7.3%	8,911	16.8%
Profit before tax	48,506	6.6%	36,944	5.1%	11,562	31.3%
Earnings for the period including non-controlling interests	26,678	3.7%	21,516	3.0%	5,162	24.0%
Group earnings for the period (which may be consolidated)	13,358	1.8%	10,863	1.5%	2,495	23.0%
Net debt	-431,362		-454,612		23,250	5.1%
Personnel (number)	6,976		6,584		392	6.0%

As mentioned above, starting from 1 January 2018, the Group applied IFRS 15, the effects of which were essentially felt only in the industrial sector. In order to make the figures for the two comparative six-month periods consistent, an *adjusted* accounting statement for the first half of 2017 has been prepared. The comments contained in the Report on Operations therefore refer to the figures for the first half of 2018 and the adjusted first half of 2017.

In terms of consolidated turnover, the Group closed the first half of 2018 with net revenues up compared to the same period in 2017 (+1.2%).
In terms of geographical areas, revenue growth in India (+20.4%; +34.5% at constant exchange rates) more than offset the decline in EMEA and Americas (-4,7%) and in Asia Pacific (-2.1%; +8.1% with constant exchange rates).
With regard to product type, the increase in turnover for commercial vehicles (+14.4%) offset the decrease in two-wheeler vehicles (-3.3%). As a result, the percentage of two-wheeler vehicles of overall turnover fell from 74.6% in the first six months of 2017 to the current 71.3%; vice versa, the percentage of Commercial Vehicles accounting for overall turnover rose from 25.4% in the first six months of 2017 to the current 28.7%.

In the first half of 2018, the Piaggio group sold 304,000 vehicles around the world, recording growth compared to the first half of the year before, when the vehicles sold amounted to 280,700. The number of vehicles sold was up in India (+32.3%) and Asia Pacific 2W (+9.8%), while those sold in EMEA and Americas were down (-8.5%). With regard to product type, the increase was concentrated in commercial vehicles (+27.3%) while two-wheeler vehicles were substantially stable

[*] The figures for the first half of 2017 have been restated following application of IFRS 15

(+0.9%).

EBITDA of the Piaggio group rose to 116.6 million euros (from 114 million euros in the first half of 2017). In relation to turnover, EBITDA was equal to 16% (15.8% in the first half of 2017). Operating income (EBIT) amounted to 61.9 million euros, up from the first half of 2017; in relation to turnover, EBITDA was equal to 8.5% (7.3% in the first half of 2017).

The results for financing activities improved compared to the first half of the previous financial year, thanks to lower debt exposure and lower cost of debt, with net charges amounting to 13.4 million euros (16.5 million euros as of 30 June 2017). This improvement was amplified by net non-recurring income of 0.9 million euros generated by the liability management transaction on the "Euro 250 million Piaggio 4.625% due 2021" bond issue, which was recognised in profit or loss as required by IFRS 9.

Net profit stood at 26.7 million euros (3.7% of turnover), it too up on the figure for the same period of the previous year, which was equal to 21.5 million euros (3% of turnover).

Net financial debt of the Piaggio group at 30 June 2018 was 431.4 million euros, compared to 452 million euros at 31 December 2017. The decrease of about 20.6 million euros is due to the positive operating performance that enabled the payment of dividends (19.7 million euros) and the financing of the investment programme. Borrowing decreased by approximately 23.3 million euros compared to 30 June 2017.

The market

Two-wheeler business

During the first half of 2018, the Piaggio group sold a total of 203,900 thousand units in the two-wheeler segment worldwide, accounting for a net turnover equal to approximately 520.5 million euros (-3.3%, compared to the first half of 2017), including spare parts and accessories (64.3 million euros, +1.1%). A slight increase in volumes (+0.9%) was matched by a drop in revenues (-3.3%), which was mitigated by the excellent performance in India (+36.8% volume; +26.5% turnover; +41.3% turnover at constant exchange rates). In Asia Pacific, good sales performance (+9.8%) was met by a 2.1% decline in turnover, due to exchange rate movements (+8.1% at constant exchange rates).

India, the most important two-wheeler market, reported a sharp increase, also in the first six months of 2018, closing with sales of nearly 10.8 million vehicles, up by 20% compared to the first half of 2017.
The People's Republic of China recorded a decrease in the first half of 2018 (-6.4%), closing at under 3.6 million vehicles sold.
According to currently available data, the Asian area, termed Asean 5, reported growth above 9%, ending the year with over 6.5 million units sold. Indonesia, the main market in this area, reversed the trend in the first half of 2018, with a percentage increase of 11.2%, reaching over 3 million vehicles. Newly registered vehicles in Vietnam continued to grow (almost 1.6 million units sold; +3.9% compared to the first half of 2017). Figures for sales in the Philippines were significant, with an increase of 24.5%, equal to approximately 769 thousand units.
Other countries in the Asian area (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) overall recorded a decrease compared to the first half of 2017, closing with sales of over 700 thousand units (-4.7%). In this area Taiwan stabilised, recording an increase of 0.6% compared to the first half of 2017 and closing at over 413 thousand units sold. The Japanese market, on the other hand, fell by 8.1% to around 183 thousand units sold.

The North American market recorded a downturn compared to the first half of 2017 (-2.2%), selling over 280 thousand vehicles.
Brazil, the most important market in South America, reported a considerable increase in the first six months of 2018 (+12.3%), closing with sales of just over 451 thousand vehicles.
Europe, which is the reference area for the Piaggio group's operations, reported a slight decrease in sales on the two-wheeler market by -0.9% compared to the first half of 2017 (+7.8% for the motorcycle segment and -9.7% for the scooter segment). On the scooter market, the over 50cc segment recorded a positive trend (+5.7%) in the first half of 2018, while the 50cc segment posted a significant drop (-31.1%). In the motorcycle segment, the 50cc segment decreased (-18.8%), while the over 50cc segment grew (+9.3%).

Commercial Vehicles business

During the first half of 2018, the Commercial Vehicles business (vehicles with a maximum mass of up to 3.5 t) generated a turnover of approximately 209.1 million euros, including around 23.7 million euros relating to spare parts and accessories, up 8.6% compared to the same period in the previous year. During the period, 100.1 thousand units were sold, up compared to the first half of 2017 (+27.3%). The growth is related to the expansion of the Indian market. The Indian subsidiary Piaggio Vehicles Private Limited (PVPL) sold 81,550 units on the Indian three-wheeler market (64,755 in the first half of 2017). In overall terms, the Indian affiliate PVPL registered a turnover of 164.5 million euros during the first half of 2018, compared to 137.8 million euros for the same period of the previous year (+19.4%; +33.3% with constant exchange rates). In the Americas and EMEA market, the Piaggio group recorded a decrease in total net turnover of approximately 0.4 million euros following a fall in sales (-5.7%).

Europe
In the first half of 2018, the European market for light commercial vehicles where the Piaggio group operates, accounted for 1,102,388 units sold, up 5% compared to the first half of 2017 (source ACEA data). In detail, the trends of main European reference markets are as follows: Germany (+5%), France (+5%), Italy (+0.1%) and Spain (+11.6%).

India
The Indian three-wheeler market, in which Piaggio Vehicles Privates Limited, a subsidiary of Piaggio & C. S.p.A., operates, after a period of decline due to the demonetization decided by the Indian government in November 2016, began to grow very strongly again, rising from 210,700 units in the first half of 2017 to 358,186 in the same period of 2018 (definitely the best performance in recent years), with an increase of 70%.
In this market, this growth was mainly due to the passenger vehicle segment, which almost doubled its volumes, from 154,700 units in the first half of 2017 to 294,200 units (+90.2%) in the same period of 2018. The cargo segment increased by 16%, from 56,000 units in the first half of 2017 to 65,000 units in the first half of 2018. The traditional three-wheeler market is flanked by the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates. The LCV cargo market, with vehicles with a maximum mass below 2 tons, recorded sales of 107,770 units in the first six months of 2018, increasing by 71.7% compared to the first half of 2017.

The Marine sector: Intermarine

In thousands of euros	*30.06.2018*	*as a %*	*30.06.2017*	*as a %*	*Change*	*as a %*
Net revenues	42,440		52,394		-9,954	-19.0%
Operating income before depreciation and amortisation (EBITDA)	9,038	21.3%	10,297	19.7%	-1,259	-12.2%
Operating income (EBIT)	7,424	17.5%	9,153	17.5%	-1,729	-18.9%
Profit before tax	6,730	15.9%	8,089	15.4%	-1,359	-16.8%
Earnings for the period including non-controlling interests	4,584	10.8%	4,910	9.4%	-326	-6.6%
Group earnings for the period (which may be consolidated)	3,324	7.8%	3,560	6.8%	-236	-6.6%
Net debt	-47,418		-55,128		7,710	14.0%
Personnel (number)	270		278		-8	-2.9%

With reference to economic data for the marine sector, the first half of 2018 saw a decrease (19%) in net sales revenues (composed of turnover and changes in contract work in progress) compared to the same period of the previous year, with the figure standing at 42.4 million euros, compared to 52.4 million euros in the first half of 2017. Despite the reduction compared to the same period of 2017, the results recorded in the first half of 2018 are among the best results of recent years and demonstrate the positive trend resulting from the completion of the turnaround at Intermarine and is the result of the good measures implemented in recent years by management and the growing international appreciation especially for the military division, which is an example of cutting-edge engineering with high technological content. Production progress, including research and development, and the completion of constructions and deliveries, concerned in particular:

- the Defence division, with 34.2 million euros (51.2 million in the first half of 2017), 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 processing relating to the construction of a naval platform in a contract with an Asian shipyard. In this regard, it should be noted that the company, in view of the serious defaults of the Asian shipyard, decided to terminate the existing contracts and recorded non-recurring income of approximately 4 million euros from higher collections made with respect to production progress;

- the Fast Ferries and Yachts divisions, with a total of 8.2 million euros (1.2 million during the first half of 2017), mainly for activities at the Messina shipyard and revenue from the Marine Systems division.

As a result, EBIT was a positive at 7.4 million euros in the first half of 2018 (-1.7 million euros compared to the same period of 2017), with a margin on revenues of 17.5%, and a profit before taxes of 6.7 million euros, compared to a profit before taxes of 8.1 million euros in the first half of 2017. Net profit for consolidation purposes for the Immsi Group at 30 June 2018 amounted to 3.3 million euros, compared to a profit of 3.6 million euros during the first half of 2017.

From an equity point of view, net financial debt of 47.4 million euros at 30 June 2018, represents an increase of approximately 4.1 million euros compared with the balance at 31 December 2017 amounting to 43.3 million euros, down by about 7.7 million euros compared with the balance at 30 June 2017.

Financial situation and financial performance

As already mentioned, during the first half of 2018, the Immsi Group reported an improvement in all growth ratios, at constant exchange rates, compared to the same period of the previous year. Net financial debt at 30 June 2018 also decreased compared to 31 December 2017 and 30 June 2017.

At 30 June 2018 the structure of the Immsi Group was that attached to this Half-year Financial Report, to which reference is made. The scope of consolidation compared to the Consolidated Financial Statements at 31 December 2017 was unchanged, while the scope changed compared to 30 June 2017 but without affecting to any considerable extent the comparability of business results between the two reporting periods. For further details of changes, see section B of the Notes.
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 Notes to the consolidated financial 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 the 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	***30.06.2018***		***30.06.2017****		***Change***	
Net revenues	**774,071**	**100%**	**775,246**	**100%**	**-1,175**	**-0.2%**
Costs for materials	439,103	56.7%	433,812	56.0%	5,291	1.2%
Costs for services, leases and rentals	132,699	17.1%	134,731	17.4%	-2,032	-1.5%
Employee costs	122,468	15.8%	123,164	15.9%	-696	-0.6%
Other operating income	56,474	7.3%	54,148	7.0%	2,326	4.3%
Other operating costs	12,178	1.6%	15,170	2.0%	-2,992	-19.7%
OPERATING EARNINGS BEFORE AMORTISATION AND DEPRECIATION (EBITDA)	**124,097**	**16.0%**	**122,517**	**15.8%**	**1,580**	**1.3%**
Depreciation and write-downs of plant, property and equipment	21,431	2.8%	24,258	3.1%	-2,827	-11.7%
Impairment of goodwill	0	-	0	-	0	-
Amortisation and impairment of intangible assets with a definite useful life	35,138	4.5%	38,124	4.9%	-2,986	-7.8%
OPERATING INCOME	**67,528**	**8.7%**	**60,135**	**7.8%**	**7,393**	**12.3%**
Earnings on investments	404	0.1%	637	0.1%	-233	-
Financial income	15,202	2.0%	11,802	1.5%	3,400	28.8%
Borrowing costs	37,235	4.8%	33,927	4.4%	3,308	9.8%
PROFIT BEFORE TAX	**45,899**	**5.9%**	**38,647**	**5.0%**	**7,252**	**18.8%**
Taxes	23,598	3.0%	18,331	2.4%	5,267	28.7%
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS	**22,301**	**2.9%**	**20,316**	**2.6%**	**1,985**	**9.8%**
Gain (loss) from assets held for disposal or sale	0	-	0	-	0	-
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	**22,301**	**2.9%**	**20,316**	**2.6%**	**1,985**	**9.8%**
Earnings for the period attributable to non-controlling interests	10,901	1.4%	9,017	1.2%	1,884	20.9%
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	**11,400**	**1.5%**	**11,299**	**1.5%**	**101**	**0.9%**

* The figures for the first half of 2017 have been restated following application of IFRS 15

As mentioned above, starting from 1 January 2018, the Group applied IFRS 15, the effects of which were essentially felt only in the industrial sector. In order to make the figures for the two six-month periods comparable, an *adjusted* accounting statement for the first half of 2017 has been prepared. The comments contained in this Report on Operations therefore refer to the figures for the first half of 2018 and the adjusted first half of 2017. An assessment of the impact of applying this standard is provided in the Notes to the Financial Statements.

The consolidated net revenues of the Immsi Group decreased by approximately 1.2 million euros (-0.2%) to around 774.1 million euros, mainly due to the industrial sector, which contributed about 729.6 million euros, and the marine sector, which contributed around 42.4 million euros. Net revenues of the property and holding sector, amounting to approximately 2 million euros, were in line compared to the same period of the previous year. At constant exchange rates, revenues totalled about 810 million euros (+4.5% compared with the same period in 2017).

Operating costs and other consolidated Group net costs in the first half of 2018 totalled 650 million euros (equal to 84% of net revenues), of which 613 million euros relative to the Piaggio group (84% of group net revenues).

Costs for materials totalled 439.1 million euros, equal to 56.7% of net revenues. The cost relating to the industrial sector amounted to 430 million euros, equal to 58.9% of net revenues of the sector.

Employee costs totalled 122.5 million euros, equal to 15.8% of net revenues. The largest part, 112.6 million euros (15.4% of net revenues of the sector), is attributable to the Piaggio group. The average remunerated workforce amounted to 7,043 units compared to 6,904 units in the first half of 2017. The growth of the average workforce, recorded mainly in the Industrial sector in India where increased demand for commercial vehicles led to greater use of temporary labour and in Asia Pacific, more than offset the reduction recorded in Italy. Average employee numbers were affected by seasonal workers in the summer (on fixed-term employment contracts). In fact, the Group uses fixed-term employment contracts to handle the typical peaks in demand in the summer months.

EBITDA during the first half of 2018 came to around 124.1 million euros, or 16% of net revenues, compared to 122.5 million in the first half of 2017 (15.8% of net revenues for the period), an increase of 1.6 million euros (+1.3%).
Depreciation and amortisation for the period stood at 56.6 million euros (of which 54.7 million euros relative to the industrial sector), representing 7.3% of turnover, slightly down on the figure of 8% for the first half of 2017. Depreciation of property, plant and equipment amounted to 21.4 million euros (-2.8 million euros compared with the first six months of 2017), while amortised intangibles excluding goodwill totalled 35.1 million euros (38.1 million euros in the first half of 2017).

EBIT amounted to 67.5 million euros (+7.4 million euros, or +12.3%, over the first half 2017), equal to 8.7% of net revenues (up on the figure of 7.8% for the same period of 2017).
EBIT does not include impairment of goodwill in the first six months of 2018 or in the same period of the previous year, as i) based on the results forecast in long-term development plans prepared by Group companies and used for impairment tests performed at 31 December 2017, and ii) based on analyses carried out by Group management when preparing this Half-year Financial Report at 30 June 2018, no write-downs were deemed necessary, as 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 climate of uncertainty on core and financial markets, the various factors – both inside and outside the cash-generating units identified – used in preparing estimates could be revised in the future: the Group

will constantly monitor these factors and the possible existence of future impairment losses.

Net financial income was 21.6 million euros negative, equal to 2.8% of the Group's net revenues (compared to 21.5 million euros negative in the first half of 2017), and consists of negative balances of 13.4 million euros relative to the industrial sector (compared to -16 million euros in the first half of 2017), 0.7 million euros relative to the marine sector (compared to 1.1 million euros in the first half of 2017) and 7.6 million euros relative to the property and holding sector (worse compared to the figure of 4.4 million euros negative recorded in the first half of 2017 due to the realisation in February 2017 of a financial gain of 3.35 million euros deriving from the sale of stock options granted to Immsi on the occasion of the Unicredit capital increase to which the parent company has not adhered).

