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

Interim Report on Operations

30 September 2018

This Interim Financial Report as of 30 September 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.

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This file was approved by the Board of Directors of Immsi S.p.A. on 13 November 2018
and is available to the public at the Registered Office of the Company,
in the authorized storage mechanism "eMarket STORAGE"
available at www.emarketstorage.com and on the Issuer's website www.immsi.it
(section : "Investors/Financial reports/2018")

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

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

GENERAL 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

All information on powers reserved for the Board of Directors, the authorities granted, 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.

Financial highlights of the Immsi Group

During the first nine months of 2018, the Immsi Group confirmed its progress with the improvement programme undertaken in recent years, in terms of both its financial position and earnings. All indicators are up compared to 2017: turnover (based on uniform exchange rates) grew by 5.5%, EBIT by 14.1% and net profit including the share attributable to non-controlling interests by 27.4%. Financial debt as at 30 September 2018 also improved, down by approximately 21.3 million euros compared to 30 September 2017.
Earnings for the period have different trends with reference to the sectors comprising the Group, based on the different business trends of the period in question.
For a clearer interpretation, the following is reported on a preliminary basis:

- the "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..

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

Immsi Group as of 30 September 2018

In thousands of euros	*Property and holding sector*	*as a %*	*Industrial sector*	*as a %*	*Marine sector*	*as a %*	*Immsi Group*	*as a %*
Net revenue	3,959		1,093,740		53,900		1,151,599	
Operating income before depreciation and amortisation (EBITDA)	-2,172	n/m	165,964	15.2%	12,401	23.0%	176,193	15.3%
Operating income (EBIT)	-2,520	n/m	84,925	7.8%	9,966	18.5%	92,371	8.0%
Earnings before taxes	-13,974	n/m	66,089	6.0%	8,763	16.3%	60,878	5.3%
Earnings for the period including non-controlling interests	-13,220	n/m	36,349	3.3%	6,027	11.2%	29,156	2.5%
Group earnings for the period (which may be consolidated)	-7,718	n/m	18,233	1.7%	4,370	8.1%	14,885	1.3%
Net debt	-369,594		-405,109		-46,995		-821,698	
Personnel (number)	106		6,754		265		7,125	

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

Immsi Group as of 30 September 2017

In thousands of euros	*Property and holding sector*	*as a %*	*Industrial sector*	*as a %*	*Marine sector*	*as a %*	*Immsi Group adjusted*	*as a %*
Net revenue	3,902		1,050,440		79,794		1,134,136	
Operating income before depreciation and amortisation (EBITDA)	-2,620	n/m	159,031	15.1%	16,550	20.7%	172,961	15.3%
Operating income (EBIT)	-2,972	n/m	69,122	6.6%	14,819	18.6%	80,969	7.1%
Earnings before taxes	-11,104	n/m	45,015	4.3%	12,433	15.6%	46,344	4.1%
Earnings for the period including non-controlling interests	-10,628	n/m	25,832	2.5%	7,684	9.6%	22,888	2.0%
Group earnings for the period (which may be consolidated)	-6,116	n/m	12,934	1.2%	5,571	7.0%	12,389	1.1%
Net debt	-354,738		-434,783		-53,506		-843,027	
Personnel (number)	94		6,940		275		7,309	

The Group has adopted IFRS 15 and all its related amendments, applying the modified retrospective method. For the purposes of comparing data for the first nine months of 2018, the *adjusted* values for the first nine months of 2017 have been recalculated to include the effects of the application of the aforementioned accounting standard, as recorded exclusively in the industrial sector.

The data in the previous tables refer to results that may be consolidated, i.e. net in particular of revenue and intergroup costs and any dividends of subsidiaries.

Alternative non-GAAP performance measures

This Report contains some measures that, although not indicated by IFRS ("Non-GAAP Measures"), derive from IFRS financial measures.

These measures – which are presented to allow a better assessment of the Group's operating performance – should not be considered as an alternative to IFRS measures. They are identical to those contained in the Annual Report and Financial Statements at 31 December 2017 and in the periodical quarterly reports of the Immsi Group.

Moreover, the procedures for determining these measures are not specifically regulated by reference accounting standards, so they might not be uniform with the measures adopted by other entities and therefore might not be sufficiently comparable.

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

- **EBITDA**: defined as operating income before amortisation/depreciation and impairment costs of intangible assets and property, plant and equipment, as reported in the consolidated income statement.

- **Net financial debt**: represented by (current and non-current) financial liabilities, minus cash on hand and other cash and cash equivalents, as well as other (current) financial receivables. The other financial assets and liabilities arising from the valuation at *fair value* of the derivative financial instruments designated as hedges and the *fair value* adjustment of the related hedged items as well as the interest payable accrued on loans received, do not, however, enter into determining net financial debt. The tables in this Report include a table with items of the Statement of Financial Position used to determine this indicator. In this respect, in compliance 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..

Form and content

Italian Legislative Decree 25 of 2016, which implemented the new Directive *Transparency II (2013/50/EU)*, eliminated the obligation of publication of the interim report on operations. The decision to continue to publish information on the first quarter and the first nine months of the Immsi Group was taken in continuity with the past, also in the light of changes in the regulatory framework. In this regard, it should be noted that Consob, with Resolution no. 19770 of 26 October 2016, approved the amendments to the Regulation on Issuers on Interim Reports on Operations (additional periodic financial information) through the introduction of the new Article 82-ter. The new provisions shall apply from 2 January 2017.

The disclosure on subsequent events and the outlook is provided later in the specific paragraph of this Report.

As provided for by Consob communication no. DEM/5073567 of 4 November 2005, the Company has indicated fewer details than required by IAS 34 – Interim Financial Reporting.
The information in this Report should be read together with the Consolidated Financial Statements as at 31 December 2017, prepared according to IFRS.

The reclassified Income Statement and Statement of Comprehensive Income relative to the first nine months of 2018 are given below, compared with the same period of 2017, as well as the reclassified Statement of Financial Position as of 30 September 2018, compared with the situation as of 31 December 2017 and 30 September 2017 and the Statement of Cash Flows as of 30 September 2018 compared with the same period of 2017. The Statement of changes in shareholders' equity as of 30 September 2018, compared with figures for the same period of the previous year is also presented.

It should be noted that in the first nine months of 2017 there were no significant non-recurring transactions, while the figures resulting from the following events were reflected in the same period of 2018:

- with regard to the subsidiary Piaggio & C. S.p.A. a *liability management* transaction was finalized on the "Eur 250 million Piaggio 4.625% due 2021" debenture loan, the effects of which are recorded in the income statement as required by IFRS 9. In early April 2018, Piaggio & C. S.p.A. exercised the *call* option of the debenture loan issued on 24 April 2014 for a total amount of 250,000 thousand euros and maturing on 30 April 2021. On 9 May, the remaining portion of this loan (equal to approximately 168,497 million euros) was paid back at the price of 101.25%, after the finalisation of the swap offer launched on 9 April. As a result of the transaction the following amounts were recognised in the income statement for the first nine months of 2018:

- borrowing costs for premiums paid to bondholders who did not participate in the swap offer and for the swap of outstanding securities and the costs not yet amortized of the repaid loan (3,521 thousand euros);
- financial income from the transaction that changed the original liability into a new bond issued at more favourable terms for the issuer (4,431 thousand euros).

