IMMSI Società per Azioni

Share capital €178,464,000 fully paid up

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

Mantova Register of Companies – Tax Code and VAT number 07918540019

Report of the Directors and Financial statements of the Immsi Group at 31 December 2018

This Annual Financial Report as of 31 December 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 25 March 2019 and is available for the public to consult at the Registered Office of the Company, on the website of Borsa Italiana S.p.A. www.borsaitaliana.it, in the centralised storage system www.emarketstorage.com and on the Issuer's website www.immsi.it (section: "Investors/Financial statements and reports/2019") according to law.

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 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

Alessandro Lai	***Chair***
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 Legislative Decree No. 231/01, the Board of Directors has established the following bodies:

REMUNERATION COMMITTEE

Daniele Discepolo	***Chair***
Paola Mignani	
Rita Ciccone	

CONTROL AND RISKS COMMITTEE

Daniele Discepolo	***Chair***
Paola Mignani	
Rita Ciccone	

RELATED-PARTIES COMMITTEE

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

COMPLIANCE COMMITTEE

Marco Reboa	***Chair***
Giovanni Barbara	
Maurizio Strozzi	

APPOINTMENT PROPOSAL COMMITTEE

Daniele Discepolo	***Chair***
Paola Mignani	
Rita Ciccone	

LEAD INDEPENDENT DIRECTOR

Daniele Discepolo

CEO AND GENERAL MANAGER

Michele Colaninno

INTERNAL AUDIT MANAGER

Maurizio Strozzi

EXECUTIVE IN CHARGE OF FINANCIAL REPORTING

Andrea Paroli

INVESTOR RELATIONS

Andrea Paroli

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

Directors' Report on Operations

The Financial Statements of the Immsi Group at 31 December 2018 have been drafted in compliance with International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission pursuant to Regulation (EC) No 1606/2002, as well as in compliance with the provisions established in Article 9 of Legislative Decree no. 38/2005. The interpretations of the Standing Interpretations Commttee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC"), were also taken into account.

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

To make data from 2017 and 2018 comparable in this Report on Operations, adjusted accounts for 2017 were produced, restated adopting IFRS 15 - Revenues from contracts with customers, therefore the comments in this report refer to 2017 financial data that have been adjusted.

Information on operations and activities of the Immsi Group

In 2018, the operating results of the Immsi Group improved considerably compared to the previous year, both in operating and financial terms. In particular, the profit margin indicators increased, driven by higher sales and a greater contribution from the industrial sector. There was also an improvement in the consolidated net debt, in particular thanks to the significant reduction in the debt for the industrial sector.

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

- the "property and holding sector" consolidated the financial position and performance of Immsi S.p.A., Immsi Audit S.c.a r.l., ISM Investimenti S.p.A., Is Molas S.p.A., Apuliae S.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 affiliated companies of Intermarine S.p.A..

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

Alternative non-GAAP performance measures

In accordance with Consob Communication DEM/6064293 of 28 July 2006 as amended (Consob Communication no. 0092543 of 3 December 2015 which implements ESMA guidelines ESMA/2015/1415 on alternative performance indicators), this Report includes some indicators which - although not contemplated in IFRS ("*Non-GAAP Measures*") – originate from the financial parameters established in IFRS).

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 in the Annual Report and Financial Statements at 31 December 2017 and in the interim 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 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 and non-current) financial receivables. Net financial debt does not include other financial assets and liabilities arising from the fair value measurement of financial derivatives used as hedging, the fair value adjustment of related hedged items, relative deferrals and interest accrued on loans. The tables in this Report and in the Notes to the consolidated financial statements are included in statements that indicate the items used to determine the indicator. In this respect, pursuant to the CESR recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", the indicator thus formulated represents items and trends monitored by Group Management and differs from that suggested by Consob Communication No. 6064293 of 28 July 2006 as it also includes the non-current portion of financial receivables.

Immsi Group at 31 December 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	5,178		1,389,546		69,809		1,464,533	
Operating income before depreciation and amortisation (EBITDA)	-3,053	n/m	201,765	14.5%	14,597	20.9%	213,309	14.6%
Operating income (EBIT)	-3,513	n/m	92,778	6.7%	11,336	16.2%	100,601	6.9%
Profit before tax	-18,830	n/m	67,850	4.9%	9,538	13.7%	58,558	4.0%
Earnings for the period including non-controlling interests	-17,340	n/m	36,075	2.6%	6,677	9.6%	25,412	1.7%
Group earnings for the period (which may be consolidated)	-10,081	n/m	18,103	1.3%	4,841	6.9%	12,863	0.9%
Net debt	-375,260		-429,222		-47,547		-852,029	
Personnel (number)	69		6,515		267		6,851	

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

Immsi Group at 31 December 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	4,751		1,332,418		107,738		1,444,907	
Operating income before depreciation and amortisation (EBITDA)	-3,273	n/m	192,327	14.4%	20,568	19.1%	209,622	14.5%
Operating income (EBIT)	-3,754	n/m	72,329	5.4%	17,858	16.6%	86,433	6.0%
Profit before tax	-15,804	n/m	39,720	3.0%	15,100	14.0%	39,016	2.7%
Earnings for the period including non-controlling interests	-15,012	n/m	19,730	1.5%	10,166	9.4%	14,884	1.0%
Group earnings for the period (which may be consolidated)	-9,061	n/m	9,879	0.7%	7,371	6.8%	8,189	0.6%
Net debt	-363,593		-451,984		-43,343		-858,920	
Personnel (number)	69		6,620		275		6,964	

* Financial data have been restated following the adoption 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.

The property and holding sector

In thousands of Euros	*31.12.2018*	*as a %*	*31.12.2017*	*as a %*	*Change*	*as a %*
Net revenues	5,178		4,751		427	9.0%
Operating income before depreciation and amortisation (EBITDA)	-3,053	n/m	-3,273	n/m	220	6.7%
Operating income (EBIT)	-3,513	n/m	-3,754	n/m	241	6.4%
Profit before tax	-18,830	n/m	-15,804	n/m	-3,026	-19.1%
Earnings for the period including non-controlling interests	-17,340	n/m	-15,012	n/m	-2,328	-15.5%
Group earnings for the period (which may be consolidated)	-10,081	n/m	-9,061	n/m	-1,020	-11.3%
Net debt	-375,260		-363,593		-11,667	-3.2%
Personnel (number)	69		69		0	0.0%

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..

Overall, the **property and holding sector** reported a consolidated net loss for 2018 amounting to approximately €10.1 million, worsening compared to the same period of the previous year, mainly due to financial income in February 2017 equal to €3.35 million arising from the sale of option rights assigned to Immsi on the capital increase of Unicredit, which the Parent Company did not participate in.

The Net Debt of the sector was negative by €375.3 million, compared to €-363.6 million at the end of the previous year.

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

The **Parent Company Immsi S.p.A.** recorded, in its separate financial statements, (gross of intergroup eliminations) a net profit for the period of approximately €6.7 million, compared to a net profit of approximately €3 million at 31 December 2017. In 2018, the Company recorded an operating loss (EBIT) of approximately €0.8 million, improving on the figure of €-1 million of the previous year, and a positive balance from financing activities of €7.4 million, given the difference between financial income and borrowing costs. This value includes adjustments resulting from impairment testing conducted at 31 December 2018 on the carrying amount of investments, that resulted in the reversal of the value of the investment in RCN Finanziaria S.p.A. for €6.5 million (€5 million in 2017), and an impairment loss of €9.5 million relative to the investment in ISM Investimenti S.p.A. (€15 million in 2017). In 2017, this aggregate included the realisation of income equal to €3.35 million arising from the disposal of option rights assigned to the Company as part of the capital increase of Unicredit, in which Immsi S.p.A. did not take part, a capital gain of €1.6 million relative to the sale of 1.5 million Piaggio shares.

Lastly, as regards non-financial income components, net revenues of Immsi S.p.A. realised during 2018 from property and services management amounted to €4.5 million, which is basically in line with the previous year.

Net financial debt at 31 December 2018 amounted to €65 million, down by approximately €8.5 million compared to 31 December 2017, mainly due to the above financial components.

As regards initiatives in the **property sector** and in particular with reference to the subsidiary **Is Molas S.p.A.**, work site activities relative to the construction of the first 15 villas and first section of primary services were completed and the company handed over the four finished mock-up villas and the remaining 11 villas at an advanced construction stage, in such a way as to enable potential customers to select the flooring and interior finishes. During the second half of 2018, works started on the second section of primary services. The company assessed the opportunity of renting the mock-up villas in order to allow final customers, including investors, to find out about the product and relative services offered at close hand. At the same time, commercial activities are being carried out to identify possible buyers, also at international level.

As regards earnings for the period, during 2018 net revenues of approximately €2.7 million were posted, in line with the previous year. In terms of margins, the company posted a negative EBIT of €2.1 million in 2018, slightly up on the previous year.
Consequently, the net loss for the Immsi Group that may be consolidated amounted to €1.8 million, compared to €-1.9 million in the previous year.

The net debt of the company amounted to €69 million compared to €56.5 million at 31 December 2017. The increase, wholly funded by the Parent Company Immsi S.p.A., is mainly attributable to new cash flows used in operations, in particular for construction activities in the property sector.

With reference to the **Pietra Ligure** project, activities continued to identify potential parties interested in development of the Project.
Net profit for consolidation purposes of **Pietra S.r.l.** in 2018 was equal to €-0.1 million and in line with the result from the same period of the previous year, while net financial debt was basically stable compared to 31 December 2017 and amounted to €2.7 million. The net result for consolidation purposes of **Pietra Ligure S.r.l.**, controlled by Pietra S.r.l. and which encompasses the property segment of Pietra Ligure with the relative Planning Concession and Agreement, was €0.3 million negative (in line with 2017) and net financial debt amounted to €1.3 million (€0.9 million at 31 December 2017).

With reference to the subsidiary **Apuliae S.r.l.**., renovation work that began in March 2005 is suspended, following investigations by the legal authorities and pending the final decision of outstanding matters. For updates on the matter, see the paragraph "Disputes in progress" below. At 31 December 2018, the company recorded a slight loss at an economic level (€0.1 million) and net financial debt of approximately €0.7 million, up by approximately €0.1 million compared to 31 December 2017 as regards the negative contribution from cash generated internally.

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

- **RCN Finanziaria S.p.A.**, in which Immsi S.p.A. holds a 72.51% stake, and sole shareholder of Intermarine S.p.A., reported a net loss for consolidation purposes for the Immsi Group equal to approximately €3.7 million (€-3.9 million in 2017) and net financial debt at 31 December 2018 amounting to €123 million, an increase of approximately €0.7 million compared to 31 December 2017.

- **ISM Investimenti S.p.A.**, in which Immsi S.p.A. holds a 72.64% stake, in terms of voting rights and the parent of Molas S.p.A. with a 92.59% stake at 31 December 2018, reported a net loss for consolidation purposes for the Immsi Group equal to approximately €4 million (€-4.4 million in 2017) and net financial debt at 31 December 2018 amounting to €113.7 million, an increase of approximately €6.6 million compared to 31 December 2017, mainly following the capitalisation of interest expense on some loans.

Industrial sector: Piaggio group

In thousands of Euros	*31.12.2018*	*as a %*	*31.12.2017 adjusted **	*as a %*	*Change*	*as a %*
Net revenues	1,389,546		1,332,418		57,128	4.3%,
Operating income before depreciation and amortisation (EBITDA)	201,765	14.5%	192,327	14.4%	9,438	4.9%
Operating income (EBIT)	92,778	6.7%	72,329	5.4%	20,449	28.3%
Profit before tax	67,850	4.9%	39,720	3.0%	28,130	70.8%
Earnings for the period including non-controlling interests	36,075	2.6%	19,730	1.5%	16,345	82.8%
Group earnings for the period (which may be consolidated)	18,103	1.3%	9,879	0.7%	8,224	83.2%
Net debt	-429,222		-451,984		22,762	5.0%
Personnel (number)	6,515		6,620		-105	-1.6%

* Financial data for 2017 have been restated following the adoption of IFRS 15

As already stated, since 1 January 2018, the Group has adopted IFRS 15, with an impact mainly referring to the industrial sector. To make financial data from the two periods in question comparable, 2017 figures were adjusted. Comments in the Report on Operations refer to 2018 figures and 2017 figures adjusted.

As regards the **industrial sector**, 603,600 vehicles were sold worldwide in 2018, with a rise in volumes of approximately 9.2% compared to the previous year, when 552,800 vehicles were sold. The number of vehicles sold was up in India (+23.5%) and Asia Pacific 2W (+9.7%), while vehicle sales in EMEA and Americas declined (-4.3%). As regards the type of products sold, the increase mainly referred to two-wheeler vehicles (+19.1), while two-wheelers reported a smaller growth trend (+4.6%).
In terms of consolidated turnover, the group closed 2018 with net revenues equal to €1,389.5 thousand, up compared to 2017 (+4.3%); +8.2% with constant exchange rates). In terms of geographic segments, revenue increased in India (+15.4%; +26.2% at constant exchange rates) and Asia Pacific (+3.6%; +9.3% at constant exchange rates). In the EMEA and Americas, revenues were basically stable (-0.5%). As regards product types, the increase in turnover mainly referred to Commercial Vehicles (+10.6%), while the trend in the two-wheeler segment was more limited (+1.7%). As a result, the percentage of two-wheeler vehicles accounting for overall turnover dropped from 70.8% in 2017 to the current figure of 68.9%; vice versa, the percentage of Commercial Vehicles rose from 29.2% in 2017 to the current figure of 31.1%.

Operating income including amortisation, depreciation and impairment costs of intangible assets and plant, property and equipment (EBITDA) for the year 2018 amounted to approximately €201.8 million (€192.3 million in 2017). In relation to turnover, EBITDA was equal to 14.5% (14.4% in 2017). In terms of Operating Income (EBIT), performance was better in 2018 compared to 2017, with a consolidated EBIT equal to €92.8 million, up by €20.4 million compared to 2017; in relation to turnover, EBIT was equal to 6.7% (5.4% in 2017).

The result of financing activities improved compared to the previous year by €7.7 million, with net charges amounting to €24.9 million (€32.6 million in 2017). This performance is mainly due to the reduction in average net debt and average stock, and is further improved by non-recurring net income of €0.9 million from the liability management operation on the “Eur 250 million Piaggio 4.625% due 2021” debenture loan, as well as the fair value measurement of financial debt in foreign currency and relative hedging for an additional €0.9 million.

Adjusted net profit stood at €36.1 million (2.6% of turnover), up on the figure for the previous year of €19.7 million (1.5% of turnover).
Taxes for the period were equal to €31.8 million, while they amounted to €20 million in 2017. In 2018 the impact of taxes on profit before tax was estimated as equal to 46.8% (50.3% in 2017).

Net financial debt at 31 December 2018 amounted to €429.2 million, down €452 million compared to 31 December 2017. The reduction is mainly due to the positive trend of operations which allowed for the payment of dividends (€19.7 million) and the funding of the investment programme.

Two-wheeler business

Two-wheeler vehicles can mainly be grouped into two product segments: scooters and motorcycles, in addition to the related spare parts and accessories business, the sale of engines to third parties, involvement in main two-wheeler sports championships and technical service.
The world two-wheeler market comprises two macro areas, which clearly differ in terms of characteristics and scale of demand: economically advanced countries (Europe, United States, Japan) and emerging nations (Asia Pacific, China, India, Latin America).
Based on data available on monitored markets, the global two-wheeler market (scooters and motorcycles) reported sales of over 46 million vehicles in 2018, with dynamics differing based on the geographic area.

During 2018, the Piaggio group sold a total of 393,100 two-wheeler vehicles worldwide, accounting for a net turnover equal to approximately €957.9 million, including spare parts and accessories (€125.2 million, +3.3%).
India, the most important two-wheeler market, continued its growth trend in 2018, closing with just over 21.6 million vehicles sold, up by 12.8% compared to 2017.
The People's Republic of China resumed a negative trend (-12.1%), closing the period with just over 6.9 million units sold.
The Asian area, termed Asean 5, reported an increase in 2018 (+7.0% compared to 2017) ending the period with over 13.6 million units sold. Indonesia, the main market in this area, reported considerable growth (+8.4% compared to 2017), with total volumes of just under 6.4 million items. Thailand recorded a slight decline in 2018 (1.79 million units sold; -1.2% compared to 2017); Malaysia reported a considerable increase compared to the previous year (nearly 472 thousand units sold; +8.4% compared to 2017). The sales trend in Vietnam remained buoyant in 2018 (3.4 million units sold; +3.5 % compared to 2017) while the Philippines reported the highest increase of this area (nearly 1.59 million units sold; +20.6% compared to 2017).

Volumes of other Asian area countries (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) decreased, in overall terms, compared to the previous year, with 1.3 million units sold (-11.4%). The most considerable decline was reported from Taiwan, which reversed its trend and closed the period with 754 thousand units sold (-17.1% compared to 2017). Japan also reported a negative trend, with 369 thousand units sold (-3.4% compared to 2017).
The North American market recorded a downturn of 2.7% compared to 2017 (496 thousand vehicles sold in 2018).
Brazil, the leading market in South America, reversed this trend and thanks to a considerable increase in sales (+17.6%) ended 2018 with 957.6 thousand vehicles sold.
Europe, the reference area for Piaggio group activities, recorded a slight downturn in 2018, reporting an overall drop of 2.4% in sales compared to 2017 (+7.7% for the motorcycle segment and -10.9% for scooters), ending the period with nearly 1.281 million units sold.

On the European market, the Piaggio group achieved a 14.5% share in 2018 (15.1% in 2017), confirming its leadership position in the scooter segment, where it reached a 25.3% share (+1.1% over 2017). In Italy, the Piaggio group is a well-established leader in the scooter segment (29.7%) and an important player on the domestic two-wheeler market (a 19.2% share in 2018 and a 20.1% share in 2017).
The group, with its own sites in India and Vietnam, also operates in the "premium" segment of the Indian market and in Asia Pacific countries. In particular, Piaggio is one of the leading segment operators in Vietnam, which is the group's main market in the Asian area.
On the North American market, Piaggio consolidated its position, increasing its share from 22.1% in 2017 to 23.9% in 2018. The group is also committed to consolidating its operations in the motorcycle segment, with the Aprilia and Moto Guzzi brands.

Commercial Vehicles business

The Commercial Vehicles business includes three- and four-wheelers with a maximum mass below 3.5 tons (category N1 in Europe) designed for commercial and private use, and related spare parts and accessories. In 2018, the Commercial Vehicles business generated a turnover of approximately €431.6 million, including approximately €47.7 million relative to spare parts and accessories, registering a 10.6% increase over the previous year. During the year, 210,500 units were sold, up by 19.1% compared to 2017.
The growth is related to the expansion of the Indian market. On the Indian three-wheeler market, group sales reversed their trend, increasing from 144,377 units in 2017 to 167,362 units in 2018, up by 15.9%; exports also improved (24,980 thee-wheeler vehicles; 14,097 in 2017) up by 77.2%.
On the domestic four-wheeler market, sales of Piaggio Vehicles Private Limited decreased by 22% in 2018 compared to 2017, closing with 1,822 units.
On the EMEA and Americas market, the Piaggio group sold 16,300 units, generating a total net turnover of approximately € 88.5 million, including spare parts and accessories for €16.5 million. The 3.2% increase in sales was supported by the good performance of the reference EMEA market.

The Piaggio group operates in Europe and India on the light commercial vehicles market, with vehicles designed for short-range mobility in urban areas (European range) and suburban areas (the product range for India).
In Europe, the group acts as operator on these markets in a niche segment (urban mobility), thanks to its range of low environmental impact products.

Piaggio operates in India in the passenger vehicle and cargo sub-segments of the three-wheeler market. It also operates on the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) with the Indian Porter range.
On the Indian three-wheeler market, Piaggio Vehicles Private Limited had a market share of 23.3% in 2018 (26.5% in 2017). Detailed analysis of the market shows that Piaggio Vehicles Private Limited maintained its *market leader* position in the goods transport segment (cargo segment) with a share of 44.9% (48.8% in 2017). Its market share, although decreasing, remained steady in the Passenger segment, at 18.7% (20.6% in 2017). On the four-wheeler market, Piaggio Vehicles Private Limited played a marginal role, with its share decreasing to 0.8% (1.7% in 2017).

The Marine sector: Intermarine

In thousands of Euros	*31.12.2018*	*as a %*	*31.12.2017*	*as a %*	*Change*	*as a %*
Net revenues	69,809		107,738		-37,929	-35.2%
Operating income before depreciation and amortisation (EBITDA)	14,597	20.9%	20,568	19.1%	-5,971	-29.0%
Operating income (EBIT)	11,336	16.2%	17,858	16.6%	-6,522	-36.5%
Profit before tax	9,538	13.7%	15,100	14.0%	-5,562	-36.8%
Earnings for the period including non-controlling interests	6,677	9.6%	10,166	9.4%	-3,489	-34.3%
Group earnings for the period (which may be consolidated)	4,841	6.9%	7,371	6.8%	-2,530	-34.3%
Net debt	-47,547		-43,343		-4,204	-9.7%
Personnel (number)	267		275		-8	-2.9%

With reference to the **marine sector**, net sales revenues (comprising turnover and works in progress to order) fell during 2018, and were equal to €69.8 million, compared to the figure of €107.7 million for the same period of the previous year. Production progress, including research and development, and the completion of constructions and deliveries, concerned in particular:

- the *Defence* division, with €54.6 million (€95.5 million in 2017), mainly from the construction of units and the logistics package for the Italian tax police (€3.9 million) for activities of the Gaeta programme for the Italian Navy (€6.2 million), for the construction of integrated platforms for the Italian Group operating in the sector (€29.4 million), for the contract with an Asian shipyard completed during 2018 for a floating platform (€12.7 million) for the development of the construction sites at Sarzana and Messina of the MMI contract for 2 special, high-speed units (€1.1 million);
- the *Fast Ferries and Yacht* divisions, with €15.2 million (12.2 million in 2017), mainly for repairs and research projects and for the MMI contract for 2 special, high-speed units.

Figures for 2018 report a positive EBITDA of €14.6 million, a positive EBIT of €11.3 million, profit before tax of €9.5 million and net profit of €6.7 million.

In particular, in economic terms, the 2018 financial statements reflect the considerable progress made in acquired contracts, with adequate margins and contract times met, structure costs slightly down compared to the previous year, the percentage of net revenues increasing, and positive effects from the adoption of safeguarding and legal protection clauses related to termination due to breach of contract of the private Asian shipyard, to receive all proceeds realised and maintain the semi-finished property and equipment, with relative provisions for related risks and liabilities.

In financial terms, the 2018 financial statements show an increase in net financial exposure, which went up from €43.3 million at 31 December 2017 to €47.5 million, due to the negative change in net working capital only partially absorbed by the positive contribution from cash generated internally. During the previous year, a considerable decrease in financial debt of over €24 million was recorded.

The total value of the order book at 31 December 2018 was €162 million (remaining part of the contracts in place that still needs to be implemented in terms of value of production) and may be broken down as follows:

- Italian Navy, Refitting and TS Gaeta Programme for €26 million,
- Italian Navy, Contract for 2, ultra high-speed naval vessels for €14 million,
- Italian Tax Police, Logistics Packages for €7 million;
- Italian operator, contract for the second and third integrated mine sweeping platform for €114 million.

Intermarine won the contract for the construction of a patrol unit for Harbour Offices for €7 million; moreover the Ministry of Transport may exercise the option for an additional two units at an overall price already established of €13 million.

Financial position and performance of the Group

As already referred to in this report, during 2018, the operating results of the Immsi Group improved generally compared to the previous year, in a macroeconomic context characterised by growth in the world economy, but with dynamics that differed considerably by geographic segment.

The scope of consolidation changed compared to the Consolidated Financial Statements at 31 December 2017, as explained below: i) the consolidated portion of shareholders' equity of the Piaggio group, which amounted to 50.18% at 31 December 2018, was equal to 50.07% at 31 December 2017. The increase is mainly due to the effect of the purchase of 793,818 treasury shares by Piaggio S.p.A.; ii) with reference to the portion held by the Parent Company Immsi S.p.A. in ISM Investimenti S.p.A., considering the various equity rights of the two partners and analysis of impairment testing, the portion of consolidated shareholders' equity of ISM Investimenti S.p.A. was estimated to be 41.81% at 31 December 2018, down on the figure of 51.55% at 31 December 2017; iii) at the end of 2018, liquidation of the First Atlantic property fund was completed.

Net revenues realised in 2018, equal to €1,464.5 million and increasing over the previous year (+1.4%), mainly refer to the industrial sector (€1,389.5 million), with €69.8 million relative to the marine sector and the remaining part relative to the property and holding sector.

Operating income gross of amortisation, depreciation and impairment costs of intangible assets and plant, property and equipment (EBITDA) amounted to €213.3 million at 31 December 2018, equal to 14.6% of net revenues, and increasing in absolute terms and as a percentage compared to the previous year's figure of €209.6 million, equal to 14.5% of revenues; operating income (EBIT) came to €100.6 million (6.9% of net revenues), up by €14.2 million compared to €86.4 million for the previous year (when it corresponded to 6% of net revenues).

Consolidated operating income (EBIT) does not include goodwill impairment because on the basis of results expected from long-term development plans prepared by Group companies and used in impairment testing, it was not considered necessary to carry out impairment, as this goodwill was considered recoverable through future financial flows.
As the analyses conducted to estimate the recoverable value of the goodwill of cash generating units of the Immsi Group were determined also based on estimates, the Group does not have the assurance that an impairment loss in goodwill will not occur in future periods.
Given the current ongoing difficulty of reference and financial markets, the various factors - both internal and external to cash generating units identified - used in making the estimates could be revised in future: The Group will constantly monitor these factors and the possible existence of future impairment losses.

Profit before tax for 2018 amounted to €58.6 million, compared to a profit before tax at 31 December 2017 of €39 million: this improvement (of €19.5 million) stems from the industrial sector (Piaggio group), which, with €67.9 million, registered an improvement on the figure for the previous year of €28.1 million, due to successful operations with a considerable increase in revenues and operating margins, partially offset by the downturn in the property and holding and marine sectors, which reported a decrease €3 million and €5.6 million respectively.

Taxes for the period totalled €33.1 million, up by €9 million compared to €24.1 million in 2017, with a tax rate of 56.6%.

Following the above dynamics, Group net profit for the period amounted to €12.9 million compared to a profit of €8.2 million in 2017.

Net financial debt of the Group at 31 December 2018 totalled €852 million up by approximately €6.9 million compared to the balance of €858.9 million at 31 December 2017, due mainly to net cash flows in operations equal to approximately €136 million, that enabled investments in plant, property and equipment and intangible assets for the period, equal to a total of €116.8 million and the payment of dividends to third parties for €9.8 million.

Group gross investments in the year totalled €118 million, divided as follows:

- €78.2 million in intangible assets, referring nearly entirely to the Piaggio group;
- €39.8 million in plant, property and equipment, referring nearly entirely to the Piaggio group.

Total shareholders' equity of the Immsi Group at 31 December 2018 was equal to €379.4 million; excluding the portion attributable to non-controlling interests, shareholders' equity attributable to the Group was equal to €235 million.

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

Financial performance of the Group

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

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

Since 1 January 2018, the Group has adopted IFRS 15, with an impact mainly referring only to the industrial sector. To make financial data from the two periods in question comparable, 2017 figures were adjusted. Comments in this Report on Operations refer to figures at 31 December 2018 figures and at 31 December 2017 adjusted.

In thousands of Euros	*31.12.2018*		*31.12.2017 adjusted **		*Change*	
Net revenues	**1,464,533**	**100%**	**1,444,907**	**100%**	**19,626**	**1.4%**
Costs for materials	843,470	57.6%	821,804	56.9%	21,666	2.6%
Costs for services, leases and rentals	257,116	17.6%	258,498	17.9%	-1,382	-0.5%
Employee costs	237,496	16.2%	234,493	16.2%	3,003	1.3%
Other operating income	117,678	8.0%	109,929	7.6%	7,749	7.0%
Net reversals (impairment) of trade and other receivables	-2,301	-0.2%	-3,470	-0.2%	1,169	33.7%
Other operating costs	28,519	1.9%	26,949	1.9%	1,570	5.8%
OPERATING EARNINGS BEFORE AMORTISATION AND DEPRECIATION (EBITDA)	**213,309**	**14.6%**	**209,622**	**14.5%**	**3,687**	**1.8%**
Depreciation and impairment costs of plant, property and equipment	42,379	2.9%	46,537	3.2%	-4,158	-8.9%
Impairment of goodwill	0	-	0	-	0	-
Amortisation and impairment costs of intangible assets with a definite useful life	70,329	4.8%	76,652	5.3%	-6,323	-8.2%
OPERATING INCOME	**100,601**	**6.9%**	**86,433**	**6.0%**	**14,168**	**16.4%**
Earnings on investments	474	0.0%	716	0.0%	-242	-
Financial income	23,402	1.6%	21,093	1.5%	2,309	10.9%
Borrowing costs	65,919	4.5%	69,226	4.8%	-3,307	-4.8%
PROFIT BEFORE TAX	**58,558**	**4.0%**	**39,016**	**2.7%**	**19,542**	**50.1%**
Taxes	33,146	2.3%	24,132	1.7%	9,014	37.4%
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS	**25,412**	**1.7%**	**14,884**	**1.0%**	**10,528**	**70.7%**
Gain (loss) from assets held for disposal or sale	0	-	0	-	0	-
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	**25,412**	**1.7%**	**14,884**	**1.0%**	**10,528**	**70.7%**
Earnings for the period attributable to non-controlling interests	12,549	0.9%	6,695	0.5%	5,854	87.4%
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	**12,863**	**0.9%**	**8,189**	**0.6%**	**4,674**	**57.1%**

* Financial data have been restated following the adoption of IFRS 15

The consolidated net revenues of the Immsi Group increased by approximately €19.6 million (+1.4%) to around €1,464.5 million, referring to revenues from the industrial sector for approximately €1,389.5 million, the marine sector for approximately €69.8 million and the property and holding sector for approximately €5.2 million.