Profit before tax stood at 45.9 million euros at 30 June 2018, or 5.9% of net revenues, compared to 38.6 million euros (5% of net revenues) at 30 June 2017, with the industrial sector contributing 48.5 million euros, the marine sector 6.7 million euros and the property and holding sector 9.3 million euros negative.
Taxes for the period totalled approximately 23.6 million euros, compared to 18.3 million at 30 June 2017. The tax rate amounted to 51.4% at 30 June 2018 and 47.4% at 30 June 2017 respectively.

Net profit for the period, after taxation and net of non-controlling interests, totalled 11.4 million euros (1.5% of net revenues), in line with the figure of 11.3 million euros at 30 June 2017 (1.5% of net revenues).

Reclassified statement of financial position of the Group

In thousands of euros	*30.06.2018*	*as a %*	*31.12.2017*	*as a %*	*30.06.2017*	*as a %*
Current assets:						
Cash and cash equivalents	201,495	9.1%	138,949	6.8%	225,384	10.0%
Financial assets	0	0.0%	0	0.0%	0	0.0%
Operating activities	605,057	27.3%	484,439	23.7%	573,894	25.6%
Total current assets	**806,552**	**36.4%**	**623,388**	**30.5%**	**799,278**	**35.6%**
Non-current assets:						
Financial assets	0	0.0%	0	0.0%	0	0.0%
Intangible assets	825,356	37.3%	826,198	40.5%	833,959	37.2%
Plant, property and equipment	296,557	13.4%	307,343	15.1%	319,457	14.2%
Other assets	284,411	12.9%	284,650	13.9%	291,102	13.0%
Total non-current assets	**1,406,324**	**63.6%**	**1,418,191**	**69.5%**	**1,444,518**	**64.4%**
TOTAL ASSETS	**2,212,876**	**100.0%**	**2,041,579**	**100.0%**	**2,243,796**	**100.0%**
Current liabilities:						
Financial liabilities	467,914	21.1%	426,527	20.9%	504,209	22.5%
Operating liabilities	692,541	31.3%	577,028	28.3%	671,341	29.9%
Total current liabilities	**1,160,455**	**52.4%**	**1,003,555**	**49.2%**	**1,175,550**	**52.4%**
Non-current liabilities:						
Financial liabilities	576,812	26.1%	571,342	28.0%	584,521	26.1%
Other non-current liabilities	96,455	4.4%	95,993	4.7%	106,104	4.7%
Total non-current liabilities	**673,267**	**30.4%**	**667,335**	**32.7%**	**690,625**	**30.8%**
TOTAL LIABILITIES	**1,833,722**	**82.9%**	**1,670,890**	**81.8%**	**1,866,175**	**83.2%**
TOTAL SHAREHOLDERS' EQUITY	**379,154**	**17.1%**	**370,689**	**18.2%**	**377,621**	**16.8%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,212,876**	**100.0%**	**2,041,579**	**100.0%**	**2,243,796**	**100.0%**

Current assets at 30 June 2018 amounted to 806.6 million euros, an increase of 183.2 million euros from 31 December 2017 and of 7.3 million euros from 30 June 2017. The increase compared with year-end 2017 is mainly due to the growth in liquid and very short-term bank deposits (+62.5 million euros), trade receivables and other receivables (+58.2 million euros), and inventories (+55.6 million euros), mainly concerning the Piaggio group due to the seasonality of the business.

Non-current assets at 30 June 2018 stood at 1,406.3 million euros against 1,418.2 million at 31 December 2017, a decrease of 11.9 million euros.
Specifically, among non-current assets, intangible assets totalled 825.4 million euros, a decrease of 0.8 million euros compared to 31 December 2017, while property, plant and equipment stood at 296.6 million euros (down by around 10.8 million euros compared to the end of 2017). Other assets amounted to 284.4 million euros (against 284.7 million euros at the end of 2017).

Current liabilities at 30 June 2018 amounted to 1,160.5 million euros, an increase compared to 31 December 2017 of 156.9 million euros, compared to the increase in operating liabilities (+115.5 million euros, of which +119.4 million in the Piaggio group), related primarily to the seasonality of purchases and the increase in current financial liabilities from 426.5 million euros to 467.9 million euros, due to higher bank debt posted by Immsi S.p.A. in particular.
Non-current liabilities at 30 June 2018 stood at 673.3 million euros, up by approximately 5.9 million euros from 667.3 million euros at 31 December 2017. Consolidated Group equity and non-controlling interests totalled 379.2 million euros at 30 June 2018, of which 148.3 million euros attributable to non-controlling interests.

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

In thousands of euros	***30.06.2018***	***as a %***	***31.12.2017***	***as a %***	***30.06.2017***	***as a %***
Current operating assets	605,057	45.9%	484,439	36.5%	573,894	42.6%
Current operating liabilities	-692,541	-52.5%	-577,028	-43.5%	-671,341	-49.8%
Net operating working capital	**-87,484**	**-6.6%**	**-92,589**	**-7.0%**	**-97,447**	**-7.2%**
Intangible assets	825,356	62.6%	826,198	62.3%	833,959	61.9%
Plant, property and equipment	296,557	22.5%	307,343	23.2%	319,457	23.7%
Other assets	284,411	21.6%	284,650	21.5%	291,102	21.6%
Capital employed	**1,318,840**	**100.0%**	**1,325,602**	**100.0%**	**1,347,071**	**100.0%**
Non-current non-financial liabilities	96,455	7.3%	95,993	7.2%	106,104	7.9%
Capital and reserves of non-controlling interests	148,288	11.2%	149,066	11.2%	155,195	11.5%
Consolidated shareholders' equity attributable to the Group	230,866	17.5%	221,623	16.7%	222,426	16.5%
Total non-financial sources	**475,609**	**36.1%**	**466,682**	**35.2%**	**483,725**	**35.9%**
Net financial debt	**843,231**	**63.9%**	**858,920**	**64.8%**	**863,346**	**64.1%**

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

In thousands of euros	*30.06.2018*	*30.06.2017*
Cash generated internally	100,106	105,902
Change in net working capital	-25,997	-17,254
Net cash flow generated from operations	**74,109**	**88,648**
Payment of dividends by the Parent Company	0	0
Payment of dividends to non-controlling interests by Group companies	-9,835	-9,752
Acquisition of intangible assets	-34,625	-26,743
Purchase of plant, property and equipment	-14,397	-12,532
Net decrease from property disposals	797	84
Acquisition of non-controlling investments, net of disposal	-13	2,569
Other net movements	-347	1,232
Change in net debt	**15,689**	**43,506**
Initial net debt	**-858,920**	**-906,852**
Closing net debt	**-843,231**	**-863,346**

Net financial debt fell from 858.9 million euros at 31 December 2017 to 843.2 million at 30 June 2018, mainly due to cash generated internally (+100.1 million euros), partially offset by cash used in working capital dynamics (26 million euros), net investments in property, plant and equipment and intangible assets for the period, almost entirely relating to the Piaggio group (-48.2 million euros), and dividends paid to non-controlling interests (-9.8 million euros).

Net financial debt at 30 June 2018 is analysed below and compared to the figures at 31 December 2017 and 30 June 2017.

In thousands of euros	*30.06.2018*	*31.12.2017*	*30.06.2017*
Short-term financial assets			
Cash and cash equivalents	-201,495	-138,949	-225,384
Financial assets	0	0	0
Total short-term financial assets	**-201,495**	**-138,949**	**-225,384**
Short-term financial payables			
Bonds	9,632	9,625	9,624
Payables due to banks	393,566	357,917	423,782
Amounts due for finance leases	1,247	1,144	1,135
Amounts due to other lenders	63,469	57,841	69,668
Total short-term financial payables	**467,914**	**426,527**	**504,209**
Total short-term financial debt	**266,419**	**287,578**	**278,825**
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			
Bonds	303,491	309,880	317,832
Payables due to banks	264,649	251,950	256,597
Amounts due for finance leases	8,494	9,168	9,740
Amounts due to other lenders	178	344	352
Total medium/long-term financial payables	**576,812**	**571,342**	**584,521**
Total medium-/long-term financial debt	**576,812**	**571,342**	**584,521**
Net financial debt *)	**843,231**	**858,920**	**863,346**

*) 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 as well as interest payable and enforceable due on loans received (see note G2 – “Financial liabilities” in the Notes)

With reference to the breakdown of debt, compared to 31 December 2017, short-term financial debt decreased from a balance of 287.6 million euros to a balance of 266.4 million euros (i.e. -21.2 million euros), with a corresponding increase in medium-long term financial debt from 571.3 million euros to 576.8 million euros (+5.5 million euros). This trend was mainly due to the change in bank debt, of which details are given in the relative notes to the Condensed Interim Financial Statements.

Research & development

The Immsi Group carries out research and development activities through the Piaggio group and the subsidiary Intermarine S.p.A. The following is a summary of the main activities carried out in the two respective sectors (industrial and marine). For further information, please refer to the section on Product and Service dimension in the Consolidated Non-Financial Statement pursuant to Italian Legislative Decree no. 254/2016 included in the Report and Financial Statements of the Immsi Group at 31 December 2017.

With reference to the **industrial sector**, in the first half of 2018 the Piaggio group continued its policy of consolidating technological leadership in the sector, allocating total resources of 41.4 million euros to research and development, of which 32.5 million 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. The company capitalised 6.3 million euros in intangible assets, net of amortisation and deferred income, and 24.9 million euros in inventories relating to prototypes under construction. In the first half of the year, amortisation of the deferred charges relating to the second project was started.

Risk factors

With reference to the risk factors characterising the business of the Immsi Group, no significant variations occurred during the first half of 2018 in relation to the contents of the Report of the Directors and the Financial Statements of the Immsi Group at 31 December 2017, to which reference is made for further details.

Human resources

At 30 June 2018, the Immsi Group employed 7,344 staff, of which 98 in the property and holding sector, 6,976 in the industrial sector (Piaggio group) and 270 in the naval sector (Intermarine S.p.A.). The following tables divide resources by category and geographical area:

Human resources by category

numbers	30.06.2018			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Senior management	5	98	7	110
Middle managers and white collars	41	2,350	149	2,540
Manual workers	52	4,528	114	4,694
TOTAL	**98**	**6,976**	**270**	**7,344**

numbers	31.12.2017			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Senior management	6	97	7	110
Middle managers and white collars	36	2,336	150	2,522
Manual workers	27	4,187	118	4,332
TOTAL	**69**	**6,620**	**275**	**6,964**

numbers	Changes			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Senior management	-1	1	0	0
Middle managers and white collars	5	14	-1	18
Manual workers	25	341	-4	362
TOTAL	**29**	**356**	**-5**	**380**

Human resources by geographic segment

numbers	30.06.2018			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Italy	98	3,430	270	3,798
Rest of Europe	0	179	0	179
Rest of the World	0	3,367	0	3,367
TOTAL	**98**	**6,976**	**270**	**7,344**

numbers	31.12.2017			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Italy	69	3,444	275	3,788
Rest of Europe	0	177	0	177
Rest of the World	0	2,999	0	2,999
TOTAL	**69**	**6,620**	**275**	**6,964**

numbers	Changes			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Italy	29	-14	-5	10
Rest of Europe	0	2	0	2
Rest of the World	0	368	0	368
TOTAL	**29**	**356**	**-5**	**380**

The increase in workforce at 30 June 2018 is mainly attributable to the industrial sector and in particular to the increase in the workforce in India, where, following the increase in demand for commercial vehicles, greater use was made of temporary labour, and in Asia Pacific.

Employee figures are affected by seasonal workers in the summer (fixed-term contracts and fixed-term service contracts). In fact the Group uses fixed-term employment contracts to handle typical peaks in demand in the summer months.

For further information concerning the Group's labour force (in regard to pay and training policy, diversity and equal opportunities, health and safety, etc.) see the ample information provided in the Social section of the Consolidated non-financial statement at 31 December 2017 drawn up pursuant to Italian Legislative Decree no. 254/2016.

Stock options

At 30 June 2018, Immsi S.p.A. had no existing stock option plan.

With reference also to the subsidiary Piaggio & C. S.p.A., at 30 June 2018 there were no incentive plans based on the allocation of financial instruments.

Treasury shares

At 30 June 2018, 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 Ordinary Shareholders' Meeting of Immsi S.p.A. of 10 May 2018 approved a plan for the purchase and disposal of ordinary shares of the Company, revoking the previous authorisation of the Ordinary Shareholders' Meeting of Immsi S.p.A. of 12 May 2017.
The Board of Directors of Immsi S.p.A. in the meeting held on 10 May 2018 – following the above approval from the shareholders' meeting - resolved to launch a programme to purchase treasury shares as a strategic investment strategy for all purposes allowed by applicable laws, including the purposes indicated in article 5 of Regulation (EU) 596/2014 (Market Abuse Regulation, "MAR"), including the purchase of treasury shares based on their subsequent cancellation, and according to practices permitted by article 13 of the MAR.

The purchase of shares connected with the adoption of the programme will be based on the procedures and limits established by the above mentioned resolution of the shareholders' meeting and specifically:

- the purchase may be for a maximum of 10,000,000 ordinary Immsi shares, with no nominal value indicated, for a maximum value of 10 million euros;

- the purchase of treasury shares must be within the limits of profit that may be distributed and available reserves as resulting from the last, also interim, financial statements approved at the time the operation takes place;

- treasury shares will be purchased on regulated markets with appropriate procedures that ensure equal treatment for all shareholders pursuant to article 132 of Legislative Decree no. 58/1998, with a gradual approach that is considered suitable for the interests of the Company and as permitted by applicable laws, according to the procedures established in article 144-*bis*, paragraph 1, letter b) of Consob Regulation 11971/1999, as amended, and considering trading conditions as of article 3 of Commission Delegated Regulation (EU) 2016/1052 ("Regulation 1052") implementing the MAR (i) at a price higher than the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out, save for the unit amount not being less than 20% and being greater than 10% the arithmetic mean of official prices registered for the Immsi share in the ten trading days prior to each single purchase transaction; (ii) for volumes of more than 25% the average daily volume of Immsi S.p.A. shares traded on a regulated market on which the purchase is carried out, calculated according to the parameters as of article 3 of Regulation 1052;

- the purchase programme may also take place in several tranches, ending by 10 November 2019.

With reference also to the subsidiary Piaggio & C. S.p.A., at 30 June 2018, the company had no own shares.

Related party transactions

Revenues, costs, payables and receivables as of 30 June 2018 involving parent, subsidiaries and affiliated companies, refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
Information on related-party transactions, including the information required by Consob communication no. DEM/6064293 of 28 July 2006 is presented in the "Notes to the Condensed Consolidated Interim Financial Statements as of 30 June 2018”.

Disputes in progress

For information on disputes taking place at a Group level, in addition to that described below, reference is made to the Directors’ Report on Operations of the Immsi Group at 31 December 2017, in the section entitled “Disputes in progress”, except for the main updates illustrated below.

As far as the **property sector** is concerned, below is a summary of events during the first half of 2018 concerning the company Is Molas S.p.A.:

- With regard to the dispute with Sarroch Granulati S.r.l., accepting in full the preliminary defences of Is Molas and the Rete Gamma Bankruptcy, the Court declared the intervention of Sarroch Granulati and Mr. Piscedda personally inadmissible, with the appeal process coming to an end. On 2 July 2018, Mr. Piscedda was ordered to pay 12,000 euros to Is Molas.

As regards Apuliae S.p.A.:

- In the proceedings before the Court of Lecce, initiated by the company against the Province of Lecce, at the hearing of 11 April 2018, the judge adjourned the case for discussion to 20 February 2019; while in the proceedings between the Agenzia del Demanio (Italian State Property Agency) and the Province of Lecce, which Apuliae also joined as a party to the action, now pending before the Court of Appeal of Lecce, at the first hearing on 3 April 2018 the hearing to clarify the conclusions was set on 3 December 2018.

Regarding the industrial sector (Piaggio group):

- Peugeot Motocycles SAS served a writ against Piaggio before the Court of Milan, claiming that the patent on which the claim of infringement was based was annullable as a result of a pre-existing Japanese patent application. The Company joined the proceedings and, at a hearing held on 22 May 2018, a court-appointed expert was appointed, with a deadline of 15 January 2019 for filing the report; the next hearing to discuss the expert opinion was set for

29 January 2019.

- On 22 December 2017, Piaggio & C. S.p.A. received two notices of assessment issued by the Revenue Agency - Regional Department of Tuscany - Major Taxpayers Section - both relative to the 2012 tax period and concerning transfer pricing for corporate income tax and regional production tax purposes. With regard to both notices of assessment, the company, sure of its legal standing, in compliance with the OECD guidelines and with the Decree of 14 May 2018 and in the absolute absence of any fiscal exploitation, set up a phase of discussion with the Tax Investigation Office by submitting a request for verification with acceptance on 23 January 2018 in order to reach a rapid settlement with the Revenue Agency.
  Since an agreement has not yet been reached with the Office, in order to prevent the expiration of the terms from making the document final, on 11 June 2018 and 25 July 2018 (for the corporate income tax and regional production tax notices of assessment, respectively), the Company appealed to the Florence Provincial Tax Commission (abbreviated as CTP), which has not yet set the date for the hearing.
- Furthermore, the Company has successfully lodged appeals before the Income Tax Appellate Tribunal against the assessment orders received following the audits on the income generated by Piaggio in India during the Indian tax periods of 2009-2010 and 2010-2011, concerning interest-inclusive figures of approximately 1.2 million euros and 1.1 million euros, respectively. The Indian tax authorities have lodged an appeal with the High Court against the first instance decision and the date of the hearing has not yet been set.
- As regards Piaggio France S.A., a favourable ruling was issued in December 2012 by the *Commission Nationale des Impots directes et des taxes sur le chiffre d'affaires* on disputes with the French tax authorities concerning a general audit of the 2006 and 2007 periods. However, the local authorities decided to uphold the complaints made against the Company, requesting repayment of the amounts identified and issuing the related demands (one for withholding tax, and the other relating to corporate income tax and VAT).
  The company challenged these acts before the *Tribunal Administratif* with an unfavourable outcome. An appeal was lodged against those decisions with the Cour Administrative d'Appel de Versailles; following a hearing held on 23 January 2018, the appeal judges handed down a ruling in the Company's favour. The disputed amount of approximately 3.7 million euros, including interest, was initially paid to the French tax authorities and subsequently returned following this ruling This latest ruling was challenged by the French tax authorities before the Conseil d'Etat and the company is currently preparing the relevant pleadings.