- with reference to the marine sector, given the serious breaches of the Asian customer, Intermarine decided to terminate existing contracts. The company therefore recorded gross proceeds of around 4 million euros reflecting the higher value of the collections made compared to production progress.

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

No non-current, atypical or unusual transactions, as defined by Consob Communication no. DEM/6037577 of 28 April 2006 and no. DEM/6064293 of 28 July 2006, were reported for the first nine months of 2018 and 2017.

The executive in charge of financial reporting Andrea Paroli, hereby declares, in accordance with paragraph 2 of article 154-bis of the Consolidated Finance Act, that the accounting disclosures in this document correspond to accounting records.

The preparation of the Interim Report on Operations required Management to make estimates and assumptions that particularly affect the reported amounts of revenues, expenses, assets and liabilities recorded in the financial statements and disclosure of contingent assets and liabilities at the closing date of the period. If in the future such estimates and assumptions deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances should change. In addition, some measurement processes, particularly the more complex ones such as the determination of impairment losses on intangible assets, 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 of *impairment* that require immediate evaluation of possible impairment losses.
This document can include forward-looking statements, regarding future events and operational, economic and financial results of the Immsi Group. Said statements have a certain degree of risk and uncertainty by nature, since they depend on the occurrence of future events and developments. The actual results may differ even significantly compared to the forecast ones, in relation to several factors.

The Group's activities, especially those regarding the industrial and tourism-hospitality segments, are subject to significant seasonal changes in sales during the year.

The financial statements were prepared based on a going concern. The Directors believe that, despite the difficult economic and financial context, 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.
The foregoing is based on the fundamental assumption that:

- the main assumptions underlying the forecasts, especially with regard to the sale of goods and services and related collections, will be met and
- the various credit lines that will expire in the next 12 months, especially with regard to the parent company Immsi S.p.A., can be fully renewed by the banks or that new credit lines

already granted or to be sought on the market can be activated thanks to the availability of guarantees that these contracts usually require.

A further fundamental assumption is that there will be no cases of non-compliance with Guarantee Values and/or financial *covenants*, or that in such cases the Banks will be willing to grant an exemption.

This Interim Report on Operations is expressed in euros since that is the currency in which most of the Group's transactions take place. Unless stated otherwise, the figures in the financial statements and explanatory notes that follow are expressed in thousands of euros.

The exchange rates used to translate the financial statements of companies included in the scope of consolidation into euros are shown in the table below:

	Spot exchange rate 28 September 2018	Average exchange rate first nine months of 2018	Spot exchange rate 29 December 2017	Average exchange rate first nine months of 2017
US Dollars	1.1576	1.19420	1.1993	1.11403
Pounds Sterling	0.88730	0.88405	0.88723	0.87318
Indian Rupees	83.9160	80.19052	76.6055	72.64485
Singapore Dollars	1.5839	1.60033	1.6024	1.54704
Chinese Renminbi	7.9662	7.77886	7.8044	7.57660
Croatian Kuna	7.4346	7.41765	7.44	7.44106
Japanese Yen	131.23	130.92534	135.01	124.68130
Vietnamese Dong	26,960.91	27,174.07228	26,934.34	25,119.67675
Canadian Dollars	1.5064	1.53724	1.5039	1.45461
Indonesian Rupiah	17,236.66	16,769.34251	16,260.11	14,852.14198
Brazilian Real	4.6535	4.29662	3.9729	3.53516

This Interim Report on Operations as of 30 September 2018, which is not audited, was prepared pursuant to Italian Legislative Decree 58/1998 as amended, and to the Consob Regulation on Issuers and includes reclassified consolidated financial statements and notes prepared adopting the IFRS issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. The interpretations of the *International Financial Reporting Interpretations Committee* ("IFRIC") were also taken into account.
In preparing the Interim Report on Operations at 30 September 2018, the Immsi Group applied the same accounting standards as those adopted in the preparation of the consolidated financial statements as at 31 December 2017 (to which reference is made for any further information), except for the following.

It should be noted that 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 opted for early adoption of IFRS 9 as of 1 January 2017, as permitted by the standard and approved by the Board of Directors of Immsi S.p.A. on 12 May 2017; this course of action was taken to also eliminate lack of uniformity, including prospective, in the valuation of financial assets on their initial recognition and subsequent measurements. The Group adopted IFRS 9 and all its related amendments, applying the revised retrospective method; therefore, it did not restate previous years balances.
Furthermore, it is noted that IFRS 9 amended IAS 1 (82 ba) by requiring the separate presentation in the income statement of losses for impairment (including the reversal of impairment losses or impairment gains). In this regard, for better comparability of income statement data for the first nine months of 2018 with the same period of 2017, the Group detailed this aggregate also for the first nine months of 2017.

Finally, the Group made use of the *policy choice* that allows making reference to the provisions of IAS 39 in terms of *hedge accounting*. The new IFRS 9 *requirements* are therefore postponed until the *"macrohedging"* project is completed.

New accounting standards, amendments and interpretations applied as of 1 January 2018

In May 2014, the IASB and FASB jointly published IFRS 15 “Revenue from Contracts with Customers”. 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*:

- identify the contract;
- identify individual obligations;
- determine the transaction price;
- allocate the transaction price to individual obligations based on their "market prices" (“*stand-alone selling price*”);
- recognise revenue allocated to the individual obligation when it is settled, i.e. when the customer obtains control of the goods and/or services.

The Group carried out an in-depth analysis of the various cases in the individual companies. In particular, the Group analysed the different types of contracts relative to the sale of two-/three- and four-wheeler vehicles, spare parts, accessories and components to dealers, importers or direct customers that represent the most significant component, as well as types of contract with less economic impact (for example royalties). Following this analysis, the Group concluded that there are no significant impacts arising from the adoption of the new standard, as the most significant component of revenue continues to be recognised in line with previous accounting guidelines.
Revenues from the sale of two-/three- and four-wheeler vehicles, spare parts, accessories and components are recognized when control is transferred and when the Group meets its obligation to transfer the promised asset 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, without however 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 if certain conditions are met).
Also with reference to the subsidiary Intermarine, the results of the analysis carried out on the various contracts in the portfolio and the economic impact from adoption of IFRS 15 have shown that no significant impact will result from adoption of the new standard as the most significant components of revenue continue to be recognised in line with previous accounting guidelines. Given the complexity of Intermarine contracts, which reflect multiple legal, operational and financial aspects, the subsidiary will continue to monitor the aforementioned issues and the related applications in compliance with IFRS 15.