The increase recorded by the industrial sector, which went up by 4.3% compared to the figure of €1,332.4 million of the previous year, was partially offset by the decrease in net revenues in the marine sector, falling from €107.7 million in 2017 to €69.8 million in 2018.

Operating costs and other net consolidated expenses of the Group in 2018 amounted to €1,251.2 million (85.4% of net revenues), with €1,187.8 million (equal to approximately 85.5% of net revenues of the sector) relative to the Piaggio group. The cost of materials amounted to €843.5 million, accounting for 57.6% of net revenues; the cost referred to the industrial sector alone amounted to €838.3 million, equal to 60.3% of net revenues of the sector. Personnel costs totalled €237.5 million, accounting for 16.2% of net revenues. The largest portion, amounting to €218.2 million (15.7% of net revenues of the sector), refers to the Piaggio group.

Operating income including amortisation, depreciation and impairment costs of intangible assets and plant, property and equipment (EBITDA) amounted to €213.3 million, equal to 14.6% of net revenues, of which €201.8 million referred to the industrial sector. In terms of percentage, this is the best result ever recorded by the Group, and the fifth year of consecutive growth.
Depreciation and amortisation for the period stood at €112.7 million (of which €109 million relative to the industrial sector), representing 7.7% of turnover, down by approximately €10.5 million compared to 2017 (-8.5%). Depreciation charges of plant, property and equipment amounted to €42.4 million (€-4.2 million compared to the figure for 2017), while amortisation charges for intangible assets, which does not include amortisation on goodwill, totalled €70.3 million (76.7 million in 2017).

EBIT amounted to €100.6 million (€+14.2 million, or +16.4%, compared to 31 December 2017), equal to 6.9% of net revenues (compared to 6% in 2017).

The net balance of financial activities - including investments - was negative by €42 million, comprising a net negative balance of €24.9 million for the industrial sector and a net negative balance of €1.8 million relative to the marine sector, while the property and holding sector registered a negative balance of approximately €15.3 million.

In consideration of the above, profit before taxes of €58.6 million was recorded, with a positive contribution from the industrial sector of €67.9 million and of €9.5 million from the naval sector, while the contribution from the property and holding sector was €18.8 million negative.

After taxes for the period equal to €33.1 million and net of the portion of income attributable to non-controlling interests of €12.5 million, consolidated profit amounted to €12.9 million, compared to net profit of €8.2 million at 31 December 2017.

Reclassified financial situation of the Group

In thousands of Euros	*31.12.2018*	*as a %*	*31.12.2017*	*as a %*
Current assets:				
Cash and cash equivalents	200,450	9.5%	138,949	6.8%
Financial assets	0	0.0%	0	0.0%
Operating activities	486,987	23.1%	484,439	23.7%
Total current assets	**687,437**	**32.6%**	**623,388**	**30.5%**
Non-current assets:				
Financial assets	0	0.0%	0	0.0%
Intangible assets	833,805	39.5%	826,198	40.5%
Plant, property and equipment	300,860	14.2%	307,343	15.1%
Other assets	289,201	13.7%	284,650	13.9%
Total non-current assets	**1,423,866**	**67.4%**	**1,418,191**	**69.5%**
TOTAL ASSETS	**2,111,303**	**100.0%**	**2,041,579**	**100.0%**
Current liabilities:				
Financial liabilities	532,096	25.2%	426,527	20.9%
Operating liabilities	585,098	27.7%	577,028	28.3%
Total current liabilities	**1,117,194**	**52.9%**	**1,003,555**	**49.2%**
Non-current liabilities:				
Financial liabilities	520,383	24.6%	571,342	28.0%
Other non-current liabilities	94,351	4.5%	95,993	4.7%
Total non-current liabilities	**614,734**	**29.1%**	**667,335**	**32.7%**
TOTAL LIABILITIES	**1,731,928**	**82.0%**	**1,670,890**	**81.8%**
TOTAL SHAREHOLDERS' EQUITY	**379,375**	**18.0%**	**370,689**	**18.2%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,111,303**	**100.0%**	**2,041,579**	**100.0%**

Current assets at 31 December 2018 amounted to €687.4 million, up by €64 million compared to 31 December 2017. This increase is mainly due to the change in cash and cash equivalents, equal to €61.5 million. Non-current assets at 31 December 2018 (including assets held for disposal) totalled €1,423.9 million, compared to €1,418.2 million at 31 December 2017, with an increase of €5.7 million. In particular, non-current assets include intangible assets amounting to €833.8 million, up compared to 31 December 2017 by €7.6 million, plant, property and equipment amounting to 300.9 (307.3 million at the end of 2017) and other assets amounting to €289.2 million (compared to 284.6 million at the end of 2017).

Current liabilities at 31 December 2018 totalled €1,117.2 million, up by 113.6 million compared to 31 December 2017, of which €105.6 million attributable to financial liabilities and €8.1 million to current operating liabilities.
Current liabilities at 31 December 2018 amounted to €614.7 million, compared to 667.3 million at 31 December 2017. The decrease is mainly attributable to fewer financial liabilities.

At the end of 2018 total interest expense amounted to €4,270 thousand due to non-controlling interests of Group companies accrued on loans received. Despite the financial nature of this payable, the Group believes that this item does not contribute to the determination of net financial debt.

Consolidated shareholders' equity attributable to the Group and non-controlling interests amounted to €379.4 million at 31 December 2018, of which €144.4 million attributable to non-controlling interests.

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

In thousands of Euros	*31.12.2018*	*as a %*	*31.12.2017*	*as a %*
Current operating assets	486,987	36.7%	484,439	36.5%
Current operating liabilities	-585,098	-44.1%	-577,028	-43.5%
Net operating working capital	**-98,111**	**-7.4%**	**-92,589**	**-7.0%**
Intangible assets	833,805	62.9%	826,198	62.3%
Plant, property and equipment	300,860	22.7%	307,343	23.2%
Other assets	289,201	21.8%	284,650	21.5%
Capital employed	**1,325,755**	**100.0%**	**1,325,602**	**100.0%**
Non-current non-financial liabilities	94,351	7.1%	95,993	7.2%
Capital and reserves of non-controlling interests	144,389	10.9%	149,066	11.3%
Consolidated shareholders' equity attributable to the Group	234,986	17.7%	221,623	16.7%
Total non-financial sources	**473,726**	**35.7%**	**466,682**	**35.2%**
Net financial debt	**852,029**	**64.3%**	**858,920**	**64.8%**

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

n thousands of Euros	*31.12.2018*	*31.12.2017*
Cash generated internally	169,042	166,643
Change in net working capital	-33,012	-31,727
Net cash flow generated from operations	**136,030**	**134,916**
Payment of dividends to non-controlling interests by Group companies	-9,835	-9,752
Acquisition of intangible assets	-78,150	-58,040
Purchase of plant, property and equipment	-39,845	-29,800
Net decrease from property disposals	1,178	2,836
Acquisition of non-controlling investments, net of disposal	-12	2,556
Acquisition of controlling investments and business complexes, net of disposals	0	3,567
Other net movements	-2,475	1,649
Change in net debt	**6,891**	**47,932**
Initial net debt	**-858,920**	**-906,852**
Closing net debt	**-852,029**	**-858,920**

Net financial debt, equal to €852 million at 31 December 2018, was analysed below and compared with the same data at 31 December 2017.

In thousands of Euros	*31.12.2018*	*31.12.2017*
Short-term financial assets		
Cash and cash equivalents	-200,450	-138,949
Financial assets	0	0
Total short-term financial assets	**-200,450**	**-138,949**
Short-term financial payables		
Bonds	10,325	9,625
Payables due to banks	465,000	357,917
Amounts due under finance leases	1,237	1,144
Amounts due to other lenders	55,534	57,841
Total short-term financial payables	**532,096**	**426,527**
Total short-term financial debt	**331,646**	**287,578**
Medium/long-term financial assets		
Receivables for loans	0	0
Other financial assets	0	0
Total medium/long-term financial assets	**0**	**0**
Medium/long-term financial payables		
Bonds	291,694	309,880
Payables due to banks	220,599	251,950
Amounts due under finance leases	7,930	9,168
Amounts due to other lenders	160	344
Total medium/long-term financial payables	**520,383**	**571,342**
Total medium/long-term financial debt	**520,383**	**571,342**
Net financial debt *	**852,029**	**858,920**

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

Financial position and performance of the Parent Company

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

In thousands of Euros	*2018*	*2017*
Earnings on financial operations	7,358	4,254
Profit before tax	6,602	3,219
Income for the period	6,746	3,044
Net operating working capital	63,962	64,856
Capital employed	446,187	449,374
Non-financial sources	381,224	375,890
Net debt	-64,962	-73,484
Shareholders' equity	361,283	355,989
Personnel (number)	11	11

During 2018, the Company recorded a profit from financing activities of €7,358 thousand mainly attributable to approximately €9.9 million of dividends distributed by the subsidiary Piaggio & C. S.p.A. (unchanged compared to 2017). The positive difference compared to the previous year is mainly attributable to lower adjustments resulting from impairment testing conducted at 31 December 2018 on the carrying amount of investments compared to those recorded at the end of 2017. This testing resulted in the reinstatement of the value of the investment in RCN Finanziaria S.p.A. for €6.5 million (€5 million at 31 December 2017), more than offset by the write-down of €9.5 million in the investment in ISM Investimenti S.p.A. (€15 million at the end of 2017). In the previous year, Immsi had benefited from the capital gain of €1.6 million following the sale of 1.5 million Piaggio & C. S.p.A. shares and from the collection of €3.35 million from the sale of option rights assigned during a UniCredit capital increase, which the Company did not take part in.
Profit before tax accounted for a minimum part of taxable income as regards income tax, because most components comprise financial statement items, which are tax-neutral.
2018 closed with a profit of €6,746 thousand, up compared to 2017, equal to €3,044 thousand, due mainly to assessment components related to impairment testing conducted on the carrying value of investments, as above.

Net operating working capital went down from €64,856 thousand at 31 December 2017 to €63,962 thousand at the end of 2018.

Capital employed amounted to €446,187 thousand, down compared to 31 December 2017, and mainly comprised the investment property in Rome for €74,650 thousand and investments in subsidiaries and affiliated companies for €307,330 thousand.

Non-financial sources, consisting of €19,941 thousand relative to non-current non-financial liabilities (mainly deferred tax liabilities) and €361,283 thousand relative to shareholders' equity, went up compared to 31 December 2017, due to the change in the latter item.

Net financial debt at 31 December 2018 amounted to €64,962 thousand, down by €8,522 thousand compared to 31 December 2017.

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

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

In thousands of Euros	*Shareholders' net*	*Earnings for the period*
Shareholders' equity and earnings for the period as recorded in the financial statements of the Parent Company Immsi S.p.A.	361,283	6,746
Derecognition of dividends from subsidiaries of the Parent Company	0	(9,863)
Elimination of capital gains on sale of stakes in subsidiaries of the Parent company	0	0
Pro rata earnings and shareholders' equity of investee companies	460,187	12,980
Elimination of the carrying amount of investments	(586,484)	3,000
TOTAL	**234,986**	**12,863**

Research & development

The Immsi Group carries out research and development through the Piaggio group, which continued its policy in 2018 to retain technological leadership in the sector, and the subsidiary Intermarine S.p.A., whose research and development activities mainly concern new projects for vessels and prototypes, production technologies, plant innovations and innovative materials.
For further information on the projects supported by the Group and allocated resources, see the section Products and Services in the Consolidated non-financial statement pursuant to Legislative Decree 254/2016 of the Immsi Group including this Report and the section The Product Dimension of the Piaggio group 2018 Corporate Social Responsibility Report.

Risk factors

Due to the nature of its business, the Group is exposed to different types of risks. For this reason, the Group has developed procedures both in the Parent Company and in main subsidiaries for risk management in areas most exposed, identifiable at a strategic, external, operational and financial level.

Strategic risks

Reputational and Corporate Social Responsibility risk – In carrying out its operations, the Group could be exposed to stakeholders' perception of the Group and its reputation and their loyalty changing for the worse because of the disclosure of detrimental information or due to sustainability requirements in the Non-financial Statement published by Immsi S.p.A. and Piaggio & C. S.p.A. and in the CSR Report published by Piaggio & C. S.p.A. not being met, as regards economic, environmental, social and product-related aspects.

Risks related to defining strategies - In defining its strategic objectives, the Group could make errors of judgement with a consequent impact on its image and financial performance.

Risks related to adopting strategies - In carrying out its operations, the Group could be exposed to risks from the wrong or incomplete adoption of strategies, with a consequent negative impact on achieving the Group's strategic objectives.

External risks

Risks related to the macroeconomic and geopolitical context - To mitigate any negative effects arising from the macroeconomic and geopolitical context, the Group and in particular the Piaggio group continued its strategic vision, diversifying operations at international level - in particular on markets in the Asian area Asia where growth rates of economies are still high, and consolidating the competitive positioning of its products. To achieve this, the Group focuses on research activities, and in particular on the development of engines with a low consumption and a low or zero environmental impact.

As regards Great Britain's decision to leave the European Community, the Group considers the effects on global sales and profitability as negligible. In fact, the Piaggio group's turnover on the British market accounts for around 2% of total turnover.

Risks related to consumer purchasing habits – The success of the Group's products depends on its ability to manufacture products that cater for consumer's tastes and – with particular reference to the Piaggio group – can meet their needs for mobility.

With reference to the subsidiary Intermarine, however, the success of the company in the different lines of business in which it operates depends on the ability to offer innovative and high quality products that guarantee the performance demanded by customers, in terms of lower fuel consumption, higher performance, greater passenger transport capacity, greater cruising comfort, handling and safety of the vessels used, among other things, in the defence and control of territories.
If the products of the Immsi Group companies were not appreciated by customers, revenues or, further to more aggressive sales policies in terms of discount drives, margins would be lower, and this would have a negative impact on the related economic and financial situation. To tackle this risk, the Group has always invested in major research and development projects, to enable it to optimally meet customer needs and anticipate market trends, introducing innovative products.
Levering customer expectations and emerging needs, with reference to its product range and customer experience is essential for the Group to maintain a competitive edge. Through market analysis, focus groups, concept and product testing, investments in research and development and sharing a roadmap with suppliers and partners, Piaggio can seize emerging market trends to renew its own product range. Customer feedback enables Piaggio to evaluate customer satisfaction levels and fine tune its own sales and after-sales service model.

Risks related to the high level of market competition - Over the last few years, the characteristics and dynamics of the competitive background of markets on which the Group operates have changed considerably, above all regarding prices, also due to a declining demand worldwide. In addition, the Group is exposed to the actions of competitors that, through technological innovation or replacement products, could obtain products with better quality standards and streamline costs, offering products at more competitive prices.
The Piaggio group has tried to tackle this risk, which could have a negative impact on the financial position and performance of the Group, by manufacturing high quality products that are innovative, cost-effective, reliable and safe, and by consolidating its presence in Asia.
With reference to the marine sector, and the mine sweeping platforms segment, Intermarine has a considerable technological edge over the competition, while the Fast Ferries division is affected in particular by a context in which the owners prefer carrying out repairs on operating vessels rather than investing in new constructions. Pending the identification of ship owners that have investment plans to replace vessels in operation, the company has reduced this activity to the minimum.

Risk related to the regulatory and legal framework - Numerous national and international laws and regulations on safety, noise levels, consumption and the emission of pollutant gases apply, in particular to Piaggio products. Strict regulations on atmospheric emissions, waste disposal, the drainage and disposal of water and other pollutants also apply to the Group's production sites.
Unfavourable changes in the regulatory and/or legal framework at a national and international level could mean that products can no longer be sold on the market, forcing manufacturers to invest to renew their product ranges and/or renovate/upgrade production plants.
To deal with these risks, the Group has always invested in research and development into innovative products, anticipating any restrictions on current regulations. Moreover, the Group, as one of the sector's leading manufacturers, is often requested to be represented on parliamentary committees appointed to discuss and formulate new laws.

Risks related to natural events - The Group operates through industrial sites located in Italy, India and Vietnam. These sites could be affected by natural events, such as earthquakes, typhoons, flooding and other catastrophes that may damage sites and also slow down/interrupt production and sales.
Continual renewal of the sites prevents these risk scenarios. The potential impact of these risks is mitigated by specific insurance cover taken out for various sites based on their relative importance.

Risk related to the adoption of new technologies – The risk related to the adoption of new technologies is associated above all with the Piaggio group, that is exposed to risk from the difficulty of keeping abreast with new technologies, applicable both to products and the production process. To tackle this risk, departments at Pontedera in Italy and PADc – the Piaggio Advance Design Center in Pasadena are dedicated to research, development and trialling new technological solutions (thanks also to Aprilia Racing's experience in MotoGP racing), while Piaggio Fast Forward in Boston is studying innovative solutions to anticipate and meet future mobility needs.

Risks related to the sales network - The Piaggio group's business is closely related to the sales network's ability to guarantee end customers a high quality sales and after-sales service. Piaggio deals with this risk by establishing specific technical/professional standards to adopt in contracts, and by adopting periodic controls.

Risks related to external offences As regards this category, the main potential risks refer to fraudulent events connected with cyber attacks. These risks may stop activities supporting production and sale or compromise the confidentiality of personal data managed by the Group. To mitigate the occurrence of these risks, the Group has established operating policies and technical security measures designed to afford adequate protection for company data and information.

Operating risks

Risks related to the product – The Group has to deal with risks related to product defects due to nonconforming quality and safety levels.
The risk for the Piaggio group refers to consequent recall campaigns, that would exposed the group to: the costs of managing campaigns, replacing vehicles, claims for compensation and above all if faults are not managed correctly and/or are recurrent, damage to its reputation. To mitigate these risks, Piaggio has established a Quality Control system, it tests products during various stages of the production process and carefully sources its suppliers based on technical/professional standards. The group has also defined plans to manage recall events and has taken out insurance to protect the group it against events attributable to product defects.
To deal with product risk, the subsidiary Intermarine normally adopts a type of contract that also includes assistance and logistics packages which are formalised in agreements regulating acquired contracts.

Risks related to the production process/business continuity- The Group is exposed to risk connected with possible interruptions to company production, due to the unavailability of raw materials or components, skilled labour, systems or other resources.
To deal with these risks, the Group has necessary maintenance plans, invests in upgrading machinery, has a flexible production capacity and sources from several suppliers of components to prevent the unavailability of one supplier affecting company production.

Moreover, the operating risks related to industrial sites in Italy and other countries, as regards the Piaggio group, are managed through specific insurance cover assigned to sites based on their relative importance.

Risks related to the supply chain In carrying out its operations, the Group sources raw materials, semi-finished products and components from a number of suppliers.
As regards the Piaggio group, operations are conditioned by the ability of its suppliers to guarantee the quality standards and specifications requested for products, as well as relative delivery times. To mitigate these risks, the Group qualifies and periodically evaluates its suppliers based on professional/technical/financial criteria in line with international standards.
With reference to the marine sector, Intermarine acquires raw materials, contracts and services from a large number of external suppliers, that have specific competencies, in particular in ship fitting. The close cooperation between producers and suppliers is common in the fields where the company operates and, while it may lead to economic benefits in terms of lower costs and greater flexibility, it also means that companies must rely on these suppliers. Supplier difficulties could have a negative impact, causing interruptions in and/or delays to production activities, with the risk of not meeting deadlines.

Risks related to the environment and health and safety The Group has production sites, research and development centres and sales offices in different nations and so is exposed to the risk of not being able to guarantee a safe working environment, with the risk of causing potential harm to property or people and exposing the Group to legal sanctions, lawsuits brought by employees, costs for compensation payments and reputational harm.
To mitigate these risks, Piaggio adopts a sustainable development model that is based on environmental sustainability, in terms of safeguarding natural resources and the possibility that the ecosystem might absorb the direct and indirect impact of production activities. Specifically, Piaggio seeks to minimise the environmental impact of its industrial activities through careful definition of the technological transformation cycle and using the best technologies and most modern methods of production.
The risks related to accidents/injuries sustained by personnel are mitigated by aligning processes, procedures and structures with applicable Occupational Safety laws, as well as best international standards.
These commitments are set out in the Codes of Ethics of Group companies. For Piaggio, these commitments are also stated by top management in the Group's "environmental policy" which is the basis for environmental certification (ISO 14001) and health and safety certification (BS OHSAS 18001) already awarded and maintained at production sites, is a mandatory benchmark for all company sites no matter where they are working.

Risks related to processes and procedures adopted - The Group is exposed to the risk of shortcomings in planning its company processes or errors and deficiencies in carrying out operations.
To deal with this risk, the Group has established a system of directives comprising organisational notices and Manuals/Policies, Management Procedures, Operating Procedures and Work Instructions. For the Piaggio group, all documents relative to Group processes and procedures are part of the single Group Document Information System, with access that is regulated and managed on the company intranet.

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

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

Risks related to human resources - The main risks the Group is exposed to concerning human resources management include the ability to recruit expertise, professionalism and experience necessary to achieve objectives. To offset these risks, the Group has established specific policies or practices for recruitment, career development, training, remuneration and talent management, which are adopted in all countries where it operates according to the same principles of merit, fairness and transparency, and focussing on aspects that are relevant for the local culture.
The employees of Group companies are protected by laws and collective labour contracts that guarantee them - through local and national representation - the right to be consulted on specific matters, including programmes related to the use of staff in accordance with ongoing job orders.
In Europe, the Piaggio group operates in an industrial context with a strong trade union presence, and is potentially exposed to the risk of strikes and interruptions to production activities.
In the recent past, the Group was not affected by major interruptions to production because of strikes. To avoid the risk of interruptions to production activities, as far as possible, the Group bases its relations with trade union organisations on dialogue.

Legal risks - The Piaggio group legally protects its products and brands throughout the world. In some countries where the Group operates, laws do not offer certain standards of protection for intellectual property rights. This circumstance could render the measures adopted by the Piaggio group in particular to protect itself from the unlawful use of these rights by third parties inadequate.

Risks related to internal offences - The Group is exposed to risks of its employees committing offences, such as fraud, active and passive corruption, acts of vandalism or damage that could have negative effects on its business results in the year, and also harm the image and integrity of the Company and its reputation. To prevent these risks, the Group has adopted Models pursuant to Legislative Decree no. 231/2001 and Codes of Ethics which set out the principles and values the entire organisation takes inspiration from.

Risks related to legal and tax proceedings - Within the framework of its operations, the Group is involved in legal and tax proceedings. As regards some of the proceedings, the Group could be in a position where it is not able to effectively quantify potential liabilities that could arise. As regards legal proceedings, reference is made to the section "*Disputes in progress*".

Risks related to financial disclosure – The Group is exposed to the risk of possible inadequacies in its procedures that are intended to ensure compliance with main Italian and foreign regulations applicable to financial disclosure, running the risk of receiving fines and other sanctions. In particular there is a risk that financial reporting for Group stakeholders is not accurate and reliable due to significant errors or the omission of material facts and that the Group provides disclosure required by applicable laws in a manner which is inadequate, inaccurate or untimely.
To deal with these risks, the financial statements are audited by Independent Auditors. Moreover, the control activities required by Italian Law 262/2005 were extended to cover the most important subsidiaries, Piaggio Vehicles Pvt. Ltd., Piaggio Vietnam Co.Ltd., Aprilia Racing S.r.l. and Piaggio Group Americas Inc..

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

Financial risks

Risks related to insufficient cash flows and access to the credit market – At the end of the reporting period, the main sources of Group financing were:

- debenture loans for a nominal amount of approximately €312.5 million issued by Piaggio & C. S.p.A.;
- bank loans for a nominal amount of approximately €688.7 million. The type, rates and maturities of these loans are discussed in the Notes.

In addition, the Group has outstanding debts for financial leases, payables to subsidiary but not fully consolidated companies and amounts due to other lenders for an overall amount of approximately €64.9 million.
The Group is also exposed to liquidity risk arising from the production of cash flows that are not sufficient to guarantee payments due, or adequate profitability and growth to achieve its strategic objectives. Moreover, this risk is connected with the difficulty the Group may have in obtaining loans or a worsening in conditions of loans necessary to support its operations in appropriate time frames. The debt indicated above could also negatively affect Group operations in the future, limiting its capacity to obtain further financing or to obtain it at more favourable conditions. In particular, over the next 12 months several credit lines will mature, with renewal which is decisive for being able to operate. A detailed examination of these lines is provided in the Notes.
To face this risk, the Group's cash flows and credit line needs are monitored constantly by management or, in the case of the Piaggio group, managed centrally under the control of the group's Treasury Department, in order to guarantee an effective and efficient management of financial resources, as well as optimise the debt's maturity standpoint.
The Parent Company Immsi S.p.A. where necessary assists its subsidiaries with credit lines, in order to guarantee support for implementing development plans. Piaggio & C. also finances the temporary cash requirements of group companies by providing direct short-term loans regulated in market conditions or through guarantees.

Exchange rate risks – The Group, primarily through the companies of Piaggio group and Intermarine, undertakes operations in currencies other than the euro and this exposes it to the risk of fluctuating exchange rates of different currencies. Exposure to business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis. With reference to the Piaggio group, the policy is to hedge at least 66% of the exposure of each reference month. Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency. In 2018, the exchange risk was managed in line with the current policy, which aims to neutralise the possible negative effects of exchange rate fluctuations on company cash-flow, by hedging the business risk, which concerns changes in company profitability in relation to the annual business budget on the basis of a key change (the so-called "budget change") and of the settlement risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.

Interest rate risks – The Group has assets and liabilities which are sensitive to changes in interest rates and are necessary to manage liquidity and financial requirements. These assets and liabilities are subject to an interest rate risk and are hedged by derivatives or, where necessary, by specific fixed-rate loan agreements. For a further description, see the Notes to the Consolidated Financial Statements.

Credit risk – The Group is exposed to the risk of late payments of receivables. This risk is connected with any downgrading of the credit rating of customers and consequent possibility of late payments, or the insolvency of customers and consequent failure to receive payments. To balance this risk, the Group evaluates the financial reliability of its business partners. Piaggio & C. S.p.A. also stipulates agreements with leading factoring companies in Italy and other countries, for the sale of trade receivables without recourse.

Risks related to deleverage - This risk is connected with compliance with covenants and targets to reduce loans, to maintain a sustainable debt/equity balance.
To offset this risk, the measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis.

Human resources

At 31 December 2018, the Immsi Group employed 6,851 staff members, of which 69 in the property and holding sector, 6,515 in the industrial sector (Piaggio group) and 267 in the naval sector (Intermarine S.p.A.).
The following tables divide resources by category and geographic segment:

Human resources by category

numbers	31.12.2018			
	Property and holding sector	Industrial sector	Marine sector	Group total
Senior management	5	100	7	112
Middle managers and white collars	35	2,378	147	2,560
Manual workers	29	4,037	113	4,179
TOTAL	**69**	**6,515**	**267**	**6,851**

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	3	0	2
Middle managers and white collars	-1	42	-3	38
Manual workers	2	-150	-5	-153
TOTAL	**0**	**-105**	**-8**	**-113**

Human resources by geographic segment

numbers	31.12.2018			
	Property and holding sector	Industrial sector	Marine sector	Group total
Italy	69	3,324	267	3,660
Rest of Europe	0	179	0	179
Rest of the World	0	3,012	0	3,012
TOTAL	**69**	**6,515**	**267**	**6,851**

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	0	-120	-8	-128
Rest of Europe	0	2	0	2
Rest of the World	0	13	0	13
TOTAL	**0**	**-105**	**-8**	**-113**

The decrease in personnel (-113 compared to 2017) refers nearly entirely to the Piaggio group (-105 units) which continued restructuring, streamlining and organisational reconfiguration measures in 2018.
At 31 December 2018, Group staff also included seasonal staff (with fixed-term contracts), mainly relating to the industrial sector.
For further information on the Group's workforce (remuneration, training, diversity, equal opportunities and safety policies, etc.) reference is made to the section on the Social Dimension in the 2018 Consolidated Non-Financial Statement pursuant to Legislative Decree 254/2016.