As regards the **marine sector** (Intermarine Group):

- With regard to the Yachtitaly dispute, following the sentence of appeal in favour of Intermarine, which provides for the return of more than 600 thousand euros to it, the counterparty filed an appeal with the Supreme Court, while Intermarine filed an appropriate counter-appeal. The date of the hearing before the Supreme Court is pending.
- In the second quarter of 2018 the Revenue Agency - Provincial Department of La Spezia carried out a tax audit for the year 2015; the audit was completed at the end of June with two minor findings (about 80 thousand euro of IRES and 80 thousand euro of VAT), which may be paid as part of a settlement procedure, with a total effect of less than 30 thousand euros, covered by funds already allocated in the financial statements.

As regards the Pietra Ligure S.r.l. project:

- with regard to the dispute with Como S.r.l. for a guarantee and enforcement to pay of 2.7 million euros, at the hearing of 4 July 2018, the judge withheld the decision, authorising the parties to file their final pleadings by 3 October 2018 and their pleadings of reply by 23 October 2018.

Events occurring after 30 June 2018 and operating outlook

With regard to the Parent Company, in August 2018 a short-term loan of 10 million euros was taken out with ING Bank.

With regard to Intermarine, in July 2018 the Finnish Navy signed the final approval certificates for the 3 minesweepers, with the consequent release of the relative precautionary deductions.

As regards significant events subsequent to 30 June 2018, in July Piaggio & C. S.p.A. and Foton Motor Group signed the technical annexes to the contract for the development and production of a new range of four-wheel light commercial vehicles (signed by the parties on 16 May), successfully completing the pre-defined procedure.
The completion of the last contractual step and the definitive effectiveness of the partnership between the Piaggio group and Foton Motor group has kick-started the process of the investments necessary for the production of new types of light commercial vehicles. All operations will be concentrated in the Piaggio group's Pontedera plants and the related products will be launched on the market from 2020.

No additional significant events occurred after 30 June 2018.

As regards the expected outlook for the Immsi Group, with reference to the subsidiary **Is Molas S.p.A.**, the company is continuing the marketing activities aimed at identifying buyers, also at the international level.

As far as the **industrial sector** is concerned, against a background of the Piaggio group taking a more prominent role on global markets, the Group is committed to:

- confirming its leadership position on the European two-wheeler market, optimally levering expected recovery by:
  - further consolidating its product range;
  - maintaining current positions on the European commercial vehicles market;
- consolidating operations in Asia Pacific, exploring new opportunities in countries in the area, always paying particular attention to the premium segment of the market;
- strengthening sales on the Indian scooter market thanks to the Vespa and Aprilia SR product range;
- increasing the penetration of commercial vehicles in India, thanks to the introduction of new engines.

More in general, the Group is committed - as in recent years and for operations in 2018 - to increasing productivity, with a strong focus on cost-efficiency and investments, while complying with its own business ethics.

With reference to the **marine sector**, Intermarine S.p.A. expects to consolidate over the next 12 months an increase in production volumes and economic results as a result of new orders, currently under negotiation, for approximately 200 million euros, with a consequent increase in shareholders' equity and a reduction in financial exposure.

Immsi Group

Condensed half-year financial statements

to

30 June 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

In thousands of euros

ASSETS		30 June 2018	31 December 2017
NON-CURRENT ASSETS			
Intangible assets	*F1*	825,356	826,198
Plant, property and equipment	*F2*	296,557	307,343
Investment property	*F3*	85,909	85,637
Investments	*F4*	8,090	7,583
Other financial assets	*F5*	8,090	7,364
Tax receivables	*F6*	17,819	19,913
Deferred tax assets	*F7*	121,876	122,984
Trade receivables and other receivables	*F8*	15,444	13,986
- of which with Related Parties		*94*	*115*
TOTAL NON-CURRENT ASSETS		1,379,141	1,391,008
ASSETS HELD FOR DISPOSAL	*F9*	27,183	27,183
CURRENT ASSETS			
Trade receivables and other receivables	*F8*	213,110	154,934
- of which with Related Parties		*5,723*	*5,878*
Tax receivables	*F6*	20,749	13,656
Inventories	*F10*	364,801	309,184
Other financial assets	*F5*	6,397	6,665
Cash and cash equivalents	*F11*	201,495	138,949
TOTAL CURRENT ASSETS		806,552	623,388
TOTAL ASSETS		2,212,876	2,041,579

LIABILITIES		30 June 2018	31 December 2017
SHAREHOLDERS' EQUITY			
Consolidated shareholders' equity attributable to the Group		230,866	221,623
Capital and reserves of non-controlling interests		148,288	149,066
TOTAL SHAREHOLDERS' EQUITY	*G1*	379,154	370,689
NON-CURRENT LIABILITIES			
Financial liabilities	*G2*	584,521	578,462
- of which with Related Parties		*0*	*2,900*
Trade payables and other payables	*G3*	6,897	6,829
- of which with Related Parties		*13*	*12*
Retirement fund and similar obligations	*G4*	49,045	48,628
Other long-term provisions	*G5*	10,325	10,739
Deferred tax liabilities	*G6*	22,479	22,677
TOTAL NON-CURRENT LIABILITIES		673,267	667,335
LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL		0	0
CURRENT LIABILITIES			
Financial liabilities	*G2*	473,336	432,032
- of which with Related Parties		*9*	*9*
Trade payables	*G3*	584,689	490,483
- of which with Related Parties		*16,240*	*9,319*
Current taxes	*G7*	22,716	12,309
Other payables	*G3*	59,152	47,928
- of which with Related Parties		*166*	*214*
Current portion of other long-term provisions	*G5*	20,562	20,803
TOTAL CURRENT LIABILITIES		1,160,455	1,003,555
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,212,876	2,041,579

CONSOLIDATED INCOME STATEMENT AT 30 JUNE 2018

In thousands of euros

		1st half of 2018	*1st half of 2017*
Net revenues	*H1*	774,071	779,686
- of which with Related Parties		*2,219*	*998*
Costs for materials	*H2*	439,103	435,242
- of which with Related Parties		*14,069*	*16,424*
Costs for services, leases and rentals	*H3*	132,699	137,741
- of which with Related Parties		*554*	*450*
Employee costs	*H4*	122,468	123,164
Depreciation of plant, property and equipment	*H5*	21,431	24,258
Impairment of goodwill		0	0
Amortisation of intangible assets with a definite life	*H6*	34,630	38,124
Other operating income	*H7*	56,474	54,148
- of which with Related Parties		*79*	*121*
Other operating costs	*H8*	12,686	15,170
- of which with Related Parties		*79*	0
OPERATING INCOME		67,528	60,135
Earnings on investments	*H9*	404	637
Financial income	*H10*	15,202	11,802
Borrowing costs	*H11*	37,235	33,927
- of which with Related Parties		*93*	*73*
PROFIT BEFORE TAX		45,899	38,647
Taxes	*H12*	23,598	18,331
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS		22,301	20,316
Gain (loss) from assets held for disposal or sale	*H13*	0	0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS		22,301	20,316
Earnings for the period attributable to non-controlling interests		10,901	9,017
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	*H14*	11,400	11,299

EARNINGS PER SHARE

In euros

From continuing and discontinued operations:	*1st half of 2018*	*1st half of 2017*
Basic	0.033	0.033
Diluted	0.033	0.033

From continuing operations:	*1st half of 2018*	*1st half of 2017*
Basic	0.033	0.033
Diluted	0.033	0.033

Average number of shares:	340,530,000	340,530,000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 30 JUNE 2018

In thousands of euros

	1st half of 2018	*1st half of 2017*
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	22,301	20,316
Items that will not be reclassified to profit or loss		
Profit (losses) arising from the fair value measurement of assets and liabilities recognised in the statement of comprehensive income	(356)	(21,606)
Actuarial gains (losses) on defined benefit plans	(1,203)	1,923
Total	(1,559)	(19,683)
Items that may be reclassified to profit or loss		
Gains/(losses) on cash flow hedges	649	164
Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	(3,091)	(5,982)
Total	(2,442)	(5,818)
Other Consolidated Comprehensive Income (Expense)	(4,001)	(25,501)
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD	18,300	(5,185)
Comprehensive earnings for the period attributable to non-controlling interests	9,058	5,176
COMPREHENSIVE EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	9,242	(10,361)

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

STATEMENT OF CONSOLIDATED CASH FLOWS AT 30 JUNE 2018

In thousands of euros

		30.06.2018	30.06.2017
Operating activities			
Profit before tax		45,899	38,647
Depreciation of plant, property and equipment (including investment property)	*H5*	21,431	24,258
Amortisation of intangible assets	*H6*	34,630	38,124
Provisions for risks and for severance indemnity and similar obligations	*H4 - H8*	10,562	13,324
Write-downs (reversals of fair value measurements)	*H7 - H8*	1,508	776
Losses / (Gains) on the disposal of plant, property and equipment (including investment property)	*H7 - H8*	(66)	(77)
Capital losses / (Gains) on the disposal of intangible assets	*H7 - H8*	0	(2)
Losses / (Gains) on the disposal of securities	*H10 - H11*	0	(3,350)
Interest income	*H10*	(1,421)	(858)
Interest expense	*H11*	27,110	24,723
Amortisation of grants	*H7*	(2,809)	(2,405)
Portion of earnings before taxes of affiliated companies (and other companies valued using the equity method)	*H9*	(404)	(637)
Change in working capital:			
(Increase) / Decrease in trade receivables	*F8*	(51,401)	(50,400)
(Increase)/Decrease in inventories	*F10*	(55,617)	(45,112)
Increase / (Decrease) in trade payables	*G3*	94,207	100,167
(Increase) / Decrease in contract work in progress	*F8*	(3,744)	(8,286)
Increase / (Decrease) in provisions for risks	*G5*	(7,194)	(5,720)
Increase / (Decrease) in reserves for severance indemnity and similar obligations	*G4*	(3,653)	(7,916)
Other changes		(4,010)	6,111
Cash generated from operating activities		105,028	121,367
Interest paid		(23,679)	(20,915)
Taxes paid		(13,056)	(6,779)
Cash flow from operations		68,293	93,673
Investing activities			
Investments in plant, property and equipment (including investment property)	*F2*	(14,397)	(12,532)
Sale price, or repayment value, of plant, property and equipment (including investment property)	*F2*	863	161
Investments in intangible assets	*F1*	(34,625)	(26,743)
Sale price, or repayment value, of intangible assets		38	467
Purchase of financial assets	*F5*	(13)	(781)
Sale price of financial assets		0	3,350
Collected interests		335	399
Grants received		0	584
Cash flow from investing activities		(47,799)	(35,095)
Financing activities			
Loans received		314,791	115,607
Outflow for repayment of loans		(260,867)	(130,237)
Repayment of finance leases		(570)	(561)
Outflow for dividends paid to non-controlling interests		(9,835)	(9,752)
Cash flow from financing activities		43,519	(24,943)
Increase / (Decrease) in cash and cash equivalents		64,013	33,635
Opening balance		135,258	173,223
Exchange differences		(1,408)	(5,354)
Closing balance		197,863	201,504

Changes in working capital include an increase in trade payables and other payables towards Related Parties for 6,873 thousand euros and a decrease in trade receivables and other receivables from Related Parties for 176 thousand euros. For greater details on the relations between Related Parties taking place during the first half of 2018, reference is made to the tables at the end of this Report.

This schedule illustrates the changes in cash and cash equivalents totalling 201.5 million euros at 30 June 2018, gross of short-term bank overdrafts of 3.6 million euros.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 30 JUNE 2018

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 2016	***178,464***	***62,986***	***(8,663)***	***232,787***	***159,771***	***392,558***
Allocation of Group earnings to the Legal Reserve		275	(275)			0
Allocation of Group earnings to Dividends					(9,752)	(9,752)
Allocation of Group earnings to Retained Earnings/Losses		(8,938)	8,938			0
Other changes						0
Overall earnings for the period		(21,660)	11,299	(10,361)	5,176	(5,185)
Balances at 30 June 2017	***178,464***	***32,663***	***11,299***	***222,426***	***155,195***	***377,621***

	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 2017	***178,464***	***34,970***	***8,189***	***221,623***	***149,066***	***370,689***
Allocation of Group earnings to the Legal Reserve		152	(152)			0
Allocation of Group earnings to Dividends					(9,835)	(9,835)
Allocation of Group earnings to Retained Earnings/Losses		8,037	(8,037)			0
Other changes		1		1	(1)	0
Overall earnings for the period		(2,158)	11,400	9,242	9,058	18,300
Balances at 30 June 2018	***178,464***	***41,002***	***11,400***	***230,866***	***148,288***	***379,154***

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2018

- 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"), and information on significant events after 30 June 2018 and operating outlook are described in the Half-year Financial Report. At 30 June 2018, 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 interim 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 as this is the currency in which most of the Group's transactions take place.
The amounts in the above schedules and in the Notes on the consolidated financial 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 interim financial statements are subject to limited auditing by the independent auditors PricewaterhouseCoopers S.p.A. pursuant to the mandate granted by the Shareholders' Meeting on 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.

The information provided in the Half-Year Report should be read together with the Consolidated Financial Statements at 31 December 2017, prepared according to IFRS.

The financial statements have been prepared on a going concern basis. 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, on the assumption that the various lines that will become due in the next 12 months, and in particular for the Parent Company Immsi S.p.A., will be fully renewed by the banks. The above also means that the guarantees are available that these contracts required to be able to activate them and also that there are no breaches of the Guarantee Values and financial covenants or if they have been breached the banks are willing to grant an exemption from compliance with them.

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, reference is made to the section "*Accounting standards and measurement criteria – Use of estimates*" in the Consolidated Financial Statements of the Immsi Group at 31 December 2017.

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 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, highlighting the significant related party transactions.

It should be noted that in the first half of 2017 there were no significant non-recurring transactions, while in the first half of 2018 the values generated by the following events were reflected:

- with regard to the subsidiary Piaggio & C. S.p.A., a liability management operation was completed on the "Euro 250 million Piaggio 4,625% due 2021" bond, the effects of which were recognised in the income statement as required by IFRS 9. In particular, at the beginning of April 2018 Piaggio & C. S.p.A. exercised the call option provided for by the bond issued on 24 April 2014 for a total amount of 250,000 thousand euros and expiring on 30 April 2021. On 9 May, the remaining portion of this loan (equal to approximately 168,497 thousand euros) was paid back at the price of 101.25%, after the finalisation of the exchange offer launched on 9 April. The transaction was recognised in profit or loss for the first half of 2018 for:
  - financial expenses related to premiums paid to bondholders who did not take part in the exchange offer for the exchange of securities in issue and to costs not yet amortised of the loan reimbursed (3,521 thousand euros);
  - financial income deriving from the operation to modify the original liability with a new bond issued at more favourable conditions for the issuer (4,431 thousand euros).
- with regard to the marine sector, Intermarine decided to terminate its existing contracts in view of the serious default of the Asian shipyard. Consequently, the Company recognised gross income of about 4 million euros, which reflects the higher amount of revenues earned compared with production progress.

These operations come under significant non-recurrent transactions, as defined by Consob Communication DEM/6064293 of 28 July 2006.

No atypical or unusual transactions are reported for the first half of 2018 or the corresponding period of the previous year, as defined by 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 statement of financial position is presented in opposite sections with separate indication of assets, liabilities, and shareholders’ equity. In turn, assets and liabilities are reported in the Consolidated Financial Statements on the basis of their classification as current and non-current.