The Group has adopted IFRS 15 and all its related amendments, applying the revised retrospective method. For the sole purpose of comparing data for the first nine months of 2018, the values *adjusted* for the first nine months of 2017 have been recalculated to include the effects of the application of the aforementioned accounting standard, as recorded exclusively in the industrial sector.

The table summarizing the impacts from adoption of IFRS 15 on the consolidated income statement for the first nine months of 2018 is shown below:

In thousands of euros	**First nine months of 2018 published**	**Reclassifications**	**First nine months of 2018 without adoption of IFRS 15**
Net revenues	1,151,599	7,079	1,158,678
Cost for materials	-658,429	-2,034	-660,463
Costs for services	-196,863	-5,045	-201,908
Operating income (EBIT)	92,371	0	92,371

Among the amendments applicable with effect from 1 January 2018, which do not however have significant impacts on the Group, we also note: i) the amendment to IFRS 2 "Share-based payments" (the amendments clarify how to account for some share-based payments); ii) amendment to IAS 40 “Investment Property” (the amendments clarify change in use, which is a necessary condition for transfer from/to Investment Property); iii) annual amendments to the IFRSs 2014–2016: the relevant 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 be used in transactions that involve advance consideration paid or received in a foreign currency).

Accounting standards, amendments and interpretations not yet adopted

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:
• IAS 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 finance leases. The IASB has provided for the optional exemption for certain lease contracts and low value and short-term leases.
This standard 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 work team to assess its potential impact and expects the analysis to be completed by the end of the year.

Accounting standards, amendments and interpretations not yet applicable

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.
• In December 2017 the IASB published a series of annual amendments to IFRSs 2015-2017 (IFRS 3, IFRS 11, IAS 12 and IAS 23) which will be effective from 1 January 2019.
• In February 2018 the IASB published some amendments to IAS 19 which will require companies to revise the assumptions for the determination of service cost and borrowing costs when a plan amendment occurs. These amendments will apply from 1 January 2019.

The Group will adopt these new standards, amendments and interpretations, based on the application date indicated, and will evaluate potential impacts, when the standards, amendments and interpretations are endorsed by the European Union.

Scope of consolidation

For the purposes of consolidation, the financial statements as of 30 September 2018 of companies included in the scope of consolidation, appropriately modified and reclassified, where necessary, to bring them in line with international accounting standards and uniform classification criteria used by the Group, were used. The scope of consolidation includes the companies in which the Parent Company, directly or indirectly, owns more than half of the voting rights exercisable in the Shareholders' Meetings, or has the power to control or direct voting rights by means of contractual or by-law clauses, or can appoint the majority of the members of the Boards of Directors. Excluded from the line-by-line consolidation are non-operating controlled companies or those with low operating levels as their influence on the final result of the Group is insignificant.

The consolidated portion of shareholders' equity of Piaggio & C. S.p.A. rose from 50.07% at 30 September and 31 December 2017 to 50.16% at 30 September 2018 due to the purchase by the subsidiary of 643,818 treasury shares.
No further changes were recorded in the scope of consolidation at 30 September 2018 compared to the Consolidated Financial Statements at 31 December 2017, while compared to 30 September 2017, the following should also be noted:

- with reference to the investment held by the Parent Company Immsi S.p.A. in ISM Investimenti S.p.A., in consideration of the different equity rights of the two shareholders and the *impairment test*, the consolidated portion of shareholders' equity of ISM Investimenti S.p.A. is estimated at 51.55% from 31 December 2017, down from 60.39% at 30 September 2017;
- at the end of 2017 the sale of the investment in Rodriquez Mexico, a non-operating company controlled by Intermarine S.p.A., was completed.

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

For detailed information on the Immsi Group structure, see the table attached to the Explanatory Notes to the Financial Statements at 31 December 2017, which is referred to herein.

Reclassified consolidated financial statements and relative notes

Reclassified income statement of the Immsi Group

In thousands of euros	30.09.2018		30.09.2017		Change	
Net revenues	**1,151,599**	**100%**	**1,134,136**	**100%**	**17,463**	**1.5%**
Costs for materials	658,429	57.2%	641,590	56.6%	16,839	2.6%
Costs for services, leases and rentals	196,863	17.1%	197,998	17.5%	-1,135	-0.6%
Employee costs	180,368	15.7%	178,927	15.8%	1,441	0.8%
Other operating income	81,128	7.0%	78,599	6.9%	2,529	3.2%
Write-backs (writedowns) of trade receivables and other receivables	-1,625	-0.1%	-2,241	-0.2%	616	27.5%
Other operating costs	19,249	1.7%	19,018	1.7%	231	1.2%
OPERATING INCOME BEFORE AMORTISATION AND DEPRECIATION (EBITDA)	**176,193**	**15.3%**	**172,961**	**15.3%**	**3,232**	**1.9%**
Depreciation and impairment costs of plant, property and equipment	31,053	2.7%	34,943	3.1%	-3,890	-11.1%
Impairment of goodwill	0	-	0	-	0	-
Amortisation and impairment costs of intangible assets with a definite useful life	52,769	4.6%	57,049	5.0%	-4,280	-7.5%
OPERATING INCOME	**92,371**	**8.0%**	**80,969**	**7.1%**	**11,402**	**14.1%**
Earnings on investments	757	0.1%	778	0.1%	-21	-
Financial income	18,979	1.6%	18,417	1.6%	562	3.1%
Borrowing costs	51,229	4.4%	53,820	4.7%	-2,591	-4.8%
EARNINGS BEFORE TAXES	**60,878**	**5.3%**	**46,344**	**4.1%**	**14,534**	**31.4%**
Taxes	31,722	2.8%	23,456	2.1%	8,266	35.2%
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS	**29,156**	**2.5%**	**22,888**	**2.0%**	**6,268**	**27.4%**
Gain (loss) from assets held for disposal or sale	0	-	0	-	0	-
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	**29,156**	**2.5%**	**22,888**	**2.0%**	**6,268**	**27.4%**
Earnings for the period attributable to non-controlling interests	14,271	1.2%	10,499	0.9%	3,772	35.9%
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	**14,885**	**1.3%**	**12,389**	**1.1%**	**2,496**	**20.1%**

Statement of comprehensive income of the Immsi Group

In thousands of euros	30.09.2018	30.09.2017
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	29,156	22,888
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	(727)	(21,129)
Actuarial gains (losses) on defined benefit plans	(1,116)	1,385
Total	(1,843)	(19,744)
Items that may be reclassified to profit or loss		
Effective part of gains/(losses) on cash flow hedges	216	96
Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	(8,889)	(10,780)
Total	(8,673)	(10,684)
Other Consolidated Comprehensive Income (Expense)	(10,516)	(30,428)
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD	18,640	(7,540)
Comprehensive income for the period attributable to non-controlling interests	9,372	3,939
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	9,268	(11,479)

The figures in the above table are net of the corresponding tax effect.