Group and Related-Party Transactions

As regards information concerning related-party transactions in accordance with *IAS 24 - Related Party Disclosures*, undertaken by Group companies, such transactions took place as part of normal operations in market conditions or as established by specific laws. No atypical or unusual transactions were carried out during the period to 31 December 2018. In compliance with Regulation No. 17221 on related party transactions, issued by Consob on 12 March 2010 and subsequently amended, the Company has adopted a procedure aimed at regulating the approval of related party transactions, available from the Issuer's website at www.immsi.it, in the section *Governance-Procedures*.

The main economic and financial effects of Related-Party transactions and their impact on financial statement items, resulting from consolidated data of the Immsi Group at 31 December 2018 are shown below: the financial effects arising from consolidated intergroup operations were eliminated during consolidation.

Main economic and financial items	**amounts in thousands of Euros 2018**	**% accounting for financial statement items**	**Description of the nature of transactions**	**amounts in thousands of Euros 2017**
Transactions with Related Parties:				
Current trade payables	*219*	*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	*232*	*0.0%*	*Tax advisory services provided by St. Girelli & Ass. and by Trevi S.r.l. to the Group*	*222*
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	*485*	*0.0%*	*Rental of offices provided by Omniaholding S.p.A. to the Group*	*359*
Costs for services, leases and rentals	*541*	*0.2%*	*Rental of offices provided by Omniaholding S.p.A. to the Group*	*566*
Borrowing costs	*104*	*0.2%*	*Charges related to the Piaggio debenture loan undersigned by Omniaholding S.p.A. and security loan in favour of Immsi*	*152*
Transactions with Subsidiaries, Affiliated Companies, Joint Ventures:				
Trade receivables and other non-current receivables	*94*	*0.5%*	*Receivables from Fondazione Piaggio*	*115*
Current trade receivables and other receivables	*221*	*0.2%*	*Receivables from Rodr. do Brasil and Consorzio CTMI*	*2,826*
	2,286	*1.6%*	*Trade receivables from Piaggio Foshan*	*3,052*
Trade payables and other non-current payables	*0*	*0.0%*	*Payables to Piaggio Foshan*	*12*
Current financial liabilities	*9*	*0.0%*	*Financial payables to Rodriquez Pietra Ligure S.r.l.*	*9*
Current trade payables	*6,672*	*1.4%*	*Trade payables of Piaggio & C. S.p.A. to Piaggio Foshan and Fondazione Piaggio*	*8,811*
	48	*0%*	*Payables to Consorzio CTMI*	*0*
Other current payables	*36*	*0.0%*	*Payables to Fondazione Piaggio and Piaggio Foshan*	*214*
Net revenues	*2,772*	*0.2%*	*Sales to Piaggio Foshan*	*1,777*
Costs for materials	*20,026*	*2.4%*	*Purchases of Piaggio & C. S.p.A. from Piaggio Foshan*	*23,508*
Costs for services, leases and rentals	*131*	*0.1%*	*Costs for services rendered by Consorzio CTMI*	*150*
	4	*0.0%*	*Costs for services from Fondazione Piaggio*	*24*
Other operating income	*343*	*0.3%*	*Income from Piaggio Foshan*	*254*
Other operating costs	*79*	*0.3%*	*Expenses from Piaggio Foshan*	*0*

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

Stock options

At the end of 2018, no stock option plans had been adopted by the Immsi Group.

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

Regarding the disclosure requirements in the Regulation on Issuers no. 11971/99, relating to investments held in the Parent company and in its subsidiaries, by members of the management and supervisory boards, by general managers, as well as spouses not legally separated and children who are minors, directly or through subsidiaries, trustees or third parties, as indicated in the shareholder list or from information received and other information acquired by those members of the management and supervisory boards and by the general managers, reference is made to the Report on Remuneration foreseen in Article 84-*quater* of the aforementioned Regulation on Issuers which will be made available, under the terms of the law, also on the Issuer's website www.immsi.it under the section "*Governance/General Meeting/Archive*".

Other information

Treasury shares

At 31 December 2018, Immsi S.p.A. held no treasury shares. The share capital of Immsi S.p.A. is unchanged at €178,464,000.00, represented by 340,530,000 ordinary shares with no nominal value.

It is also noted that by resolution passed on 10 May 2018, the Ordinary Shareholders' Meeting authorised the purchase and disposal of ordinary shares of the Company, in accordance with the combined provisions of Articles 2357 and 2357-*ter* of the Civil Code, and Article 132 of the TUF and related implementing provisions, subject to revocation of the resolution authorising the purchase and disposal of treasury shares adopted on 12 May 2017. Purchase authorisation was granted for the 18 month period as of the date of the above resolution, whereas authorisation for placing was granted with no time limits. For more details see section 2, letter i), of the Report on Corporate Governance and Ownership at 31 December 2018.

With reference to Piaggio & C. S.p.A., in 2018 this subsidiary purchased 793,818 treasury shares, equal to 0.2216% of shares issued.

Disclosure of payments

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

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

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

Disclosure of payments referred to 2018			
Type of service	**Company providing the service**	**Recipient**	**Payments in Euro**
Auditing services			
	PwC S.p.A.	Parent Company - Immsi S.p.A.	63,020
	PwC S.p.A.	Subsidiaries	564,768
	PwC network	Subsidiaries	323,424
Certification services			
	PwC S.p.A.	Subsidiaries	352,000
	PwC network	Subsidiaries	117,658
Auditing of the Non-Financial Statement and Corporate Social Responsibility Report			
	PwC S.p.A.	Parent Company - Immsi S.p.A.	13,000
	PwC S.p.A.	Subsidiaries	51,000
Other services			
	PwC S.p.A.	Subsidiaries	189,500
	PwC network	Parent Company - Immsi S.p.A.	5,000
	PwC network	Subsidiaries	13,400
Total			**1,692,770**

The payments of subsidiaries operating in currencies other than the euro and agreed in local currency have been translated at the average exchange rate for 2018.

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

Corporate ownership

Information on corporate ownership is given in section 2 of the Report on Corporate Governance and Ownership at 31 December 2018, to which reference is made.

Management and coordination

The Company gives reasons why management and coordination activities were not performed by the parent company, in section 2, letter l), of the Report on Corporate Governance and Ownership at 31 December 2018, to which reference is made.

Personal data processing – Legislative Decree no. 196 of 30 June 2003 – Regulation (EU) 679 of 27 April 2016 (GDPR – General Data Protection Regulation)

With reference to the obligations of the "Consolidated Privacy Act", enacted with Italian Legislative Decree no. 196 of 30 June 2003, – Annex B), Technical Regulations – Immsi S.p.A., as Data Controller, has adopted the security measures listed in the regulations.
Following the entry into force of Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data (GDPR), the Company has mainly completed the process to align with regulations.
The Company is responsible, in accordance with law and in its capacity as "Controller", for all personal data processing it carries out and in view of this responsibility, adopts adequate security measures in relation to risks for the rights and freedoms of natural persons.

Disputes in progress

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

With regard to the **property sector** (Is Molas S.p.A.), and the dispute relating to the "Le Ginestre" property, on 2 January 2012, the Court of Mantova accepted the request from the promissory buyers to obtain the repayment of double the confirmation deposit paid in 2007 when the preliminary contract for the property was signed. An appeal was lodged against this ruling and in May 2016 the Appeal Court of Brescia upheld the validity of the expert's appraisal in the first instance, rejecting the appeal filed by Is Molas. However, as reasonings could have been upheld, on 19 June 2017 the company filed its appeal with the Court of Cassation. On 31 July 2017, one of the promissory purchasers filed an appeal to request the inadmissibility of the company's appeal or in any case to have it rejected on the lack of grounds. At present, the date of the hearing before the Court of Cassation has to be set. Moreover, pending the deadline to appeal against the sentence ruling, IH ROMA EST has been declared bankrupt. Is Molas therefore filed an appeal also against the bankruptcy, and a proof of claim, admitted as an unsecured debt of €543 thousand, pending the outcome of the aforesaid appeal before the Court of Cassation.

As regards the case with Sarroch Granulati S.r.l., after the latter with a summons dated 20 March 2014 filed an appeal against the first instance ruling handed down by the Court of Bergamo, Sarroch's solicitor in the hearing of 8 July 2014, informed the Court that the company had been declared insolvent and the Court stopped proceedings. The case was resumed and in the hearing of 10 June 2015, the Judge left the case open. In a ruling of 16 July 2015, the Court quashed the appeal to stop the enforcement of the first instance ruling, setting the hearing for closing arguments for 9 March 2016. In a ruling of 13 June 2016, the Court, noting that the appellant had not included in documents proof of the notice of reinstatement regarding the insolvency proceedings, ordered Sarroch Granulati S.r.l. to provide this notice and adjourned the hearing to 23 November 2016. During this hearing, the Judge confirmed that the absence of the reinstatement did not depend on the lack of interest of the company in receivership, but on a negative assessment of the reinstatement, unequivocally proving the inadmissibility of the opposing claim. At the hearing for closing arguments on 21 February 2018, the Judge assigned the deadlines for filing final briefs and rejoinders.
Upholding the preliminary defence of Is Molas and the Insolvency of Rete Gamma, the Court declared the actions of Sarroch Granulati and of Mr Piscedda in person as inadmissible, cancelling the appeal proceedings. With a ruling of 2 July 2018, Mr Piscedda was ordered to pay €12 thousand to Is Molas.

As regards the dispute with Italiana Costruzioni S.p.A. (a contractor with whom contracts were signed in 2013 for the development of the first 15 holiday villas and first section of primary services and to whom, due to works being put on hold, Is Molas had notified termination of the contract due to breach of the contractor):

► on 20 May 2015 Is Molas filed its summons for compensation for contract damages arising from the other party defaulting on the obligations of contracts signed. During the hearing on 4 May 2017, the Judge requested the parties to reach a settlement, adjourning the hearing to 23 November 2017. As the parties had not reached a settlement, a hearing was then set for 11 April 2018, subject to the filing of briefs. Following this hearing, the Judge left the case open.
  In October and November 2018, witnesses were examined; the next hearing for the ruling has been set for 13 June 2019.

► In a ruling of 21 May 2014, the Administrative Appeals Court rejected the application for a stay order made by Italiana Costruzioni against the ruling handed down by the Municipality of Pula. The Administrative Appeals Court, in its ruling of 9 June 2016, also dismissed the application brought by Italiana Costruzioni, ordering the applicant to pay costs in favour of the accused parties. Italian Costruzioni appealed against this decision, to have the sentence of the Administrative Appeals Court annulled. On 14 February 2017 the Company filed documents with the Council of State to oppose the appeal. A date for the hearing still has to be set.

With reference to the **property sector** (Apuliae S.r.l.), in the ruling of the Court of Lecce, in action brought by the company in 2011 against the Province of Lecce, for the reimbursement of costs incurred for works carried out on the property complex known as the former Colonia Scarciglia, in the hearing of 23 March 2016, the Judge, considering it necessary to settle the other case pending with the State Property Office and Province of Lecce, adjourned the hearing to 11 April 2018 and then to 27 May 2020. In fact, in the proceedings dating from 2005, between the State Property Agency and the Province of Lecce, and which Apuliae was also joined as a party to the action, the Court of Lecce, with its decision of 25 October 2017, upheld the State Property Agency's counter-claim designed to obtain the declaration of termination, by law, of the agreement for the sale of the property complex in question, and also rejected Apuliae's application for contractual damages to be paid by the State Property Agency or the Province of Lecce. In this regard, the provisions set out in the aforementioned first instance ruling, against which an appeal has been filed with the Lecce Court of Appeal (hearing for closing arguments on 3 December 2019), do not affect the legitimacy of the claim filed by Apuliae against the Province of Lecce, in the 2011 proceedings.

With reference to the **industrial sector** (Piaggio group), Canadian Scooter Corp. (CSC), sole distributor of Piaggio for Canada, summoned Piaggio & C. S.p.A., Piaggio Group Americas Inc. and Nacional Motor S.A to appear before the Court of Toronto in August 2009 to obtain compensation for damages sustained due to the alleged infringement of regulations established by Canadian law on franchising (the Arthur Wishart Act). The proceedings have been suspended at present, as attempts at settlement are still pending, due to no action being taken by the other party. Piaggio is assessing the possibility of filing a petition for an "order to dismiss" the proceedings, due to inactivity.

In 2010, Piaggio took action to establish an arbitration board through the Arbitration Chamber of Milan, for a ruling against some companies of the Case New Holland Group (Italy, Holland and the US), to recover damages under contractual and non-contractual liability relating to the execution of a supply and development contract of a new family of utility vehicles (NUV). In the award notified to the parties on 3 August 2012, the Board rejected the claims made by the company. The company filed an objection with the Milan Court of Appeal dismissed the appeal by Piaggio, by ruling of 8 June 2016. The company filed an appeal with the Court of Cassation.

Da Lio S.p.A., by means of a writ received on 15 April 2009, summoned Piaggio & C. S.p.A. to appear before the Court of Pisa to claim compensation for the alleged damages sustained as a result of the termination of supply relationships. The Company appeared in court requesting the rejection of all opposing requests. Da Lio requested a joinder with the opposition concerning the injunction obtained by Piaggio to return the moulds retained by the supplier at the end of the supply agreement. Judgements were considered and a ruling on 7 June 2011, ordering Piaggio to pay the sum of €110,000 plus interest relative to sums which were not disputed. Subsequently, the Judge admitted a technical/accounting court-appointed expert requested by Da Lio to quantify the amount of interest claimed by Da Lio and value of stock. The technical appraisal was completed at the end of 2014. The case was adjourned to 23 September 2016 for specification of the pleadings and was then ruled on. However, the Court of Pisa had to subsequently reassign the case, and after the interruption, the newly appointed Judge decided to re-examine the proceedings and has set the hearing for closing arguments. The case is pending a decision.

In June 2011 Elma srl, a Piaggio dealer since 1995, started two separate proceedings against the company, claiming the payment of approximately €2 million for alleged breach of the sole agency ensured by Piaggio for the Rome area and an additional €5 million as damages for alleged breach and abuse of economic dependence by the Company. Piaggio opposed the proceedings, disputing the claims and requesting a ruling for it to pay the outstanding sums owing of approximately €966 thousand.
During the case, Piaggio requested the enforcement of over €400,000 of bank guarantees furnished in its favour to ensure against the risk of default by the dealer. As regards the proceedings, a hearing was held on 24 April 2013 to examine evidence and then on 17 December 2015 for the presentation of the closing arguments, which was subsequently postponed to 3 March 2016 and never held due to the transfer of the Judge. The case was reassigned to a new Judge, who set the hearing for 19 July 2018, which was ultimately adjourned to 10 January 2019 and then to 9 April 2019, for closing arguments.
As regards the matter, Elma has also brought a case against a former senior manager of the company before the Court of Rome, claiming compensation for damages; Piaggio appeared in the proceedings, requesting, among others, that the case be moved to the Court of Pisa. The hearing for closing arguments did not take place, as the Judge, on request of Elma, reopened the preliminary investigation stage. Subsequently, the Judge set the hearing for 11 April 2017 to reach a settlement between the parties, which was not successful. The Judge therefore admitted an accounting expert requested by Elma, although with a far more limited scope than the petition filed by the counterparty, adjourning the case to the hearing of 9 October 2018 for closing arguments. The expert's appraisal was filed on October 2018. The case is pending a decision.

In a writ received on 29 May 2007, Gammamoto S.r.l. in liquidation, an Aprilia licensee in Rome, brought a case against the Parent Company before the Court of Rome for contractual and non-contractual liability. The company fully opposed the injunction disputing the validity of Gammamoto's claims and objecting to the lack of jurisdiction of the Judge in charge. The Judge, accepting the petition formulated by the Company, declared its lack of jurisdiction with regards to the dispute. Gammamoto has continued proceedings through the Court of Venice. The Judge admitted the testimonial evidence requested by the parties, setting the hearing of 12 November 2012 for the beginning of the investigation phase. After defining the closing arguments of the hearing of 26 June 2013, the case was ruled on. The Court of Venice issued a ruling in favour of Piaggio, filed on 17 February 2014. Gammamoto appealed and at the first hearing on 23 October 2014 the Court decide to rule without proceeding with the preliminary investigation requested by the other party. The hearing for closing arguments took place on 14 January 2019; the case is therefore pending a decision.

The company Taizhou Zhongneng summoned Piaggio before the Court of Turin, requesting the annulment of the Italian part of the 3D mark registered in Italy protecting the form of the Vespa, as well as a ruling dismissing the offence of the counterfeiting of the 3D mark in relation to scooter models seized by the Tax Police at the 2013 EICMA trade show, based on the petition filed by Piaggio, in addition to compensation for damages. In a ruling of 6 April 2017, the Court of Turin upheld in full the validity of the 3D Vespa mark of Piaggio, and the counterfeiting of said by the "VES" scooter by Znen. The Court of Turin also recognised the protection of Vespa in accordance with copyright, confirming the creative nature and artistic value of its form, declaring that the scooter "VES" by Znen infringes Piaggio copyright. The other party appealed against the sentence at the Appeal Court of Turin, where the first hearing took place on 24 January 2018. The case has been adjourned to 13 June 2018 for closing arguments. The case is pending a decision.

In a writ of 27 October 2014 Piaggio summoned the companies Peugeot Motocycles Italia S.p.A., Motorkit S.a.s. e C., Gi.Pi. Motor and GMR Motor S.r.l. before the Court of Milan to obtain the recall of Peugeot “Metropolis” motorcycles from the market, to establish the infringement of some European patents and designs owned by Piaggio, as well as a ruling for the compensation of damages for unfair competition, and the publication of the ruling in some newspapers.
During the first hearing, the Judge ordered the appointment of an expert. On 23 December 2016, the expert submitted his provisional report to the parties and the final report was filed on 2 May 2017. At the hearing of 28 February 2018, the Judge ordered an addition to the expert's appraisal, filed on 20 June 2018 and set the deadlines for closing arguments. The case is pending a decision.
Piaggio brought a similar action against Peugeot Motocycles SAS before the Tribunal de Grande Instance in Paris. As a result of this action, several documents were obtained and tests carried out to prove the infringement of the Piaggio MP3 motorcycle by the Peugeot “Metropolis” motorcycle. The hearing took place on 8 October 2015 for the appointment of the expert witness, who will examine the findings of the Saisie Contrefaçon. On 3 February 2016 the hearing took place to discuss the preliminary briefs, while the hearing to assess preliminary findings was adjourned to 6 September 2017. In late February 2018, an expert appraisal was filed defining documents based on which a ruling will be made. The appraisal is underway.
Peugeot Motocycles SAS summoned Piaggio to appear before the Court of Milan,
claiming that the patent based on which Piaggio filed a claim for counterfeiting would be voidable, due to a previously existing Japanese patent. The company appeared in court, claiming that the action taken by Peugeot could not proceed further and that the patent application referred to by Peugeot was irrelevant. During the hearing of 20 February 2018, the Judge established the deadlines for filing preliminary briefs and the case was adjourned to the hearing of 22 May 2018, following which an expert's appraisal was ordered. After the expert's appraisal was filed (confirming the validity of Piaggio's patent), the Judge requested further technical confirmations from the expert, establishing a deadline of 15 April 2019, by which Peugeot must request additions to the appraisal.

In November 2017, the company filed two petitions with the Court of Beijing on the infringement and counterfeiting of some marks ("Case 1") and designs ("Case 2") relative to the "Scarabeo" vehicle by Chinese companies which are part of Jincheng Group Co., Ltd. Following the above actions, the counterparty filed an application for the invalidation of the registration of one of the designs relative to an old Scarabeo model. The latter proceeding ended with the invalidation of the registration of the old Scarabeo design. Piaggio appealed against this decision, submitting a petition to suspend Case 2 pending the outcome of the petition against the invalidation. A hearing has yet to be set for Case 1, which is expected for 2019.
The amounts allocated by the Company for the potential risks deriving from the current dispute appear to be consistent with the predictable outcome of the disputes.

As regards tax disputes involving Piaggio & C. S.p.A., two appeals are ongoing against two tax assessments notified to the company and related to the 2002 and 2003 tax years respectively. These assessments originate from an access conducted by the Italian Revenue Agency in 2007 at Piaggio's offices, following information filed in the Report of Verification issued in 2002 following a general verification.
Piaggio has obtained a favourable ruling concerning these verification notice, in both the first and second instance, and with reference to both tax periods. The Revenue Agency filed an appeal with the Court of Cassation and the company filed its own appeal. The dates for the hearings still have to be set.

Lastly, 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. As regards both notices, the Company, convinced of its reasons and in keeping with OECD guidelines and the Decree of 14 May 2018, and with no intention of tax instrumentalisation, started a cross-examination stage with the Assessing Department, submitting an application for control with acceptance on 23 January 2018, in order to reach a quick settlement with the Revenue Agency.
As no agreement has yet been reached with the Department, the company filed an appeal with the Provincial Tax Commission of Florence on 11 June 2018 and 25 July 2018, to prevent deadlines making the notices final, and a hearing was set for both cases for 29 April 2019 in order for the parties to reach a settlement.

The company was also successful before the Income Tax Appellate Tribunal with reference to appeals filed against assessment orders received on completion of the assessment of income generated by Piaggio & C. S.p.A. in India during the 2009-2010 and 2010-2011 Indian tax periods, involving sums for approximately €1.2 million and €1.1 million respectively, including interest; the Indian tax authorities filed an appeal with the High Court against the decision taken in the first instance; a date for the hearing has yet to be set.
On 6 February 2019, a ruling was made by the Income Tax Appellate Tribunal in favour of the Company regarding its appeals against the assessment orders received following the assessments conducted for the 2011-2012 and 2012-2013 tax periods. The taxes and interest claimed by the Indian tax authorities for these tax periods amount to approximately €1 million and €0.9 million respectively.
In compliance with local laws, Piaggio & C. S.p.A. has already paid part of the amounts related to the appeals to the Indian tax authorities, for a total of €0.8 million; these amounts will be paid back to the Company if the rulings on the appeals are in its favour.
The Company has not considered allocating provisions for these disputes, in view of the positive opinions expressed by consultants appointed as counsel.

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

With reference to the Indian subsidiary, some disputes concerning different tax years from 1998 to 2015 are ongoing related to direct and indirect tax assessments and for a part of which, considering positive opinions expressed by consultants appointed as counsel, provisions have not been made in the financial statements. The Indian company has already partly paid the amounts contested, as required by local laws, that will be paid back when proceedings are successfully concluded in its favour.

As regards PT Piaggio Indonesia, the company appealed against the notice concerning transfer pricing for the 2015 period and is currently waiting for the date of the hearing to be set.

As regards the French company, a favourable ruling was issued in December 2012 by the *Commission Nationale des Impots directes et des taxes sur le chiffre d'affaires*, the decision-making body ruling prior to legal proceedings in disputes with the French tax authorities concerning a general audit of the 2006 and 2007 periods. The French tax authorities however upheld its claims against the company, requesting payment of the amounts claimed and issuing related notices.
The company appealed against the notices and appeals were filed against the findings on withholding tax and corporate income tax, before the Tribunal Administratif. An appeal was lodged against decisions taken against the company before the Cour Administrative d'Appel de Versailles. Following the hearing on 23 January 2018, appeal judges issued a sentence in favour of the Company. The amount concerned, equal to approximately €3.7 million, including interest, was paid in full to the French tax authorities and subsequently reimbursed following the aforesaid ruling. This last sentence was appealed against by the French tax authorities before the *Conseil Etat* and the Company is currently preparing relative briefs.
The company has not considered allocating provisions for these disputes, in view of the positive opinions expressed by consultants appointed as counsel.

On 8 April 2015, Piaggio Hellas S.A. received a Tax Report following a general assessment for the 2008 tax period, with findings for approximately €0.5 million, including sanctions. The company appealed against the report with the Tax Center – Dispute Resolution Department. Following the unfavourable outcome of this appeal, the company appealed before the Administrative Court of Appeal, which ruled in favour of the local tax authorities in a ruling of 27 April 2017. The company therefore appealed before the Supreme Court and the amount in question was paid in full to the Greek tax authorities. Based on positive opinions from professionals appointed as counsel, the company considers a favourable outcome and subsequent reimbursement of amounts paid as likely.

As regards the **naval sector** (Intermarine S.p.A), the following disputes of a legal and fiscal nature are reported below.

With reference to vessels of the Finland contract, proceedings continued against the original contractor of the conditioning system in 2018. In particular appraisals have been carried out and the Judge has set the hearing for 14 November 2019 for closing arguments.
Considering the complexity and specific technical content of the proceedings, the lawyers assisting the
company are not able to determine the presumed outcome of the ruling.

The Court of Rome had ordered Rodriquez Cantieri Navali S.p.A. (now Intermarine S.p.A.) to pay a total of €693 thousand to Yachitaly, together with legal fees and the expert witness' fees. In February 2012, Rodriquez Cantieri Navali lodged an appeal against the ruling and requested suspension of the provisional enforcement order. Despite the appeal, the company paid the full sum of €761 thousand, with "the right of repetition" in January 2013. A ruling in Intermarine's favour was issued on 4 January 2018, whereby the Judge quantified the sum relative to Intermarine as amounting to only €120 thousand, as it granted said company the right to the reimbursement of approximately €600 thousand. In March 2018, Yachitaly filed an appeal with the Court of Cassation against the sentence of the Appeal Court and Intermarine filed a counter-appeal notified on 20 April 2018. The date of the hearing before the Court of Cassation still has to be set.
During the year, the lawyers advising the company continued to take action to recover the above amount, through seizure orders for over €900 thousand, identifying funds in current accounts of the counterparty of only €14 thousand.

With reference to the legal dispute with the Municipality of Messina, for which on 28 January 2013 a favourable ruling was issued rejecting all claims of the Municipality and recognising the ownership of the areas owned by the State and the right of the Port Authority to operate them, Intermarine was served notice of the appeal lodged by the Autonomous Port Authority of Messina, which requested the suspension of the effects of the sentence. The appeals proceedings were interrupted in 2016 and resumed by the Municipality in January 2017. In the hearing of 10 January 2019, the Court adjourned the case to verify the admissibility of the Appeal.
According to the lawyers advising the company, given that in his ruling the Judge had offered full reasons for his decision, it seems unlikely that the first instance ruling will be overturned by the Appeal Court.

With reference to the summons by the Court of Naples of the company Scoppa Charter S.r.l. - purchaser, through UniCredit Leasing, of the vessel Conam 75 WB Alvadis II delivered in 2010 for a sum of €2 million - through which the Shipping Company had appealed against the alleged nonconformity of the asset to sales specifications and the owner manual and the unsafe nature of the unit. The Court of Naples issued the first instance ruling, at the end of September 2016, with a primarily favourable outcome for Intermarine with respect to the opposing party's request, but ordering the company to pay €0.6 million in damages.
In 2017, Scoppa Charter filed an appeal against said ruling, while Intermarine filed an appeal for an anti-enforcement injunction. The Naples Appeal Court ordered suspension of the enforcement of the first instance ruling, and set a hearing for closing arguments for 10 September 2020. According to the company's lawyers, the outcome of the appeal cannot be foreseen.

With regard to the legal dispute relating to the Pietra Ligure contract, concerning the injunction presented by Como S.r.l. for the enforcement of the surety of €2.7 million, the Judge rejected provisional enforcement. The Judge took the documentary case under examination and set the hearing for closing arguments on 4 July 2018. On 20 February 2019, the ruling of the Court of Rome was published, in which it fully upheld the appeals made by Intermarine and Banco BPM, ordering the company Como S.r.l. to pay legal fees.
With regard to the writ of summons served by the company on Como S.r.l. for the request for compensation, the Judge set the hearing for closing arguments for 2 October 2018, and then left the case open.

Intermarine was summoned for the payment of damages totalling over €2 million, for alleged moral and biological damage as a result of the illnesses of its former employees. In 2018, hearings were held for the examination of witnesses. According to the Company's lawyers, the outcome of such proceedings cannot be foreseen.

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

As regards tax litigation, in May 2018, the Revenue Agency of La Spezia began a general tax audit of the company, relative to the 2015 tax year, with the following findings: 1) approximately €88 thousand of a higher taxable base for corporate income tax (deductibility of interest expense); 2) approximately €81 thousand for higher VAT on personnel secondment. The first finding was dismissed with no sanctions imposed; the second finding was also somewhat "contrived", and in this regard the Department started proceedings for verification with acceptance, in which it was prepared to waive a part of sums, however the company decided to adopt the so-called "tax amnesty" convention (Law Decree 119/2018) which is more economically convenient and does not impose sanctions or interest. Therefore, in November 2018, the company paid the VAT indicated.