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

Statement of changes in consolidated shareholders' equity
The Statement of Changes in consolidated 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:

	Exchange rate at 29 June 2018	Average exchange rate 1st half of 2018	Exchange rate at 29 December 2017	Average exchange rate 1st half of 2017
US Dollar	1.1658	1.21035	1.1993	1.08302
Pounds Sterling	0.88605	0.879767	0.88723	0.86059
Indian Rupee	79.8130	79.49031	76.6055	71.17602
Singapore Dollars	1.5896	1.60544	1.6024	1.52076
Chinese Renminbi	7.7170	7.70859	7.8044	7.44483
Croatian Kuna	7.3860	7.41782	7.44	7.44860
Japanese Yen	129.04	131.60571	135.01	121.78039
Vietnamese Dong	26,574.57	27,356.23031	26,934.34	24,408.40899
Canadian Dollars	1.5442	1.54575	1.5039	1.44529
Indonesian Rupiah	16,746.8	16,652.05159	16,260.11	14,437.95142
Brazilian Real	4.4876	4.14146	3.9729	3.44311

- B - SCOPE OF CONSOLIDATION

At 30 June 2018, the Immsi Group structure was that attached at the end of these Notes. The scope of consolidation at 30 June 2018 has not changed compared to the consolidated financial statements at 31 December 2017, while compared to 30 June 2017 it has changed as follows:

- with reference to the holding of the Parent Company Immsi S.p.A. in ISM Investimenti S.p.A., in light of the different rights derived from ownership of the two shareholders and the analysis of the impairment test, the portion of consolidated shareholders' equity of ISM Investimenti S.p.A. is estimated at 51.55% from 31 December 2017, down from 60.39% on 30 June 2017;
- the portion of consolidated shareholders' equity of the Piaggio group, which at 30 June 2018 stood at 50.07%, was 50.49% at 30 June 2017: the decrease was the result of the disposal in August 2017 by the Parent Company of 1.5 million Piaggio shares;
- the investment in Rodriquez Mexico, a non-operating company controlled by Intermarine S.p.A. was disposed of at the end of 2017.

These changes are limited and did not affect the comparability of the balance sheet and income statement between the two reporting periods.

- C - CONSOLIDATION PRINCIPLES

In preparing these Condensed Interim Financial Statements of the Immsi Group, drawn up in compliance with IAS 34 – Interim Financial Reporting, the accounting standards used to prepare the Consolidated Financial Statements at 31 December 2017 (see for more details), were adopted, save for information in the next section on Accounting standards and measurement criteria.

- D - ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The accounting standards adopted for the preparation of these condensed half-year financial statements are the same as those followed for the preparation of the consolidated financial statements at 31 December 2017, with the exception of the adoption, as from 1 January 2018, of IFRS 15 "Revenues from contracts with customers" published jointly in May 2014 by the IASB and the FASB. IFRS 15 sets out the requirements for recognising revenues, introducing an approach whereby revenue is only recognised if contractual obligations have been met in full. According to the standard, revenue is recognised based on the following five steps:

- identification of the agreement;
- identification of individual obligations;
- determination of the price of the transaction;

- allocation of the price of the transaction to individual bonds on the basis of their “market price” (the “stand-alone selling price");
- revenues allocated to the individual bond where regulated, i.e. where the client obtains control of the goods and/or services.

The Group has carried out an in-depth analysis of the different cases of individual companies. In particular, the Piaggio group has verified the different types of contract relating to the sale of 2/3/4-wheelers, spare parts, accessories and components to dealers, importers or direct clients which represent the most significant portion, as well as the types of contract with less economic impact (e.g. royalties). Following this analysis, the Group concluded that there are no significant impacts from the adoption of the new standard insofar as the most significant revenue item continues to be shown in line with the previous accounting policy.

Revenues from the sale of 2/3/4-wheel vehicles, spare parts, accessories and components are recognised when the control is transferred and when the Group fulfils its obligation to do so by transferring the promised goods to the customer.

One exception concerns some scheduled maintenance programmes and extended warranty plans after the legal warranty period (sold together with the vehicle) which, according to the new standard, comprise separate performance obligations and, as such, shall be identified and recognised separately from vehicle revenue. To date, these scheduled maintenance plans / extended warranties have, however, been limited in number and mainly provided in the Vietnamese market.

Other differences in approach refer to different ways of representing revenues, albeit without impacting results, and refer to a different approach to classifying some types of bonuses paid to dealers, consumer financing plans, procedures for representing funds returned by customers (only applicable for the US market in which there is a legal obligation to buy back the vehicle from dealers where certain conditions are met).

With reference to the subsidiary Intermarine, the outcome of the analysis carried out on the order book and the economic impact of the adoption of IFRS 15, has shown that there are significant impacts due to the application of the new standard insofar as the most significant revenue items continue to be shown in line with previous accounting policies. Given the complexity of Intermarine agreements, involving multiple legal, operational and financial aspects, the subsidiary will continue to monitor the above matters and related applications in compliance with IFRS 15.

The Group has adopted IFRS 15 and all its related amendments, applying the modified retrospective method, not modifying the figures of the 2017 financial statements reported for comparison, but highlighting in the Report on Operations at 30 June 2018 the impacts that would have occurred in the various items of the financial statements for the first half of 2017 if the aforesaid standard had already been applied.

The following table summarises the impact of the adoption of IFRS 15 on the consolidated income statement for the first half of 2018:

In thousands of euros	**1st half 2018 published**	**Reclassifications**	**1st half of 2018 without adoption of IFRS 15**
Net revenues	774,071	-4,446	778,517
Cost for materials	-439,103	1,294	-440,397
Costs for services	-132,699	3,152	-135,851
Operating income	67,528	0	67,528

The amendments applicable from 1 January 2018, which do not have a significant impact on the Group, also include the following: i) the amendment to IFRS 2 'Share-based Payment' (the amendments clarify how to account for some share-based payments); ii) the amendment to IAS 40 “Investment Property” (the amendments clarify that a change in use is a necessary condition for transfer to/from Investment Property); iii) annual amendments to IFRS 2014–2016: the significant amendment concerns IAS 28 "Investments in associates and joint ventures" (the amendments clarify, correct or remove the redundant text in the related IFRS standards); iv) Interpretation IFRIC 22 (the amendment addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency).

In 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*". The provisions of IFRS 9 are effective for financial years beginning on or after 1 January 2018, but the Group adopted IFRS 9 early on 1 January 2017, as allowed by the same standard and approved by the Immsi S.p.A. Board of Directors on 12 May 2017, in order to eliminate the lack of uniformity in the valuation of financial assets at their initial recognition and subsequent measurements. The Group has adopted IFRS 9 and all its amendments, applying the modified retrospective method therefore without recalculating the balances relating to previous years.
The Group has made use of the policy choice that allows reference to be made to the provisions of IAS 39 in terms of hedge accounting. The new requirements of IFRS 9 are therefore postponed until the "macrohedging" project is completed.

<u>Accounting standards amendments and interpretations not yet adopted</u>

At the date of these Financial Statements, competent bodies of the European Union had not completed the approval process necessary for the adoption of the following accounting standards and amendments:
• 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 finance lease (on balance sheet) and an operating leases (off balance sheet). 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.
The Group

has set up a working team to assess its potential impacts and believes that it will be able to complete its analysis within the next six months.

<u>Accounting standards, amendments and interpretations not yet applicable</u>

At the date of these Financial Statements, competent bodies of the European Union had not completed the approval process necessary for the application of the following accounting standards and amendments:
• In May 2017, IASB issued the new standard IFRS 17 – Insurance Contracts. The new standard will replace IFRS 4 and will be effective from 1 January 2021.
• In June 2017 the IASB published interpretation IFRIC 23 "Uncertainty over Income Tax Treatments" which provides information on how to account for uncertainties over the tax treatment of a given phenomenon in the recognition of income taxes. IFRIC 23 will be effective from 1 January 2019.

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.

- E - SEGMENT REPORTING

The information for operating segments presented below reflects the internal reporting system utilised by management for making strategic decisions, as provided for by IFRS 8. 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	*Sector property and holding*	*Sector industrial*	*Sector marine*	*Group Immsi*
Net revenues to non-controlling interests	2,039	729,592	42,440	774,071
Intercompany net revenues				0
NET REVENUES	**2,039**	**729,592**	**42,440**	**774,071**
OPERATING INCOME	**-1,781**	**61,885**	**7,424**	**67,528**
Earnings on investments	0	404	0	404
Financial income				15,202
Borrowing costs				37,235
PROFIT BEFORE TAX				**45,899**
Taxes				23,598
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS				**22,301**
Gain (loss) from assets held for disposal or sale				0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS				**22,301**
Earnings for the period attributable to non-controlling interests				10,901
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP				**11,400**

Statement of Financial Position

In thousands of euros	*Sector property and holding*	*Sector industrial*	*Sector marine*	*Group Immsi*
Segment assets	361,374	1,679,669	171,677	2,212,720
Investments in affiliated companies	0	138	18	156
TOTAL ASSETS	**361,374**	**1,679,807**	**171,695**	**2,212,876**
TOTAL LIABILITIES	**367,760**	**1,295,506**	**170,456**	**1,833,722**

Other information

In thousands of euros	*Sector property and holding*	*Sector industrial*	*Sector marine*	*Group Immsi*
Investments in plant, property and equipment and intangible assets	**1,001**	**47,779**	**242**	**49,022**
Depreciation, amortisation and write-downs	**232**	**55,590**	**1,747**	**57,569**
Cash flow from operating activities	**-9,833**	**82,129**	**-4,003**	**68,293**
Cash flow from investing activities	**-888**	**-46,839**	**-72**	**-47,799**
Cash flow from financing activities	**7,066**	**31,140**	**5,313**	**43,519**

Information by geographical areas

The following table presents the Group income statement and balance sheet figures or the first half of 2018 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*	*States United States*	*Rest of the World*	*Group Immsi*
Net revenues to non-controlling interests	452,175	16,538	193,671	28,737	82,950	774,071
Intercompany net revenues						0
NET REVENUES	**452,175**	**16,538**	**193,671**	**28,737**	**82,950**	**774,071**

Statement of Financial Position

In thousands of euros	*Italy*	*Rest of Europe*	*India*	*States United States*	*Rest of the World*	*Group Immsi*
Segment assets	1,779,664	30,017	220,345	44,294	138,400	2,212,720
Investments in affiliated companies	126	30	0	0	0	156
TOTAL ASSETS	**1,779,790**	**30,047**	**220,345**	**44,294**	**138,400**	**2,212,876**

In thousands of euros	*Italy*	*Rest of Europe*	*India*	*States United States*	*Rest of the World*	*Group Immsi*
Total receivables *	**121,910**	**17,127**	**54,389**	**7,971**	**13,560**	**214,957**
Total payables **	**441,222**	**37,247**	**119,341**	**2,208**	**50,720**	**650,738**

* 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*	*States United States*	*Rest of the World*	*Group Immsi*
Investments in plant, property and equipment and intangible assets	**40,628**	**34**	**6,375**	**964**	**1,021**	**49,022**
Depreciation, amortisation and write-downs	**45,691**	**86**	**6,426**	**622**	**4,744**	**57,569**

For comparability, the corresponding tables referring to 30 June 2017 are shown below:

Information by business areas

Income statement

In thousands of euros	*Sector property and holding*	*Sector industrial*	*Sector marine*	*Group Immsi*
Net revenues to non-controlling interests	1,986	725,306	52,394	779,686
Intercompany net revenues				0
NET REVENUES	**1,986**	**725,306**	**52,394**	**779,686**
OPERATING INCOME	**-1,992**	**52,974**	**9,153**	**60,135**
Earnings on investments	0	637	0	637
Financial income				11,802
Borrowing costs				33,927
PROFIT BEFORE TAX				**38,647**
Taxes				18,331
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS				**20,316**
Gain (loss) from assets held for disposal or sale				0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS				**20,316**
Earnings for the period attributable to non-controlling interests				9,017
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP				**11,299**

Statement of Financial Position

In thousands of euros	*Sector property and holding*	*Sector industrial*	*Sector marine*	*Group Immsi*
Segment assets	354,143	1,720,644	168,864	2,243,651
Investments in affiliated companies	0	127	18	145
TOTAL ASSETS	**354,143**	**1,720,771**	**168,882**	**2,243,796**
TOTAL LIABILITIES	**355,713**	**1,333,024**	**177,438**	**1,866,175**

Other information

In thousands of euros	*Sector property and holding*	*Sector industrial*	*Sector marine*	*Group Immsi*
Investments in plant, property and equipment and intangible assets	**31**	**38,770**	**474**	**39,275**
Depreciation, amortisation and write-downs	**235**	**61,778**	**1,145**	**63,158**
Cash flow from operating activities	**-17,502**	**99,071**	**12,104**	**93,673**
Cash flow from investing activities	**2,539**	**-37,744**	**110**	**-35,095**
Cash flow from financing activities	**15,760**	**-24,708**	**-15,995**	**-24,943**

Information by geographical areas

Income statement

In thousands of euros	*Italy*	*Rest of Europe*	*India*	*States United States*	*Rest of the World*	*Group Immsi*
Net revenues to non-controlling interests	481,477	14,338	160,841	38,250	84,780	779,686
Intercompany net revenues						0
NET REVENUES	**481,477**	**14,338**	**160,841**	**38,250**	**84,780**	**779,686**

Statement of Financial Position

In thousands of euros	*Italy*	*Rest of Europe*	*India*	*States United States*	*Rest of the World*	*Group Immsi*
Segment assets	1,823,686	32,610	191,380	54,341	141,634	2,243,651
Investments in affiliated companies	110	35	0	0	0	145
TOTAL ASSETS	**1,823,796**	**32,645**	**191,380**	**54,341**	**141,634**	**2,243,796**

In thousands of euros	*Italy*	*Rest of Europe*	*India*	*States United States*	*Rest of the World*	*Group Immsi*
Total receivables *	**127,058**	**30,414**	**30,571**	**10,229**	**16,157**	**214,429**
Total payables **	**447,606**	**37,767**	**97,820**	**1,654**	**53,499**	**638,346**

* 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*	*States United States*	*Rest of the World*	*Group Immsi*
Investments in plant, property and equipment and intangible assets	**30,712**	**50**	**5,754**	**472**	**2,287**	**39,275**
Depreciation, amortisation and write-downs	**49,245**	**107**	**7,777**	**137**	**5,892**	**63,158**

- F - INFORMATION ON THE MAIN ASSET ITEMS

Amounts are stated in thousands of euro unless otherwise indicated.

- F1 - INTANGIBLE ASSETS 825,356

Net intangible assets at 30 June 2018 amounted to 825,356 thousand euros, a decrease of 0.8 million euros compared to 31 December 2017; 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 2016	**264,089**	**345,445**	**149,200**	**625,421**	**9,949**	**1,394,104**
Increases	24,191	2,490	0	0	62	26,743
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	(4,692)	(779)	6,000	0	(567)	(38)
Gross amounts at 30 June 2017	**283,588**	**347,156**	**155,200**	**625,421**	**9,444**	**1,420,809**
Accumulated depreciation at 31 December 2016	**159,394**	**265,556**	**100,970**	**11,439**	**9,686**	**547,045**
Depreciation	20,626	14,983	2,415	0	100	38,124
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	(3,021)	(745)	6,000	0	(553)	1,681
Accumulated amortisation at 30 June 2017	**176,999**	**279,794**	**109,385**	**11,439**	**9,233**	**586,850**
Net amounts at 30 June 2017	**106,589**	**67,362**	**45,815**	**613,982**	**211**	**833,959**
Gross amounts at 31 December 2017	**281,825**	**376,883**	**155,200**	**625,421**	**9,188**	**1,448,517**
Increases	32,505	2,098	0	0	22	34,625
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	(7,884)	(1,683)	27,664	0	(1,690)	16,407
Gross amounts at 30 June 2018	**306,446**	**377,298**	**182,864**	**625,421**	**7,520**	**1,499,549**
Accumulated amortisations at 31 December 2017	**191,809**	**298,242**	**111,798**	**11,439**	**9,031**	**622,319**
Depreciation	17,587	14,579	2,415	0	49	34,630
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	(7,106)	(1,630)	27,664	0	(1,684)	17,244
Accumulated amortisation at 30 June 2018	**202,290**	**311,191**	**141,877**	**11,439**	**7,396**	**674,193**
Net amounts at 30 June 2018	**104,156**	**66,107**	**40,987**	**613,982**	**124**	**825,356**

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 36,151 thousand euros which instead represent costs for which the conditions for capitalisation exist, but refer to products that will go into production in future years.
With regard to the Piaggio group, during the first half of 2018, development costs of approximately 8.9 million euros were charged directly to the income statement. Borrowing costs related to loans

for the development of long-term products are capitalised as a part of the cost of the actual assets. Development costs included under this item are amortised on a straight line basis over 5 years (founding products) or 3 years, in consideration of their remaining useful life.

With reference to the marine sector, at 30 June 2018 Intermarine S.p.A. had capitalised 8.7 million euros as intangible assets, net of amortisation and deferred income.

Concessions, patents, industrial and similar rights

The net balance of this item, equal to 66,107 thousand euros at 30 June 2018, including assets under construction of 3,829 thousand euros, is mainly related to the Piaggio group (65,737 thousand euros) and comprises software, patents and know-how, referring in particular to the Vespa, MP3, RSV4 and Aprilia SR 150 vehicles. Increases for the period mainly refer to new calculation, design and production techniques and methodologies developed by the group, referring to main new products in the 2018-2019 range. The costs of rights of industrial patents and rights of use of intellectual works are amortised in a period from three to five years.