As mentioned, from 1 January 2018 the Group has applied accounting standard IFRS 15 with resulting impacts that were substantially apparent on the industrial sector only. An *adjusted* income statement for the first nine months of 2017 was drafted to standardise data for the periods under comparison. Accordingly, the comments reported in this Interim Report on Operations refer to the *adjusted* figures for 30 September 2018 and 30 September 2017.

Net revenues

Consolidated net revenues as of 30 September 2018 amounted to 1,151.6 million euros, of which 95%, equal to 1,093.7 million euros attributable to the industrial sector (Piaggio group), 4.7%, equal to 53.9 million euros, to the marine sector (Intermarine S.p.A.), and the remaining part, of approximately 4 million euros, to the property and holding sector (Immsi S.p.A. and Is Molas S.p.A. net of intergroup eliminations).

With reference to the industrial sector, the Piaggio group recorded net revenues in the first nine months of 2018 equal to 1,093.7 million euros, up by 4.1% compared to the same period of 2017, mainly due to the increase in revenues in India, which more than offset the downturn recorded in Asia Pacific. At constant exchange rates, the increase in turnover was approximately 88.2 million euros (+8.4%).

With reference to the marine sector (Intermarine S.p.A.), consolidated revenues amounted to 53.9 million euros as of 30 September 2018, down by 32.5% compared to the figure of 79.8 million euros as of 30 September 2017, in line with the schedule of portfolio contracts for the current year.

As regards the property and holding sector, net revenues as of 30 September 2018 amounted to approximately 4 million euros, in line with figures for the first nine months of 2017.

Operating income before depreciation, amortisation and impairment costs of plant, property and equipment and intangible assets (EBITDA)

Consolidated operating income before depreciation, amortisation and *impairment* costs of plant, property and equipment and intangible assets (EBITDA) amounted to 176.2 million euros as of 30 September 2018, equal to 15.3% of net revenues and up by 3.2 million euros on the first nine months of 2017.

The component attributable to the industrial sector (Piaggio group) amounted to 166 million euros, up by 6.9 million euros compared to the figure as of 30 September 2017 (equal to 159 million euros), and accounting for 15.2% of the net revenues of the sector, in line with the same period of 2017. The component attributable to the marine sector (Intermarine S.p.A.) amounted to 12.4 million euros, down compared to 16.6 million euros at 30 September 2017. Finally, the component attributable to the real estate and holding sector amounted to a loss of 2.2 million euros, while in the first nine months of 2017 there was a loss of 2.6 million euros.

The main costs of the Immsi Group included personnel costs of 180.4 million euros, slightly up on the figure for the same period in 2017, which was 178.9 million euros (accounting for 15.7% of net revenues, down from 15.8% for the first nine months of 2017). The average workforce in the first nine months of 2018 (7,096) was slightly up compared to the same period of the previous year (7,006).

Operating income (EBIT)

Operating income (EBIT) in the first nine months of 2018 amounted to 92.4 million euros, equal to 8% of net revenues. The increase compared to the same period of the previous year amounted to approximately 11.4 million euros (+14.1%). In the previous year, operating income (EBIT) in the first nine months amounted to 81 million euros, accounting for 7.1% of net revenues.

The component attributable to the industrial sector (Piaggio group) amounted to 84.9 million euros, accounting for 7.8% of the net revenues of the sector, improving on the 69.1 million euros recorded as at 30 September 2017. The component attributable to the marine sector (Intermarine S.p.A.) was equal to a positive amount of 10 million euros, compared to 14.8 million euros as of 30 September 2017. Lastly, the component attributable to the real estate and holding sector was a negative value of 2.5 million euros, slightly improving on the negative -3 million euros recorded for the first nine months of the previous year.

Depreciation and amortisation, including impairment costs, for the period totalled 83.8 million euros (down by 8.2 million euros compared to the figure for the first nine months of 2017), accounting for 7.3% of net revenues, and slightly increasing compared to the same period of 2017 (8.1%), comprising depreciation of property, plant and equipment amounting to 31.1 million euros (34.9 million euros in the first nine months of 2017) and amortisation of intangible assets amounting to 52.8 million euros (57 million euros in the same period of 2017). In particular, depreciation and amortisation referable to the industrial sector (Piaggio group) amounted to approximately 81 million euros (compared to 89.9 million euros in the first nine months of 2017), of which 51 million relative to intangible assets (56.1 million euros in the same period of 2017), and 30 million relative to plant, property and equipment (33.8 million euros in the first nine months of 2017).

No impairment of goodwill was recognised in the first nine months of 2018, or in the same period of the previous year, as based on the results forecast by long-term development plans of Group companies and used in impairment testing carried out as of 31 December 2017 and 31 December 2016, no impairment was necessary, as the goodwill was considered as recoverable from future cash flows. It should be noted, however, that in the first nine months of 2018 no events occurred indicating that such goodwill may have undergone a significant impairment.

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

Earnings before taxes

Earnings before taxes as of 30 September 2018 amounted to a profit of 60.9 million euros, up on the consolidated profit of 46.3 million euros in the first nine months of the previous year.

Borrowing costs, net of income and earnings from investments, amounted to 31.5 million euros in the first quarter of 2018, accounting for 2.7% of net revenues, with the contribution from the industrial sector amounting to 18.8 million euros (24.1 in the first nine months of 2017), from the marine sector amounting to 1.2 million euros (2.4 in the first nine months of 2017) and from the property and holding sector the remaining amount (11.5 million euros in the first nine months of 2018 compared to 8.1 million in the same period of the previous year).
Net financial borrowing costs recorded in the first nine months of 2018 decreased compared to the figure for the same period of the previous year (34.6 million euros, 3.1% on net revenues), mainly

due to the reduction in and lower cost of average debt, as well as the recognition of non-recurring net income of 910 thousand euros arising from the liability management transaction on the "Eur 250 million Piaggio 4.625% due 2021" debenture loan and reported in the income statement as required by IFRS 9; for the details see the “Form and content” paragraph.

Earnings for the period attributable to the Group

Earnings for the period, net of taxes and the portion attributable to non-controlling interests, as of 30 September 2018 amounted to 14.9 million euros (1.3% of net revenues for the period), up on 2.5 million euros comparing 12.4 million euros recorded in the same period of the previous year (1.1% of net revenues for the period).

Taxes accruing in the period represented a cost of approximately 31.7 million euros (during the first nine months of 2017 a cost of 23.5 million euros was reported): income tax, also in view of the requirements of IAS 34, was on average determined, based on the best estimate of the average weighted rate expected for the entire year.