Moreover, considering that the company reversed VAT on seconded persons (CTMI and NAVTEC) in December 2018, the above audit - which closed the tax periods 2013, 2014 and 2015 - did not entail any cost for the company.

As regards the appeals lodged by the company against the refusal notices, served on 25 May 2010 by the Revenue Agency - Genoa Department, the claims for partial reimbursement of the registration tax and property assessment taxes in relation to the sale of 18 December 2007 of the property portfolio situated in the Municipality of Pietra Ligure, the Tax Commission of the Province of Genoa issued a ruling on 28 May 2013. In particular, the Judges upheld the appeal filed by the company as regards registration tax, ordering the Revenue Agency to reimburse the amount of approximately €264 thousand. The Genoa Department appealed against this sentence and the company filed its rejoinders and counterclaims. The Regional Tax Commission confirmed the sentence whereby the company is entitled to reimbursement of the registration tax. On 19 April 2016, the Genoa Department of the Revenue Agency submitted an appeal to the Court of Cassation, against which the Company submitted a counter appeal. A date for the hearing still has to be set.

In May 2008, the Customs Agency of La Spezia served a Formal Notice of Assessment to the company, relative to the inspection which began in 2008 concerning excise on mineral oils. Based on the above Formal Notice of Assessment, in June 2008 the Tax Authorities served the company a Notice of Payment for the above mentioned excise duties amounting to €38 thousand. The company submitted an appeal to the La Spezia Provincial Tax Commission against the aforesaid Notice of Payment, and in January 2012 the Commission rejected the initial appeal. The company filed an appeal with the Genoa Regional Tax commission against the aforesaid ruling, and in March 2016 a ruling upholding the appeal was filed. On 6 July 2016, the Customs Office submitted an appeal to the Court of Cassation, against which the Company submitted a counter appeal. A date for the hearing still has to be set.

On 13 May 2015, Intermarine was served a Notice of Payment issued by the Revenue Agency - Provincial Department of Savona - Territorial Unit of Albenga, concerning the additional registration tax claimed in relation to the registration of the long-term Maritime Concession Agreement stipulated on 30 December 2014 registered with the Revenue Agency of Albenga on 14 January 2015 for a total amount of approximately €463 thousand.
In essence, the recovery of the higher registration tax due on the Deed of Concession resulted from the failure by the Unit to apply the provisions of Article 3, paragraph 16, of Decree Law no. 95 of 6 July 2012, based on which, in accordance with the provisions for long-term leases on open properties, also for the concessions of properties belonging to the state, it was possible to pay the registration tax annually on the amount of the lease fee for each year, instead of as a single payment on the total amount of the state lease fees agreed for the entire duration of the concession.
The company appealed against this notice with the Provincial Tax Commission, that upheld the appeal in April 2016, annulling the notice and ordering the Financial Administration to pay legal fees for €5 thousand. In December 2016, the Territorial Unit of Albenga served the company the Notice of Appeal against that ruling, following which the company filed an appearance. A date for the hearing still has to be set.

Significant events occurring after the reporting period and outlook of operations for 2019

As regards the operating outlook of the Immsi Group, with reference to the subsidiary **Is Molas S.p.A.**, completion of the second section of primary works, the start of the third section and planning of water systems for the two reservoirs have been scheduled for 2019, as well as testing market feedback by signing the first preliminary sales agreements, that will boost development of the Is Molas project.

As regards the **industrial sector** (Piaggio group), in a context where the Piaggio group is pursuing consolidation on global markets, the group committed to:

- confirming its leadership position on the European two-wheeler market, optimally levering expected recovery by further consolidating the scooter and motorcycle product ranges;
- maintaining current positions on the European commercial vehicles markets, further consolidating the sales network;
- consolidating its presence in Asia Pacific, exploring new opportunities in countries in the area, with a particular focus on the premium segment of the market;
- strengthening sales on the Indian scooter market thanks to the Vespa and Aprilia product ranges;
- increasing the penetration of commercial vehicles in India, thanks to the introduction of new engines.

In terms of technology, the Piaggio group will continue to seek new solutions for the problems of current and future mobility, through the work of Piaggio Fast Forward (Boston) and the new frontiers of the design by the PADc (Piaggio Advanced Design Center) in Pasadena.
More in general, the group is committed - as in the past and for operations in 2019 - to increasing productivity with a strong focus on efficient costs and investments, while complying with its business ethics.
With reference to events after 2018, Moody’s Investors Service (Moody's) notified the revision of its rating of the Piaggio group (PIA.MI), from “B1” to “Ba3”.

As regards the **marine segment** (Intermarine S.p.A.), considerable production progress will be made in 2019 regarding contracts already obtained, with the aim of further consolidating assets, with actions already taken in the last few years.
In addition, the company is involved in various negotiations, particularly in the Defence sector, aimed at requiring more contracts that will allow to increase the purchase order book and consequently provide the conditions to enable the company to optimise its production capacity over the coming years.

With reference to events after 2018, in March 2019, the Ministry for Infrastructure and Transport - Headquarters of the Port Authorities formalised the contract awarded to Intermarine for the construction of a Class 3000 prototype, with the option for an additional two units.

CONSOLIDATED NON-FINANCIAL STATEMENT

prepared pursuant to Legislative Decree 254/16

Immsi

Società per Azioni

CONTENTS

Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016)

Reporting period	Financial year 2018 (from 1 January to 31 December 2018). Data relative to 2017 and 2016 are presented only for comparison.
Annual reporting	Cycle.
Date of publication	This document was published on 9 April 2019. The 2017 Non-Financial Statement was published on 9 April 2018.
Document formats	The Non-Financial Statement is included in the "Directors' Report on Operations" published with the Consolidated Financial Statements of the Immsi Group at 31 December 2018, available in Italian as a PDF file, at the website www.immsi.it (section "Investors/Financial Statements and Reports/2019")
Document perimeter	The information and data refer to the companies of the Immsi Group included in the scope of consolidation at 31 December 2018.
Contents of the Non-Financial Statement	The contents of the 2018 Non-Financial Statement are based on Global Reporting Initiative Standards (hereinafter "GRI Standards"), core option. The contents have been selected based on the Materiality process, focussing on non-financial topics, as required by Article 3 of Legislative Decree 254/16.
Statement	The 2018 Non-Financial Statement was subject to limited auditing by the independent auditors PricewaterhouseCoopers SpA, that carried out its work according to the criteria indicated in the "*International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000")*, issued by the *International Auditing and Assurance Standards Board* to verify the conformity of the Non-Financial Statement to requirements of GRI standards defined in 2016 by GRI - *Global Reporting Initiative*.
Contacts	INVESTOR RELATIONS Andrea Paroli – Investor Relator of Immsi S.p.A. Email: andrea.paroli@immsi.it

Letter from the Chair

Immsi S.p.A. prepared the 2018 Consolidated Non-Financial Statement for the entire Group, pursuant to Legislative Decree 254/16.
Continuing on from the previous year, the Parent Company, with this statement, has provided a specific and essential overview of the business operations of the Immsi Group, highlighting the main information and data not included in its financial reports.

Piaggio & C. S.p.A. also produced its own Corporate Social Responsibility Report in 2018, explaining its sustainability strategy adopted. Commitments are focussed at all times on the design and development of vehicles that are increasingly safer and environmentally friendly, offering lower consumption and reduced emissions. In 2018, the Vespa Elettrica - the electric version of the Vespa - was launched on the market. This zero-emission model, built in steel with a 100-km autonomy, has been conceived for urban and interurban mobility.
Piaggio is also committed to social issues. In this dimension, the new Piaggio Group Museum at Pontedera was opened, and the close partnership between Vespa and the international charity RED continued, besides a whole host of other charity and sponsorship events taking place in 2018.

The Immsi Group's Non-Financial Statement therefore gives stakeholders an overview of the CSR logics adopted in other Group areas, such as the marine sector (through the subsidiary Intermarine S.p.A.) and property sector (through the company Is Molas S.p.A.).
In 2018, Intermarine S.p.A. adopted its “Integrated Quality, Environment and Safety Policy", in which it has committed to supplying vessels that meet customers' needs and at the same time to ensuring production processes that are increasingly safer and environmentally friendly, while reducing impact on the environment and on worker safety.
Although Is Molas S.p.A. is a far smaller dimension than the previous companies, its services for tourism and the hotel industry and property development projects continue to focus on actions that target a reduction in environmental impact on surrounding areas.

The Chairman

Roberto Colaninno

Methodological note

Since 2017, the Immsi Group has prepared a Consolidated Non-Financial Statement (hereinafter "NFS" or "Statement") as required by the European Directive 2014/95/EU, enacted in Italy with Legislative Decree 254/16. The NFS is a means of communicating with stakeholders, providing information that is not included in the Consolidated Financial Statements.

The foundations

The 2018 NFS has been prepared in compliance with GRI Standards (core option), published in 2016 by GRI – Global Reporting Initiative. The Immsi Group has based the contents of the NFS on principles of materiality, the inclusion of stakeholders and the context of sustainability and completeness. The quality of information and adequacy of its presentation is guaranteed by principles of fairness, clarity, accuracy, timeliness, comparability and reliability.

Reporting activities involved all functions and companies of the Immsi Group, coordinated by the Director of the Administration, Finance and Control Department of Immsi S.p.A. and by the Department itself.

As regards the principle of materiality, the depth with which different topics were examined in reporting was determined based on their weight in the objectives and strategies of Group companies and the relevance to stakeholders, determined by a structured process of materiality analysis.

Materiality analysis

Materiality analysis was conducted based on the GRI standards with respect to the definition of relevant topics and application of the principle of materiality. The analysis involved the Parent Company Immsi S.p.A. and operational subsidiaries considered most significant in terms of relations with stakeholders.
Considering the significance of the group Piaggio & C. S.p.A. within the Immsi Group, the Parent Company decided to adopt the same material topics, as they may also be referred to other Group companies covered by the materiality analysis.

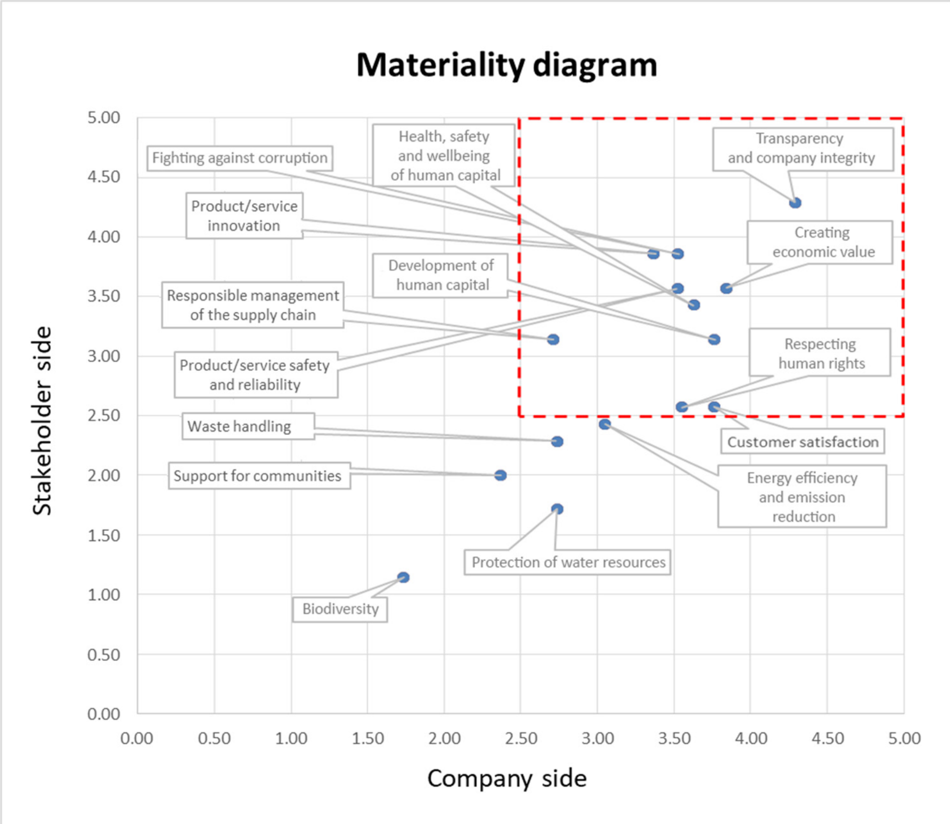
The Managers of Functions identified (in the Parent Company and in operational subsidiaries) and a sample of external stakeholders were requested to compile the "Materiality Form"; these forms were then combined to construct the materiality matrix.

Two dimensions of material topics were investigated:

- the stakeholder dimension, i.e. the importance of each topic as perceived by stakeholders;
- the company dimension, i.e. the significance of topics for the Immsi Group, based on indications from Function Managers;

The analysis of the two dimensions made it possible to "prioritise" the topics and position them in a materiality matrix.

This matrix is explained below:



the area in the red box contains the topics which are most significant, for both stakeholders and the company.
Subsequently, the topics to highlight in the NFS were selected. In particular, it was decided to not report on topics that "create economic value" and on "customer satisfaction", as these consider the assessments of individual subsidiaries included in the materiality analysis, and are therefore only significant for the Piaggio group, while for other companies they are outside the red boundary.
In addition, the topics "supporting communities", "biodiversity" and "waste management" were not reported on, as they are not in the red boundary.
The topics "energy efficiency and reduction in emissions" and "protecting water resources", although not included in the most significant topics for the Immsi Group, were reported on as they are covered by the minimum requirements established in Legislative Decree 254/16.

Contents of the Non-Financial Statement

The format of the NFS for 2018 was defined, based on the materiality analysis conducted.
The most significant aspects identified in the analysis were further investigated by looking into each sub-topic and using appropriate KPIs, the latter taken from GRI Standards. Reference is made to the Directors' Report and Financial Statements of the Immsi Group at 31 December 2018 for further details of economic and financial aspects and corporate governance issues.

Piaggio & C. S.p.A. prepares a CSR Report and a Non-Financial Statement for its own group. Where appropriate, specific reference is made to these documents, as they contain more details.

A table is given summarising the material topics, associated with the reference chapter. The NFS is divided into five macro-sections, each focussed on a specific dimension.

TOPIC	IMPACT	REFERENCE CHAPTER
➢ Fighting against corruption ➢ Transparency ➢ Respecting human rights	**Internal:** - All Immsi Group companies **External:** - Human resources; - Suppliers	*Corporate Governance*
➢ Product/service innovation ➢ Product/service safety and reliability	**Internal:** - Piaggio & C. S.p.A.; - Piaggio Vietnam Co. Ltd; - Piaggio Vehicles Private Ltd; - Piaggio Advance Design Center; - Piaggio Fast Forward Inc.; - Foshan Piaggio Vehicles Technologies Co. Ltd; - Intermarine S.p.A.; - Is Molas S.p.A. **External:** - Customers	*Products and services dimension*
➢ Energy efficiency and reduction in emissions ➢ Protecting water resources	**Internal**: - Piaggio & C. Group; - Intermarine S.p.A.; - Is Molas S.p.A.; **External**: - Local Communities - P.A. - Suppliers	*The Environmental Dimension*
➢ Developing human capital ➢ Workers' health and safety	**Internal:** - All Immsi Group companies - Employees **External:** - Trade unions; - Local Communities	*The social dimension - Developing human resources*
➢ Responsible management of the supply chain	**Internal**: - Immsi S.p.A. - Piaggio & C. S.p.A. - Piaggio Vietnam Co. Ltd - Piaggio Vehicles Private Ltd - Piaggio Advance Design Center; - Piaggio Fast Forward; Inc. - Foshan Piaggio Vehicles Technologies Co. Ltd.; - Intermarine S.p.A.; - Is Molas.S.p.A. **External**: - Suppliers.	*The supply chain*

The NFS boundary

The information and data in the NFS refer to Italian and foreign companies of the Immsi Group, identified at 31 December 2018. Given the nature of some data presented in the Statement, the companies considered in the reporting boundary are indicated, for the various dimensions.

Where possible, a comparison with 2017 and 2016 has been provided, in order to allow for an assessment of dynamic trends over time.
Financial data have been taken from the audited Consolidated Financial Statements of the Immsi Group. Some data, which could not be obtained from reports, are the result of estimates and are appropriately indicated.

The Group companies included in the reporting boundary are indicated below, by chapter:

REFERENCE CHAPTER	BOUNDARY
Corporate Governance	Immsi Group companies
Products and services dimension	- Property and holding sector: Is Molas S.p.A.; - Industrial sector: Piaggio & C. S.p.A, Piaggio Vietnam Co. Ltd., Piaggio Vehicles Private Ltd., Piaggio Advance Design Center, Piaggio Fast Forward Inc., Foshan Piaggio Vehicles Technologies Co. Ltd; - Marine sector: Intermarine S.p.A..
The Environmental dimension	- Property and holding sector: Is Molas S.p.A.; - Industrial sector: Piaggio group companies; - Marine sector: Intermarine S.p.A..
Social dimension - Developing Human Capital	- Property and holding sector: Immsi S.p.A., Immsi Audit S.c. a r.l., Is Molas S.p.A. and Apuliae S.r.l.; - Industrial sector: Piaggio group companies; - Marine sector: Intermarine S.p.A.
Supply chain	- Property and holding sector: Immsi S.p.A. and Is Molas S.p.A.; - Industrial sector: Piaggio & C. S.p.A., Piaggio Vietnam Co. Ltd., Piaggio Vehicles Private Ltd., Piaggio Advance Design Center, Piaggio Fast Forward Inc., Foshan Piaggio Vehicles Technologies Co. Ltd.; - Marine sector: Intermarine S.p.A..

Preparation process and assurance

The process of reporting key Performance Indicators (KPIs) relevant to sustainability involves the holding Immsi (as regards topics covering all sectors) and Group companies (as regards topics and specific indicators of various sectors of activity). Moreover, the persons responsible for collecting data are indicated for each company in the reporting boundary. The KPIs were calculated by Immsi S.p.A., that is responsible for coordinating the process to collect information, processing the quantitative indicators and producing the NFS.

The document is first approved by the Board of Directors and then presented to the General Shareholders' Meeting at the same time as the Group's Consolidated Financial Statements.

The 2018 Consolidated Non-Financial Statement was audited in a limited form by PricewaterhouseCoopers Advisory SpA., that issued a “Report on the limited audit of the Consolidated Non-Financial Statement" based on indications provided by ASSIREVI, the Italian Association of Auditors (Research document no. 226). The report describes the principles adopted, the activities carried out and the relative conclusions, and is included in the Appendix.

Group profile

The Immsi Group

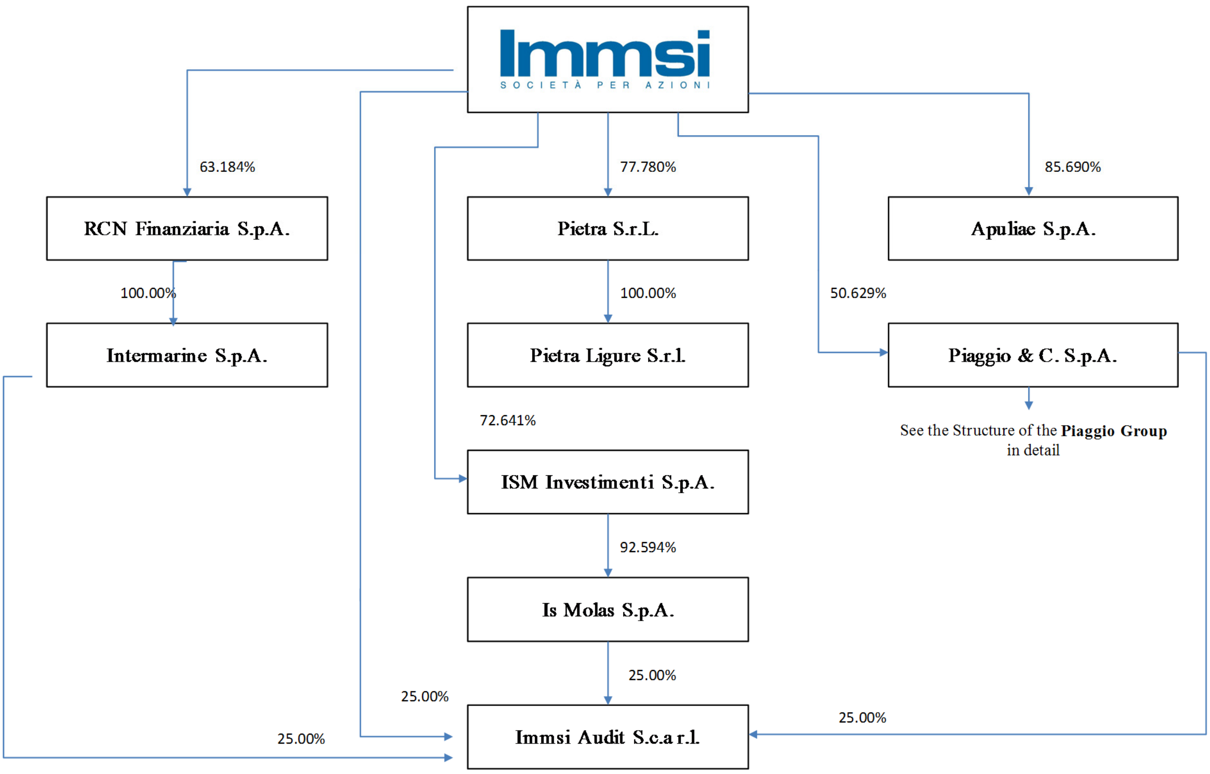
Immsi S.p.A. is the holding of a Group with approximately 40 operational companies in different sectors of activity. Its registered office is in Mantova.

The Company's investment portfolio mainly includes assets relative to:

- the property sector (tourism/hotel industry) and the holding sector, through the Parent Company Immsi S.p.A. and the subsidiaries Is Molas S.p.A. and Pietra Ligure S.r.l.;
- the industrial sector (the manufacture and marketing of motorcycles, scooters, mopeds and light commercial vehicles) through Piaggio group companies;
- the marine sector (the manufacture and marketing of vessels for the defence sector, pleasure craft, hydrofoils and ferries) through Intermarine S.p.A..

The Immsi S.p.A. Group includes Immsi Audit S.c. a r.l., a consortium that oversees internal auditing for Group companies.

At 31 December 2018, the Immsi Group had the following corporate structure:



The Immsi Group has a considerable degree of diversification, both in geographic terms and as regards its core business. The Group's business sectors are briefly presented below.

is molas resort

The property and holding sector: Immsi S.p.A., Is Molas S.p.A. and Pietra Ligure S.r.l.

Immsi S.p.A. operates in the property sector directly, managing property in Rome, and indirectly through subsidiaries and relative investment projects. Investment property includes the Is Molas tourist complex, in southern

Sardinia. This complex, acquired in 2004,comprises:

- a 4-star hotel with 80 rooms, restaurant and swimming pool;
- a 27-hole golf course with club house and other facilities.

Following the acquisition of the tourist complex, an important development project was established, for the expansion of tourist/hotel facilities and the development of property.

The Pietra Ligure project refers to the work site area in Pietra Ligure (Savona) which, based on the project presented, will be transformed into a property complex. The area concerned (approximately 162,000 m2) was awarded to the Immsi Group in a public tender held in 2007.
The aim is to transform the area and a part of existing facilities, based on the reorganisation of work site activities, integration with the surrounding urban fabric, the development of a new marina and of emerging tourist services and facilities.

Industrial sector: Piaggio group

The group's registered office is in Pontedera (Pisa). The group operates at international level at its sites located in Italy and abroad. It has four production sites in Italy, at:

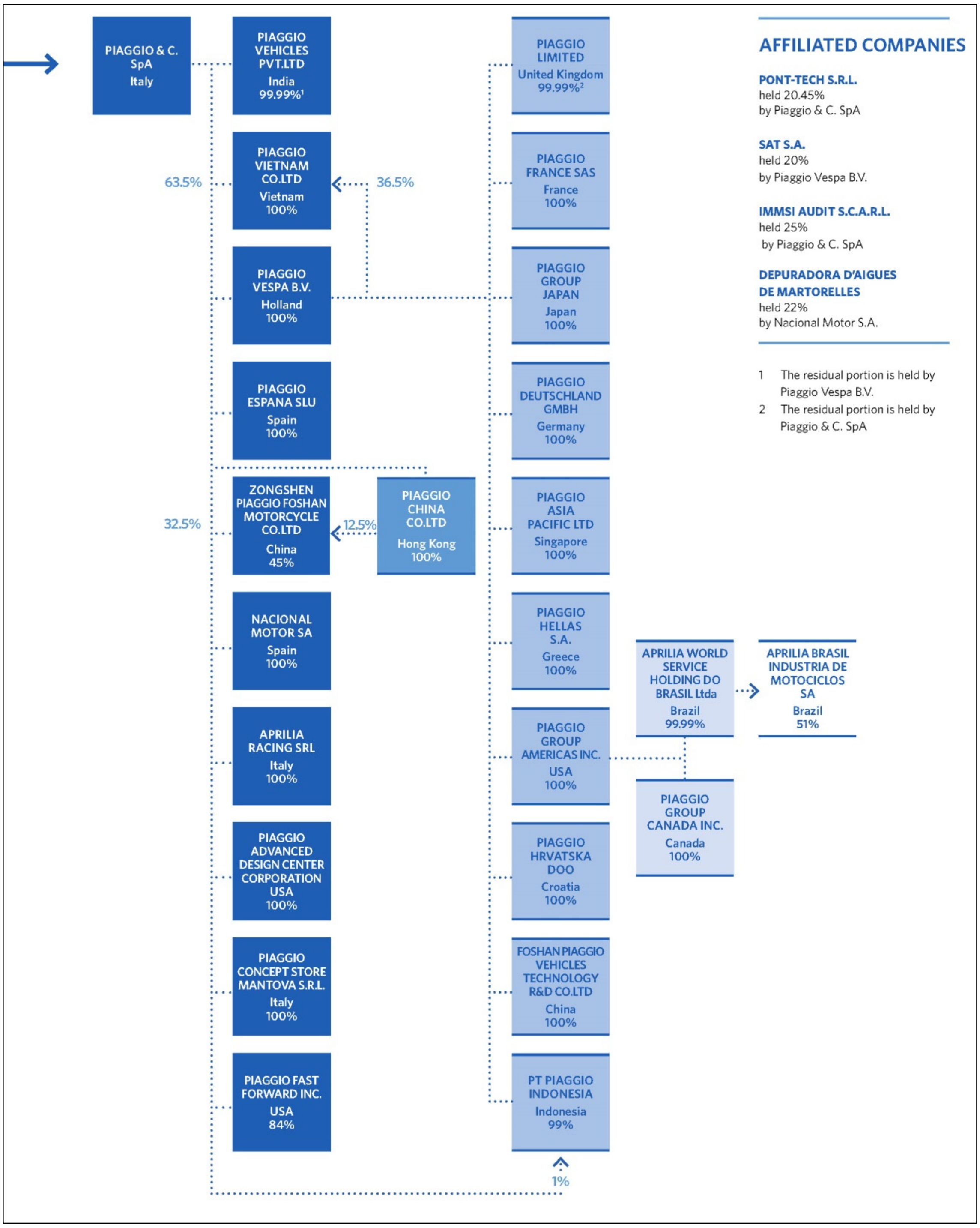
- Pontedera, which produces two-wheeler vehicles under the Piaggio, Vespa and Gilera brands, light transport vehicles for the European market and engines for scooters, mopeds and Ape vehicles;
- Noale (Venice) with a technical centre for the development of motorcycles for the entire group and the headquarters of Aprilia Racing;
- Scorzè (Venice), a factory for the production of two-wheeler vehicles for the brands Aprilia, Scarabeo and Derbi, and for Wi-bikes;
- Mandello del Lario (Lecco), a factory which produces Moto Guzzi vehicles and engines.

The Piaggio group also has two other production sites: in Baramati (in the Indian state of Maharashtra), which manufactures three- and four-wheeler light transport vehicles, the Vespa and Aprilia vehicles, as well as engines for group vehicles; in Vinh Phuc (Vietnam) where Vespa and Piaggio scooters are produced.
The Piaggio group also operates via a joint venture company in China (Zongshen Piaggio Foshan Motorcycles, in Foshan, in the province of Guangdong), which is 45% owned by Piaggio.
In the USA, Pasadena, California, is home to the Piaggio Group Advanced Design Center for R&D. In addition, Piaggio Fast Forward Inc. was set up in Cambridge, Massachusetts in June 2015, a subsidiary of Piaggio & C. S.p.A., for research into innovative solutions in the mobility and transport sector.
Thanks to the international dimension of Piaggio & C., the group's products are sold in over 100 countries.

The product range includes scooters, mopeds and motorcycles from 50cc to 1,400cc, three- and four-wheelers and a new concept of electric bicycle (Wi-Bike). The Piaggio group brands are:

For further details of the Piaggio group business model, see the Piaggio 2018 NFS and CSR Report.