Trademarks and licences

Trademarks and licences with a finite life, totalling 40,987 thousand euros, are broken down as follows:

In thousands of euros	**At 30 June 2018**	**As of 31 December 2017**	**Change**
Guzzi trademark	13,812	14,625	(813)
Aprilia trademark	27,140	28,737	(1,597)
Minor trademarks	35	40	(5)
Total Trademark	**40,987**	**43,402**	**(2,415)**

Goodwill

The goodwill registered by the Group is unchanged compared to 31 December 2017 and is broken down in the following table:

In thousands of euros	***Net Balance at 30.06.2018***
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. At 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 goodwill’s recoverability is checked at least once a year (at 31 December), even failing indicators of a possible loss of value.

When preparing the Financial Statements of the Immsi Group at 31 December 2017, with reference to Piaggio group cash-generating units, impairment testing was arranged in-house by Immsi S.p.A. company management, to produce an impairment report supporting the Parent Company’s Board of Directors in the application of the procedure required by 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.
As regards the cash-generating unit Intermarine, Intermarine S.p.A. coincides with the definition of the “marine sector" identified by the Immsi Group in its own segment reporting, in compliance with *IFRS 8 – Operating segments*: the carrying amount of goodwill allocated to the cash-generating unit is equal to approximately 34.4 million euros.
Therefore, reference is made to the Notes on the Consolidated Financial Statements and Report at 31 December 2017 of the Immsi Group for more details on the principal assumptions used in determining the value in use of the cash-generating units Piaggio group and Intermarine. With reference to both cash-generating units, analyses carried out at 31 December 2017 did not indicate any impairment losses for the goodwill tested: therefore no write-down was made in the Consolidated Financial Statements of the Immsi Group at 31 December 2017.

As concerns the Piaggio group cash-generating unit, the management of the group verified, as for all cash-generating units internal to the Piaggio group, that the EBIT forecast in the approved budget and plan used for impairment testing at 31 December 2017 was basically achieved and that rates applied at the time were 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 amount 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 2018 is in line with the budget forecast and the rates applied at 31 December 2017 still seem valid.
As observed during the analysis performed at 31 December 2017, 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. This 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, Intermarine’s results in previous years showed significant changes with respect to figures forecast in the forward-looking financial data used, also due to 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.

- F2 - PLANT, PROPERTY AND EQUIPMENT 296,557

Net plant, property and equipment at 30 June 2018 totalled 296,557 thousand euros, including assets under construction of about 19 million euros, compared to 307,343 thousand euros at 31 December 2017, and comprise assets mainly recognised by the Piaggio group for 262,353 thousand euros, Intermarine S.p.A. for 17,024 thousand euros, and Is Molas S.p.A. for 16,913 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 2016	**44,865**	**191,631**	**523,050**	**521,598**	**15,924**	**59,736**	**1,356,804**
Increases	0	729	6,690	2,995	92	2,017	12,523
Decreases	0	0	(1,077)	(123)	0	(437)	(1,637)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	(1,707)	(7,995)	2	0	(479)	(10,179)
Gross amounts at 30 June 2017	**44,865**	**190,653**	**520,668**	**524,472**	**16,016**	**60,837**	**1,357,511**
Accumulated depreciation at 31 December 2016	**0**	**77,378**	**382,775**	**494,804**	**15,024**	**50,356**	**1,020,337**
Depreciation	0	2,854	12,385	6,264	30	2,725	24,258
Applications	0	0	(1,054)	(120)	0	(320)	(1,494)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	(505)	(4,163)	9	(1)	(387)	(5,047)
Accumulated amortisation at 30 June 2017	**0**	**79,727**	**389,943**	**500,957**	**15,053**	**52,374**	**1,038,054**
Net amounts at 30 June 2017	**44,865**	**110,926**	**130,725**	**23,515**	**963**	**8,463**	**319,457**
Gross amounts at 31 December 2017	**44,422**	**189,986**	**518,466**	**519,234**	**16,256**	**62,711**	**1,351,075**
Increases	0	1,020	5,032	4,863	0	3,001	13,916
Decreases	0	(63)	(893)	(1)	(836)	(1,019)	(2,812)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	(664)	(4,284)	208	0	(28)	(4,768)
Gross amounts at 30 June 2018	**44,422**	**190,279**	**518,321**	**524,304**	**15,420**	**64,665**	**1,357,411**
Accumulated amortisations at 31 December 2017	**0**	**81,900**	**394,120**	**498,656**	**15,082**	**53,974**	**1,043,732**
Depreciation	0	2,798	11,021	5,446	30	2,136	21,431
Applications	0	(6)	(885)	0	(721)	(22)	(1,634)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	(182)	(2,298)	208	0	(403)	(2,675)
Accumulated amortisation at 30 June 2018	**0**	**84,510**	**401,958**	**504,310**	**14,391**	**55,685**	**1,060,854**
Net amounts at 30 June 2018	**44,422**	**105,769**	**116,363**	**19,994**	**1,029**	**8,980**	**296,557**

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 (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam). The increases mainly relate to the construction of moulds for new vehicles launched during the period. Borrowing costs relative to loans for the construction of assets that are long-term prior to being ready for use are capitalised as a part of the cost of the actual assets.

Plant, property and equipment at 30 June 2018 include 1,029 thousand euros relative to freely transferable assets wholly owned by Intermarine S.p.A., consisting of light constructions, property and related restructuring costs, built on State land in the Municipality 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, the assets described below – lands excluded – are depreciated at rates considered appropriate to represent their useful life and in any case according to a straight-line depreciation plan, for details of which reference is made to the Annual Report of the Immsi Group at 31 December 2017, in the section on "Accounting standards and measurement criteria".

At 30 June 2018, the net value of assets held under leasing contracts amounted to 11,161 thousand euros. Future lease commitments are detailed in the section on financial liabilities.

The Group also uses fully amortised property, plant and equipment for 45.2 million euros, of which 28.1 million euros relative to plant and machinery, 6.7 million euros to industrial and commercial equipment, 4.4 million euros to freely transferable assets and 6 million euros to other assets.

Guarantees
At 30 June 2018, the Group had land and property encumbered by mortgages or pledges in favour of financial institutions to guarantee bank borrowings. For more information, reference is made to the Annual Report of the Immsi Group at 31 December 2017, in the section on "Commitments, risks and guarantees".

- F3 - INVESTMENT PROPERTY 85,909

At 30 June 2018, the Immsi Group recognised investment properties for 85,909 thousand euros, comprising the Immsi S.p.A. building in Via Abruzzi, Rome for 74,595 thousand euros and property, plant and equipment at the Piaggio group's Spanish site in Martorelles for 11,314 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 euros), 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 investment property is based on an appraisal of an external consultant that estimated the fair value at the end of 2017 in line with the value recognised in the Financial Statements at 31 December 2017. The valuation criteria used in this survey refer to generally accepted valuation methodologies and principles, using discounted cash flow analysis. During the

first half of 2018, 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 481 thousand euros compared to the value recognised at 31 December 2017 relates to renovation and 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 2018 under Net revenues amounts to approximately 1.2 million euros. Connected costs mainly refer to ordinary maintenance and management of the building. Most of these costs are then charged to tenants at building service regulations.

Mortgages are secured on the property in Rome, for a total of 90 million euros guaranteeing the loan obtained in 2010 and renegotiated at the end of 2015 with Banco BPM (the former Banco Popolare) for 45 million euros, 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 carrying value at 30 June 2018 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 11,314 thousand euros.

The Group uses the "fair value model" as provided for in IAS 40. Therefore, the measurement updated in 2018 resulted in a charge of 209 thousand euros, adjusted to fair value, being recognised under other costs in the income statement for the period.
For further details on the method used by the Group to measure investment property, reference is made to the Consolidated Financial Statements and Notes at 31 December 2017.
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 8,090

Investments, at 8,090 thousand euros, went up slightly compared to the figure of 7,583 thousand euros at 31 December 2017.
The carrying amount of investments held by Immsi S.p.A. in wholly consolidated subsidiaries – equal to 310.3 million euros at 30 June 2018 – is fully eliminated on consolidation.
The item mainly refers to the measurement of the portion of shareholders' equity in the Zongshen Piaggio Foshan joint venture of the Piaggio group, which has a 45% stake.

Main financial data of the joint venture

In thousands of euros	Accounts at 30 June 2018		Accounts as of 31 December 2017	
		45%		45%
Working capital	7,500	3,375	8,464	3,809
Consolidated debt	3,207	1,443	1,033	465
Total assets	11,692	5,262	12,030	5,413
Net capital employed	**22,400**	**10,080**	**21,527**	**9,687**
Provisions	191	86	189	85
Consolidated debt	0	0	0	0
Shareholders' equity	22,208	9,994	21,338	9,602
Total sources of financing	**22,400**	**10,080**	**21,527**	**9,687**

Shareholders' equity attributable to the Group	9,994	9,602
Elimination of margins on internal transactions	(2,082)	(2,187)
Value of the investment	**7,912**	**7,415**

Reconciliation of Shareholders' Equity

In thousands of euros	
Opening balance at 1 January 2018	7,415
Profit (Loss) for the period	283
Other comprehensive income	108
Elimination of margins on internal transactions	106
Closing balance at 30 June 2018	**7,912**

The item Investments includes other investments in subsidiaries and associates for 178 thousand euros. The reduction of 10 thousand euros is due to the net effect of adjusting the value of equity investments in associated companies to the corresponding shareholders' equity value.

- F5 - OTHER FINANCIAL ASSETS 14,487

- Non-current portion

Other non-current financial assets amount to 8,090 thousand euros, and comprise almost entirely the fair value of hedging derivatives held by the Piaggio group and particularly the fair value of the Cross Currency Swaps associated with the private debenture loan.

The remaining part is attributable to the carrying amount of investments held in other smaller companies by the Piaggio group for an overall amount of approximately 36 thousand euros.

Non-current financial assets also include the equity investment in Alitalia - CAI held by Immsi S.p.A., equal to 2.18% of the share capital at 30 June 2018 and unchanged compared to the end of 2017. In light of the events during 2017 relating to the airline and in particular the temporary receivership and consequent write-off of the investment in Alitalia – SAI by Alitalia – CAI, company management decided to zero out the carrying amount.

- Current portion

Other current financial assets totalled 6,397 thousand euros at 30 June 2018, a decrease of 6,665 thousand euros compared to 31 December 2017.
The item includes the equity investment held by Immsi S.p.A. in Unicredit S.p.A. for 279,639 shares, an increase compared to the end of 2017 due to the purchase of 792 shares resulting from the capital increase completed by the bank in March 2018. As required by IFRS 9, already adopted in advance from 2017, the Company measured the fair value of the share package at 30 June 2018, equal to 3,998 thousand euros, recording the adjustment with respect to the carrying amount in other comprehensive income (expense). These adjustments will not be subsequently transferred to operating profit (loss), but the Company may transfer the accumulated loss or profit to shareholders' equity, when the investment is sold..

In addition, current financial assets include 2,399 thousand euros for the short-term quota of the fair value of the Cross Currency Swaps associated with the private debenture loan.

- F6 - TAX RECEIVABLES 38,568

Current and non-current receivables due from the tax authorities totalled 38,568 thousand euros, an increase of 4,999 thousand euros from the end of 2017 as a result of substantially higher VAT receivables recognised in the current portion in particular by the Piaggio group. The details are shown below by maturity:

- Non-current portion

In thousands of euros	*Balance 30.06.2018*	*Balance 31.12.2017*
VAT receivables	5,241	5,588
Income tax receivables	12,546	10,632
Other tax receivables	32	3,693
TOTAL	**17,819**	**19,913**

- Current portion

In thousands of euros	*Balance 30.06.2018*	*Balance 31.12.2017*
VAT receivables	16,048	8,781
Income tax receivables	2,676	2,961
Other tax receivables	2,025	1,914
TOTAL	**20,749**	**13,656**

- F7 - DEFERRED TAX ASSETS 121,876

Deferred tax assets at 30 June 2018 amounted to 121,876 thousand euros, a decrease of 1,108 thousand euros compared to 31 December 2017. The portion due in 12 months totals 2,719 thousand euros, while the portion due after 12 months amounts to 119,157 thousand euros.
The Piaggio group recorded deferred tax assets of 59,940 thousand euros, with 43,845 thousand euros from the subsidiary Intermarine S.p.A. and 14,685 thousand euros from the subsidiary Is Molas S.p.A., while the remaining portion of 3,406 thousand euros refers to other companies of 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; iii) in a M/L-term perspective, the estimated financial results for each individual company; iv) the tax rate in effect in the year when temporary differences occur; and v) of national consolidated tax agreements and plans 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 228,554

Trade receivables and other receivables included under non-current assets total 15,444 thousand euros (net of the corresponding provisions for write-down of 1,203 thousand euros), against 13,986 thousand euros at 31 December 2017.

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

In thousands of euros	Balance 30.06.2018	Balance 31.12.2017
Trade receivables	157,795	106,218
Amounts due from subsidiaries *)	2,571	2,578
Amounts due from affiliated companies	236	248
Amounts due from joint ventures	2,916	3,052
Other receivables	49,592	42,838
TOTAL	**213,110**	**154,934**

*) not consolidated on a global integration basis

Current third-party trade receivables amounted to 157,795 thousand euros at 30 June 2018, an increase of around 51,577 thousand euros compared to the value recorded at 31 December 2017: 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 31,177 thousand euros, an increase of 740 thousand euros compared with 31 December 2017.

The balance of the item Receivables due from subsidiaries, equal to 2,571 thousand euros, 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 due from affiliated companies refers entirely to receivables from Fondazione Piaggio and Consorzio CTMI, while receivables from joint ventures (equal to 2,916 thousand euros at 30 June 2018) 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 trade receivables mainly with “without recourse” and “with recourse" clauses. 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 2018, trade receivables still due, sold without recourse, totalled 149,038 thousand euros. For these receivables, the Piaggio group received payment before their natural expiry amounting to 133,322 thousand euros.
At 30 June 2018, advances received – both from factoring firms and from banks – on “with recourse” disposals of trade receivables totalled 20,239 thousand euros and are offset in current liabilities.

Other receivables mainly include advances to suppliers of 18,573 thousand euros, chiefly recognised by the subsidiary Intermarine S.p.A. and accrued income and prepaid expenses totalling 7,446 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 31.12.2017	*Increases*	*Decreases*	*Balance 30.06.2018*
Contract work in progress gross of advances	**175,472**	27,454	(78,353)	**124,573**
Contractual advances received from customers	165,619			110,976
Contract work in progress net of advances	**9,853**			**13,597**
Costs sustained	115,512			127,040
Margins recognised (net of losses)	59,960			66,064

- F9 - ASSETS HELD FOR DISPOSAL 27,183

The net carrying amount of assets held for disposal amounts to 27,183 thousand euros, unchanged compared to 31 December 2017, 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 euros 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 2017.

- F10 - INVENTORIES 364,801

Inventories are measured at the lower of cost and market value and totalled 364,801 thousand euros at the end of the period, comprising:

In thousands of euros	*Balance at 30.06.2018*			*Balance at 31/12/2017*		
	Cost	*Write-down*	*Net*	*Cost*	*Write-down*	*Net*
Consumables	70	0	70	55	0	55
Raw materials	130,838	(17,306)	113,532	112,105	(16,680)	95,425
Work in progress and semi-finished products	103,157	(1,609)	101,548	100,560	(1,913)	98,647
Finished products	175,880	(26,229)	149,651	140,709	(25,652)	115,057
TOTAL	**409,945**	**(45,144)**	**364,801**	**353,429**	**(44,245)**	**309,184**

The increase compared to the figure recorded at 31 December 2017 (+55,617 thousand euros) is mainly attributable to the Piaggio group and refers to 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.

At 30 June 2018, the Piaggio group recognised, net of write-downs, inventories for 270,203 thousand euros referred to components, accessories, two-wheeled, three-wheeled and four-wheeled vehicles. Intermarine S.p.A. contributed 36,669 thousand euros, mainly concerning raw materials and products in progress for prototypes, own construction and repairs. Finally, Is Molas S.p.A. recorded 57,929 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 201,495

Cash and cash equivalents at the end of the period totalled 201,495 thousand euros against 138,949 thousand euros at 31 December 2017, as detailed in the table below:

In thousands of euros	Balance 30.06.2018	Balance 31.12.2017
Cheques	10	5
Cash and cash equivalents	159	124
Securities	41,422	39,324
Receivable due from banks within 90 days	159,904	99,496
TOTAL	**201,495**	**138,949**

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 2018 in the item in question, reference is made to the Statement of Consolidated Cash Flows at 30 June 2018.

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 euro unless otherwise indicated.

- G1 - SHAREHOLDERS' EQUITY 379,154

Shareholders' equity at 30 June 2018 amounted to 379,154 thousand euros, of which 230,866 thousand relative to consolidated shareholders' equity of the Group and 148,288 thousand euros to capital and reserves of non-controlling interests.

Share capital

At 30 June 2018, the share capital of Immsi S.p.A., fully subscribed and paid up, comprised 340,530,000 ordinary shares without par value, for a total of 178,464,000.00 euros. At 30 June 2018, 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 from the year 2000 to the year 2017, in accordance with provisions of law and totalled 8,191 thousand euros at the end of June 2018, an increase compared to 31 December 2017 of 152 thousand euros.