Earning/(Loss) per share

In euros

From continuing and discontinued operations:	*30.09.2018*	*30.09.2017*
Basic	0.044	0.036
Diluted	0.044	0.036
Average number of shares:	340,530,000	340,530,000

Diluted earnings per share correspond to basic profit as there are no potential shares with a diluting effect.
At the end of the reporting period, no gains or losses from assets held for sale or disposal had been recognised.

Reclassified statement of financial position of the Immsi Group

In thousands of euros	30.09.2018	as a %	31.12.2017	as a %	30.09.2017	as a %
Current assets:						
Cash and cash equivalents	202,058	9.4%	138,949	6.8%	190,460	8.8%
Financial assets	0	0.0%	0	0.0%	0	0.0%
Operating assets	546,768	25.5%	484,439	23.7%	546,969	25.3%
Total current assets	**748,826**	**34.9%**	**623,388**	**30.5%**	**737,429**	**34.2%**
Non-current assets:						
Financial assets	0	0.0%	0	0.0%	0	0.0%
Intangible assets	823,771	38.4%	826,198	40.5%	826,366	38.3%
Plant, property and equipment	291,417	13.6%	307,343	15.1%	309,529	14.3%
Other assets	280,863	13.1%	284,650	13.9%	285,046	13.2%
Total non-current assets	**1,396,051**	**65.1%**	**1,418,191**	**69.5%**	**1,420,941**	**65.8%**
TOTAL ASSETS	**2,144,877**	**100.0%**	**2,041,579**	**100.0%**	**2,158,370**	**100.0%**
Current liabilities:						
Financial liabilities	464,536	21.7%	426,527	20.9%	486,404	22.5%
Operating liabilities	651,315	30.4%	577,028	28.3%	646,213	29.9%
Total current liabilities	**1,115,851**	**52.0%**	**1,003,555**	**49.2%**	**1,132,617**	**52.5%**
Non-current liabilities:						
Financial liabilities	559,220	26.1%	571,342	28.0%	547,083	25.3%
Other non-current liabilities	91,584	4.3%	95,993	4.7%	99,838	4.6%
Total non-current liabilities	**650,804**	**30.3%**	**667,335**	**32.7%**	**646,921**	**30.0%**
TOTAL LIABILITIES	**1,766,655**	**82.4%**	**1,670,890**	**81.8%**	**1,779,538**	**82.4%**
TOTAL SHAREHOLDERS' EQUITY	**378,222**	**17.6%**	**370,689**	**18.2%**	**378,832**	**17.6%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,144,877**	**100.0%**	**2,041,579**	**100.0%**	**2,158,370**	**100.0%**

Analysis of capital employed by the Immsi Group

In thousands of euros	30.09.2018	as a %	31.12.2017	as a %	30.09.2017	as a %
Current operating assets	546,768	42.3%	484,439	36.5%	546,969	41.4%
Current operating liabilities	-651,315	-50.4%	-577,028	-43.5%	-646,213	-48.9%
Net operating working capital	**-104,547**	**-8.1%**	**-92,589**	**-7.0%**	**-99,244**	**-7.5%**
Intangible assets	823,771	63.8%	826,198	62.3%	826,366	62.5%
Plant, property and equipment	291,417	22.6%	307,343	23.2%	309,529	23.4%
Other assets	280,863	21.7%	284,650	21.5%	285,046	21.6%
Capital employed	**1,291,504**	**100.0%**	**1,325,602**	**100.0%**	**1,321,697**	**100.0%**
Non-current non-financial liabilities	91,584	7.1%	95,993	7.2%	99,838	7.6%
Capital and reserves of non-controlling interests	147,643	11.4%	149,066	11.2%	155,525	11.8%
Consolidated shareholders' equity attributable to the Group	230,579	17.9%	221,623	16.7%	223,307	16.9%
Total non-financial sources	**469,806**	**36.4%**	**466,682**	**35.2%**	**478,670**	**36.2%**
Net financial debt	**821,698**	**63.6%**	**858,920**	**64.8%**	**843,027**	**63.8%**

Capital employed

Capital employed amounted to 1,291.5 million euros as of 30 September 2018, down by 34.1 million euros compared to 31 December 2017, and by 30.2 million euros compared to 30 September 2017, when it stood at 1,325.6 million euros and 1,321.7 million euros respectively. In

particular, compared to the value at the beginning of the year, the negative balance of net working capital increased by 12 million euros, mainly due to the seasonality of the two-wheeler market which absorbs resources in the first part of the year and generates them in the second.
Property, plant and equipment and intangible assets on the other hand decreased by 15.9 and 2.4 million euros respectively compared to 31 December 2017 and by 18.1 and 2.6 million euros compared to 30 September 2017.

Net financial debt of the Immsi Group

The net financial debt of the Immsi Group, equal to 821.7 million euros as of 30 September 2018, is analysed below and compared with the same data as of 31 December 2017 and 30 September 2017.

In this respect, it is should be noted that - in compliance with the CESR recommendation of 10 February 2005 "Recommendations for the uniform implementation of the European Commission's Regulation on Prospectuses" - the indicator, as formulated, represents the items and activities monitored by the Group's management.

In thousands of euros	***30.09.2018***	***31.12.2017***	***30.09.2017***
Short-term financial assets			
Cash and cash equivalents	-202,058	-138,949	-190,460
Financial assets	0	0	0
Total short-term financial assets	**-202,058**	**-138,949**	**-190,460**
Short-term financial payables			
Bonds	9,632	9,625	9,625
Payables due to banks	392,017	357,917	419,039
Amounts due for finance leases	1,242	1,144	1,138
Amounts due to other lenders	61,645	57,841	56,602
Total short-term financial payables	**464,536**	**426,527**	**486,404**
Total short-term financial debt	**262,478**	**287,578**	**295,944**
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	292,005	309,880	307,585
Payables due to banks	258,828	251,950	229,696
Amounts due for finance leases	8,213	9,168	9,455
Amounts due to other lenders	174	344	347
Total medium/long-term financial payables	**559,220**	**571,342**	**547,083**
Total medium-/long-term financial debt	**559,220**	**571,342**	**547,083**
Net financial debt *)	**821,698**	**858,920**	**843,027**

*) The measure includes financial assets and liabilities arising from fair value measurements of the financial derivatives used for hedging, the fair value adjustment of the relative hedged items equal to 7,470 thousand euros (9,500 thousand euros and 11,859 thousand euros as of 31 December 2017 and 30 September 2017 respectively) and relative accruals and deferrals.

As of 30 September 2018 the Group reduced its net debt compared to 30 September 2017 by approximately 21.3 million euros: this decrease was mainly reflected in lower short-term net debt only partially offset by higher medium-long term debt.
A reduction of approximately 37.2 million euros in the Group's net financial debt was also recorded at 30 September 2018 compared to year-end 2017, as shown in particular by an increase in short-term financial assets and lower medium-long term bond payables, only partially offset by higher short-term borrowings from banks.