The corporate structure of the Piaggio group at 31 December 2018 is shown below:



The Marine sector: Intermarine

Intermarine S.p.A. is a ship-builders specialised in the design and construction of naval vessels in steel, aluminium and composite materials for both civil applications and the defence sector.
In the defence sector, Intermarine is the largest and most important shipyard in Italy, and one of the biggest worldwide, for vessels in fibre reinforced plastic.
Specialised in mine counter-measure vessels, a sector in which it holds an unrivalled leadership position, today Intermarine produces all types of vessels for the defence sector.
Intermarine's excellent technical and design choices, which have been further developed and improved over the years, are confirmed by the fact that the navies of 8 countries, including some of the most important (Italy, Australia and the United States) have all chosen Intermarine for their fleets of mine counter-measure vessels.
At 31 December 2018, Intermarine had two production sites, in Sarzana and Messina.

Stakeholder engagement

When preparing the first NFS, for 2017, internal and external stakeholders interacting with Group companies were identified. With reference to 2018, the same stakeholders identified in the previous NFS, are indicated, considering that no changes took place in the Group structure.
Group companies must take account of individual stakeholders, as they have various interests and expectations (social, economic, professional, human) concerning the Group.
Moreover, they must also indicate how stakeholders are engaged with them and how they attempt to meet their expectations.

Property and holding sector

- ***Customers***: customers of the tourist-hotel facility, of the sports facilities and potential buyers of the villas (Is Molas); tenants of the building (Immsi)
- ***Dealer***: travel agencies and *tour operators* operating in the tourism and hotel sector; *real estate* agencies and *broker* for the real estate sector (Is Molas)
- ***Suppliers***: consultants, specialists, lawyers, construction and HO.RE.CA companies (Is Molas); service and maintenance companies (Immsi)
- ***Institutions and Public Administration:*** Local Health Authority, Municipality of Pula, Sardinia Region, schools and training providers, SIAE (Is Molas); Consob and Borsa Italiana (Immsi)
- ***Medium***
- ***Employees***
- ***Shareholders***
- ***Lending and financial system:*** banks and rating agencies (Immsi)
- ***Local Communities***: inhabitants of the Municipality of Pula and the Sardinia Region, local NPOs (Is Molas); Local NPOS and companies (Immsi)

Industrial sector

- ***Customers***
- ***Dealer***: authorised dealers and Motoplex stores
- ***Suppliers***: raw materials, semi-finished products, consumables, mechanical components
- ***Institutions and Public Administration***
- ***Medium***
- ***Shareholders and lenders***
- ***Local communities***: where the Piaggio group has its production plants
- ***Universities and Research Centre***
- ***Employees***

Marine sector

- ***Trade associations***: Confindustria and AIAD (Federation of Italian Companies for Aerospace, Defense and Security)
- ***Suppliers***: materials, products and technical and design services. Contracts with employment agencies and training companies
- ***Customers***: Ministries of Defence; private groups (Italian and foreign)
- ***Dealer***: agents and brokers
- ***Institutions and Public Administration:***: Environmental and safety inspection bodies; Government (UAMA - Armament Materials Authorisation Unit; Ministry of Defence; Ministry of Labour); Social Security institutions; Ente Parco del Magra
- ***Trade unions***: provincial trade union organisations; Joint Trade Union representatives
- ***Medium***
- ***Employees***
- ***Shareholders***
- ***Lending and financial system***
- ***Local communities***: Municipalities of Sarzana, La Spezia and Messina; Liguria and Sicily Regions; Local NPOs

NB: the stakeholders identified for the real estate and property sector refer to the parent company Immsi S.p.A. and subsidiary Is Molas S.p.A..

Customers and dealers			
Sector	***Engagement methods***	***Stakeholder expectations***	***Actions taken***
Property and holding	➢ Written notices when works are carried out and concerning site management. ➢ Frequent contact. ➢ Customer contact: direct; through tour operators and agencies; PR ➢ Dealer contacts: direct; trade fairs; PR ➢ Involvement with commercial actions via the website.	• Providing tenants of buildings with an adequate service. • Transparency and fairness in dealings. • Compliance with contractual conditions. • Service quality.	- Alignment with existing regulations. - Commitment to guarantee the safety and security of property. - Meetings/requests to participate in updates. - Internal organisational procedures in compliance with customer expectations. - Compliance with contractual conditions. - Guaranteeing the transparency and quality required by customers.

Industrial	➢ Contact centre. ➢ Customer satisfaction surveys. ➢ Communication channels (websites, social media). ➢ Events (travelling tests, trade fairs). ➢ *Dealer websites.* ➢ *Dealer support services/Help desk.* ➢ Motoplex (new sales format).	• Quality, safety and reliability of products. • Low/zero consumption and emissions. • Rapid response and problem solving. • Sales support.	- Investment in ever safer and more reliable products. - Obtaining quality certification. - Study of innovative engines with low/zero consumption and emissions. - Effort to improve professionalism, timeliness and courtesy of the contact centre personnel and dealers. - Development of a dedicated website and a new sales format.
Marine	➢ Periodic comparison and technical oversight of planning. ➢ Company presentation (websites, trade fairs, events). ➢ Preparing and negotiating bids; exchanging correspondence; interviews and direct meetings. ➢ Support from deals for marketing and sales.	• Reliability, expertise, service, quality, value. • Confidentiality. • Timeliness, precision. • Transparency, fairness and generating business.	- Service and compliance with quality. - Organisation, R&D, reliability. - Timeliness and precision, fairness, transparency, attention to detail.

Suppliers

Sector	*Engagement methods*	*Stakeholder expectations*	*Actions taken*
Property and holding	➢ Involvement in the formalisation of property maintenance contracts.	• Regular payments of invoices. • Clarity in contractual relations.	- Transparent management of relations. - Payments to suppliers according to terms and conditions established. - Selecting suppliers and monitoring results.
	➢ Daily relations.	• Continual supplies. • Compliance with contractual conditions. • Cooperation, also based on long-term supplier/Company relations.	- Internal procedures governing relations with suppliers (selecting suppliers, guarantees for supplies, compliance with payment terms, etc.).
Industrial	➢ Daily relations. ➢ Suppliers Portal.	• Continuity of supplies. • Cooperation and sharing best practices.	- Implementing the Supplier portal. - Vendor rating campaigns. - Appropriate conduct in order to prevent bribery.
Marine	➢ Contracts; meetings concerning technical specifications; technical/professional suitability. ➢ Framework agreements; seasonal work contracts; funded training agreements. ➢ meetings, operational involvement. ➢ Management of financial/administrative relations.. ➢ Direct contacts through meetings, emails and websites.	• Compliance with the contract, and with applicable laws and regulations. • Compliance with partnership agreements. • Reliability, expertise and punctuality. • Technical support, clarity concerning quality and times. • Transparency, planning and economic value.	- Guaranteeing transparency and the proper coordination of activities. Compliance with contractual terms. - Planning. - Cooperation targeting product improvement. - Reducing performance times and making technical/quality-related improvements.

Local Communities

Sector	*Engagement methods*	*Stakeholder expectations*	*Actions taken*
Property and holding	➢ Charity activities. ➢ Communication targeting the local community. ➢ Direct, occasional contact. ➢ Events, sponsorships, charity initiatives	• *Charities* • Local employment and training. • Cooperation and awareness of needs. • Respecting the environment. • Support for local communities/initiatives.	- Local employment and training. - Contributions in favour of local initiatives/events and non-profit organisations. - Obtaining required authorisations.
Industrial	➢ Meetings, exhibitions and events. ➢ Rallies. ➢ Charity activities.	• Organisation of get-togethers and events for connoisseurs. • Contributions to supporting charity initiatives. • Development of local communities. • Respecting the environment.	- Through the Vespa World Club and the Moto Guzzi World Club, the Group organises shows, get-togethers and contests for its customers. - Support for numerous charity initiatives. - The Piaggio Foundation and the Piaggio Museum carry out the function of meeting place and cultural reference for the territory. - Attainment of the environmental certification for production establishments.

Marine	➢ Meetings and press releases. ➢ Meeting with local authorities (mayors, councillors, etc.). ➢ Meetings for redundancy procedures. ➢ Meetings for individual projects.	• Direct company involvement. • Engagement with the community and its needs. • Respect for the role played by institutions.	- Ongoing pursuit of a balance between community needs and company objectives. - Involvement of personnel in company decisions.

Institutions and Public Administration

Sector	*Engagement methods*	*Stakeholder expectations*	*Actions taken*
Property and holding	➢ Official channels and websites. ➢ SDIR-NIS. ➢ Ongoing dialogue on regulatory developments. ➢ Occasional direct contact or via the HCCP Manager - Personnel Department. ➢ Ongoing relations depending on the Company, as regards technical/administrative requests. ➢ Routine controls by Organisations. ➢ Contacts via the websites of Public Entities and in-company controls.	• Transparency, fairness, punctuality, attention to details. • Involvement. • Cooperation and transparency. • Compliance with regulations and established procedures. • Compliance with conventions.	- Transparency. - Employee training. - Compliance with regulations. - Appropriate conduct. - Cooperative relations. - Compliance with applicable regulations and agreements in place. - Internal procedures that govern relations with the PA in order to prevent bribery or similar offences. - Compliance with procedures for legal obligations concerning personnel.
Industrial	➢ Ongoing dialogue on regulatory developments. ➢ Periodic ad hoc meetings. ➢ Participation in parliamentary committees appointed to discuss and formulate new regulations. ➢ Meetings and presentations.	• Compliance with laws and regulations; Receptiveness and a propositional attitude regarding environmental and social themes. • Support on specific technical themes. • Pursuing common objectives.	- Appropriate conduct in order to prevent bribery; Investments into R&D of innovative products that are abreast of any restrictions of current regulations. - Proactive participation in the parliamentary committees charged with discussing and formulating new regulations. - Participating in trade associations.
Marine	➢ Requests for authorisations. ➢ Involvement in meetings. ➢ Involvement of institutions in contractual negotiations with other countries and associated practices. ➢ Statements and controls. ➢ Tax, insurance and welfare obligations. ➢ Inspections.	• Clarity and transparency. • Compliance with regulations. • Cooperation. • Providing information that is accurate and comprehensive; a responsible, honest attitude. • Compliance with obligations and rules. • Tax, insurance and welfare obligations.	- Formalisation of authorisation requests with all information concerning military supplies. - Press releases. - Cooperation and transparency. - Providing information that is accurate and comprehensive. - Compliance with obligations and rules. - Proactive benchmarking.

Medium

Sector	*Engagement methods*	*Stakeholder expectations*	*Actions taken*
Property and holding	➢ Websites and press channels. ➢ SDIR-NIS. ➢ Frequent, direct contacts.	• Timely, transparent, correct and exhaustive disclosure. • Ongoing cooperation.	- Clarity and transparency. - Being open to engagement.
Industrial	➢ Press releases. ➢ Events and company communication initiatives. ➢ Wide - Piaggio Magazine. ➢ Websites. ➢ Press product launches. ➢ Product test rides.	• Availability, transparency and timeliness of information on the company and its products.	- Abiding by the self-regulatory code of business communications. - Strengthening relations with the media in the different countries where the Group is active.
Marine	➢ Press Office and websites. ➢ Involvement in exhibitions and conferences. ➢ Contacts with the specialist press.	• Correct, timely and exhaustive information, in adequate times.	- Institutional communication. - Information provided to safeguard customers.

Shareholders, credit system and financial markets

Sector	Engagement methods	Stakeholder expectations	Actions taken
Property and holding	➢ Meetings, shareholders' meetings, Board of Directors' meetings, website, press, official documents. ➢ Ongoing communication with Management.	• Information that is complete, timely and accurate. • Company growth. • Transparency. • Cooperation. • Results. • Focus on company values.	- Clarity and transparency. - Sharing future programmes and results achieved. - Being open to engagement. - Compliance with regulations. - Cooperation. - Commitment to actions to achieve objectives. - Focus on company values.
Industrial	➢ Conference calls/Road shows. ➢ Piaggio Analyst and Investor Meeting. ➢ Corporate website.	• Clear and timely information. • Remuneration and safeguarding the asset value of the investment.	- Promotion of ongoing dialogue with analysts and lenders. - Treasury shares purchasing policy.
Marine	➢ Meetings, shareholders' meetings, engagement. ➢ Financial Statements and reports; corporate obligations.	• Ongoing disclosure. • Creation and integrity of company value. • Meeting commitments.	- Transparency. - Company growth. - Definition of shared objectives.

Employees and trade union organisations

Sector	Engagement methods	Stakeholder expectations	Actions taken
Property and holding	➢ Frequent communication. ➢ Collective choices. ➢ Involvement of trade union organisations if requested. ➢ Possibility to contact the Personnel Department, Function Managers. Periodic meetings for departments, and for specific needs are planned. ➢ Periodic meetings to coordinate technicians and property manufacturers.	• Participation. • Involvement. • Meritocracy. • Respecting human rights. • Clear and transparent communication with superiors. • Opportunity for professional development and training. • Safe working environment. • Cooperation.	- Involvement. - Promoting engagement. - Professional growth. - Compliance with regulations. - Personnel recruitment in compliance with the Code of Ethics adopted by the Company and without any discrimination. - Open and constructive dialogue. - Professional training courses based on company needs. - Guarantee a safe, healthy and productive environment, also through the dissemination of a culture of safety and awareness of risks. - Periodic coordination meetings.
Industrial	➢ Company intranet. ➢ Piaggio InfoPoint. ➢ Piaggio Net International. ➢ Web mail. ➢ *Evaluation Management System.* ➢ Wide - Piaggio Magazine. ➢ Meetings with trade unions.	• Clear and timely company communication. • Safe and healthy work environment. • Opportunity for professional development and training. • Transparent reward policies. • Respecting human rights and diversity. • Open and constructive dialogue.	- Promoting ongoing, constructive dialogue with employees. - Attainment of health and safety certifications for Group plants. - Preparation of professional and managerial career paths for young talents. - Remuneration policy characterised by meritocratic and fair criteria. - Abiding by a code of ethics that explicitly prohibits any form of discrimination or forced labour. - Piaggio promotes ongoing, constructive dialogue with trade unions.
Marine	➢ Company notices on the environment and safety. ➢ Requests via the Workers' Safety Representative. ➢ Periodic coordination/planning meetings. ➢ Periodic, individual meetings. ➢ Training courses. ➢ Trade union negotiations.	• Cooperation and organisation. • Transparency and participation. • Understanding urgencies and needs. • Remuneration. • Opportunities for professional growth.	- Dialogue and understanding. - Engagement with trade union organisations. - Response in accordance with laws and regulations. - Participation and involvement - Compliance with established objectives, meeting employees' needs if possible. - Correct adoption of laws and contracts. - Ensuring recognition where due. - Accountability for special projects.

Corporate Social Responsibility risks

With the support of Immsi Audit S.c. a r.l., during 2017, risks connected with Corporate Social Responsibility, pursuant to Legislative Decree 254/16, were identified in the "property and holding" and "marine" sectors of the Group. In particular, the risk analysis concerned: Immsi S.p.A., Is Molas S.p.A. and Intermarine S.p.A..
During 2018, the risks identified in 2017 were followed up, with the assistance of Immsi Audit S.c. a r.l.. The risks identified concerning these companies were then listed in tables, divided by reference dimension. The management procedures adopted by the companies made it possible to keep residual risks to within the acceptability levels established.
The analysis did not identify any significant risks for Immsi S.p.A..

The Piaggio group started an Enterprise Risk Management (ERM) project to define and implement a structured, integrated system to identify, measure and manage company risks in line with applicable best practices. As part of the 2017 Risk Assessment campaign, involving company managers across the Group, 129 risk scenarios were identified, comprising 26 categories which were grouped into 4 level-one macro-categories (External, Operational, Financial, Strategic Risks). In this framework, issues concerning environmental and social aspects, human resources, human rights and the fight against corruption were all analysed, as explained below. At the end of 2018, a campaign was launched to update the risk assessment analysis, that will involve newly appointed company managers.

Findings concerning the companies Is Molas S.p.A (property and holding sector) and Intermarine S.p.A. (marine sector) are given below.

The following risks associated with certain management procedures were identified for the company Is Molas S.p.A..

INHERENT RISKS IDENTIFIED	*REFERENCE DIMENSION*	*RISK MANAGEMENT PROCEDURES*
• Risk of insufficient assessment of possible detrimental situations related to the commercial and professional integrity and reliability of business counterparties (e.g., suppliers, consultants, customers, intermediaries, etc.).	***Corporate Governance***	1) The Company includes issues concerning business ethics, such as the fight against bribery, in its criteria for selecting suppliers, also requesting them to comply with the principles and guidelines for conduct set out in its Code of Ethics. Protocols are also adopted to manage company processes, in order to combat actions concerning bribery, against which a channel for reporting to the Supervisory Board has been set up.
• Risks related to failure to comply with the quality/safety standards of distributed products/services (e.g., harmful or dangerous for customers) and relative legal requirements, with consequent liability that could expose the company to claims for damages.	***The products and services dimension***	2) The Company adopts quality and safety protocols for catering and hotel services provided to customers, with particular reference to compliance with hygiene standards and controls of goods, as regards the procurement and conservation of perishable items.
• Environmental risks related to: - administrative restrictions on the use of water (in the presence of climate change which leads to the rationing of water) which could result in limitations to managed business activities; - climate change liable of affecting the need for irrigation of green spaces and the availability of water reservoirs for supply; - negative environmental impact on the area resulting from failure to comply with environmental requirements based on administrative authorisations for property development activities and maintenance activities of the green areas for the management of sports and hotel activities; - inadequate management of waste generated by property development activities and management of hospitality activities; - reputational harm due to the possible involvement of the Company in polluting events, including in association with others, or for the use of suppliers or sub-suppliers that do not adequately comply with environmental sustainability standards.	***The environmental dimension***	3) Besides starting analyses of the efficiency of irrigation systems for sports' facilities, the Company also complies with commitments of "former agreements" as regards the expansion of public water purification plants, benefiting from the possible re-use of relative water output for irrigation purposes. 4) Attention is paid to ensure that activities are compatible with the protection of natural areas where it operates, through the responsible management of impact on biodiversity and a sustainable use of natural, water and energy resources. Environmental requirements of administrative authorisation for property development are monitored (also with reference to other parties involved in contracted works), and environmentally friendly activities/maintenance are provided for sports/hospitality facilities. 5) Waste production, management and disposal are overseen in compliance with applicable regulations. Attention is paid to the correct traceability of waste, as regards waste handling, which is overseen by specialist firms.
• Risks arising from: - unsuitable working conditions in terms of worker health and safety or inadequate monitoring of the actual compliance of employees and supplier or sub-supplier workers with procedures and instructions given; - possible loss of key expertise and know-how due to interruption of professional relations; - lack of or insufficient control of materials and components used.	***The social dimension - Developing human resources***	6) The Company steers its occupational health and safety activities to ensure full compliance with applicable regulations, signing supply agreements and contracts that require counterparties to ensure the equivalent compliance with regulations, also providing information and training for employees and external staff. Designated managers monitor work activities, according to established protocols. 7) The Company values its human capital, adopting fair and equal treatment, policies for the development and continuing development of personnel and their expertise, to avoid the loss of key skills and know-how, due to employment ending.

INHERENT RISKS IDENTIFIED	REFERENCE DIMENSION	RISK MANAGEMENT PROCEDURES
• Risk related to possible changes in the legal and regulatory framework on a local basis which could result in costly changes in strategic or operating approaches of the Company; • risk related to insufficient or ineffective "framework" relations (e.g.: related to institutions, local agencies, sociocultural groups of the territory) with local communities.	***The social dimension - Relations with local communities***	8) The Company has developed and maintains relations with local institutions, community representatives and local sociocultural groups, also to avoid tensions that could have negative effects on managed operations.
• Risk related to the possible use of suppliers or sub-suppliers that do not comply with the ethical and conduct standards in relations with workers that are required by the company; • Risk related to the difficulty of obtaining specialised local workers or qualified local suppliers and, consequently, tensions in relations with local communities/stakeholders due to the level of involvement in the supply chain and development of projects in partnerships.	***The supply chain***	9) The selection of suppliers, and a specialised workforce, and the determination of procurement conditions are based on a prior objective assessment of the quality, price and capacity to supply and guarantee adequate level goods/services; in compliance with these requirements and aware of the role that it may have in the development of local activities where it operates, the Company interfaces and cooperates with local suppliers, guaranteeing equal opportunities to work together. 10) Company activities assigned to third parties (e.g.: contracts, services, consultancy services) are defined in contracts, requiring compliance with the principles and guidelines of conduct defined in the Code of Ethics, including compliance with environmental sustainability criteria and applicable regulations.

The following risks associated with certain management procedures were identified for the company Intermarine S.p.A..

INHERENT RISKS IDENTIFIED	REFERENCE DIMENSION	RISK MANAGEMENT PROCEDURES
• Risk of possible corruption or unfair competition practices in the event of an inadequate company approach for prevention of at-risk operations or any detrimental situations related to the commercial and professional integrity of business counterparties (e.g.: suppliers,consultants, customers, intermediaries, etc.) taking into account the relative risk profiles of the countries where the Company works.	***Corporate Governance***	1) The Company addresses issues concerning business ethics, such as environmental sustainability, occupational health and safety, compliance with equal opportunities and human rights and the fight against bribery in its criteria for selecting suppliers, also requesting them to comply with the principles and guidelines for conduct set out in its Code of Ethics. Procedures are adopted to manage company processes (e.g.: authorisation processes, document traceability, control of financial flows) intended to combat practices that go against these principles (e.g. bribery or unfair competition), which may be reported via dedicated channels to the Supervisory Board.
• Risks related to failure to comply with the quality/safety standards of goods produced and relative legal and contractual requirements, with consequent liability that could expose the company to claims for damages and expensive re-processing or repairs.	***The products and services dimension***	2) The Company has gradually adopted specific actions to ensure a less complex management and greater quality of commissioned products. Assessment of more effective procedures to monitor progress and any nonconformities on a job order basis.
• Risk related to the possible use of suppliers, sub-suppliers or third-party independent contractors (consultants, etc.) that do not comply with the environmental sustainability standards, ethical and conduct standards in relations with workers, or human rights and responsible conduct principles for the business with impacts not in line with the company's relative strategy.	***The supply chain***	3) See note 1) of the column "risk management procedures".

INHERENT RISKS IDENTIFIED	*REFERENCE DIMENSION*	*RISK MANAGEMENT PROCEDURES*
• Environmental risks related to: - Risk of water pollution caused by failure to comply with the ban of releasing waste water or negative effects on management activities due to a need to protect water. - Occurrence of natural disasters or catastrophic events (e.g.: floods), preventing the company from performing its operating activities and/or supplying its products; - Harm to natural species, caused by the impact of managed activities)altering biodiversity in the areas where the company works); - Air pollution in the event of failure to comply with permitted values or alignment with regulatory provisions; - Pollution caused by waste, generated by company activities; - Negative effects on the managed activities for needs to limit discharges and waste and/or for insufficient prior adoption of environmental protection measures; - Failure to issue/maintain environmental certification for the production sites involved.	***The environmental dimension***	4) The Company has Integrated Environmental Authorisation (AIA) no. 135 of 07/11/2008, expiring in 2020. Production activities are carried out in compliance with applicable regulations on discharges into water bodies. In addition, regulations on operations and procedures at risk of pollution and to deal with emergencies in the event of spills into water bodies, are complied with. The Company's Compliance Programme prevents it from adopting a conduct that may infringe environmental regulations, without appropriate authorisations. 5) Attention is paid to ensure that activities are compatible with the protection of natural areas where it operates, through the responsible management of impact on biodiversity and a sustainable use of natural, water and energy resources. 6) The AIA as of point 4) for the Sarzana site also concerns atmospheric emissions from industrial plants, regulated by specific procedures that identify the roles, responsibilities and activities related to the management of emissions. Monitoring takes place through: own controls; internal audits to assess the environmental impact of activities; audits by external bodies (e.g. ARPAL, RINA) for improvement actions. 7) Activities that produce, manage and dispose of waste are overseen in compliance with applicable regulations, subject to analysis of the waste to identify hazard levels, conducted by qualified, external laboratories. In addition, the correct traceability of waste is ensured, with particular reference to handling overseen by specialised, authorised firms. 8) The Company's environmental management system has specific procedures to manage operations involving potential pollutants. Investment choices and industrial/commercial initiatives are planned in compliance with applicable legislation, adopting technologies and production methods that are suitable for reducing the environmental impact of managed activities. 9) An Environmental Management System conforming to UNI EN ISO 14001:2004 has been adopted for the Sarzana and Messina sites. The independent body Rina conducts regular audits for the maintenance of certification.
• Risk arising from: - working conditions and the health and safety of workers in the event of inadequately safe work environments and/or inadequate oversight for monitoring concrete compliance with the relevant procedures and instructions provided by the company; - the possibility of tensions or termination of relations that the company has with workers and trade union representatives; - possible loss of key expertise and know-how due to employment ending.	***The social dimension - Developing human resources***	10) The Company adopts a Safety Management System produced and implemented in accordance with BS OHSAS 18001:2007, although certification to this standard has not been awarded. Assessment by the company to apply for ISO 45001 certification. The Company has signed supply agreements and contracts that require counterparties to ensure .equivalent compliance with regulations, also providing information and training for employees and external staff and has designated managers to oversee work activities according to established protocols. 11) Regular analyses are carried out of airborne dispersion (e.g.: artificial glass fibres, wood dust, asbestos fibres, volatile organic solvents) to check compliance with relative concentration limits permitted. 12) Developing and maintaining relations with workers and their trade union representatives, also to avoid tensions that could have a negative impact on managed activities. 13) Valuing human capital, adopting fair and equal treatment, policies for the development and continuing development of personnel and their expertise, to avoid tensions that could lead to the loss of key skills and know-how, due to employment ending.

The risk topics identified for the Piaggio group, following the 2017 Risk Assessment, are listed below.

ASPECTS	***RISKS IDENTIFIED***	***REFERENCE DIMENSION***
Environment	The analysis refers to the actual and potential effects of the group's operations on the environment considering, for example, atmospheric emissions, waste management practices, the use and conservation of natural resources, etc. Greenhouse gases (mainly CO_2) and Volatile Organic Compounds (VOCs), released by solvents used in painting, are some of the most hazardous substances for air pollution generated by automotive operators. The structural operations implemented in past years at the group's production plants have led to reductions in polluting emissions at some of these, while at others, levels of these emissions have remained stable. Although the structure of the Company's production sites has been designed to run on fossil fuels, Piaggio is engaged in optimising the management of existing sites to cut consumption. Operations to clean up sites were necessary because of historical site contamination: the pollutants removed had not been used for several decades by the sites, proving the historical nature of the contamination. Other cases of ground contamination (spills or other significant pollution episodes) have never concerned group operations. Piaggio has ISO 14001 environmental certification and invests each year to reduce the environmental impact of its production sites. Despite a considerable risk level, in line with other industry operators, control measures adopted significantly reduce environmental risks.	***The environmental dimension***
Employees	Risks concerning personnel include all aspects of an inadequate management of the Group's human resources, including career paths, remuneration and training, diversity (age, gender, sexual orientation, disability, religious beliefs, ethnic background, etc.) as well as risks relative to occupational health and safety and industrial relations. Piaggio operates globally with employees in Europe, the Americas and Asia. It promotes diversity of gender, age, nationality, ethnic background, ideology and religious beliefs, as it endorses different ways of pursuing and achieving maximum performance within a single and broad-ranging Group organisational framework. The integration of disabled people into the workforce is also made possible in practice by the accessibility of company facilities and the existence of a relative company procedure. Piaggio adopts a system of recruitment, development and salary packages for personnel which recognises and rewards merit and .*performance*. Development tools are used to build on and continually improve skills, while empowering potential, recognising and rewarding outstanding performance. Reward policies are designed to reward individuals and recognise their contribution to the company, according to the criteria of competitiveness, fairness and meritocracy. The above mechanisms reduce potential risks related to these aspects to a residual level which is not significant. The Piaggio group acknowledges the role of trade union organisations and worker representatives and is committed to establishing relationships with them that are characterised by attention, dialogue and a common understanding; in fact, assessment and continual engagement are considered essential for identifying the best solutions for the company's specific needs. For these reasons and despite the high number of employees with trade union membership, strikes are infrequent. As regards occupational health and safety, testing motorcycles with a medium and large engine capacity entails the highest risk levels. Generally, the risk of accidents/injuries to personnel is mitigated by adapting processes, adopting procedures and structures aligned with applicable occupational safety laws and international best standards, and promoting safe behaviour, through targeted training.	***The social dimension - Developing human resources***
Social sphere	The social sphere includes aspects concerning Piaggio's relations with consumers, as well as the effects of the *business* on the community. In the first case, product quality and reliability are essential and key to obtaining and guaranteeing customer satisfaction and safety. In the “Product – Operational Risk" category, risk scenarios relating to potential product defects have been mapped. To mitigate these risks, Piaggio has established a Quality Control system. It tests products during various stages of the production process and carefully sources its suppliers based on technical/professional standards. The Group is also committed to being awarded and maintaining certification of its quality management systems at global level (ISO 9001 or ISO/TS 16949).	***The products and services dimension / The social dimension - Relations with local communities***

ASPECTS	*RISKS IDENTIFIED*	*REFERENCE DIMENSION*
Human rights	As set out in the Code of Ethics, adopted in 2004, Piaggio specifically prohibits any form of discrimination or forced labour. This Code has been distributed to all subsidiaries and clearly states the principles and values the entire organisation takes inspiration from. Based on the significant and specific nature of the Indian market, the following have been adopted: the Code of Business Conduct & Ethics and Whistle Blower Policy, since December 2016; the latter is designed to protect people reporting infringements of the Code, and therefore to guarantee the Code's validity; a Policy on the Prevention of Sexual Harassment of women in the workplace. Based on prevention and control mechanisms established in the Code of Ethics and adopted by all Group subsidiaries, no risk scenarios relative to the violation of human rights were identified.	***Corporate Governance / The social dimension - Developing human resources***
Fighting against corruption	The fight against both active and passive corruption comes under the risk categories "Internal/external offences" of the Group's risk model. In its Code of Ethics, Piaggio strictly prohibits any practice of corruption, request for and/or provision of preferential treatment, of any collusive behaviour, solicitation, whether direct/indirect and/or through third parties, of personal benefits of any kind for oneself and/or for others, of material benefits and/or any other advantage of any extent in favour of third parties. A number of processes, procedures, roles and responsibilities have been defined to achieve the above objective, as regards business negotiations/relations with the public administration sector and with private entities. The controls briefly described above decrease residual risk relative to episodes of active/passive corruption to a negligible level.	***Corporate Governance***

Corporate Governance

Corporate Governance Model

Immsi S.p.A. (hereinafter "Immsi" or the “Company” or the "Issuer) has adopted a corporate governance system in accordance with the principles in the Corporate Governance Code, prepared by the corporate governance committee for listed companies (as last amended in July 2018) and in compliance with national and international best practices, for an effective, correct and responsible approach to meeting the interests of all its stakeholders.
Neither Immsi nor strategically important subsidiaries are subject to non-Italian legal provisions affecting the corporate governance structure of the Company, which is based on a traditional administration and control system, that is described in the 2018 Report on Corporate Governance and Ownership.