Other reserves

This item totalled 160,044 thousand euros, down by 2,158 thousand euros compared to the figure at 31 December 2017.
The details of the item "Other reserves" are shown below:

In thousands of euros	*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 2017	***94,874***	***5,300***	***4,602***	***1,153***	***(13,002)***	***6,742***	***(4,122)***	***(27,814)***	***94,468***	***162,201***
Overall earnings for the period					(1,561)		(603)	7		(2,158)
Balances at 30 June 2018	***94,874***	***5,300***	***4,602***	***1,153***	***(14,563)***	***6,742***	***(4,726)***	***(27,807)***	***94,469***	***160,044***

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 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 2018 and unchanged since 31 December 2017. For more details, reference is made 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 2017), while the reserve allocated to the measurement of financial instruments is 27,807 thousand euros negative, mainly due to: the recognition of the fair value adjustment of financial instruments representing capital not available for sale, held by the Parent Company as an investment in UniCredit, in other comprehensive income, equal to 10,853 thousand euros, as well as the investment in Alitalia – CAI, equal to 14,778 thousand euros, and the recognition of the component attributable to Piaggio reclassifying renegotiated financial liabilities, as provided for by IFRS 9, for 3,764 thousand euros. For further details of the Group's early adoption of IFRS 9, reference is made to the Notes to the Financial statements at 31 December 2017.

Retained earnings

Retained earnings total 144,209 thousand euros and represent the accumulated losses of the Group.

Capital and reserves of non-controlling interests

At 30 June 2018 the balance of share capital and reserves attributable to non-controlling interests totalled 148,288 thousand euros, a 778 thousand euros decrease compared to 31 December 2017.

- G2 - FINANCIAL LIABILITIES 1,057,857

Financial liabilities totalled 1,057,857 thousand euros at 30 June 2018, a 47,363 thousand euros decrease compared to the value recorded at 31 December 2017. The portion recorded under non-current liabilities amounts to 584,521 thousand euros, against 578,462 at 31 December 2017, while the portion included among current liabilities totals 473,336 thousand euros, compared to 432,032 thousand euros at the end of 2017.
Financial liabilities also include the fair value measurement of financial derivatives to hedge exchange risk and interest rate risk and the adjustment of related hedged items – underwritten by the Piaggio group – for a total of 10,006 thousand euros (of which 7,709 in the current portion), a decrease of 506 thousand euros compared to 31 December 2017. 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, the related accruals and interest payable and enforceable due on loans received (equal to 3,126 at the end of June 2018).
The attached tables summarise the financial liabilities by type of financial debt:

- Non-current portion

In thousands of euros	*Balance 30.06.2018*	*Balance 31.12.2017*
Bonds	303,491	309,880
Payables due to banks	264,649	251,950
Amounts due for finance leases	8,494	9,168
Amounts due to other lenders	178	344
TOTAL	**576,812**	**571,342**

We point out that in the item Payables due to banks and in the item Non-current 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 30.06.2018***	***Balance 31.12.2017***
Bonds	9,632	9,625
Payables due to banks	393,566	357,917
Amounts due for finance leases	1,247	1,144
Amounts due to subsidiaries *)	9	9
Amounts due to other lenders	66,585	60,957
TOTAL	**471,039**	**429,652**

*) not consolidated on a global integration basis

The composition of the gross Financial debt is the following:

In thousands of euros	***Balance at 30.06.2018***	***Balance at 31.12.2017***	***Nominal value at 30.06.2018***	***Nominal value at 31.12.2017***
Bonds	313,123	319,505	322,130	322,130
Payables due to banks	658,215	609,867	661,649	612,299
Amounts due for finance leases	9,741	10,312	9,753	10,325
Amounts due to subsidiaries *)	9	9	9	9
Amounts due to other lenders	66,763	61,301	66,763	61,301
TOTAL	**1,047,851**	**1,000,994**	**1,060,304**	**1,006,064**

*) 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 2018:

In thousands of euros	***Nominal value at 30.06.2018***	***Portions falling due within 12 months***	***Portions falling due within 30.06.2020***	***Portions falling due within 30.06.2021***	***Portions falling due within 30.06.2022***	***Portions falling due within 30.06.2023***	***Portions falling due Beyond***
Bonds	322,130	9,669	10,360	11,050	11,051	30,000	250,000
Payables due to banks	661,649	394,220	60,852	49,986	56,572	60,555	39,464
Amounts due for finance leases	9,753	1,247	1,138	1,157	1,176	1,196	3,839
Amounts due to subsidiaries *)	9	9	0	0	0	0	0
Amounts due to other lenders	66,763	66,585	38	24	23	23	70
TOTAL	**1,060,304**	**471,730**	**72,388**	**62,217**	**68,822**	**91,774**	**293,373**

*) not consolidated on a global integration basis

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

In thousands of euros	Balance at 31.12.2017	Balance at 30.06.2018	Nominal value at 30.06.2018	Interest rate at 30.06.2018
Euro	939,728	971,804	984,257	3.33%
Vietnamese Dong	36,623	52,027	52,027	5.91%
Japanese Yen	2,548	2,666	2,666	2.75%
Indian Rupee	39	776	776	8.45%
Indonesian Rupiah	2,459	414	414	11.10%
US Dollar	19,597	20,164	20,164	4.09%
TOTAL	**1,000,994**	**1,047,851**	**1,060,304**	**3.48%**

Amounts due to banks mainly include the following loans:

Immsi S.p.A.

- a loan signed in June 2010 by the Company and renegotiated in December 2015 with Banco BPM (ex Banco Popolare) for a total of 45 million euros maturing at the end of 2025, with repayment in equal 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 33,295 thousand euros, of which 4,500 thousand 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 euros, 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;
- amortised credit line granted by Monte dei Paschi di Siena for a total nominal amount of 28 million euros (used to the full as at 30 June 2018), expiring in June 2022 and at a benchmark rate of variable Euribor increased by a spread. The loan is shown according to the amortised cost method at 27,572 thousand euros, including 7 million euros for instalments that may be paid within 12 months. The loan provides for compliance with two covenants to be verified at 31 December of each year;
- a revolving credit line granted by Intesa Sanpaolo of 25 million euros. The line expires at the end of December 2018 with the benchmark rate of Euribor increased by a spread;
- a credit line granted by Intesa Sanpaolo for a total of 15 million euros. The line expires at the end of December 2018 with the benchmark rate of Euribor increased by a spread;
- a revolving credit line, disbursed by UniCredit for 16.25 million euros, with a benchmark rate equal to the Euribor increased by a spread and maturing in November 2018, with a partial repayment schedule. This line includes a covenant, complied with at 30 June 2018;
- amortised credit line granted by Banca Popolare dell'Emilia Romagna for nominal 14.25 million euros (amortised cost 14,142 thousand euros), with final maturity at the end of December 2021 and reference rate equal to Euribor plus a spread. This line has an amortisation plan involving increasing six-monthly payments and two covenants to be verified on 31 December each year;
- a revolving credit line granted by the bank Banca Nazionale del Lavoro for a total of 25 million euros (amortised cost equal to 24,838 thousand euros and fully used at 30 June 2018). The line, expiring in June 2019 and with a benchmark rate of variable Euribor increased by a spread, involves two covenants;
- an amortised credit line granted by Banco BPM for a residual amount of 5 million euros, expiring in December 2018 with a benchmark rate of variable Euribor increased by a spread. The line is shown at 30 June 2018 at 4,988 thousand euros and has an amortisation plan with equal quarterly repayments;

- a Bullet – Multi Borrower loan granted by Intesa Sanpaolo for a total of 130 million euros disbursed in full at 30 June 2018, expiring in December 2018 with a benchmark rate of variable Euribor increased by a spread, including 82.7 million euros granted to Immsi S.p.A., 30 million euros to ISM Investimenti S.p.A. and 17.3 million euros to Intermarine S.p.A.;
- loan received from Banca Ifis with a nominal amount of 10 million euros, expiring on 31 December 2021 and a benchmark rate of Euribor increased by a spread. The agreement provides for reimbursement by equal quarterly instalments shown according to the amortised cost method, totalling 9,961 thousand euros, including 2,310 thousand euros for instalments payable within 12 months. The loan agreement includes two covenants, to be verified on 31 December of each year;
- a revolving credit line granted by UBI Banca for a total of 5 million euros (fully used at 30 June 2018). This line, maturing at the end of 2018, provides for a benchmark rate of the floating Euribor rate increased by a spread;
- a securities loan agreement between Immsi S.p.A. and Banca Akros, which - against a loan of 580,491 UniCredit shares and 2,850,000 Piaggio shares, envisages a cash collateral of approximately 7,715 thousand euros and 4,284 thousand euros respectively, represented by the market value of the shares 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. Immsi received a loan without collateral from Omniaholding S.p.A. of 300,852 and 2,850,000 UniCredit and Piaggio shares respectively. These shares were used in loan operations with cash collateral undertaken with Banca Akros.

A further 4.6 million euro relative to a revolving line of credit granted by Intesa Sanpaolo and used in the amount of 3.2 million euros at 30 June 2018.

As collateral for borrowing from banks, the Company has deposited a total of 9,613 thousand Piaggio shares and pledged a total of 155,295 thousand Piaggio shares.

Piaggio group

- a medium-term loan, amortised in six-monthly instalments, for 16,364 thousand euros from the European Investment Bank to finance Research & Development investments planned for the 2013-2015 period. The loan will mature in December 2019 and has a fixed rate. The contractual terms envisage loan covenants;
- a medium-term loan, amortised in annual instalments, from the European Investment Bank (for a total amount of 55,630 thousand euros, nominal 55,715 thousand euros) to finance Research & Development investments planned for the 2016-2018 period. The loan will mature in December 2023 and has a fixed rate. The contractual terms envisage loan covenants;
- financial payable of 80,783 thousand euros (nominal value 82,500 thousand euros) relating to a syndicated loan of 250,000 thousand euros undersigned in June 2018 and divided into a four-year tranche (with one year extension at the discretion of the borrower) 187,500 thousand euros granted in the form of a revolving credit facility (nominal value 20,000 thousand euros drawn at 30 June 2018) and a tranche of 62,500 thousand euros granted in the form of a five-year amortised loan. The contractual terms envisage loan *covenants*;
- a 8,325 thousand euros medium-term loan (nominal value of 8,340 thousand euros) granted by Banca Popolare Emilia Romagna. The loan is amortised in six-monthly instalments and matures in June 2019;
- a loan granted by Banco BPM, comprising a tranche of 12,500 thousand euros granted as a revolving credit line (completely used at 30 June 2018), maturing in January 2021 and a tranche granted as a loan with amortisation of 12,500 thousand euros, maturing at the end of June 2018 for 10,228 thousand euros, maturing in July 2022;

- loan of 9,993 thousand euros (nominal value 10 million euros) amortised in six-monthly instalments granted by Banca del Mezzogiorno, maturing in January 2023. The contractual terms envisage loan covenants;
- a medium-term loan of 8,456 thousand euros (with nominal value of 8,500 thousand euros granted by Interbanca-Banca Ifis, expiring in September 2022, with a quarterly amortisation plan. The contractual terms envisage loan covenants;
- a medium-term loan of 14,978 thousand euros (with nominal value of 15,000 thousand euros) granted by UBI Banca, maturing in June 2021, with a quarterly amortisation plan;
- a USD 2,184 thousand medium-term loan, recognised for the amount of 1,728 thousand euros, granted by International Finance Corporation to the subsidiary Piaggio Vietnam with interest accruing at a variable rate. The loan, expiring in July 2018, is repaid in six-monthly instalments. Contract terms provide for a guarantee from Piaggio & C. S.p.A. and compliance with some covenants. Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;
- a medium-term loan for 306,946,930 thousand Vietnamese dong, recognised for 11,550 thousand euros, granted by VietinBank to the subsidiary Piaggio Vietnam to finance the R&D investments plan. The loan matures in June 2021, with a repayment schedule in 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 280 thousand euros.

The financial covenants and other contractual commitments provided for by the main loan agreements, as described above, according to the results at 30 June 2018, have been met.
All the above financial liabilities are unsecured.

Intermarine S.p.A.

- a Bullet – Multi Borrower loan from Intesa Sanpaolo granted to Immsi S.p.A. for a total of 130 million euros, of which 17.3 million euros granted to Intermarine S.p.A., maturing at the end of 2018;
- a loan for a residual amount of 2.5 million euros relative to an "Amortizing Loan" issued by Intesa Sanpaolo and maturing in November 2018, with co-obligation of the parent company Immsi S.p.A.; this line is secured by a first mortgage on property in Sarzana and an insurance obligation;
- a revolving credit line from Intesa Sanpaolo of 18 million euros, 17 million euros of which had been used at 30 June 2018, guaranteed by a pledge on Piaggio & C. S.p.A. shares held by Immsi S.p.A. and expiring in December 2018;
- credit line from Banca Carige for a maximum of 7 million euros for advances against discounted invoices, available in full as at 30 June 2018. This line is accompanied by a comfort letter issued by Immsi S.p.A.;
- unsecured loan of 1.9 million euros issued by Banca Carige, expiring at the end of December 2019, with pre-amortisation and subsequent reimbursement in quarterly instalments from March 2018. This line is accompanied by a comfort letter issued by Immsi S.p.A.;
- financial payables for advance transactions on contracts by Banca IFIS for approximately 9.9 million euros (accompanied by patronage letter issued by RCN Finanziaria S.p.A. and Immsi S.p.A);
- credit line of 15.2 million euros granted by Banca Ifis for advances against discounted invoices, available in full as at 30 June 2018;
- credit line available at 30 June 2018 in the amount of 0.4 million euros granted by Banco BPM for advances on invoices and supported by bank guarantee issued by Immsi;

- loan of 5 million euros granted by Banca Nazionale del Lavoro, expiring at the end of September 2019, with pre-amortisation and subsequent quarterly reimbursement in quarterly instalments from June 2018. This loan is accompanied by a letter of patronage issued by Immsi S.p.A.;
- short-term current account overdraft facility with various banks amounting to a total of about 2.2 million euros, not used at the end of June 2018.

Is Molas S.p.A.

- loan at a floating rate granted by Monte dei Paschi di Siena of 20 million euros, expiring at the end of December 2022, with pre-amortisation and subsequent reimbursement in six-monthly instalments from December 2018. This loan is assisted by a bank guarantee issued by Immsi.

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

The item Bonds, recognised by the Piaggio group for 313,123 thousand euros (nominal value of 322,130 thousand euros) refers to:

- 42,043 thousand euros (nominal value of 42,130 thousand euros) for the debenture loan (*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. At 30 June 2018 the fair value measurement of the debenture loan was equal to 52,135 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;
- 29,863 thousand euros (nominal value of 30,000 thousand euros) for a five-year private debenture loan issued on 28 June 2017 and wholly subscribed by Fondo Sviluppo Export, the fund set up by SACE and managed by Amundi SGR. The issue requires no specific *rating* or listing on a regulated market;
- 241,217 thousand euros (nominal value of 250,000 thousand euros) refers to the liability management operation completed by Piaggio & C. S.p.A. during the second quarter of 2018. This operation was aimed at the refinancing of a debenture loan issued by the subsidiary in April 2014 for a total of 250,000 thousand euros and maturing on 30 April 2021. Favourable market conditions made it possible to benefit from improved economic conditions, optimising the cost of debt and lengthening its average life. On 18 April 2018, a High Yield bond was issued (having the same characteristics as the bond issued in 2014), for an amount of 250,000 thousand euro and expiring on 30 April 2025. For further information on this liability management operation, reference should be made to the more detailed information in the half-yearly financial report at 30 June 2018 published by the Piaggio group.

  It should be noted that Piaggio & C. S.p.A. may make repayment in advance:
  - all or part of the amount of the high yield debenture loan issued on 30 April 2018, according to the conditions indicated in the indenture. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IFRS 9 b4.3.5;
  - all or part of the amount of the private placement issued on 28 June 2017, according to the conditions indicated in the contract. 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 IFRS 9 b4.3.5).

Finance lease payables refer to:

- finance lease of 9,613 thousand euros (nominal value of 9,625 thousand euros) granted by Albaleasing in the form of a Sale&Lease back on a Piaggio & C. S.p.A. production plant. The agreement is for ten years, with quarterly repayments (non-current portion equal to 8,494 thousand euros);
- a financial lease for 128 thousand euros granted by VFS Servizi Finanziari for the use of vehicles.

Overall, amounts due to other lenders are equal to 66,763 thousand euros, almost entirely falling due within one year. The main components are the following:

- financial advances from factoring companies and banks for trade receivables assigned with recourse, totalled 20,239 thousand euros and refer to the Piaggio group;
- subsidised loans for a total of 481 thousand euros provided by the Italian Ministry of Economic Development and the Tuscany Region using regulations to encourage exports and investments in research and development;
- loan of 30 thousand euros granted by BMW Finance for the purchase of vehicles;
- two shareholder loans of 6,000 and 8,805 thousand euros respectively granted to RCN Finanziaria S.p.A. by Intesa Sanpaolo (shareholder of the company), convertible into shares of the beneficiary, maturing during 2015. These loans were extensively discussed by shareholders with a view to restoring agreements; the times of these negotiations, with shareholder loans connected to them, meant that the renewal of the loans was deferred;
- shareholder loans for 28,082 thousand euros with a duration of 10 years, maturing in December 2018, granted by IMI Investimenti S.p.A. (shareholder of the company) to ISM Investimenti S.p.A.;
- payables to minority shareholders of the Group for interest totalling 3,126 thousand euros in relation to loans received. Despite its financial nature, this liability is not included in the computation of net financial debt.