Investments

Gross investments as of 30 September 2018 made by the Group totalled 74 million euros (56.4 million in the first nine months of 2017) referring nearly entirely to the Piaggio group, of which 51.3 million relative to intangible assets (38.9 million in the first nine months of 2017) and 22.7 million euros relative to plant, property and equipment (17.5 million euros in the same period of the previous year).

Statement of cash flows of the Immsi Group

In thousands of euros	*30.09.2018*	*30.09.2017*
Operating activities		
Earnings before taxes	60,878	46,344
Depreciation of plant, property and equipment (including investment property)	31,053	34,943
Amortisation of intangible assets	52,176	56,244
Provisions for risks and for pension and similar obligations	18,183	17,740
Write-downs (reversals of fair value measurements)	2,389	3,120
Losses / (Gains) on the disposal of plant, property and equipment (including investment property)	(98)	(81)
Losses / (Gains) on the disposal of securities	0	(3,350)
Interest income	(7,215)	(1,305)
Dividend income	(8)	(11)
Interest expense	39,633	37,450
Amortisation of grants	(2,589)	(3,507)
Change in working capital	(3,003)	(3,527)
Change in non-current provisions and other changes	(15,244)	(13,413)
Cash generated from operating activities	176,155	170,647
Interest paid	(31,084)	(30,087)
Taxes paid	(20,150)	(12,485)
Cash flow from operations	124,921	128,075
Investing activities		
Acquisition of subsidiaries, net of cash and cash equivalents	(1,272)	0
Sale price of subsidiaries, net of cash and cash equivalents	0	3,567
Acquisition of property, plant and equipment (including investment property)	(22,656)	(17,521)
Sale price, or repayment value, of plant, property and equipment (including investment property)	948	174
Investments in intangible assets	(51,313)	(38,910)
Sale price, or repayment value, of intangible assets	65	456
Collected interests	376	658
Grants received	0	584
Dividends from investments	0	11
Other changes	(13)	2,569
Cash flow from investing activities	(73,865)	(48,412)
Financing activities		
Loans received	329,090	140,763
Outflow for repayment of loans	(298,777)	(208,103)
Repayment of finance leases	(858)	(842)
Outflow for dividends paid to non-controlling interests	(9,835)	(9,752)
Cash flow from financing activities	19,620	(77,934)
Increase / (Decrease) in cash and cash equivalents	70,676	1,729
Opening balance	135,258	173,223
Exchange differences	(3,999)	(9,008)
Closing balance	201,935	165,944

The table shows the changes in cash and cash equivalents as of 30 September 2018 which total 202.1 million euros (138.9 million as of 31 December 2017) including short-term bank overdrafts equal to 0.1 million euros (3.7 million as of 31 December 2017).

Total shareholders' equity and equity attributable to the Immsi Group

In thousands of euros	***Consolidated shareholders' equity attributable to the Group***	***Capital and reserves of non-controlling interests***	***Total Group and non-controlling interests consolidated shareholders' equity***
Balances at 1 January 2017	***232,787***	***159,771***	***392,558***
Distribution of dividends	*0*	*(9,752)*	*(9,752)*
Other changes	*1,999*	*1,567*	*3,566*
Net comprehensive income for the period	*(11,479)*	*3,939*	*(7,540)*
Balances as of 30 September 2017	***223,307***	***155,525***	***378,832***

In thousands of euros	***Consolidated shareholders' equity attributable to the Group***	***Capital and reserves of non-controlling interests***	***Total Group and non-controlling interests consolidated shareholders' equity***
Balances at 1 January 2018	***221,623***	***149,066***	***370,689***
Distribution of dividends	*0*	*(9,835)*	*(9,835)*
Other changes	*(312)*	*(960)*	*(1,272)*
Net comprehensive income for the period	*9,268*	*9,372*	*18,640*
Balances as of 30 September 2018	***230,579***	***147,643***	***378,222***

Human resources

As of 30 September 2018, the Immsi Group employed 7,125 staff, of which 106 in the property and holding sector, 6,754 in the industrial sector (Piaggio group) and 265 in the marine sector (Intermarine S.p.A.).
The following tables divide resources by category and geographic segment:

Human resources by category

numbers	30.09.2018			
	Property and holding sector	Industrial sector	Marine sector	Group total
Senior management	5	97	7	109
Middle managers and white collars	42	2,345	145	2,532
Manual workers	59	4,312	113	4,484
TOTAL	**106**	**6,754**	**265**	**7,125**

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	0	0	-1
Middle managers and white collars	6	9	-5	10
Manual workers	32	125	-5	152
TOTAL	**37**	**134**	**-10**	**161**

Human resources by geographic segment

numbers	30.09.2018			
	Property and holding sector	Industrial sector	Marine sector	Group total
Italy	106	3,383	265	3,754
Rest of Europe	0	179	0	179
Rest of the World	0	3,192	0	3,192
TOTAL	**106**	**6,754**	**265**	**7,125**

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	37	-61	-10	-34
Rest of Europe	0	2	0	2
Rest of the World	0	193	0	193
TOTAL	**37**	**134**	**-10**	**161**

Compared to 31 December 2017, the workforce increased slightly as the Group recruited seasonal fixed-term employees in response to the typical peaks in demand during the summer months.

For more information on the Group's workforce (such as remuneration and training policies, diversity and equal opportunities, safety, etc.), please see comments in the “Social Aspects” section of the consolidated non-financial statements as of 31 December 2017 drawn up pursuant to Legislative Decree 254/2016.

Directors' comments on operations

As mentioned, during the first nine months of 2018, the Immsi Group confirmed the improvement trend of recent years, in terms of both its financial position and earnings, especially in the industrial and marine sectors.
Final results for the period have different trends with reference to the various sectors comprising the Group, based on business trends and the different impact of seasonality.

Property and holding sector

In thousands of euros	*30.09.2018*	*as a %*	*30.09.2017*	*as a %*	*Change*	*as a %*
Net revenues	3,959		3,902		57	1.5%
Operating income before depreciation and amortisation (EBITDA)	-2,172	n/m	-2,620	n/m	448	17.1%
Operating income (EBIT)	-2,520	n/m	-2,972	n/m	452	15.2%
Earnings before taxes	-13,974	n/m	-11,104	n/m	-2,870	-25.8%
Earnings for the period including non-controlling interests	-13,220	n/m	-10,628	n/m	-2,592	-24.4%
Group earnings for the period (which may be consolidated)	-7,718	n/m	-6,116	n/m	-1,602	-26.2%
Net debt	-369,594		-354,738		-14,856	-4.2%
Personnel (number)	106		94		12	12.8%

Overall, in the first nine months of 2018 the **real estate and holding sector** recorded a negative consolidated net loss of 7.7 million euros, compared to a negative consolidated net loss of 6.1 million euros in the first nine months of 2017. The difference is mainly attributable to the financial income of approximately 3.35 million euros realized by the Parent Company in early 2017 on the sale of the option rights attributed in the Unicredit capital increase in which Immsi S.p.A. did not participate.
Net debt for the sector amounted to 369.6 million euros, compared with 363.6 million euros and 354.7 million euros as of 31 December 2017 and 30 September 2017 respectively.