Compliance Programme

Since 2004 the Issuer has adopted a compliance programme for the prevention of the corporate crimes contemplated by Legislative Decree 231/2001 as amended. This strategy has also been adopted by subsidiaries with strategic importance, that in turn resolved to adopt their own Programmes, all continually monitored and last updated in the first quarter of 2018.
For a description of the Immsi Programme, see the 2018 Report on Corporate Governance and Ownership.

Code of Ethics

The role held by Immsi on the national and international market, and the nature and type of activities it carries out require the commitment of everyone working at Immsi, or in any case working on its behalf, for any reason whatsoever, to act with a loyal, serious, honest approach, in good faith, and with competence and transparency, also observing laws, market rules and principles of fair competition, in compliance with the legitimate interests and expectations of customers, suppliers, shareholders and any party in contact with company operations.
To ensure that relations with external parties and within the Company and Group take place properly, all company boards, management and employees, as well as external staff, including consultants, agents, suppliers, etc. must develop and make available to the Company their own cultural, technical and operational expertise and ethics, in order to achieve goals, within the areas of their functions and responsibilities, and in compliance with the functions and responsibilities of other persons.
For these reasons, Immsi considers it important to clearly define the values that the Company recognises, accepts and shares, and the rules and principles of conduct which, since its foundation, have formed the basis for its relations with personnel and third parties, and more in general, for carrying out business operations.
These principles are set out in the Code of Ethics (the "Code"), which the Company hopes is spontaneously shared, complied with and disseminated, and which it also requires individuals operating for Immsi or in contact with it to adopt. Therefore, all actions, operations and transactions referable to Immsi must be undertaken and pursued in compliance with principles of lawfulness, impartiality and fair competition, managed with the utmost integrity, based on complete, transparent information, and supported by documentary evidence and must also be verifiable. Employees - from top managers to their subordinates - and third parties are informed of the adoption of the Code and relative Guidelines of Conduct, and when contracts and agreements are signed, specific clauses are included referring to the principles of ethics/conduct adopted.

The Code, available on the Company's website under the section "*Governance/Procedures*" has been distributed extensively and sets out the principles and values that inspire the entire organisation in a clear and transparent manner. Moreover, Immsi ensures that subsidiaries examine its Code, so they can adapt it to their specific needs and formally adopt it as a tool for management and effective company organisation. Immsi requires and expects all subsidiaries and affiliated companies to adopt a conduct in line with the principles of the Code.

The Code of Immsi and companies belonging to the Group was last revised in 2017, in order to adapt it further to the ethical and social values forming the basis for and inspiring the Company's operations. In particular, this revision took into consideration, with the introduction of a specific article, that the Company recognises and ensures respect for the principles that protect internationally-shared human rights and workers' rights, as expressed in conventions, including the Universal Declaration of Human Rights of the United Nations and the Declaration on Fundamental Principles and Rights at Work and its Follow-up of the International Labour Organisation, in both its operations as well as in the supply chain.
The Company undertakes to ensure respect for the personal dignity, privacy and personality rights of every individual, as well as to ensure the conditions necessary for a non-hostile work environment and to prevent any form of exploitation, discrimination or harassment in accordance with the above conventions. In particular, the Company rejects and dissociates itself from any conduct that may constitute a threat of any kind, determined by reasons of a racial or sexual nature or related to other personal characteristics, and requires compliance with all laws prohibiting any form of discrimination based on race, gender, religion, language, ideology, ethnicity or political opinion; The Company also prohibits any form of slavery, torture, forced labour, child labour, cruel, inhuman or degrading treatment and working conditions that may pose a threat to life or health. In addition, the Company recognises and respects the rights of employees to be represented by unions or by other representatives established in accordance with legislation.

Fighting against corruption

As stated in the Code of Ethics, in pursuing its mission and through the adoption of appropriate tools, including organisational tools, the Group ensures compliance with the absolute prohibition of any practice of corruption, request for and/or provision of preferential treatment, of any collusive behaviour, solicitation, whether direct/indirect and/or through third parties, of personal benefits of any kind for oneself and/or for others, of material benefits and/or any other advantage of any extent in favour of third parties, whether they be private or public entities or government representatives, both Italian and foreign.
When participating in public tenders or competitions called by the Public Administration as well as in any negotiations or contracts entered into with both the Public Administration and private entities, all those involved must behave according to good faith and in accordance with the law, correct commercial practice and current regulations, as well as with corresponding company procedures, avoiding any situation from which violation of laws and/or principles of fairness and transparency in the conduct of negotiations may arise. These relationships must only be carried on by those persons previously and expressly authorised to do so, in accordance with allocated roles and corporate procedures; adequate mechanisms for traceability of information flows towards the contracting party must also be put in place. Any request for advantages, any intimidating and/or constrictive or oppressive behaviour on the part of Public Administration officials or independent contracting parties or which come to the knowledge of operators must be immediately reported.
Functional managers who liaise with the Public Administration must:

- provide their partners with guidelines regarding which operative conduct to follow in formal and informal contacts with various public subjects, according to the characteristics of each individual area of activity, sharing their knowledge of regulations and their awareness of situations liable to crime;

- provide for adequate tracing mechanisms as regards official information channels with the Public Administration;
- maintain and request on the part of those having relations with Public Administration conduct characterised by fairness, transparency, traceability and in good faith, respecting the roles and responsibilities attributed; strictly observe and therefore enforce, also with specific reference to relations with the Public Administration, company *procedures aimed at abstractly identifying and tracing the functions and positions responsible and appointed for relations with the Public Administration, in compliance therefore with corporate roles;
- Make clear, truthful, complete and traceable statements to public authorities and exhibit complete, truthful and unaltered documents and data;
- act in a consistently correct and clear manner in order to avoid inducing the counterparty into an error or potential error. All consultants, suppliers, customers, and whoever is related to the Group, are committed to complying with laws and regulations in force in all countries where the Group operates. No relation will be initiated or continued with those who do not intend to comply with such principles. When appointing these subjects to operate as representatives and/or in the interest of the Group towards the Public Administration, the appointment must be in writing, with a specific binding clause requiring compliance with the principles of ethics and conduct adopted by the Group.

Identical conduct guidelines to those indicated for relations with the Public Administration must also be adopted with regard to relations with any private third party, such as suppliers, customers, competitors, partners and/or any contractual counterparty.

When contributions, grants or financial support are requested from the State, the public corporations or the European Union, all employees involved in such procedures must:

- be correct and truthful when using and presenting documents and declarations that are complete and pertinent to the activities for which such benefits can be legitimately requested and obtained;
- once the requested outpayment has been obtained, the sum should be employed for the goals to which it was originally requested and obtained. the people in charge of administrative/accounting functions must verify that each operation and transaction is: legitimate, consistent, congruous, authorised, verifiable; correctly and adequately registered, so that the process of decision, authorisation and implementation can be verified; supported by correct, authentic and appropriate documentation, so that careful inspections can be carried out at any time regarding the characteristics and the motivations of the operation, and the individuation of those who have authorised, carried out, registered and verified the operation itself.

No incidents of corruption occurred in the reporting year.

With reference to the marine sector, the company Intermarine S.p.A., given the nature of the products it manufactures, is assisted by agents for marketing activities and subsequent contacts with customers during the preparation of bids and stipulation of contracts. During 2018, the company adopted a new procedure to stipulate the Agency Agreement, defining the steps which Intermarine must take to formalise contracts with its agents. The main steps concern the identification of the potential agent, the request for documents necessary to carry out due diligence, review of the due diligence report, and lastly, negotiation of the agency agreement.

The company Is Molas S.p.A. has adopted a specific procedure for personnel involved for any reason whatsoever in the process to award contracts to third parties, used for the property development project. The adoption of this procedure enables the company to mitigate the risk of bribery when selecting business counterparties.

This procedure indicates the main criteria adopted to identify potential suppliers to request bids from. The Manager of the Property department assesses bids received based on technical and economic criteria, also supported by internal/external experts with specific technical and legal expertise.
When defining the contract, clauses on compliance with applicable laws, with Legislative Decree 231/01, the Code of Ethics and company procedures must be specifically included.
In addition to the above, the company Is Molas adopts a specific procedure to manage commercial activities and property sales. Besides defining the process to identify potential customers and subsequent sales, the procedure requires contracts to include a specific statement declaring knowledge of legislation as of Legislative Decree 231/01 in the case of an agreement with an intermediary/external professional/agency.

As regards the Piaggio group, see the 2018 NFS for specific aspects concerning the fight against bribery.

Compliance with laws and regulations

During 2018, none of the Immsi Group companies were affected by episodes concerning employee discrimination or the breach of employee rights. Moreover, no infringement procedures have been filed against the Immsi Group for the breach of anti-competitive or anti-trust laws.
At 31 December 2018, there were no sanctions referred to non-compliance with laws and regulations concerning marketing, advertising, promotion, sponsorship, supply activities and the use of own products. No cases regarding the breach of consumer privacy or loss of consumer data were reported in 2018.
During the year, the Immsi Group received no significant environmental sanctions.

The products and services dimension

The following boundary was considered for the products and services dimension:
- Property and holding sector: Is Molas S.p.A.;
- Industrial sector: Piaggio & C. S.p.A, Piaggio Vietnam Co. Ltd., Piaggio Vehicles Private Ltd., Piaggio Advance Design Center, Piaggio Fast Forward Inc., Foshan Piaggio Vehicles Technologies Co. Ltd;
- Marine sector: Intermarine S.p.A..

The boundary does not consider the companies Immsi S.p.A., ISM Investimenti S.p.A., RCN Finanziaria S.p.A., Pietra S.r.l., Pietra Ligure S.r.l. and Apuliae S.r.l..

The property and holding sector: Is Molas Resort

The property expansion project continued in 2018. This activity is flanked by the resort's hotel and golf services.
Design choices took into account aspects to reduce the environmental impact of new buildings. For example, the use of water necessary for air conditioning and for hygiene facilities is based on the design of a heat pump connected to the technical water circuit of surrounding reservoirs, resulting in:
- considerable savings, due to an optimal energy exchange with the water from the reservoirs;
- the absence of fuels for heating, eliminating procurement needs and relative risks of fire or explosion.

In addition to these technical choices, it was decided to add solar panels to the pergolas of the villas, further reducing energy consumption.
As regards the management of the hotel and golf complex owned by Is Molas, the company adopts practices to reduce the environmental impact of its activities, in particular for the use of water. Reference is made to the chapter on the environmental dimension, where further details are given.

Industrial sector: Piaggio Vehicles

In 2018, the Piaggio group continued its policy to retain technological leadership in its sector, allocating €40.3 million to R&D in the two-wheeler segment, and €10.5 million to the commercial vehicles business.
The main objective of the Piaggio group is to meet the most progressive needs for mobility, through a deep understanding of people and their habits, reducing the environmental impact and fuel consumption of its vehicles, ensuring customers excellent levels of performance. In its effort to ensure the sustainability of its products, the Piaggio group takes into account the entire life cycle, which comprises the design, procurement of raw materials, production, use of the product by customers and, finally, decommissioning, which consists in disassembly at the end of service life and in the disposal and/or recycling of the components and raw materials.
During its life cycle, every product directly and indirectly affects both the health and safety of people and the environment, understood as ecosystem quality. For this reason the Piaggio group focuses its R&D activities on developing innovative solutions to reduce the emission of pollutants and to increase the safety, reliability and recyclability of its products.
A constant focus is placed on research into vehicles that are at the forefront in terms of:
- *sustainability*: products that can avoid or reduce pollutant gas and CO_2 emissions in town and out-of-town use; this result is achieved both through the evolution of traditional engine technologies (increasingly advanced internal combustion engines) and through the development of innovative engine solutions such as electric propulsion, hybrid and range extenders, in order to increase the use of renewable and sustainable energy sources;

- *reliability and safety:* vehicles that allow a growing number of people to move around town and out of town with ease, and to enjoy their leisure time, while contributing to easing traffic congestion and ensuring high levels of active, passive and preventive safety;
- *recyclability*: products that minimise environmental impact at the end of their life cycle;
- *cost-effectiveness*: vehicles with lower running and maintenance costs.

For further details of the types of products offered, research guidelines and applications, reference is made in full, in the 2018 CSR Report published by Piaggio & C. S.p.A..

FUNDED NATIONAL AND EUROPEAN PROJECTS

The Piaggio group successfully supports funding applications for its activities, at regional, national and European level, confirming the quality of its research. The main projects funded and developed during 2018 are listed below.

Regional projects

During 2018, Piaggio took part in the following projects promoted by the Region of Tuscany:

- ADAMo (Digital Adaptive Aerodynamics for Motorcycles). The project will develop an active aerodynamic control system for motorcycles that can adapt aerodynamic flow based on general operating conditions and target objectives (consumption, safety, comfort, performance). The project will end in 2019.
- CENTAURO (Co-working, Efficiency and prevention within the motorcycle industry through Robotic Automation Technologies). A project to develop four demonstration platforms for robotic systems to assist workers in production processes. The project ended in October 2018.

HORIZON 2020 and CEF (Connecting Europe Facilities) European Projects

During 2018, activities of the European projects approved under the Horizon2020 and CEF tenders concerned:

- Resolve (*Range of Electric SOlutions for L-CAtegory VEhicles*). Funded by the European Green Vehicles Initiative - EGVI. The project ended in April 2018.
- eCAIMAN (*Electrolyte, Cathode and Anode Improvements for Market Near next generation of Li-ion Batteries*). The aim of this project is to develop a new generation of Li-ion batteries. The project involves 15 partners, coordinated by the AIT (Austrian Institute of Technology) and will end in the first few months of 2019.
- C-Mobile (*Accelerating C-ITS Mobility Innovation and depLoyment in Europe*). Testing smart, cooperative transport systems in real contexts (C-ITS). The project is coordinated by IDIADA (a research centre in Spain). Piaggio’s role is to provide technical support for the testing of C-ITS for motorcycles at the Barcelona site. The project started in 2017.
- Safestrip (*Safe and green Sensor Technologies for self-explaining and forgiving Road Interactive applications*). Development of a low-cost, low-energy system based on micro and nano sensors in the road surface, that can obtain information and give alerts to road users on potential hazards, through vehicle/infrastructure communication systems;
- PIONEERS. Piaggio is involved in the design and development of an on-board vehicle protection system to reduce minor injuries from low-speed side impacts. The project began in 2018 and will last for 36 months.
- Future Radar. The aim of the project is to provide support for the European Commission in the definition of guidelines and areas for research in the road transport sector, in view of the upcoming FP9 Framework Programme.

The I_Hero project, funded by the CEF (*Connecting Europe Facilities*) project ended in March 2018.

CUSTOMER SAFETY

Piaggio has a comprehensive quality management system to monitor end product quality levels in the various stages of the production process and prior to dispatch to the customer. The standard procedures introduced at all Piaggio group sites make it possible to monitor the quality of manufactured vehicles, ensuring product standards that are conforming and comply with specific standards/type approvals, as well as the expectations of end customers. Each vehicle manufactured at Piaggio group sites is subject to multiple quality controls throughout the assembly process and at the end of the line.
Staff select a sample of vehicles each day, from finished/approved products, before these are dispatched to the end customer. These vehicles undergo rigorous testing and inspections on test benches and on the road, based on a standard check list. Any anomalies detected are classified according to a score based on the severity of the defect and the impact this could have on the end customer.
In the event that serious anomalies are found, an immediate diagnosis is made, based on which the shipments of all the vehicles belonging to the batch in question, together with a sample number of vehicles of the previous batch, are immediately halted. All vehicles are then carefully rechecked and where necessary, are repaired, before they are approved and subsequently authorised for shipment.

The traceability of the vehicles and their main components is essential in order to enable Piaggio to promptly identify and block or limit batches characterised by presumed and/or observed defects, preventing the sale of potentially defective products on the one hand and implementing any necessary interventions in the field on the other. The Piaggio group has adopted a system to identify components and materials, considered significant, during all stages of the production cycle: all parts manufactured internally and externally that have a direct impact on user health and safety, the environment and compliance with type approval are identified.
The system therefore traces all identified components, maintaining records of tests, controls and inspections, certifying product quality in view of the processes it has undergone in the various stages of the production cycle. In the case of anomalies/defects, this make it possible to promptly and systematically trace the causes and adopt corrective actions, identifying the vehicles that have components from the faulty lot, and promptly take actions to protect the customer.

Due to the type of business it does, the Piaggio group is subject to numerous national and international regulations that govern information on its products, both in the field of advertising communication and in the field of manuals related to each individual vehicle. Each vehicle has User and Maintenance manuals containing information on correct use of the vehicle, promoting safe, responsible vehicle use.

The Marine sector: Intermarine vessels

Intermarine has always aimed to build vessels that comply with all specifications requested by customers, and primarily navies. Intermarine products are internationally recognised for their reliability and high technological content as well as the continuous pursuit of quality throughout the production process.
In 2018, Intermarine adopted its Integrated Quality, Environment and Safety Policy. The company is committed to supplying products that comply with the quality levels defined in contracts, that can meet customer requirements and are always safe and environmentally friendly, in line with market requirements and the need to minimise environmental impact and protect workers' health and safety.

Company operations can be divided into three different business units:

1) *Commercial products*, i.e., fast ferries and hydrofoils built in aluminium;
2) *Defence*. This business unit is the field of excellence of Intermarine. Production is primarily focussed on:
   - Mine countermeasure vessels in composite materials (FRP – Fibre Reinforced Plastic);
   - Fast Patrol Boats – in FRP and aluminium;
   - Hydro-oceanographic units in FRP;
   - Support and work units in FRP and aluminium;

Mine countermeasure vessels should be briefly described. The MCMVs (Mine CountermeasureVessels) of Intermarine are unique in the world given that they are built with a process that involves the construction of the hull in a monolithic fiberglass shell, devoid of any longitudinal or transverse reinforcement. This design choice makes it possible to maximise the flexibility and elasticity characteristics of fiberglass: in the case of a nearby explosion of a mine, the hull is able to absorb the energy of the explosion, transmitting only a limited portion of the force to the installed equipment and internal structures.
Intermarine products also include fast patrol boats. Since the beginning of its operations, Intermarine has built hundreds of patrol boats for Navies, the Coast Guard, and Maritime Police in Italy and abroad. The project for these patrol boats is characterised by a high level of flexibility,thereby adapting each ship construction to the specific requirements of each customer. Built both in composite materials and in aluminium - in sizes between 13 and 40 meters - the patrol boats boast a high speed and excellent performance.

3) *Marine systems*. These units include various products such as: fins and stabilizers; auxiliary tern/bow thrusters; governance systems; T-foils; monitoring systems; intruders; garages and platform portals.

CUSTOMER SAFETY

With reference to the safety of end users, during the design, construction and materials supply stages, the degree of safety for users of vessels is monitored, both in the use of equipment located on board and in the event of potential external explosions. At the end of the vessel construction process, RINA ("Registro Navale Italiano", Italian Naval Registry) certifies the suitability of the ship and its compliance with all safety requirements.
Quality control and testing activities for Intermarine distinguish between "hull" and "completing" parts, each with specific inspection and testing plans. For each test reported in the plans, Intermarine prepares (with the contribution of suppliers) specific testing procedures (test memoranda) for FAT, HAT are/or SAT tests, in accordance with provisions.
The test procedures also specify the following:

- the methods for executing the tests;
- the technical and functional performance levels which the various components must comply with.

At the end of each test, the specific test report is drafted. These reports, completed and accompanied by the required attachments (e.g., calibration reports of instruments used),constitute the testing minutes of equipment, system arrangements and services.
The Integrated Management System adopted by Intermarine makes it possible to identify the materials and components used for the construction and fitting out of the ships; these are identified in order to determine their allocation and allow them to be traced back to the completed tests.
Intermarine, in compliance with the requirements of the AQAP 2110 standard, has prepared and implemented a process for managing the configuration of products in order to know the physical, interface and functional characteristics of each part of the product itself at any time.

R&D ACTIVITIES

Intermarine carries out R&D activities, also accessing the funding provided by the Ministry of Education, Universities and Research (MIUR), the Ministry of Transport, the Ministry of Economic Development and the Liguria Region (FILSE). To develop some issues concerning research, the company is partnered by universities and public research organisations.
In 2018, the following R&D activities were completed, are being finalised and/or are underway:

- MAC: this project refers to an infusion technology. It was funded by the Ministry of Education, Universities and Research and was completed in 2017; following the issue of a final decree, relative reporting must be provided;
- USVPERMARE: this project refers to a marine surface drone and was funded by the Ministry of Education, Universities and Research. Intermarine's activities, developed as part of its involvement in the DLTM Consortium, focussed on the construction of a swath prototype. The project has been completed and final reporting activities are underway;
- IBRHYDRO: this project concerns the development of a hybrid submerged/intersecting fin hydrofoil, funded by the Ministry for Transport; the project covers 4 years (from 2016 to 2019).

During 2018, the Company also presented the following projects, as part of research tenders called by various Ministries. Assessments and decrees to award the tenders are pending:

- E-CRAFT: A project on the use of basalt fibres, funded by the Ministry for the Defence.
- SIMARE: A project for the study and testing of ballistic defence materials. The project is funded by and located in the Region of Sicily.
- SINAPO: A project for smart monitoring to predict failures and prevent accidents. The project is funded by and located in the Region of Sicily.

Intermarine, in a capacity as defence sector operator, is a member of AIAD, the Federation of Italian Companies for the Aerospace, Defence and Security Industries. This association brings together some 120 national, hi-tech companies, that are involved in planning, production, research and services in the following sectors: the civil and military aerospace industry, the navy and army and related electronic systems.
Moreover, Intermarine is a member of Confindustria, the main trade association representing manufacturing and service companies in Italy.

With the development and completion of the “Submerged foil hydrofoils" project, the Company built two prototypes (with two different propulsion systems) of a new type of submerged foil hydrofoil.
The prototypes, which are highly innovative in relation to traditional hydrofoils, provide technological benefits, are competitive in terms of fuel consumption compared to similar vessels, ensure greater comfort, and the possibility to increase the number of days of use, thanks to the possibility to operate with a stronger wave wash, a 25% greater speed for more efficient engines and so, overall, lower operating costs.
During 2018, trials on the hydrofoil with propulsion pods (H325) were successfully completed; for the hydrofoil with propeller propulsion (H326), with a technical and commercial feasibility already defined in the previous year, completion of the set up is also related to the outcome of negotiations with Ship owners interested in using the vessel.
With the “Enviroaliswath” project, the Company aimed to study, design and produce the prototype of a fast, revolutionary vessel - the Aliswath. The main characteristic of the Aliswath is the combined use of foils and an immersed body (Swath); The prototype has highly innovative characteristics, which mean better handling, consumption 50% less than a conventional vessel with the same weight and speed, a considerable reduction in wave wash and minimisation of pollution (as the engines are below water inside the "gondola").

At 31 December 2018, the "Hydrofoils with Submerged Foils" and "Enviroaliswath" projects were fully capitalized in intangible assets, net of amortisation and deferred income, for €5.5 million. For other projects underway, at 31 December 2018, costs for €0.1 million were capitalised.

Immsi Group certifications

With particular reference to the industrial and marine sectors, the Immsi Group has committed to obtaining and maintaining certification of its quality, occupational safety and environment management systems, considering this a part of the Group culture.

	Industrial sector							Marine sector	
	Pontedera	*Noale and Scorzè*	*Mandello Del Lario*	*Baramati (engine plant)*	*Baramati (two-wheeler plant)*	*Baramati (commercial vehicles)*	*Vinh Phuc*	*Sarzana*	*Messina*
ISO 9001 Quality Management Systems	since 1995	since 2006	since 2010	-	since 2013	-	since 2009	since 1996	since 1998
ISO 14001 Environmental Management Systems	since 2008	since 2008	since 2010	since 2015	since 2013	since 2015	since 2011	since 2000	since 2005
BS OHSAS 18001 Occupational Health and Safety Management Systems	since 2007	since 2007	since 2010	since 2015	since 2013	since 2015	since 2013	-	-
ISO/TS 16949 Supplier Quality Systems	-	-	-	since 2012	-	since 2013	-	-	-

The Piaggio group's Italian, Indian and Vietnamese sites have held Quality (ISO 9001 or ISO/TS 16949), Environmental (ISO 14001) and Occupational Health and Safety (BS OHSAS 18001) certification, for several years now.
In November 2018, the certification company Det Norske Veritas (DNV) conducted audits for the maintenance of Quality (ISO 9001), Environmental (ISO 14001) and Health and Safety (BS OHSAS 18001) certification at the Group's Italian sites. The outcome of the audits was positive.

Since the 1990's, the Intermarine shipyards at Sarzana and Messina have had their Quality Management System certified to ISO 9001, issued by the Italian Naval Registry (RINA); the System also incorporates additional NATO requirements pursuant to the AQAP 2110 standard, with specific criteria for quality systems to be applied in military programmes.
The shipyards at Sarzana and Messina also have Environmental certification (ISO 14001), issued by RINA. The Messina shipyard obtained new UNI EN ISO 14001:2015 certification in December 2017, while the Sarzana site obtained certification in February 2018.
Although not yet certified, all sites have adopted the same Integrated Management System which also covers health and safety (OHSAS 18001).
The audits conducted by RINA in 2018 were successful at all sites; no nonconformities were identified.

The environmental dimension

The reporting boundary for the environmental dimension is as follows:

- Property and holding sector: Is Molas S.p.A.;
- Industrial sector: Piaggio group companies;
- Marine sector: Intermarine S.p.A..

Other Group companies (Immsi S.p.A., Immsi Audit S.c. a r.l., ISM Investimenti S.p.A. and RCN Finanziaria S.p.A., Pietra S.r.l., Apuliae S.r.l.) were excluded from environmental data reporting, as their contribution was considered as marginal (their operations only concern the indoor premises of offices). During 2018, the site of the company Pietra Ligure S.r.l. was not operative, and was therefore excluded from the reporting.

The companies of Immsi Group perform actions intended to reduce the environmental impact of their operations, both through the reduction in the use of natural resources (energy and water), and allowing the ecosystem to absorb any direct and indirect impacts produced. These actions are established based on a number of procedures and practices which are specific for each business sector of the Group.
The Piaggio group has its own set of policies, which include an environmental policy. In addition, Intermarine adopted a specific document in 2018, its "Integrated Quality, Environment and Safety Policy".