- G3 - TRADE PAYABLES AND OTHER PAYABLES 650,738

Trade payables and other payables amounted to 650,738 thousand euros (compared to 545,240 thousand euros at 31 December 2017), of which 643,841 thousand euros (538,411 thousand euros at 31 December 2017) is due within a year: the increase in this item during the first half of 2018 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 30.06.2018*	*Balance 31.12.2017*
Trade payables	568,623	481,341
Amounts due to affiliated companies	10	0
Amounts due to parent companies	382	331
Amounts due to *joint ventures*	15,674	8,811
Other payables	59,152	47,928
TOTAL	**643,841**	**538,411**

To facilitate credit conditions for its suppliers, the Group has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements. These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.
At 30 June 2018, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to 217,418 thousand euros (183,758 thousand euros at 31 December 2017).

Payables to joint ventures at 30 June 2018 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 30.06.2018*	*Balance 31.12.2017*
Amounts due to employees	29,072	16,519
Liabilities connected to hedging instruments	60	6
Advances from customers	164	45
Amounts due to company boards	327	159
Amounts due to social security institutions	6,402	9,373
Other amounts due to third parties	289	443
Other amounts due to affiliated companies	24	24
Other amounts due to *joint ventures*	137	190
Accrued expenses	9,004	6,455
Deferred income	4,738	4,537
Other payables	8,934	10,177
TOTAL	**59,152**	**47,928**

Payables to employees mainly include the valuation of holidays accrued but not taken and other remuneration to be paid, while payables due to associated companies consist of other payables due to the Piaggio Foundation.
Liabilities related to of hedging derivatives mainly refers to the *fair value* of hedging derivatives relative to the exchange risk on *forecast transactions* recognised on an *cash flow hedge* basis.

Other non-current payables of 6,897 thousand euros include security deposits of 3,136 thousand euros, deferred income of 2,559 thousand euros and a deposit of 1 million euros collected by the subsidiary Is Molas.

- G4 - RESERVES FOR PENSIONS AND SIMILAR OBLIGATIONS 49,045

The reserve for pension and similar obligations amounted to 49,045 thousand euros at 30 June 2018, a slight increase compared to 48,628 thousand euros recognised in the corresponding item at 31 December 2017.

The reserve is detailed below:

In thousands of euros	*Balance 31.12.2017*	*Service cost*	*Actuarial (gain) loss*	*Interest cost*	*Uses and other movements*	*Balance 30.06.2018*
Termination benefits	47,901	4,070	1,570	272	(5,524)	48,289
Other funds	727	0	0	0	29	756
TOTAL	**48,628**	**4,070**	**1,570**	**272**	**(5,495)**	**49,045**

The item "Provision for termination benefits" comprises termination benefits for employees of Italian companies belonging to the Immsi Group and includes post-employment benefits identified as defined benefit plans.

The item "Other provisions" is mainly attributable to the Piaggio group and includes i) provisions for personnel made by international companies of the group and ii) additional customer indemnity provisions, which represent the compensation due to agents in the case of the agency contract being terminated for reasons beyond their control. Uses refer to the payment of benefits already accrued in previous years, while allocations 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 0.98% - 1.84%;
- Annual rate of inflation 1.50%
- Annual rate of increase in termination benefits 2.625%

As regards the discount rate, the iBoxx Corporates AA rating or iBoxx Corporates A rating with a duration from 7 to 10+ were used for the evaluation.

The table below shows the effects, in absolute terms, at 30 June 2018, which would have occurred following changes in reasonably possible actuarial assumptions:

In thousands of euros	Provision for termination benefits
Turnover rate +2%	47,555
Turnover rate -2%	48,880
Inflation rate + 0.25%	48,805
Inflation rate - 0.25%	47,504
Discount rate + 0.50%	46,178
Discount rate - 0.50%	50,268

The average duration of the bond ranges from 7.2 to 27 years, while future payments estimated in the Group are equal to:

Year *In thousands of euros*	Future amounts
1	3,944
2	3,399
3	4,377
4	5,017
5	4,230

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 30,887

The balance of other long-term reserves, including the portion falling due within 12 months, totals 30,887 thousand euros at the end of June 2018, a 655 thousand euro decrease compared to 31 December 2017.

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

In thousands of euros	*Balance 31.12.2017*	*Allocations*	*Applications*	*Other movements*	*Balance 30.06.2018*	*Of which current portion*
Provision for product warranties	18,293	5,715	(4,611)	(807)	18,590	13,868
Provisions for risk on investments	3,487	0	(5)	(895)	2,587	2,561
Provision for contractual risks	2,832	582	(568)	3	2,849	242
Other provisions for risks and charges	6,930	195	(315)	51	6,861	3,891
TOTAL	**31,542**	**6,492**	**(5,499)**	**(1,648)**	**30,887**	**20,562**

The product warranty provision refers to allocations recognised at 30 June 2018 by the Piaggio group for 15,182 thousand euros and by Intermarine S.p.A. for 3,408 thousand euros 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 2,561 thousand euros for the hedging of negative shareholders' equity of the investee Rodriquez Cantieri Navali do Brasil Ltda.

The provision of contractual risks refers mainly to charges which could arise from the ongoing negotiation of a supply contract in the Piaggio group.

Other provisions for liabilities and charges include provisions for risks relating to labour disputes and other legal and tax disputes, totalling 2,838 thousand euros, and provisions for shipbuilding contracts in progress, totalling 2,700 thousand euros, which include the estimated costs and contractual charges on contracts in progress.

- G6 - DEFERRED TAX LIABILITIES 22,479

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 174 thousand euros by deferred tax assets, of a uniform maturity and type.
Deferred taxes are recognised mainly by the Parent Company, Immsi S.p.A., in the amount of 19,519 thousand euros, mainly in relation to the fair value measurement of investment property in Rome.

- G7 - CURRENT TAXES 22,716

The item Current taxes, which includes tax payables allocated in relation to tax charges for individual companies under applicable national laws, increased by 10,407 thousand euros compared to the end of 2017. A breakdown of this item is given below:

In thousands of euros	*Balance 30.06.2018*	*Balance 31.12.2017*
Amounts due for income tax	14,189	4,676
VAT payables	4,368	1,549
Amounts due for withholding tax	3,370	5,355
Amounts due for local taxes	34	31
Other payables	755	698
TOTAL	**22,716**	**12,309**

The item in question, which refers for 20,722 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 employee salaries, 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 euro unless otherwise indicated.

Before analysing the individual items, it is pointed out that the general information on costs and revenues is contained in the Half-Yearly Report on Operations, in accordance with article 2428 of the Italian Civil Code.

- H1 - NET REVENUES 774,071

Revenues from sales and services of the Immsi Group at 30 June 2018 total 774,071 thousand euros (down by 5,615 thousand euros compared with the same period of the previous year, or -0.7%), of which 729,592 thousand euros is attributable to the industrial sector (+4,286 thousand euros or +0.6%), 42,440 thousand euros to the marine sector (-9,954 thousand euros or -19%), including about 4 million euros for non-recurring revenue as described at the beginning of this Note, and the balance to the property and holding sector (2,039 thousand euros, slightly up from 30 June 2017).
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 2018*		*First half of 2017*	
	Amount	*%*	*Amount*	*%*
Property and holding sector	2,039	0.3%	1,986	0.3%
Industrial sector (Piaggio group)	729,592	94.3%	725,306	93.0%
of which Two-Wheeler business	520,500	67.2%	541,700	69.5%
of which Commercial Vehicle business	209,092	27.0%	183,606	23.5%
Shipyard sector (G. Rodriquez)	42,440	5.5%	52,394	6.7%
TOTAL	**774,071**	**100.0%**	**779,686**	**100.0%**

By geographic segment

In thousands of euros	*First half of 2018*		*First half of 2017*	
	Amount	*%*	*Amount*	*%*
Italy	71,709	9.3%	177,156	22.7%
Other European countries	304,209	39.3%	316,199	40.6%
Rest of the World	398,153	51.4%	286,331	36.7%
TOTAL	**774,071**	**100.0%**	**779,686**	**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 439,103

Costs for materials total 439,103 thousand euros, compared to 435,242 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 accounting for net revenues at 30 June 2018 is slightly higher than in the same period of the previous year, and accounts for 56.7%.
The item costs for materials increased in the Piaggio group, from 420,130 in the first half of 2017 to 430,024 in the same period of 2018, going up by 9,894 thousand (+2.4%).
The item includes 14,069 thousand euros (16,424 thousand euros in the first half of 2017) 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 2018*	*First half of 2017*
Change in inventories of finished products, work in progress and semi-finished products	(43,329)	(33,990)
Change in capitalised piecework	(91)	(359)
Purchase of raw materials and consumables	494,584	484,836
Change in raw materials and consumables	(12,061)	(15,245)
TOTAL	**439,103**	**435,242**

- H3 - COSTS FOR SERVICES, LEASES AND RENTALS 132,699

Costs for services, leases and rentals total 132,699 thousand euros. Below is a breakdown of this item:

In thousands of euros	*First half of 2018*	*First half of 2017*
Transport costs	18,259	17,820
Product warranty costs	1,236	4,359
Advertising and promotion	19,498	18,242
Outsourced manufacturing	16,760	21,489
External maintenance and cleaning costs	4,852	4,761
Employee costs	8,092	8,320
Technical, legal, tax, administrative consultancy, etc.	9,586	9,584
Sundry commercial expenses	4,860	5,237
Energy, telephone, postage costs, etc.	8,695	8,342
Services provided	2,559	2,800
Insurance	2,469	2,486
Cost of company boards	2,063	2,030
Sales commissions	706	550
Part-time staff and staff of other companies	1,806	1,753
Bank charges and commission	5,516	3,174
Quality-related events	3,165	1,263
Other expenses	13,393	16,389
TOTAL COSTS FOR SERVICES	**123,515**	**128,599**
Rental instalments of business property	3,517	3,810
Lease rentals for motor vehicles, office equipment, etc.	(183)	0
Other instalments	5,850	5,332
TOTAL COSTS FOR LEASES AND RENTALS	**9,184**	**9,142**
TOTAL COSTS FOR SERVICES, LEASES AND RENTALS	**132,699**	**137,741**

- H4 - EMPLOYEE COSTS 122,468

Employee costs are broken down as follows:

In thousands of euros		
	First half of 2018	***First half of 2017***
Salaries and wages	91,741	90,594
Social security contributions	24,662	25,007
Termination benefits	4,070	4,105
Personnel restructuring costs	1,005	2,565
Other costs	990	893
TOTAL	**122,468**	**123,164**

In the first half of 2018, employee costs decreased slightly by 0.7 million euros (-0.6%) compared to the same period of the previous year.
Under employee costs, 1,005 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). in fact the Group uses fixed-term employment contracts to handle typical peaks in demand in 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 Half-Yearly Financial Report:

	First half of 2018	***First half of 2017***
Senior management	109	109
Middle managers and white collars	2,518	2,500
Manual workers	4,416	4,295
TOTAL	**7,043**	**6,904**

- H5 - DEPRECIATION OF TANGIBLE ASSETS 21,431

The depreciation of plant, property and equipment at 30 June 2018 is summarised below:

In thousands of euros		
	First half of 2018	***First half of 2017***
Depreciation of buildings	2,798	2,854
Depreciation of plant and machinery	11,021	12,385
Depreciation of industrial and commercial equipment	5,446	6,264
Depreciation of assets to be given free of charge	30	30
Depreciation of other assets	2,136	2,725
DEPRECIATION OF PLANT, PROPERTY AND EQUIPMENT	**21,431**	**24,258**

- H6 - AMORTISATION OF INTANGIBLE ASSETS WITH A FINITE LIFE 34,630

During the first half of 2018, amortisation of intangible assets with a finite life amounted to 34,630 thousand euros. The item under examination comprises the following:

In thousands of euros	First half of 2018	First half of 2017
Amortisation of development costs	17,587	20,626
Amortisation of concessions, patents, industrial and similar rights	14,522	14,929
Amortisation of trademarks and licences	2,415	2,415
Amortisation software	57	54
Amortisation of other intangible assets with a finite life	49	100
AMORTISATION OF INTANGIBLE ASSETS	**34,630**	**38,124**

Since 1 January 2004, goodwill has no longer been amortised but has been subjected to impairment tests at least annually: see the note on intangible assets for details of the activities carried out. The amortisation of intangible assets does not include goodwill impairment either in the first six months of 2018 or in the corresponding period of the previous year, as i) based on the results projected in long-term development plans prepared by Group companies and used in impairment tests carried out at 31 December 2017, and ii) based on analyses conducted by Group Management during the preparation of this Half-year Financial Report at 30 June 2018, no need arose for any write-downs as 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 climate of uncertainty on core and financial markets, the various factors – both inside and outside the cash-generating units identified – used in preparing estimates could be revised in the future: the Group will constantly monitor these factors and the possible existence of future impairment losses.

- H7 - OTHER OPERATING INCOME 56,474

The “Other operating income” item comprises:

In thousands of euros	First half of 2018	First half of 2017
Gains on the disposal of plant, property and equipment	66	77
Sponsorships	1,177	1,454
Grants	2,809	2,405
Recovery of sundry costs	17,349	17,681
Licence rights	880	1,103
Sale of materials and sundry equipment	587	456
Insurance settlements	627	1,916
Increases in fixed assets from internal work	22,470	20,501
Reversal of provisions for risks and other provisions	890	0
Rents received	2,159	2,208
Other operating income	7,460	6,347
TOTAL	**56,474**	**54,148**

Other operating income increased by 2,326 thousand euros (+4.3%) compared to the same period of the previous year.

- H8 - OTHER OPERATING COSTS 12,686

The item Other operating costs totalled 12,686 thousand euros at 30 June 2018 and comprises the following:

In thousands of euros	First half of 2018	First half of 2017
Duties and taxes not on income	2,891	3,192
Impairment losses of intangible assets	508	0
Provisions for future and other risks	6,492	9,219
Write-down of trade receivables (including provisions to the provision for bad debts)	1,000	775
Other operating costs	1,795	1,984
TOTAL	**12,686**	**15,170**

At 30 June 2018, other operating costs also included a loss of 209 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 - EARNINGS ON INVESTMENTS 404

Income from equity investments derives from the Group's share of the result of the joint venture Zongshen Piaggio Foshan Motorcycle Co. Ltd (389 thousand euros) and of the associated company Pontech (15 thousand euros) valued at equity

- H10 - FINANCIAL INCOME 15,202

Financial income recognised by the Group at 30 June 2018 is detailed below:

In thousands of euros	First half of 2018	First half of 2017
Interest income	1,421	858
Capital gains on the disposal of shares	0	3,350
Exchange gains	8,861	7,418
Income from fair value hedging and interest rates	299	64
Other income	4,621	112
TOTAL	**15,202**	**11,802**

The increase of 3,400 thousand euros is due to non-recurring financial income of 4,431 thousand euros deriving from the liability management operation on the "Eur 250 million Piaggio 4.625% due 2021" bond, which is recognised in the income statement as required by IFRS 9. For details, see the section on the content and form of consolidated financial statements, partially offset by the lower financial income recognised by the Parent Company compared to the first half of 2017, when Immsi S.p.A. collected 3.35 million euros from the sale of the option rights granted to it in relation to the increase in UniCredit share capital which the Company did not take up.

- H11 - BORROWING COSTS 37,235

Financial charges at 30 June 2018 are detailed below:

In thousands of euros	First half of 2018	First half of 2017
Interest payable on bank loans	11,045	12,756
Interest payable on loans from third parties	4,100	3,489
Interest payable on debenture loans	11,019	7,435
Other interest payable	946	1,043
Commissions payable	783	1,364
Exchange losses	8,918	6,891
Fair value and interest rate hedging charges	0	196
Financial component of retirement funds and termination benefits	249	312
Other charges	175	441
TOTAL	**37,235**	**33,927**

Borrowing costs at 30 June 2018 increased by 3,308 thousand euros compared to the same period of the previous year. This change is due to non-recurring financial charges of 3,521 thousand euros deriving from the liability management operation on the above-mentioned Piaggio bond, partially offset by lower charges deriving from the reduction in the Piaggio group's average debt and its cost.

- H12 -	TAXES	23,598

The expected tax expense on the income of companies consolidated with the line by line consolidation method in the financial statements at 30 June 2018 amounted to 23,598 thousand euros, with a percentage of income before taxes of 51.4% (47.4% in the first half of 2017).

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

At the end of the reporting period, there were no gains or losses from assets held for disposal or sale, as well as for the corresponding period of the previous year.

- H14 -	EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	11,400

Earnings for the period of the Immsi Group amounted to 11,400 thousand euros, after allocating earnings of 10,901 thousand euros to non-controlling interests.

- I - COMMITMENTS, RISKS AND GUARANTEES

For main commitments, risks and guarantees, where not specifically updated in these Notes, reference is made to the Notes to the Consolidated Financial Statements at 31 December 2017 for a general overview of the Group.