The operating outlook of the main companies belonging to the sector in the first nine months of 2018 is described below, with reference to the separate financial statements of each company (therefore including intergroup eliminations).

In the first nine months of 2018, the **Parent Company Immsi S.p.A.** recorded an operating loss (EBIT) of approximately 0.3 million euros (improving by approx. 0.3 million euros on the figure recorded in the first nine months of the previous year) and a net profit of 9.7 million euros, compared to a net profit of approximately 13.4 million euros in the same period of 2017, mainly due to the result of financial operations, given by the difference between financial income and borrowing costs, which in 2017 benefited from a gain of 3.35 million euros on the sale of Unicredit subscription rights, as described above.

In preparing this Interim Report on Operations as of 30 September 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.

Net financial debt at 30 September 2018 stood at 69.2 million euros, down by approximately 4.3 million euros on the figure recorded at 31 September 2017, mainly as a result of cash flow from operating activities.

With regard to initiatives in the **property sector** and in particular with reference to the subsidiary **Is Molas S.p.A.**, site activities relating to the construction of the first 15 villas and the first part of primary infrastructure have been completed and the company has delivered the four finished *mockup* villas and the remaining 11 villas (white box), so that potential customers can choose the floorings and interior finishes. The company assessed the opportunity to lease the *mockup* villas so that end customers, including investors, can become familiar with the product and the services offered.
Revenues for the first nine months of 2018, mainly generated by tourism-hospitality and golf activities, were in line with the same period of 2017 (approximately 2.4 million euros), while in terms of margins the company recorded an operating loss of around 1.8 million euros and a consolidated net loss of 1.4 million euros, slightly improving on the operating loss for the same period of 2017.
Net debt of the company amounted to 65.8 million euros, with a cash flow absorption of 9.3 million euros compared to 31 December 2017 (when it stood at 56.5 million euros) due to the cash flow absorbed by operating activities, in particular to finance the progress of construction works for the first lot of 15 villas.

With reference to the Pietra Ligure project, activities aimed at identifying potential parties interested in development of the Project continued.
The **Pietra S.r.l.** project substantially broke even in the first nine months of 2018, in line with the same period of the previous year; likewise, net financial debt was unchanged from 31 December 2017 and amounted to 2.7 million euros.
The consolidated loss of **Pietra Ligure S.r.l.**, a subsidiary of Pietra S.r.l. and which incorporates the property complex of Pietra Ligure with the related Urban Planning Permissions and Agreements, amounted to 0.2 million euros (as in the first nine months of 2017); net financial debt was essentially unchanged and amounted to 1 million euros.

With reference to the subsidiary **Apuliae S.r.l.** no further information is available in addition to the comments in the Directors' Report on Operations and Financial Statements of the Immsi Group as at 31 December 2017, to which reference is made. As of 30 September 2018, the company posted a substantial break-even position, with net financial debt unchanged from 31 December 2017 and amounting to a negative 0.6 million euros.

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

- **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 2.8 million euros, in line with the first nine months of 2017, and net financial debt of 122.3 million euros as of 30 September 2018, unchanged compared to the figure as at 31 December 2017;
- **ISM Investimenti S.p.A.**, is a subsidiary of Immsi S.p.A., which holds a 72.64% stake in terms of voting rights, and the parent company of Is Molas S.p.A. with a 92.59% stake as at 30 September 2018. Considering the different equity rights of the two shareholders and the

impairment test, the consolidated portion of shareholders' equity of ISM Investimenti S.p.A. is estimated at 51.55% as at 30 September 2018. ISM Investimenti S.p.A. recorded a net loss for consolidation in the Immsi Group of approximately 3 million euros (-3.3 million euros in the same period of 2017), and net financial debt at 30 September 2018 of 108 million euros, slightly up on the figure recorded as at 31 December 2017 (of approx. 101.7 million euros).

Industrial sector

In thousands of euros	***30.09.2018***	***as a %***	***30.09.2017 adjusted***	***as a %***	***Change***	***as a %***
Net revenues	1,093,740		1,050,440		43,300	4.1%
Operating income before depreciation and amortisation (EBITDA)	165,964	15.2%	159,031	15.1%	6,933	4.4%
Operating income (EBIT)	84,925	7.8%	69,122	6.6%	15,803	22.9%
Earnings before taxes	66,089	6.0%	45,015	4.3%	21,074	46.8%
Earnings for the period including non-controlling interests	36,349	3.3%	25,832	2.5%	10,517	40.7%
Group earnings for the period (which may be consolidated)	18,233	1.7%	12,934	1.2%	5,299	41.0%
Net debt	-405,109		-434,783		29,674	6.8%
Personnel (number)	6,754		6,940		-186	-2.7%

In the first nine months of 2018, the Piaggio group sold 469,400 vehicles worldwide, registering an increase of approximately 10% in volumes compared to the first nine months of the previous year, when 426,700 vehicles were sold. The number of vehicles sold was up in India (+27.1%) and Asia Pacific 2W (+7.5%), while those sold in EMEA and Americas were down (-3.4%). As regards product types, the increase in turnover mainly referred to commercial vehicles (+23.5%), while figures for two-wheeler vehicles recorded a more modest increase (+4.3%).

As mentioned, since 1 January 2018 the Group has applied accounting standard IFRS 15 with a resulting impact that was substantially apparent on the industrial sector only. For an analysis of the impact from application of this standard, see the comments in the “Form and content” paragraph. An *adjusted* income statement for the first nine months of 2017 was drafted to standardise data for the two periods under comparison. Accordingly, the comments reported in this Interim Report on Operations refer to the *adjusted* figures for 30 September 2018 and 30 September 2017.

In terms of consolidated turnover, the Group closed the first nine months of 2018 with net revenues up compared to the same period of 2017 (+ 4.1%; +8.4% with constant exchange rates). In terms of geographical areas, revenue growth in India (+ 17.6%; +29.6% at constant exchange rates) more than offset the downturn in Asia Pacific (-0.8%; + 6.5% with constant exchange rates). Revenues in the EMEA and Americas were almost unchanged (-0.2%).
As regards product types, the increase in turnover mainly referred to commercial vehicles (+13%), while the increase for two-wheeler vehicles was less significant (+0.8%). As a result, the percentage of two-wheeler vehicles accounting for overall turnover declined from 72.9% in the first

nine months of 2017 to the current figure of 70.6%; conversely, the percentage of Commercial Vehicles accounting for overall turnover rose from 27.1% in the first nine months of 2017 to the current figure of 29.4%.