The Piaggio group has organised its processes and activities through a management system for Quality, the Environment and Occupational Health and Safety to guarantee a sustainable development model, long-lasting success and to meet stakeholders' expectations.
Piaggio & C. S.p.a. seeks to minimise the environmental impact of its industrial activities by carefully defining the product design, the manufacturing technological cycle and by using the best technology and the most modern production methods. Pursuing these objectives generates continual improvement in environmental performance, not only in production but also throughout the product life cycle.

Intermarine adopts an Integrated Quality Environment and Safety Management System by promoting company processes intended for the protection of the environment and workers' health and safety. The adoption of procedures and internal communication methods are both intended to prevent any possible form of pollution, accidents and occupational diseases.

As regards Is Molas, environmental requirements of administrative authorisation for property development are monitored (also with reference to other parties involved in the contracted works), and environmentally friendly activities/maintenance are provided for sports/hospitality facilities.

In addition to aspects covered by the reporting boundary, the following Immsi Group production sites are considered for environmental data purposes:

- Property and holding sector: Pula (Cagliari) for Is Molas;
- Industrial sector: Pontedera (Pisa), Noale (Venice), Scorzè (Venice), Mandello del Lario (Lecco), Baramati (India), Vinh Phuc (Vietnam) and the commercial sites of the Piaggio group;
- Marine sector: Sarzana (Spezia) and Messina for Intermarine S.p.A..

Energy consumption

The operations of the production sites of Immsi Group are based on the use of non-renewable (fossil) and renewable energy sources, the latter represented by the consumption of electricity with a production mix which partially comes from "sustainable" resources".

Over the years, Group companies have sought to optimise and improve the management of existing plants in order to cut their consumption.

Consumption recorded between 2016 and 2018 is reported below, highlighting the changes, as percentages, during the 2017-2018 period.

ENERGY CONSUMPTION OF THE IMMSI GROUP					
		Property and holding sector	***Industrial sector*** [1]	***Marine sector***	***Immsi Group***
Electricity (thousand KWh)	2018	973	81,815	3,014	**85,802**
	2017	731	79,389	3,571	**83,691**
	Δ% 2018 - 2017	33.1%	3.1%	-15.6%	**2.5%**
	2016	751	84,517	3,047	**88,315**
Methane/Natural Gas (Sm^3)	2018	0	5,714,681	70,782	**5,785,463**
	2017	0	6,070,139	88,980	**6,159,119**
	Δ% 2018 - 2017	-	-5.9%	-20.5%	**-6.1%**
	2016	0	6,597,922	57,038	**6,654,960**
LPG (tons)[2]	2018	3	1,918	13	**1,934**
	2017	2	552	12	**566**
	Δ% 2018 - 2017	35.4%	247.4%	7.6%	**241.4%**
	2016	2	398	12	**412**
Diesel fuel[3] (litres)	2018	9,750	820,375	1,709	**831,834**
	2017	9,750	2,242,299	10,768	**2,262,817**
	Δ% 2018 - 2017	-	-63.4%	-84.1%	**-63.2%**
	2016	10,000	2,293,795	6,512	**2,310,307**

[1] The figure for electricity consumption also includes the commercial companies of the Piaggio group.
[2] The calculation of tons of LPG is based on an estimate.
[3] Light Diesel Oil and High Speed Diesel are considered together with diesel fuel.

In 2018, the Immsi Group recorded a slight increase in the use of electricity (+2.5% compared to 2017), along with a slight decrease in natural gas (-6.1%) and a considerable drop in diesel fuel (-63.2%). On the other hand, the use of LPG went up considerably.

With reference to the industrial sector, since 2016, the Pontedera site has been adopting measures to reduce energy waste with a smart metering system that can use, observe, compare on a nearly real time basis (with a delay of 3 hours) and also analyse the consumption recorded by over 90 meters at the site. For this production site, Piaggio recorded a reduction in the use of electricity and natural gas, of 7.0% and 7.1% respectively. The use of diesel fuel fell by 13.6%.
Changes in consumption at other Italian sites, which are negligible in quantitative terms compared to the Pontedera site, are due to variations in production volumes and heating system management based on recorded outdoor temperatures.
In Asian countries, consumption has generally gone up, due to the increase in production. In particular, this increase mainly concerns the Baramati production site in India, which recorded a 16.4% increase for electricity and a 255.4% increase for LPG. However, a study of energy consumption at the Baramati site in 2018 and 2017 shows a 4.94% reduction in energy needed per part produced (engines).
The Piaggio group also operates through commercial companies (distributors and selling agencies) and research centres located on various reference markets. The energy use at these sites cannot always be recorded, as the sites are sometimes located on property which is not owned, where communal services are shared with other occupants. The Piaggio group sources electricity from leading energy providers whose production is partly from renewable sources. In particular, the energy supplier in Italy has declared a production mix which will see around half of all energy derived from renewable sources, while for the company in Holland, energy procured is entirely from renewable sources.

As regards the marine sector, compared to 2017, electricity use decreased by over 15%. In 2018, the use of natural gas went down considerably (-20.5% compared to 2017), used for heating production buildings and administration offices (Sarzana site).
Since 2016, Intermarine has updated, as agreed with the Province of La Spezia, the energy efficiency goals to be achieved in the medium term (by the year 2020). In December 2015, a specialised firm was appointed to carry out an energy assessment at the Sarzana and Messina sites, enabling the company to identify required improvement plans, with the following planning and adoption of actions to reduce consumption.
In this regard, the boilers at the Sarzana site were replaced in 2018, in order to reduce future energy consumption. In particular, the company has set a goal for 2019 of replacing outdoor lighting with a LED system, for estimated energy savings of 50% (from 62 MWh to 27 MWh).

Energy consumption as shown in the previous table was converted into Gigajoules (GJ), broken down by source:

ENERGY CONSUMPTION OF THE IMMSI GROUP						
(GJ)		***Electricity***	***Methane / Natural gas***	***LPG***	***Diesel fuel***	***Group total***
Energy consumption	2018	308,887	225,691	89,158	30,292	**654,028**
	2017	301,288	240,267	26,114	82,393	**650,062**
	Δ% 2018 - 2017	2.5%	-6.1%	241.4%	-63.2%	**0.6%**
	2016	317,934	259,610	18,989	84,122	**680,655**

N.B.: The figures are calculated using conversion standards defined by the GRI G3 guidelines (1 gallon of diesel = 0.138 GJ; 1,000 m3 of natural gas = 39.01 GJ; 1 kwh = 0.0036 GJ). For LPG, a standard conversion factor of one kilogram of LPG = 46.1 MJ was used.

In 2018, over 81% of energy used by production sites was from electricity and natural gas, with LPG and diesel fuel accounting for only a minor quantity.

As for the electricity used at Italian production sites, most comes from renewable sources, as indicated in data on the energy mix supplied by energy providers.
Energy consumption was therefore reclassified into two categories: “from renewable sources” and “from non-renewable sources”. The result of the last two years is summarised in the next table.

ENERGY MIX[1]									
(GJ)		***Property and holding sector***		***Industrial sector***[2]		***Marine sector***		***Immsi Group***	
		GJ	***%***	***GJ***	***%***	***GJ***	***%***	***GJ***	***%***
2018	**Renewable sources**[3]	1,342	33.6%	52,066	14.5%	1,519	10.6%	**54,927**	**14.6%**
	Non-renewable	2,657	66.4%	306,814	85.5%	12,760	89.4%	**322,232**	**85.4%**
2017	**Renewable sources**[3]	1,287	41.6%	71,099	18.6%	1,800	10.4%	**74,186**	**18.4%**
	Non-renewable	1,804	58.4%	311,185	81.4%	15,481	89.6%	**328,471**	**81.6%**

[1] Non-final energy mix figures for 2017, provided from utility companies serving Immsi Group companies, were used for 2018 data.

[2] Only Piaggio group sites located in India were considered, as it was not possible to determine the energy mix relative to electricity supplied to foreign sites;

[3] The value was determined multiplying the use of electricity (in GJ) by the part of the energy mix from renewable sources of suppliers of utilities to companies;

[4] The value was determined multiplying the use of electricity (in GH) by the part of the energy mix from non-renewable sources, also adding the direct use of fossil fuels converted according to standards defined by the GRI.

Energy consumption figures are reported below, divided by sector and source, relative to the use of equipment and test vehicles, the latter only regarding the industrial sector. Data on the marine sector are not available.

ENERGY CONSUMPTION FOR THE USE OF EQUIPMENT AND TEST VEHICLES (ITALY)				
		Property and holding sector	***Industrial sector***	***Immsi Group***
Petrol (litres)	2018	5,840	195,332	**201,172**
	2017	6,123	186,076	**192,199**
	Δ% 2018 - 2017	-4.6%	5.0%	**4.7%**
	2016	5,057	235,579	**240,636**
Methane/Natural Gas (Sm³)	2018	0	996	**996**
	2017	0	151	**151**
	Δ% 2018 - 2017	-	559.4%	**559.4%**
	2016	0	1,584	**1,584**
LPG (tons)	2018	0	96	**96.0**
	2017	0	938	**938**
	Δ% 2018 - 2017	-	-89.8%	**-89.8%**
	2016	0	5,453	**5,453**
Diesel fuel (litres)	2018	21,300	89,390	**110,690**
	2017	17,343	64,929	**82,272**
	Δ% 2018 - 2017	22.8%	37.7%	**34.5%**
	2016	20,741	125,536	**146,277**

Emissions of CO2 and other pollutants

The environmental impact generated by the production activities of the Immsi Group (mainly linked to the industrial sector) implies greenhouse gas emissions (mainly CO_2) and atmospheric emissions of Volatile Organic Compounds (VOC).
The following table shows direct and indirect emissions for the three Group sectors, over the 2016 – 2018 period.

CO_2 EMISSIONS FROM IMMSI GROUP PRODUCTION SITES						
			Property and holding sector	***Industrial sector***	***Marine sector***	***Immsi Group***
CO_2 emitted from production sites (tons)	2018	direct[1]	26	15,786	146	**15,958**
		indirect[2]	280	45,703	866	**46,849**
		Total	**306**	**61,489**	**1,012**	**62,807**
	2017	direct[1]	26	18,281	205	**18,511**
		indirect[2]	242	42,642	1,181	**44,064**
		Total	**268**	**60,923**	**1,385**	**62,576**
	Δ 2018 - 2017	direct[1]	0.4%	-13.6%	-28.7%	**-13.8%**
		indirect[2]	15.7%	7.2%	-26.6%	**6.3%**
		Total	**14.2%**	**0.9%**	**-26.9%**	**0.4%**
	2016	direct[1]	26	19,253	130	**19,410**
		indirect[2]	245	42,227	996	**43,468**
		Total	**272**	**61,480**	**1,126**	**62,878**

N.B.: The GWP (global warming potential) coefficient associated with CO_2 is equivalent to 1.
[1] CO_2 emissions deriving from the combustion of methane, natural gas, diesel fuel and LPG. The conversion factors published by the Italian Ministry for the Environment (UNFCCC National Inventory) were used for said values and refer to the reporting period considered. Parameters for 2017 were used, only for the industrial sector.
[2] This means CO_2 emissions deriving from the consumption of electricity. The conversion factor used for 2016 is from data published by Ispra as regards 2013 (326.78 g. CO_2/Kwh). The Ispra data updated at 2016 were used for 2017 (330.6 g CO_2/Kwh). For 2018, temporary data for the year were used (287.4 g CO2/Kwh). With reference to the industrial sector, the 2016 conversion factor was used.

The structural works (replacement of boilers and restructuring of distribution networks) carried out over time by Piaggio and already described in the 2017 NFS, show that the changes made were appropriate. In 2018, emission levels were substantially in line with those already recorded in previous years (+0.9% compared to 2017).

Intermarine S.p.A. recorded a decrease in total CO_2 emissions for 2018 (-26.9% compared to 2017).

During 2016, the Province of La Spezia updated the environmental improvement goals to be achieved by 2020 and intended to reduce emissions. These include:

a) The construction of a fixed extraction facility for the cutting, welding and other works carried out in mechanical workshops, intended to duct the produced emissions;
b) The integration of a mobile extraction facility for any occasional cutting and welding works carried out in the shipyard and on the vessels under construction.

During 2018, the company implemented the new plant for filtering emissions inside polyurethane cutting areas.

As regards the atmospheric emissions of VOC (volatile organic compounds), 2018 data for the Group industrial and marine sectors are available.
With reference to the industrial sector, the VOC emissions from the Pontedera plant fell by 33.2% (from 46.1 tons in 2017 to 30.8 tons in 2018), thanks to the new painting facility for scooters becoming fully operational. The increase in VOC emissions from the Indian site at Baramati (from 433 tons in 2017 to 601 tons in 2018, up by 38.8%) is due to the increase in manufactured scooters.
With reference to the marine sector, atmospheric VOC emissions for 2018 were modest, equal to 3.3. tons, accounting for just 0.5% of total VOC emissions. VOC emissions for the marine sector are only available for 2018.

Conserving water resources

Conserving water resources is a significant aspect of Group activities. The existence of a risk associated with water consumption in production processes due to possible waste, inefficiencies and pollution of water sources has been identified.

WATER CONSUMPTION AT THE PRODUCTION SITES OF THE IMMSI GROUP						
			Property and holding sector	***Industrial sector***	***Marine sector***	***Immsi Group***
Water consumption (m^3)	2018	Water from wells [1]	20,395	245,036	0	**265,431**
		Water from the mains	0	525,181	16,885	**542,066**
		Other (rivers) [2]	317,447	0	0	**317,447**
		Total	**337,842**	**770,217**	**16,885**	**1,124,944**
	2017	Water from wells [1]	17,594	278,140	0	**295,734**
		Water from the mains	0	464,137	22,851[3]	**486,988**
		Other (rivers) [2]	379,788	0	0	**379,788**
		Total	**397,382**	**742,277**	**22,851**	**1,162,510**
	Δ% 2018-2017		-15.0%	3.8%	-26.1%	**-3.2%**
	2016	Water from wells [1]				
		Water from the mains				
		Other (rivers) [2]				
		Total				

[1] For the property and holding sector, reference is made to water from the drinking water reservoir of the Is Molas consortium, drawn from the subsurface.
[2] Reference is made to the following rivers: Rio Pula, Rio Tintioni and Rio Baustella. Data provided are the sum of measurements before use for irrigation.
[3]Data provided for 2016 and 2017 have been revised.

Over the years, Piaggio has developed production processes designed to reduce water consumption. At the Pontedera site, water supply wells have inverters that can regulate system flow rates based on the amount of water required by the hydraulic loop. At the Mandello site, where water from wells is only used for cooling systems, the use of water (from this source) went up considerably .
At Piaggio plants, water consumption rose slightly, due to increased production volumes. However Piaggio will continue to undertake activities and actions to further decrease water used, convinced that minimising the use of this resource is an essential duty.
Water consumption at Is Molas covers a significant part of the overall consumption of the Immsi Group (accounting for approximately 30% of the total in 2018, and 34.18% in 2017). This is due to

the irrigation of the resort's golf courses. To avoid water requirements of the resort conflicting with those of the Pula municipality, operational procedures were implemented seeking to achieve an efficient use of reservoirs (owned by Consorzio Is Molas) which collect water from the nearby Rio Pula
during winter. Treated water is conveyed from the purification system of the Is Molas Consortium to the reservoirs, for irrigation purposes.

As regards waste water, environmental respect is ensured with processes to treat and purify waste water. As regards the Piaggio group, see the 2018 NFS for further details on water exchange at sites.
In this section, only the sites at Baramati and Vinh Phuc recycle and re-use a part of the water withdrawn from water sources. Approximately 173,677 m^3 of water were recycled and re-used by the Indian site in 2018, equal to 54.0% of the total amount drawn by the site. At the Vietnamese factory, waste water recovery amounted to 13,143 m^3/y or approximately 10.2%.

As regards the management of waste water at Is Molas, all waste water from the hotel premises is ducted into the treatment station of the Is Molas consortium. The treated water is then conveyed to the reservoirs for use in irrigation. As regards the residential expansion project, the property planned and built by the company Is Molas S.p.A. uses heat pumps for heating and cooling that use the technical water from the reservoir system. The systems to discharge technical water used for residential purposes convey water via pipes to the original reservoir, completing the loop.
In 2018, the company presented a project, currently in the application stage, to develop a tertiary module at the Pula treatment station, to treat waste water from the town of Pula and convey the water by underground pipe to one of the reservoirs of the Is Molas irrigation system . The purpose would be to increasingly use water from the tertiary sector instead of surface water from rivers.

Absence of soil contamination and water sources

In 2018, no spills or polluting events of significance occurred at any of the Group's production sites. At the Mandello and Pontedera sites of the Piaggio group, decontamination initiatives are under way due to historic contamination of the sites. In both cases, the pollutants found have not been used in the production sites for several decades, providing the historical nature of their origin. In accordance with legal obligations, the two situations have been reported to the relevant authorities and managed according to their instructions.
Production activities of Intermarine are carried out in compliance with applicable regulations on discharges into water bodies. In addition, regulations on operations and procedures at greater risk of pollution and to deal with emergencies in the event of spills of toxic substances into water bodies, are complied with.
As regards the Is Molas site, the resort's golf courses require regular treatments using chemical products and fertilisers in order to keep the grass surface suitable for practising the sport. All products used comply with parameters of applicable environmental regulations, limiting the risk of the possible pollution of ground water. Since 2012, the company has monitored surface and subsurface water matrices, sending data to the Region of Sardinia for appropriate controls.

The social dimension

Developing human resources

People are key resources for the Immsi Group, and with their professionalism and passion they contribute each day to the success of our companies, embracing the fundamental values of transparency and ethics. The Group's aim is to empower talent and promote the qualified growth of each person, in a way that is fair and based on merit, within a framework of loyalty and reciprocal trust that are the foundations of a Group organisation that is sustainable and successful.

Immsi feels it is important to clearly define all the values that the Company recognises, accepts and shares, and all the rules and principles of conduct which from the very start, have shaped its relations with the outside world and with its employees. Directors, staff and more generally everyone operating on behalf of Immsi, for any reason and without making any distinctions or exceptions, are committed to these principles and the contents of the Code of Ethics being adopted, as part of their own functions and responsibilities and when carrying out their professional and other activities, also outside the Immsi Group.

For a clear and complete overview, the Group operates in three sectors and more specifically: the “property and holding sector" which comprises the results of Immsi S.p.A., Immsi Audit S.c. a r.l., Is Molas S.p.A. and Apuliae S.r.l., the “industrial sector” which includes companies belonging to the Piaggio group, and the "marine sector", which includes Intermarine S.p.A..
Some information reported in this section is also indicated separately by production site. In this regard, the sites at Pontedera (Pisa), Noale (Venice), Scorzè (Venice) and Mandello del Lario (Lecco) are used for industrial activities of the Piaggio group, the sites at Sarzana (La Spezia) and Messina (ME) are shipyards and the site at Pula (Cagliari) refers to the Is Molas resort.

Staff

At 31 December 2018, Group employees numbered 6,851, down by 113 (-1.6%) compared to 31 December 2017.
The average number of employees was affected by seasonal workers in the summer months (with fixed-term contracts and fixed-term service contracts) used to deal with typical peaks in demand in the summer months, particularly in the industrial and property sectors (tourism/hotel industry).

The geographic location and category of Immsi Group employees at 31 December 2018 are shown below, compared to figures at 31 December for the previous two years, differentiated by business sector.
Information on the level of education, differentiated by geographic area, and the incoming and outgoing turnover rate by professional category for Immsi Group employees, for 2018, is also provided.
The information below is in units, unless otherwise indicated.

Company employees by geographic segment at 31 December

	31.12.2018			
	Property and holding sector	*Industrial sector*	*Marine sector*	*Group total*
EMEA and Americas	69	3,586	267	**3,922**
of which Italy	*69*	*3,324*	*267*	***3,660***
India	0	2,026	0	**2,026**
Asia Pacific 2W	0	903	0	**903**
TOTAL	**69**	**6,515**	**267**	**6,851**

	31.12.2017			
	Property and holding sector	*Industrial sector*	*Marine sector*	*Group total*
EMEA and Americas	69	3,682	275	**4,026**
of which Italy	*69*	*3,444*	*275*	***3,788***
India	0	2,090	0	**2,090**
Asia Pacific 2W	0	848	0	**848**
TOTAL	**69**	**6,620**	**275**	**6,964**

	31.12.2016			
	Property and holding sector	*Industrial sector*	*Marine sector*	*Group total*
EMEA and Americas	71	3,752	277	**4,040**
of which Italy	*71*	*3,518*	*277*	***3,866***
India	0	2,113	0	**2,113**
Asia Pacific 2W	0	841	0	**841**
TOTAL	**71**	**6,706**	**277**	**7,054**

Average number of company employees by professional category

	2018			
	Property and holding sector	*Industrial sector*	*Marine sector*	*Group total*
Senior management	5	98	7	**110**
Middle management	7	631	32	**670**
White collars	33	1,708	115	**1,855**
Manual workers	47	4,261	114	**4,422**
TOTAL	**92**	**6,698**	**268**	**7,054**

	2017			
	Property and holding sector	*Industrial sector*	*Marine sector*	*Group total*
Senior management	5	96	7	**108**
Middle management	6	593	31	**630**
White collars	30	1,728	119	**1,877**
Manual workers	42	4,251	120	**4413**
TOTAL	**83**	**6,668**	**277**	**7,028**

	2016			
	Property and holding sector	*Industrial sector*	*Marine sector*	*Group total*
Senior management	6	100	8	**114**
Middle management	6	581	26	**613**
White collars	33	1,783	123	**1,939**
Manual workers	41	4,518	122	**4,681**
TOTAL	**86**	**6,982**	**279**	**7,347**

Company employees by educational qualifications at 31 December 2018

Employee/staff numbers	*Graduate*	*High school*	*Middle school*	*Primary school*	*Total*
EMEA and Americas	856	1,949	1,059	58	3,922
of which Italy	*690*	*1,873*	*1,044*	*53*	*3,660*
India	579	1,447			2,026
Asia Pacific	329	571	3		903
TOTAL	**1,764**	**3,967**	**1,062**	**58**	**6,851**
%	**25.7%**	**57.9%**	**15.6%**	**0.8%**	

Turnover of company employees by geographic segment at 31 December 2018

The turnover of company employees in Italy and EMEA/Americas is shown below, considering outgoing and incoming personnel, overall.

	Staff at 31 December 2018	Men	Women	< 31	31 - 40	41 - 50	> 50	Total	% Turnover
				Incoming					
Italy	3,660	251	150	152	107	83	59	**401**	**11.0%**
EMEA Americas (excluding Italy)	262	37	11	19	9	14	6	**48**	**18.3%**
TOTAL	**3,922**	**288**	**161**	**171**	**116**	**97**	**65**	**449**	**11.4%**
				Leavers					
Italy	3,660	361	161	123	94	104	201	**522**	**14.3%**
EMEA Americas (excluding Italy)	262	20	5	5	5	6	9	**25**	**9.5%**
TOTAL	**3,922**	**381**	**166**	**128**	**99**	**110**	**210**	**547**	**13.9%**

The turnover of company employees in India and Asia Pacific is shown below, excluding staff on temporary contracts, which are widely used also for short and very short periods in these geographic areas, from the calculation of incoming and outgoing flows.

	Staff at 31 December 2018	Men	Women	< 31	31 - 40	41 - 50	> 50	Total	% Turnover
				Incoming					
India	1,308	129	8	63	60	14	0	**137**	**10.5%**
Asia Pacific	534	13	4	6	8	3	0	**17**	**3.2%**
TOTAL	**1,842**	**142**	**12**	**69**	**68**	**17**	**0**	**154**	**8.4%**
				Leavers					
India	1,308	134	5	38	69	23	9	**139**	**10.6%**
Asia Pacific	534	45	21	28	36	2	0	**66**	**12.4%**
TOTAL	**1,842**	**179**	**26**	**66**	**105**	**25**	**9**	**205**	**11.1%**

Company employee turnover by professional category in Italy at 31 December 2018

	Staff at 31 December 2018	Men	Women	< 31	31 - 40	41 - 50	> 50	Total	% Turnover
				Incoming					
Senior management	73	0	0	0	0	0	0	**0**	**0.0%**
Middle management	262	8	3	0	5	3	3	**11**	**4.2%**
White collars	1,055	43	38	41	32	8	0	**81**	**7.7%**
Manual workers	2,270	200	109	111	70	72	56	**309**	**13.6%**
TOTAL	**3,660**	**251**	**150**	**152**	**107**	**83**	**59**	**401**	**11.0%**
				Leavers					
Senior management	73	4	0	0	0	0	4	**4**	**5.5%**
Middle management	262	22	2	0	1	7	16	**24**	**9.2%**
White collars	1,055	48	32	14	25	18	23	**80**	**7.6%**
Manual workers	2,270	287	127	109	68	79	158	**414**	**18.2%**
TOTAL	**3,660**	**361**	**161**	**123**	**94**	**104**	**201**	**522**	**14.3%**

Personnel management policies

Immsi and Group companies adopt systems, procedures and practices for personnel recruitment, development and remuneration that recognise and reward the merit and commitment of human resources, while respecting equal opportunities. Any type of discrimination is specifically forbidden by the Code of Ethics.
Individual Group companies have established their own procedures and practices for personnel management based on their organisational configuration and own characteristics and professional needs. In fact, the Group does not consider a uniform personnel management system to be efficient or effective, given the considerable difference in the business segments its subsidiaries operate in, despite being united by principles of ethics, transparency and meritocracy.

To offset employment risks which are significant for Group companies, specific policies have been established, where considered necessary, for recruitment, career development, training, remuneration and talent management, which are adopted in all countries where the Group operates according to the same principles of merit, fairness and transparency.

A COMPETITIVE ORGANISATION

The Group pursues an innovative organisation as a way of creating a competitive edge, while respecting, in relations with staff and regardless of the work they carry out, the principles set out in the Code of Ethics adopted by individual Group companies, in all circumstances, as well as the laws in force in the geographic areas where it operates.
The Group pursues an innovative organisation as a way of creating a competitive edge and supporting a multicultural, multinational, lean dimension focussed on the customer and on generating value. The subsidiary Intermarine, with its sights set on customer focus and logics targeting complex projects, pursues an organisational configuration that is functional to its contractual programmes, with specific, multidisciplinary teams assigned to individual contracts, that can generate added professional value to achieve time, cost and quality objectives.
The Group does not resort to child labour according to the age limits in force in the various countries or to forced labour and adheres to main international laws, such as the UN Convention on the Rights of the Child (UNCRC) and the 1998 Human Rights Act.

RECRUITMENT

Personnel recruitment takes place in full compliance with Law, the Code of Ethics, the Compliance Programme pursuant to Italian Legislative Decree no. 231/01 and company procedures, where present.
As part of recruitment, which respects equal opportunities and non-discrimination, Immsi ensures that resources employed match profiles necessary for company requirements, avoiding favouritism or any type of facilitation.
To maximise the effectiveness of the recruitment process, the Group selects recruitment channels based on the specific professional profiles to employ, establishing successful partnerships with schools, universities, training centres, employment agencies, etc.. The Group's bigger companies have been given even greater visibility with a specific section in company websites, for people to register and send in their CVs, which can then be entered in a database.
During 2018, resourcing activities, particularly in the Piaggio group, mainly concerned top-level professionals and specialists, with considerable use of digital tools and social media.

DEVELOPMENT AND CAREERS

The Group sees the possibility of offering its employees concrete career development paths and the security that they can build up their own career within the Group as fundamental in retaining talent and expertise.
Career and development paths are based primarily on an assessment of skills, behaviours, performance and potential, with the aim of creating a pool of highly motivated people to fill key positions.
The development of the core skills necessary to remain in step with evolving markets and business is a priority.

In particular, the human resources development policies of the Piaggio group are focused on establishing, maintaining and developing factors that are decisive for competing in international contexts and that are continually aligned with the strategic business plan. During 2018, the group carried out gap analysis in order to establish development and training plans to improve its competencies compared to the previous year.
Piaggio has produced a professional competencies models that represents the professional expertise and know how comprising the basis and guarantee of continual, quality results. The goal of development tools is to build and improve the managerial and professional skills required by the respective models, while bringing potential to fruition and assessing and rewarding excellent performance and safeguarding specific technical know-how. Specifically, the tools used by Piaggio include: development plans (that reflect the growth plans for employees), job rotation and involvement in strategic or international projects, managerial and professional training and the talent management programme for younger employees. During 2018, development actions to reinforce the group's international presence and promote the development of individuals who demonstrate potential were consolidated. In fact, a balanced mix of nationalities from countries where the group operates took part in the talent programme.
For our highest value human assets, management and professional career paths are designed in order to cover key roles and ensure that the strategic and technological know-how of the group is retained and developed at an international level. Piaggio uses a number of tools for the supervision and management of succession plans with regard to key group positions, and in 2018, it used the global IT platform to test the methodology implemented, which also takes into account the skills and performances recorded each year.
For further details, see the 2018 NFS published by Piaggio & C. S.p.A..