- L - TRANSACTIONS WITH RELATED PARTIES

As regards information to be provided on related party transactions of the Group, in accordance with *IAS 24 – Related Parties Disclosures*, related party transactions took place in normal market conditions or as laid down by specific laws. No atypical or unusual transactions were carried out during the period to 30 June 2018. 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 main financial effects of related party transactions and their impact on each financial statement item as of consolidated data of the Immsi Group at 30 June 2018: the financial effects arising from consolidated intergroup operations were eliminated during consolidation.
For comparative purposes, the following table shows income statement data at 30 June 2017 and balance sheet data at 31 December 2017.

Main economic and financial items	amounts in thousands of euros 30.06.2018	% accounting for financial statement items	Description of the nature of transactions	Comparable amounts in thousands of euros
Transactions with Related Parties:				
Current trade payables	*168*	*0.0%*	*Tax advisory services provided by St. Girelli & Ass. and by Trevi S.r.l. to the Group*	*149*
Costs for services, leases and rentals	*130*	*0.1%*	*Tax advisory services provided by St. Girelli & Ass. and by Trevi S.r.l. to the Group*	*110*
Transactions with Parent companies:				
Non-current financial liabilities	*0*	*0.0%*	*Piaggio debenture loan (PO) undersigned by Omniaholding S.p.A.*	*2,900*
Current trade payables	*388*	*0.1%*	*Rental of offices provided by Omniaholding S.p.A. to the Group*	*359*
Costs for services, leases and rentals	*355*	*0.3%*	*Rental of offices provided by Omniaholding S.p.A. to the Group*	*270*
Borrowing costs	*93*	*0.2%*	*Charges related to the Piaggio PO subscribed by Omniaholding S.p.A. and the securities loan from Omniaholding S.p.A. to Immsi*	*73*
Transactions with Subsidiaries, Affiliated Companies, Joint Ventures:				
Trade receivables and other non-current	*94*	*0.6%*	*Receivables from Fondazione Piaggio*	*115*
Current trade receivables and other receivables	*2,785* *2,937*	*1.3%* *1.4%*	*Receivables from Consorzio CTMI and Rodriquez do Brasil* *Trade receivables due from Piaggio Foshan and Fondazione Piaggio*	*2,826* *3,052*
Trade payables and other non-current payables	*13*	*0.2%*	*Payables to Piaggio Foshan*	*12*
Current financial liabilities	*9*	*0.0%*	*Financial payables to Rodriquez Pietra Ligure S.r.l.*	*9*
Current trade payables	*15,674* *10*	*2.7%* *0.0%*	*Trade payables to Piaggio Foshan* *Trade payables to Consorzio CTMI*	*8,811* *0*
Other current payables	*161*	*0.3%*	*Payables to Fondazione Piaggio and Piaggio*	*214*
Net revenues	*2,219*	*0.3%*	*Sales to Piaggio Foshan*	*998*
Costs for materials	*14,069*	*3.2%*	*Purchases from Piaggio Foshan*	*16,424*
Costs for services, leases and rentals	*70*	*0.1%*	*Costs for services rendered by Consorzio CTMI*	*70*
Other operating costs	*79*	*0.6%*	*Other operating costs from Piaggio Foshan*	*0*
Other operating income	*79*	*0.1%*	*Income from Piaggio Foshan*	*121*

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.

- M - FINANCIAL POSITION

The Immsi Group net financial debt at 30 June 2018 is shown below, compared with corresponding data at 31 December 2017 and at 30 June 2017. Further details of the main components are provided in the tables in the Half-year Financial Report and the related information below them:

(in thousands of euros)	*30.06.2018*	*31.12.2017*	*30.06.2017*
Cash and cash equivalents	-201,495	-138,949	-225,384
Other short-term financial assets	0	0	0
Medium/long-term financial assets	0	0	0
Short-term financial payables	467,914	426,527	504,209
Medium/long-term financial payables	576,812	571,342	584,521
Net financial debt *)	**843,231**	**858,920**	**863,346**

*) 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) as well as interest payable and enforceable due on loans received (see note G2 – “Financial liabilities” in the 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 21 March 2018 and approved by the Ordinary Shareholders' Meeting on 10 May 2018, the Parent Company did not distribute dividends during the first half of 2018, nor during the first half of 2017.

- 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 2018	*First half of 2017*
Net profit attributable to ordinary shareholders (in thousands of euro)	11,400	11,299
Average weighted number of shares in circulation during the year	340,530,000	340,530,000
Basic earnings per share	**0.033**	**0.033**

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 at 30 June 2018, 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 at 30 June 2018 and at 31 December 2017:

In thousands of euros	*30 June 2018*	*31 December 2017*
ASSETS		
NON-CURRENT ASSETS		
Other financial assets	***8,054***	***7,328***
Financial receivables	0	0
Financial assets	8,054	7,328
CURRENT ASSETS		
Other financial assets	***6,397***	***6,665***
Financial receivables	0	0
Financial assets	6,397	6,665
LIABILITIES		
NON-CURRENT LIABILITIES		
Financial liabilities	***584,521***	***578,462***
Bonds	303,491	309,880
Payables due to banks	264,649	251,950
Amounts due for finance leases	8,494	9,168
Amounts due to other lenders	178	344
Financial liabilities for hedging instruments	7,709	7,120
CURRENT LIABILITIES		
Financial liabilities	***470,211***	***432,032***
Bonds	9,632	9,625
Payables due to banks	393,566	357,917
Amounts due for finance leases	1,247	1,144
Amounts due to subsidiaries	9	9
Amounts due to other lenders	63,460	60,957
Financial liabilities for hedging instruments	2,297	2,380

Financial assets

The current and non-current financial assets are fully commented upon in Note F5 – Other financial assets, which reference is made to.

Financial liabilities

Current and non-current liabilities too 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 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 high yield debenture loan issued by the company in April 2018 provide for compliance with covenants which are typical of international practice on the high yield market. In particular, the company must observe the EBITDA/Net borrowing costs index, based on the threshold established in the Prospectus, to increase financial debt defined during issue. In addition, the Prospectus includes some obligations for the issuer, which limit, inter alia, the capacity to:
1) pay dividends or distribute capital;
2) make some payments;
3) grant collaterals for loans;
4) merge with or establish some companies;
5) sell or transfer own assets.

The measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis, in particular, based on results at 30 June 2018, all covenants had been fully met.
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. For more details, see the information in Note G2 – Financial liabilities.

Lines of credit

At 30 June 2018 the Immsi Group had irrevocable credit lines up to expiry amounting to 859.9 million euros (1,155.4 million euros at 31 December 2017), details of which are given in the 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 a greater coverage of liquidity risk, at 30 June 2018 the Immsi Group had unused credit lines available for 376.8 million euros (388.4 million euros at 31 December 2017), of which 166.8 million euros due within 12 months and 210 million euros due 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 euros. 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 2018, the Group had undertaken the following futures operations (recognised based on the settlement date), relative to payables and receivables already recognised to hedge the transaction exchange risk:

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			In thousands	*In thousands*	
Piaggio & C.	Purchase	CAD	1,800	1,180	31/07/2018
Piaggio & C.	Purchase	CNY	119,400	15,646	06/08/2018
Piaggio & C.	Purchase	GBP	200	228	27/07/2018
Piaggio & C.	Purchase	JPY	463,000	3,569	19/08/2018
Piaggio & C.	Purchase	SEK	8,900	855	13/07/2018
Piaggio & C.	Purchase	USD	39,800	33,443	05/08/2018
Piaggio & C.	Sale	CAD	5,150	3,358	13/08/2018
Piaggio & C.	Sale	CNY	3,500	456	03/07/2018
Piaggio & C.	Sale	GBP	900	1,020	26/08/2018
Piaggio & C.	Sale	INR	128,000	1,609	17/07/2018
Piaggio & C.	Sale	JPY	64,000	490	14/08/2018
Piaggio & C.	Sale	SEK	4,500	432	29/08/2018
Piaggio & C.	Sale	USD	23,550	20,047	02/08/2018
Piaggio group Americas	Purchase	CAD	1,500	1,127	13/07/2018
Piaggio group Americas	Sale	EUR	140	119	30/07/2018
Piaggio Vietnam	Purchase	EUR	3,400	93,216,600	20/08/2018
Piaggio Vietnam	Purchase	JPY	35,000	7,297,500	26/07/2018
Piaggio Vietnam	Sale	USD	41,000	934,728,000	11/09/2018
Piaggio Indonesia	Purchase	USD	5,512	78,193,112	15/08/2018
Piaggio Vehicles Private Limited	Sale	USD	2,321	159,243	01/08/2018
Piaggio Vehicles Private Limited	Sale	EUR	4,212	341,173	16/09/2018

As of 30 June 2018, the Group have undertaken the following hedging transactions on the exchange risk:

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			In thousands	*In thousands*	
Piaggio & C.	Purchase	CNY	79,500	9,811	17/10/2018
Piaggio & C.	Sale	GBP	6,425	7,215	22/09/2018

To hedge the business risk, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders. At 30 June 2018, the overall fair value of hedging instruments on the exchange risk recognised on a hedge accounting basis was positive, amounting to 389 thousand euros. During the first half of 2018, profits recognised in other comprehensive income amounted to 349 thousand euros, while losses of 57 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 2018 is shown below in the main currencies:

In millions of euros	Cash flow for the 1st half of 2018
Canadian Dollar	4.6
Pound Sterling	9.7
Japanese Yen	1.3
US Dollar	36.4
Indian Rupee	-2.0
Croatian Kuna	0.0
Chinese Yuan*	-8.6
Vietnamese Dong	-37.3
Indonesian Rupiah	9.3
Total cash flow in foreign currency	**13.4**

* cash flow partially in US Dollar

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. At 30 June 2018, 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 414 thousand euros and losses of 390 thousand euros.

Management of the interest rate risk

This risk arises from fluctuating interest rates and the impact this may have on future cash flows arising from variable rate financial assets and liabilities. The Group regularly measures and controls its exposure to the risk of interest rate changes, as established by its management policies, in order to reduce fluctuating borrowing costs, and limit the risk of a potential increase in interest rates. This objective is achieved through an adequate mix of fixed and variable rate exposure, and the use of derivatives, mainly interest rate swaps and cross currency swaps.

With reference to the **Piaggio group**, at 30 June 2018, 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 USD 75,000 thousand. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. At 30 June 2018, the fair value of the instrument was 10,454 thousand euros. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to +178 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 +15 thousand euros and -17 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 -14 thousand euros and +15 thousand euros respectively.

In thousands of euros	*Fair value*
Piaggio & C. S.p.A.	
Cross Currency Swap	10,454

Moreover, the Parent Company Immsi S.p.A. activated an interest rate swap to change a part of flows for interest relative to the loan with Banco BPM (ex Banco Popolare) from a variable to a fixed rate. At 30 June 2018, the fair value of the instrument was negative at 77 thousand euros. In the half year, profit amounting to 77 thousand euros 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 2018*	*31 December 2017*
Bank funds and securities	201,336	138,825
Financial assets	14,487	14,029
Tax receivables	38,568	33,569
Trade receivables and other receivables	228,554	168,920
Total	**482,945**	**355,343**

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: moreover, in general production to order requires substantial advance payments by the customer as works progress, 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 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:

In thousands of euros	**Nominal value**	**Carrying Amount**	***Fair Value***
*Piaggio group **			
High yield debenture loan	250,000	241,217	250,440
Private debenture loan 2021	42,130	42,043	57,269
Private debenture loan 2022	30,000	30,000	29,697
EIB (R&D loan 2013-2015)	16,364	16,364	16,607
EIB (R&D loan 2016-2018)	55,715	55,630	54,107
Credit line from B. Pop. Emilia Romagna	8,340	8,340	8,406
Loan from Banco BPM	10,228	10,228	9,861
Revolving syndicated loan	20,000	18,783	18,565
Syndicated loan maturing	62,500	62,000	60,243
UBI loan	15,000	14,978	14,799
MCC loan	10,000	9,993	9,763
Banca Ifis Loan	8,500	8,456	8,718
VietinBank medium-term loan	11,550	11,550	11,970
*Immsi S.p.A. ***			
Banco BPM (ex Banco Popolare) mortgage loan	33,750	33,295	33,155
Credit line maturing in December 2018	5,000	4,988	5,066
Credit line maturing in June 2022	28,000	27,572	27,234
Credit line maturing in December 2021	14,250	14,142	13,893
Credit line maturing in December 2021	10,000	9,961	9,942

**) the fair value deducts the DVA related to the issuer, i.e. it includes the risk of the insolvency of Piaggio.*
***) The fair value is determined in the event of unsecured debt.*

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 measured at fair value at 30 June 2018, based on fair value hierarchical levels:

In thousands of euros	*Level 1*	*Level 2*	*Level 3*
			0
Assets measured at fair value	3,998	0	0
Hedging derivatives		10,454	0
Investment property		0	85,909
Other assets		449	36
Total assets	***3,998***	***10,903***	***85,945***
Liabilities measured at fair value		(53,863)	0
Hedging derivatives		(77)	0
Other liabilities		(60)	0
Total liabilities	***0***	***(54,000)***	***0***
Balance at 30 June 2018	***3,998***	***(43,097)***	***85,945***

Hierarchical level 1 includes the carrying amount of the investment held by Immsi S.p.A. in UniCredit S.p.A., down by 346 thousand euros compared to 31 December 2017 following a decrease in the share price recorded at the end of June 2018.

Hierarchical level 2 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.

Hierarchical level 3 includes the fair value of investment property attributable to Immsi S.p.A. (located in Via Abruzzi, Rome) and the former Piaggio group site in Martorelles, Spain.

The following table highlights the changes that occurred during the first half of 2018:

In thousands of euros	*Level 1*	*Level 2*	*Level 3*
Balance as of 31 December 2017	*4,344*	(45,587)	*85,811*
Gain and (loss) recognised in the comprehensive income statement	(346)	732	(347)
Increases/(Decreases)		1,758	481
Balance at 30 June 2018	***3,998***	***(43,097)***	***85,945***

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND INVESTMENTS AT 30 JUNE 2018

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	% votes (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.r.l. Lecce (LE) – Italy Immsi S.p.A. investment: 85.69%	Euro	500,000.00	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: 92.59%	Euro	10,398,437.00	92.59%	
Pietra S.r.l. Milan (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	1,000,000.00	63.18%	
Intermarine S.p.A. Sarzana (La Spezia) – Italy RCN Finanziaria S.p.A. investment: 100.00%	Euro	2,060,214.00	100.00%	
Piaggio & C. S.p.A. Pontedera (PI) – Italy Immsi S.p.A. investment: 50.07%	Euro	207,613,944.37	50.07%	
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 Rome – Italy Piaggio & C. S.p.A. investment: 100.00%	Euro	5,764,748.20 (1)	100.00%	

Company name	Currency	Share Capital (subscribed and paid-up)	% of Share Capital owned	% votes (if different)
Foshan Piaggio Vehicles Technology Research & Development Co. Ltd Foshan City – China Piaggio Vespa B.V. investment: 100.00%	RMB	10,500,000.00	100.00%	
Nacional Motor S.A. Barcelona – Spain Piaggio & C. S.p.A. investment: 100.00%	Euro	60,000.00	100.00%	
Piaggio Asia Pacific PTE Ltd. Singapore – Singapore Piaggio Vespa B.V. investment: 100.00%	SGD	100,000.00	100.00%	
Piaggio Advanced Design Center Corp. California – USA Piaggio & C. S.p.A. investment: 100.00%	USD	100,000.00	100.00%	
Piaggio China Co. LTD Hong Kong – China Piaggio & C. S.p.A. investment: 99.99999%	USD	12,120,000.00	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: 84.00%	USD	12,738.00	84.00%	
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	1,004,040.00	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	341,153,300.00	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: 63.50% Piaggio Vespa B.V. investment: 36.50%	VND	64,751,000,000.00	100.00%	
PT Piaggio Indonesia Jakarta – Indonesia Piaggio Vespa B.V. investment: 99.00% Piaggio & C. S.p.A. investment: 1.00%	Rupiah	4,458,500,000.00	100.00%	

Company name	Currency	Share Capital (subscribed and paid-up)	% of Share Capital owned	% votes (if different)
INVESTMENTS IN SUBSIDIARIES, ASSOCIATED AND JOINT CONTROL COMPANIES 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$	8,607,968.00	100.00%	
Rodriquez Pietra Ligure S.r.l. Milan (MI) – Italy Intermarine S.p.A. investment: 100.00%	Euro	20,000.00	100.00%	
Depuradora d'Aigües de Martorelles S.C.C.L. Barcelona – Spain Nacional Motor S.A. 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%	
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES VALUED USING THE COST METHOD				
Consorzio CTMI – Messina Messina (ME) – Italy Intermarine S.p.A. investment: 33.33%	Euro	53,040.00	33.33%	
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.

(1) Total net value of the Fund

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 Chief Executive Officer 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 statements in the course of the first half of 2018.

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 Half-Year Financial Report includes an analysis of the significant events affecting the Company in the first six months of the current financial 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.

3 September 2018

The Chairman
Roberto Colaninno

Manager in charge of preparing the company accounts and documents
Andrea Paroli

Chief Executive Officer
Michele Colaninno

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 2018, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of consolidated cash flows, the statement of changes in consolidated 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 2018 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.

Brescia, 4 September 2018

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.