Consolidated operating income before depreciation and amortisation (EBITDA) for the first nine months of 2018 improved compared to the same period of the previous year and was equal to 166 million euros (159 million euros in the first nine months of 2017). In relation to turnover, EBITDA was equal to 15.2% (15.1% in the first nine months of 2017). In terms of Operating Income (EBIT), the performance of the year in progress improved with consolidated EBIT of 84.9 million euros; in relation to turnover, EBIT amounted to 7.8%, improving on the same period of the previous year (6.6% of turnover).

The result of financial operations improved compared to the same period of the previous year by 5.3 million euros, recording net borrowing costs of 18.8 million euros (24.1 million euros in the first nine months of 2017) owing to the lower amount and cost of debt as well as to non-recurring net income of 0.9 million euros arising from the liability management transaction on the "Eur 250 million Piaggio 4.625% due 2021" debenture loan which was reported in the income statement as required by IFRS 9; for details see the "Form and content" paragraph and the extensive comments provided in the periodic financial reports published by the Piaggio group.

Net profit stood at 36.3 million euros (3.3% of turnover), up on the figure for the same period of the previous year, which was equal to 25.8 million euros (2.5% of turnover). Taxation on earnings before taxes is estimated to be equal to 45% and is determined based on the average expected tax rate for the entire year.

The portion of net profit which may be consolidated for the Immsi Group in the first nine months of 2018 amounted to 18.2 million euros (an improvement compared to the figure for the same period of the previous year of 12.9 million euros).

Net financial debt as at 30 September 2018 was equal to 405.1 million euros, compared to 434.8 million euros as at 30 September 2017 and 452 million euros as at 31 December 2017. The reduction of approximately 46.9 million euros compared to the beginning of the period was mainly due to the good operating performance that allowed for the payment of dividends (19.7 million euros) and the financing of the investment programme.
In particular, the flows that generated financial resources are detailed below:

- the operating cash flow amounted to +119.6 million euros (+112.8 million euros in the first nine months of 2017);
- working capital dynamics generated cash flow of 23.3 million euros (19.9 million euros in the first nine months of 2017);
- investing activities absorbed a total of 65.2 million euros (43.4 million euros in the first nine months of 2017), of which 48.7 million euros for capitalised development costs; and
- changes in shareholders' equity absorbed 30.8 million euros (compared to 29.1 million euros in the first nine months of 2017).

Marine sector

In thousands of euros	30.09.2018	as a %	30.09.2017	as a %	Change	as a %
Net revenues	53,900		79,794		-25,894	-32.5%
Operating income before depreciation and amortisation (EBITDA)	12,401	23.0%	16,550	20.7%	-4,149	-25.1%
Operating income (EBIT)	9,966	18.5%	14,819	18.6%	-4,853	-32.7%
Earnings before taxes	8,763	16.3%	12,433	15.6%	-3,670	-29.5%
Earnings for the period including non-controlling interests	6,027	11.2%	7,684	9.6%	-1,657	-21.6%
Group earnings for the period (which may be consolidated)	4,370	8.1%	5,571	7.0%	-1,201	-21.6%
Net debt	-46,995		-53,506		6,511	12.2%
Personnel (number)	265		275		-10	-3.6%

With reference to the income data of the **marine sector** (Intermarine S.p.A.), during the first nine months of 2018, net sales revenues (consisting of sales and changes in work in progress) amounted to 53.9 million euros, compared to 79.8 million euros in the corresponding period of 2017. Production progress, including research and development, and the completion of constructions and deliveries, concerned in particular:

- the Defence division, with 44.1 million euros (73.3 million in the first nine months 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 the processing relating to the construction of a naval platform in a contract with an Asian shipyard. In this regard, given the serious breaches of the Asian shipyard, the Company decided to terminate existing contracts, reporting non-recurring income of around 4 million euros reflecting the higher value of the collections made compared to production progress;
- the Fast Ferries and Yacht division, with a total of 9.8 million euros (6.5 million during the first nine months of 2017), mainly for activities carried out at the Messina shipyard and revenues from the Marine System division.

In view of the above, an operating income (EBIT) of 10 million euros was recorded for the first nine months of 2018, declining by approximately 4.8 million euros compared to the same period of the previous year (when this figure was a positive 14.8 million euros). As regards earnings before taxes, a positive value of 8.8 million euros was recorded (compared to a pretax profit of 12.4 million euros in the same period of 2017) while the net profit for consolidation in the Immsi Group as at 30 September 2018 amounted to 4.4 million euros, compared to a net profit of 5.6 million euros recorded in the same period of the previous year.

In the first nine months of 2018, the company continued to pursue all viable options to contain structural costs as well as commercial activities in all its areas of business, in search of favourable business opportunities.

In terms of balance sheet, net financial debt of 47 million euros at 30 September 2018 increased compared to the balance at 31 December 2017, equal to 43.3 million euros, while improving (-6.5 million euro) compared to 53.5 million euros at 30 September 2017.

Events occurring after 30 September 2018 and operating outlook

With reference to events subsequent to 30 September 2018 relating to the Parent Company Immsi S.p.A., the Company contacted some credit institutions and requested being exempted from verification, for the months from October to December, of the guarantees (Piaggio shares) provided for in the loan contracts (*value to loan*). This was necessary due to significant volatility affecting the Italian stock market in recent weeks, which could reasonably continue in the coming months.

With regard to the operating outlook for the Immsi Group, and specifically the subsidiary **Is Molas S.p.A.**, the company is pursuing commercial activities intended to find potential buyers, including on an international level.

With regard to the **industrial sector**, in light of the stronger position of the Piaggio group on global markets, the group is committed to:

- confirm its leadership position on the European two-wheeler market, optimally levering expected recovery by:
  - further consolidating its product range;
  - maintaining its current positions on the European commercial vehicles market;
- strengthening its presence in the Asia Pacific area, by exploring new opportunities in countries of that region, with special focus on 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.

In general, the Group is committed - as in the past and for operations in 2018 - to increasing productivity with a strong focus on efficient costs and investments, while complying with its business ethics.

Among the events subsequent to 30 September 2018, as regards the **marine sector**, at the beginning of October, Intermarine was awarded the tender launched by the Ministry of Infrastructures and Transport (MIT) - General Command of the Corps of Port Authorities - for the construction of a prototype of a "class 3000" ship, with an option by the Ministry for the supply of up to 2 additional vessels. The award price for the first vessel, inclusive of the design work, has been set at 7 million euros, while the price for two optional vessels, which does not include any additional design cost, has been set at a total of 13 million euros. The aluminium vessels will be constructed at the Messina shipyard. The company is waiting for the official award announcement by MIT.

In 2018, production related to the contracts acquired will progress significantly, the objective being to further consolidate our capital position, in line with the trend of recent years. Furthermore, Intermarine S.p.A. is currently engaged in several negotiations, especially in the Defence sector, with a view to acquire additional contracts to increase our order book and consequently ensure conditions that enable the optimization of production capacity in the coming years.