In the marine sector, Intermarine recruits new graduates with technical/engineering and scientific backgrounds, at regular intervals, to join the company and gradually build up their career. This approach involves an initial extra-curricular work placement, based on specific agreements and training projects stipulated with the province of La Spezia, and a second stage where the person is employed on a professional apprenticeship contract, in order to obtain a specific professional qualification based on a dedicated training plan.

EVALUATION

The Immsi Group ensures that the criteria and procedures adopted to review personnel performance, managerial and professional skills and potential in relation to assigned roles, company requirements and possible development paths, where identified, are made known to personnel.
Performance evaluation influences both development and career paths and rewarding.

With particular reference to the Piaggio group, the review process is managed in an integrated way through a dedicated IT platform and provides the information necessary for the processes of succession planning, management reviews and a gap analysis of professional competencies, which are conducted across the Group. Moreover, during 2018, the Evaluation Management System was further consolidated within Piaggio. This standard evaluation system is for all office-based and managerial staff, assisted by computer tools for the real-time management of all evaluations, for human resource development purposes.

Percentage of employees who received performance and career development reviews in 2018 by geographic segment and gender

	EMEA & Americas		*of which Italy*		*Asia Pacific 2W*		*India*		*Total*	
	M	*W*	*M*	*W*	*M*	*W*	*M*	*W*	*M*	*W*
Senior management	96%	100%	96%	100%	100%	100%	100%	n/a	**97%**	**100%**
Middle management	91%	88%	89%	84%	100%	100%	100%	100%	**96%**	**91%**
White collars	90%	87%	88%	85%	100%	100%	100%	100%	**94%**	**90%**
Manual workers	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**n/a**	**n/a**

TRAINING

The Group places considerable attention on technical, operational, safety and specific professional training. During 2018, a total of 99,122 training hours were delivered, up considerably on the figure for 2017, of 65,147 hours. This was also due to the important impact of the occupational health and safety training campaign in Italy that involved all employees (blue collars, white collars, middle and senior management). Training is designed to meet the needs of all company employees, guaranteeing bespoke solutions.

The main companies of the Immsi Group have their own company training management and organisation procedures.
The Piaggio group has put in place a platform, called Piaggio Global Training, which is used to manage and monitor the whole training process. The process methodology, starting from the analysis of training needs, is the same in every region thereby ensuring a uniform training policy.
Intermarine adopts a specific procedure as part of its Quality System, with an annual review of the professional/technical training needs of staff in each department; this review is used to develop its Training Plan, approved by the Chief Executive Officer. This Training Plan, which includes mandatory occupational health and safety training, is then put in place, with a priority on public training, funded through ongoing and successful partnerships with Training Organisations. Intermarine has provided training through inter-professional and private funding and takes part in intercompany training projects.
Group companies attended a training session during 2018 on the alignment of Compliance Programmes for the prevention of offences contemplated in Legislative Decree 231/01, with information on issues related to the protection of human rights and workers contained in the Code of Ethics, which is an attachment to the Compliance Programme.

Hours of training by training area

Thematic area	2018			2017			2016		
	EMEA & Americas	India	Asia Pacific 2W	EMEA & Americas	India	Asia Pacific 2W	EMEA & Americas	India	Asia Pacific 2W
Managerial training	5,859	11,942	1,371	6,303	14,098	742	3,464	11,056	1,108
Technical/professional training	17,900	7,110	4,166	11,379	6,762	408	12,410	13,224	1,086
Language training	4,815	-	132	5,365	216	640	4,493	1,400	6
Health and safety training	34,095	8,674	3,059	8,504	5,186	5,544	8,040	5,108	4,405
TOTAL	**62,669**	**27,726**	**8,728**	**31,551**	**26,262**	**7,334**	**28,407**	**30,788**	**6,605**

Total training hours by professional category

Professional category	2018	Total per capita 2018*	2017	Total per capita 2017*	2016	Total per capita 2016*
Senior	1,592	14.2	1,243	11.3	1,139	10.4
Middle	12,893	19.0	11,439	17.8	10,695	16.9
White collars	40,041	21.3	35,072	18.7	29,777	15.8
Manual workers	38,055	9.1	13,496	3.1	20,576	4.6
Other workers	6,542	n/a	3,897	n/a	3,613	n/a
TOTAL	**99,123**	**13.5**	**65,147**	**8.8**	**65,800**	**8.8**

* value determined by assigning all training hours delivered (including internships, project training, etc.) to the numerator, and the workforce at 31 December 2018 to the denominator..

Training for non-company employees, including temporary workers in general, was provided in particular by the subsidiary Intermarine, also in view of amendments introduced by the so-called Dignity Decree, for specific training given prior to working on production job orders.

Training hours by gender

Thematic area	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managerial training	16,424	2,748	**19,172**	18,836	2,307	**21,143**	14,268	1,360	**15,628**
Technical/professional training	23,383	5,794	**29,176**	16,346	2,203	**18,549**	23,886	2,834	**26,720**
Language training	2,977	1,970	**4,947**	4,114	2,107	**6,221**	4,227	1,672	**5,899**
Health and safety training	35,790	10,038	**45,828**	15,876	3,358	**19,234**	16,156	1,397	**17,553**
TOTAL	**78,574**	**20,550**	**99,123**	**55,172**	**9,975**	**65,146**	**58,537**	**7,263**	**65,800**

The above data do not consider on-the-job training hours.

REWARDING

The Immsi Group's reward policies are designed to reward individuals and recognise their contribution to the company, according to criteria of competitiveness, fairness and meritocracy.
The Group's reward system differs based on the Group's companies.[1]

Piaggio offers to new recruits and all its employees a salary package in line with best market practices. For this reason it has adopted a salary review process, with details given in the 2018 NFS published by Piaggio & C. S.p.A..

[1] For the purposes of the Standard GRI 401-2, "significant locations of operations" means the sites in Pontedera, Noale, Scorzè and Mandello del Lario dedicated to the industrial activity of the Piaggio group, the sites of Sarzana and Messina which are shipyards and the site in Pula which is an *Is* Molas resort. Also included is the holding Immsi S.p.A., with head office in Mantova.

The achievement of excellent results in terms of objectives set by the company is rewarded through variable incentive systems, focused on business-related qualitative and quantitative objectives as well as on the internal efficiency of each area of responsibility. The full process of setting objectives and reviewing results is conducted with employees, using objective criteria.
Piaggio offers a benefits package in line with best local market practices, which is structured on an organisational basis. Benefits include, by way of example: a company car, supplementary healthcare, a company medical centre at various sites, agreements with local entities and organisations of interest for employees.
At a national level, benefits are provided to full-time as well as to part-time employees without distinction..

Intermarine remunerates and rewards personnel through salary policies and strategies that recognise the competencies, responsibilities, commitment and contribution made by each person, in compliance with criteria of fairness and competitiveness, and that also recognise the specific and particular economic, financial and productive aspects of the company and its relative contracts. Intermarine reviews personnel salaries on a continual basis and consults with managers of each department at regular intervals to identify any critical aspects as regards professional categories and salary brackets. Intermarine gives all employees who are senior managers and some key staff a company car, regardless of their type of employment contract (full-time, part-time, fixed term).
Salary and performance review policies for personnel of companies in the property and holding sectors are based on organisational logics and principles of meritocracy and impartiality. Reviews at regular intervals make it possible to identify the strengths and weaknesses of each employee and start a process aimed at retaining resources that make the most significant contributions.
Benefits are also provided as per contract provisions, covering supplementary pension schemes, accident/life/disability insurance, parental leave and healthcare, regardless of whether contracts are full or part-time.

Ratio between the average remuneration of women and men in the same professional category[2]

	Italy	*EMEA (excluding Italy)*	*Asia Pacific*	*India*
Senior management	0.86			
Middle management	0.76	1.04	0.92	1.24
White collars	0.88	0.88	0.90	0.71
Manual workers	0.96		0.97	0.53

On the basis of internal analyses of recognised salary conditions, no significant differences were detected within the Immsi Group between the basic salary and the remuneration of men compared to women with the same category, experience and assigned duties.
This basic uniformity in salaries for male and female staff is also confirmed by analysis of the minimum salary of new recruits and guaranteed compliance with limits of local legislation.

[2] Within the individual geographic areas, any categories not shown are due to the absence of any such female employees in these places.

Diversity and equal opportunities

In relations with its staff and regardless of the type of work carried out, the Immsi Group respects, in all circumstances, the principles set out in the Code of Ethics adopted by each Group company, which has been updated with the introduction of an article specifically on the protection of human rights and workers' rights.
As provided for in the aforesaid Code of Ethics, the Group undertakes to ensure respect for the personal dignity, privacy and personality rights of every individual, as well as to ensure the conditions necessary for a non-hostile work environment and to prevent any form of exploitation, discrimination or harassment in accordance with the above conventions. In particular, the Company rejects and dissociates itself from any conduct that may constitute a threat of any kind, determined by reasons of a racial or sexual nature or related to other personal characteristics, and requires compliance with all laws prohibiting any form of discrimination based on race, gender, religion, language, ideology, ethnicity or political opinion. The Company also prohibits any form of slavery, torture, forced labour, child labour, cruel, inhuman or degrading treatment and working conditions that may pose a threat to life or health.
Directors, staff and more generally everyone operating on behalf of Immsi, for any reason and without making any distinctions or exceptions, are committed to these principles and the contents of the Code of Ethics being adopted, as part of their functions and responsibilities and when carrying out their professional and other activities. This commitment is made by each party by signing contracts (of employment, sale, purchase, etc.), that include clauses on respecting the Code.
Immsi and its subsidiaries do not resort to child labour according to the age limits in force in various countries or to forced labour and observe laws in effect in the areas where they operate.
No infringements of the above principles have been reported.

For further details on diversity management in the Piaggio group, which operates on a global scale with employees in Europe, America and Asia and considerable age/gender distinctions, see the 2018 NFS published by Piaggio & C. S.p.A..
As regards the composition and promotion of diversity of Immsi S.p.A. company boards, see the Report on Corporate Governance and Ownership.

FEMALE EMPLOYMENT

Female employees in the Group play a fundamental role at all levels of the organisational structure. They account for 20.3% of the workforce, slightly up on the figure of 19.8% for 2017.

Company employees by gender and geographic segment at 31 December 2018

	2018		***2017***		***2016***	
	Men	***Women***	***Men***	***Women***	***Men***	***Women***
EMEA and Americas	2,739	1,183	2,834	1,192	2,902	1,198
of which Italy	*2,536*	*1,124*	*2,649*	*1,139*	*2,719*	*1,147*
India	1,971	55	2,044	46	2,067	46
Asia Pacific	749	154	704	144	698	143
TOTAL	**5,459**	**1,392**	**5,582**	**1,382**	**5,667**	**1,387**

Number of women employees at 31 December 2018 by geographic segment

	Fixed-term contract		Open-ended contract		Total		% of women
	Men	Women	Men	Women	Men	Women	
EMEA and Americas	14	17	2,725	1,166	**2,739**	**1,183**	**30.2%**
of which Italy	*14*	*17*	*2,522*	*1,107*	***2,536***	***1,124***	***30.7%***
India	691	27	1,280	28	**1,971**	**55**	**2.7%**
Asia Pacific	308	61	441	93	**749**	**154**	**17.1%**
TOTAL	**1,013**	**105**	**4,446**	**1,287**	**5,459**	**1,392**	**20.3%**

Equal opportunities are offered to employees of both genders, with concrete initiatives in place to help people strike a balance between work and domestic life. Such initiatives include alternatives to full-time work.

Company employees by profession, gender and geographic segment at 31 December 2018

	Full time			Part time			% Part time
Employee/staff numbers	Men	Women	Total	Men	Women	Total	
EMEA and Americas	2,636	899	**3,535**	102	285	**387**	**10%**
of which Italy	*2,459*	*849*	***3,308***	*76*	*276*	***352***	***10%***
India	1,971	55	**2,026**	0	0	**0**	**0%**
Asia Pacific	749	154	**903**	0	0	**0**	**0%**
TOTAL	**5,356**	**1,108**	**6,464**	**102**	**285**	**387**	**6%**

Our companies apply laws passed by relevant national legislation.
The Group does not discriminate in any way against women who take maternity leave.

YOUNG EMPLOYEES

Within the Group, the company's largest population is in the 41-50 age group, as shown below.

Company employees by professional category and age bracket at 31 December 2018

	up to 30		31-40		41-50		> 50		Total	
2018	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Senior management	0	0	8	0	31	3	67	3	**106**	**6**
Middle management	3	2	176	22	249	35	167	24	**595**	**83**
White collars	187	95	491	153	382	155	322	97	**1,382**	**500**
Manual workers	1,097	69	637	93	929	374	710	270	**3,373**	**806**
TOTAL	**1,287**	**166**	**1,312**	**268**	**1,591**	**567**	**1,266**	**394**	**5,456**	**1,395**
	up to 30		31-40		41-50		> 50		Total	
2017	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Senior management	0	0	5	0	36	3	63	3	**104**	**6**
Middle management	1	2	165	23	238	27	165	20	**569**	**72**
White collars	184	80	500	157	401	162	310	87	**1,395**	**486**
Manual workers	1,211	60	618	114	959	382	729	259	**3,517**	**815**
TOTAL	**1,396**	**142**	**1,288**	**294**	**1,634**	**574**	**1,267**	**369**	**5,585**	**1,379**

Company employees up to 30 years of age by geographic segment at 31 December 2018

Employee/staff numbers	up to 30	%
EMEA and Americas	136	3%
India	809	40%
Asia Pacific	508	56%
TOTAL	**1,453**	**21%**

STAFF ENGAGEMENT

The Immsi Group aims to keep its employees up to date about its business performance and prospects, and to bring them closer to the strategies of senior management.

In particular, Piaggio uses communication and information tools which respect and empower the social and cultural realities within the group. For further details on these tools, which include the national “PiaggioNet” portal and the “PiaggioNet International” portal, which are in English, see the 2018 NFS published by Piaggio & C. S.p.A..

Industrial relations

The Immsi Group acknowledges the role of trade union organisations and workers' representatives and is committed to establishing relations with them focussed on attention, engagement and a common understanding.
The Group complies with the labour legislation of countries where it operates. The minimum notice to give in the case of major organisational changes depends on the country where the employee works and on local applicable legislation.

Italy
During 2018, dialogue and exchange of views with the trade unions and with employee representatives continued with the aim to find shared solutions to the market crisis and deal with its impact on workers. Through collective bargaining, shared management tools were identified that can adequately address the long-term crisis in the sector, while safeguarding the skills present in the company by promoting their reuse.
The National Collective Bargaining Agreement (CCNL) is valid throughout Italy. In the case of major organisational changes, provisions of law and of the relative collective bargaining agreement are complied with.

With particular reference to the industrial sector, in August 2017, the trade union organisations FIM, FIOM and UILM presented a platform to discuss an additional (second level) agreement for production units in Italy. Various meeting were held from 2017 onwards. Negotiations are still underway.

As regards the Pontedera site, which is now fully established as a centre of excellence in innovation, research and design and in the production of vehicles and engines, a new trade union agreement was signed in October 2017 for use of the Solidarity Contract from October 2017 to April 2018. The Solidarity Contract was subsequently resumed, to run from November 2018 to March 2019.
In February 2018, a mobility procedure was launched for 180 employees in order to downsize staff activities and structurally rebalance the production workforce.

The Scorzè site was involved in the Solidarity Contract in the first quarter of 2018, following the agreement signed in October 2017; at the end of July 2018, a further agreement for a Special Redundancy Fund for reorganisation was signed, ending on 8 January 2019. The Ordinary Redundancy Fund was also used on a residual basis in June/July 2018.

In October 2017, an agreed-on redundancy procedure was started for 70 employees in order to structurally rebalance the production workforce.

As regards the Mandello del Lario production site, the increase in production during summer 2018 was addressed with temporary employment contracts and flexible weekly working hours. The Ordinary Redundancy Fund was also used on a residual basis at the end of 2018.

No mobility procedures were adopted, or solidarity contracts or other types of social shock absorbers used in the Immsi Group during 2018.

Membership of trade union organisations at Italian sites at 31 December 2018 is shown in the table below:

	FIOM	*UILM*	*FIM*	*UGL*	*USB*	*CGIL/CISL/UIL*	*Other*	*Total*	*% of employees who are members of a trade union*
Industrial sector									
Pontedera	248	285	326	5	36	1		**901**	**35.8%**
Noale and Scorzè	125	1	141					**267**	**51.3%**
Mandello del Lario	41	2	21					**64**	**66.7%**
Marine sector									
Sarzana						73		**73**	**35.6%**
Messina		9	2				41	**52**	**83.9%**
Property sector									
Pula						2		**2**	**7.0%**

Overall, episodes of industrial action were down on the average figure for previous years, although slightly up on 2017.

The table below provides a summary of the hours lost due to strikes from 2016 to 2018 at the company's sites in Italy:

Piaggio

		2018	*2017*	*2016*
NO. OF HOURS LOST DUE TO STRIKES	*general/category*	1,400	1,100	19,151
	company	14,526	9,877	9,913
	TOTAL	**15,926**	**10,977**	**29,064**
% OF HOURS LOST compared to HOURS WORKED	*general/category*	0.07%	0.05%	1%
	company	0.8%	0.5%	0.5%
	of which Pontedera compared to hours worked at Pontedera	0.89%	0.58%	0.61%
	TOTAL	**0.83%**	**0.55%**	**1.50%**
NO. OF DAYS LOST DUE TO STRIKES	*general/category*	175	138	2,394
	company	1,816	1,235	1,239
	TOTAL	**1,991**	**1,373**	**3,633**

This increase, concerning micro-conflicts within the company, only concerned the Pontedera site, with figures that are not significant and that mainly concerned the actions of just one trade union organisation.

For more details on trade union representation of the Piaggio group in Vietnam and India, see the 2018 NFS published by Piaggio & C. S.p.A..

Intermarine

		2018	*2017*	*2016*
NO. OF HOURS LOST DUE TO STRIKES	*general/category*	1,152	0	0
	company	0	0	1,096
	TOTAL	**1,152**	**0**	**1,096**
% OF HOURS LOST compared to HOURS WORKED	*general/category*	0.33%	0%	0%
	company	0%	0%	0.24%
	TOTAL	**0.33%**	**0%**	**0.24%**
NO. OF DAYS LOST DUE TO STRIKES	*general/category*	144	0	0
	company	0	0	137
	TOTAL	**144**	**0**	**137**

No industrial unrest was reported for other Group companies, during the 2016 - 2018 period.

Occupational health and safety

Immsi and the Group undertake to guarantee a safe, healthy and productive working environment for employees, also disseminating a safety culture and awareness of risks and by promoting the responsible conduct of their employees.
The extensive industrial segments in which the Group operates pose a risk related to suitable health and safety conditions in the work place, and imply an impact also as regards accidents, occupational diseases, loss of reputation and the payment of compensation.
The Group considers safety training as a key driver for disseminating a safety culture and promoting a conduct that ensures appropriate working conditions, and encourages people to behave responsibly and appropriately. This strategy and the monitoring of workers and staff and their compliance with occupational health and safety procedures and instructions are essential for mitigating and adequately dealing with risks concerning the work force, as indicated above.
For information about concrete actions targeting occupational health and safety taken by the Piaggio group, as well as standards and policies of its Indian and Vietnamese subsidiaries, see the 2018 NFS published by Piaggio & C. S.p.A..

Accident statistics (frequency and severity) by production site for Group companies in Italy are reported below. The sites at Pontedera (Pisa), Noale (Venice), Scorzè (Venice) and Mandello del Lario (Lecco) are used for industrial activities of the Piaggio group, the sites at Sarzana (La Spezia) and Messina are shipyards and the site at Pula (Cagliari) refers to the Is Molas resort.

Accident Frequency Index[3] in Italy

	2018	2017	2016
Industrial sector			
Pontedera	1.2	1.4	1.5
Noale and Scorzè	0.5	0.3	1.1
Mandello del Lario	0.7	0	0.5
Marine sector			
Sarzana	1.5	0.8	1.9
Messina	0	7.1	3.2
Property sector			
Pula	0.8	4.1	1.0

Accident Severity index[4] in Italy

	2018	2017	2016
Industrial sector			
Pontedera	24.5	30.6	33.5
Noale and Scorzè	11.6	6.1	22.7
Mandello del Lario	9.2	0	9.2
Marine sector			
Sarzana	20.8	37.6	61.4
Messina	0	369.2	26.4
Property sector			
Pula	10.9	64.6	7.0

The severity index for comparative periods was recalculated in relation to figures published in the 2017 NFS, aligning it with the parameters considered to determine the index for 2018.

[3] The Frequency Index is: F_I = (No. of accidents * 100,000) / Hours worked.
The number of accidents is calculated considering only accidents in the workplace, excluding accidents reported pursuant to Article 53 of Italian Presidential Decree no. 1124/65. As of Article 53, both commuting accidents and accidents not considered reliable (due to the lack of a violent cause or lack of a causal link or lack of work activity) are reported.
[4] The Lost Day Rate is: LDR = (working days lost / hours worked) x 100,000. In calculating the Index, working days lost because of all accidents were considered, excluding those reported pursuant to Article 53 of Presidential Decree no. 1124/65. As of Article 53, both commuting accidents and accidents not considered reliable (due to the lack of a violent cause or lack of a causal link or lack of work activity) are reported.

Most of the sites in Italy reported a decrease in accident statistics for 2018, demonstrating the effectiveness of actions taken by the Group to monitor and promote safety at work.

One fatal accident occurred in 2018, during transit at the production site of Pontedera. Occupational diseases recorded at Italian sites of the Group and reported in this NFS are indicated below:

	2018		*2017*		*2016*	
	Reported	*Acknowledged*	*Reported*	*Acknowledged*	*Reported*	*Acknowledged*
Industrial sector						
Pontedera	70	(*)	95	(*)	104	42
Noale and Scorzè	0	0	0	0	0	0
Mandello del Lario	1	(*)	0	0	1	0
Marine sector						
Sarzana	0	0	0	0	2	1
Messina	0	0	0	0	2	(*)

(*) to date, the outcome from INAIL concerning occupational diseases reported in the year considered is not known.

As regards the property and holding sector, no occupational diseases were reported during the 2016 – 2018 period. In this regard, at the Cagliari site, one worker submitted an application to INAIL concerning an occupational disease (due to harm prior to employment with Is Molas S.p.A.), of which the outcome is still pending.

As regards reporting and indexes related to occupational health and safety at the Group's foreign sites, see the 2018 NFS published by the Piaggio group.

Relations with local communities

Immsi Group companies are committed to initiatives that support local communities, also through sponsorships and donations to external projects. The aim is to foster the social, cultural and sporting achievements of communities.
In the industrial sector, Piaggio is strongly committed through its Foundation (Fondazione), the Piaggio Museum (Museo Piaggio) and Archive (Archivio Storico).
Activities and events organised, as well as charity initiatives and sponsorships overseen by the Piaggio group in Italy, India and Vietnam are described in full in its 2018 NFS.
Intermarine S.p.A. is committed to engaging with local communities, through donations and sponsorships, and with specific stakeholders.
During 2018, Intermarine contributed with the sponsorship of the MMI Mariperman Trophy. In addition, the company donated a small vessel for monitoring the river bed to the Montemarcello - Magra Park Authorities..
As regards Is Molas, the company contributed to some events organised near the resort, during 2018.
For the last few years, the Immsi Group, through the Parent Company, has supported educational and rehabilitation activities for children with disabilities from cerebral palsy, making donations to the “Casa del Sole Onlus” association, on behalf of all employees. In forty years of activities, the "Casa del Sole" has helped more than 5,000 children, offering valuable support to their families.

The supply chain

The reporting boundary for this dimension is as follows:
- Property and holding sector: Immsi S.p.A. and Is Molas S.p.A.;
- Industrial sector: Piaggio & C. S.p.A., Piaggio Vietnam Co. Ltd., Piaggio Vehicles Private Ltd., Piaggio Advance Design Center, Piaggio Fast Forward Inc., Foshan Piaggio Vehicles Technologies Co. Ltd.;
- Marine sector: Intermarine S.p.A..

The inclusion of Group companies in the reporting boundaries which provide consultancy, financial services or that carry out few operations, such as Immsi Audit S.c. a r.l., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l., Pietra Ligure S.r.l. and Apuliae S.r.l. was not considered as material, given the low number of purchases made.

Property and holding sector[5]

In 2018, the company Immsi S.p.A worked with 177 suppliers, purchasing commodities, materials, goods, products and services for approximately €3.6 million. Total payments made in the previous year amounted to approximately €2.2 million. Nearly all purchases are sourced from Italian suppliers.
For the management of its property situated in Rome, Immsi S.p.A. is assisted by specialist maintenance companies, and in some cases enters into contracts.

In 2018, Is Molas S.p.A worked with 422 suppliers, purchasing commodities, materials, goods, products and services for approximately €10 million. Total payments made in the previous year amounted to approximately €8.4 million.
The geographic distribution of purchases is shown below:

GEOGRAPHIC LOCATION OF PURCHASES FROM SUPPLIERS - PROPERTY AND HOLDING SECTOR

Geographic segment	*2018*	*2017*	*2016*
Italy[1]	98.8%	97.0%	96.9%
Abroad	1.2%	3.0%	3.1%

N.B.: the geographic area “Italy” corresponds to the definition of “*local*” as defined in GRI Standard 204-1. “*Significant locations of operations*” mean the resort of Is Molas at Pula (Cagliari).

As regards Is Molas S.p.A., hospitality supplies mainly refer to three segments: food and beverages; laundry services (for resort rooms and the restaurant); hotel and sports' facilities maintenance, with the relative supply of golf course products.

The companies Immsi S.p.A. and Is Molas S.p.A have established specific procedures to regulate supplier selection and the goods and services procurement process. In addition, a specific general clause is included in each purchase order/contract in which the supplier and partners acknowledge and undertake to observe provisions in Legislative Decree no. 231/01 and the Code of Ethics adopted by the company.

[5] The geographic area “Italy” corresponds to the definition “local” of the GRI Standard 204-1. Moreover, as regards the property and holding sector, the definition "significant locations of operations”, as indicated in the GRI standard, means:
- Immsi S.p.A.: the registered office of Mantova and property in Rome;
- Is Molas S.p.A.: the registered office of Mantova and resort of Is Molas in Pula (Cagliari).

Industrial sector[6]

The Piaggio group produces vehicles that are sold under its brand on the various markets around the world. The only exception regards vehicles purchased by the Chinese subsidiary Zongshen Piaggio Foshan (about 17,100 units in 2018, equivalent to 2.8% of vehicles sold). Piaggio is a leader in engine technology and produces engines at its plans both for internal production and to meet the demand of other manufacturers.
All the other components that constitute a vehicle are purchased externally and assembled in-company.
In 2018, Italian plants purchased merchandise and spare parts for an overall value of €389 million (excluding complete vehicles) from around 710 suppliers. The first ten suppliers made up 20% of total purchases. The geographic breakdown of purchases is shown below. Payments to suppliers amounted to approximately €627 million.

GEOGRAPHIC LOCATION OF PURCHASES FROM SUPPLIERS FOR ITALIAN SITES - INDUSTRIAL SECTOR [7]

Geographic segment	*2018*	*2017*	*2016*
EMEA	65.7%	68%	70%
China+Taiwan	20.8%	19%	19%
Vietnam	5.8%	5%	3%
India	6.7%	7%	7%
Japan	0.3%	1%	1%
Other	0.7%	-	-

N.B.: the geographic area "EMEA" corresponds to the definition of "*local*" as defined in GRI Standard 204-1. "*Significant locations of operations*" mean the production sites of the Piaggio group in Italy: Pontedera (Pisa), Noale (Venice), Scorzè (Venice), Mandello del Lario (Lecco).

In 2018, plants in India purchased raw materials, merchandise and spare parts for an overall value of €305 million from around 590 suppliers. The first ten suppliers made up 35% of the total purchases. Total payments amounted to €352 million.

GEOGRAPHIC LOCATION OF PURCHASES FROM SUPPLIERS FOR INDIAN SITES - INDUSTRIAL SECTOR

Geographic segment	*2018*	*2017*	*2016*
India	95.1%	97.2%	98.6%
Other	4.9%	2.8%	1.4%

N.B.: the geographic area "India" corresponds to the definition of "*local*" as defined in GRI Standard 204-1. "*Significant locations of operations*" mean the production site at Baramati (Vietnam).

In 2018, plants in Vietnam purchased merchandise and spare parts for an overall value of €141 million from around 220 suppliers. The first ten suppliers made up 37% of total purchases. Total payments amounted to €139 million.

GEOGRAPHIC LOCATION OF PURCHASES FROM SUPPLIERS FOR VIETNAMESE SITES - INDUSTRIAL SECTOR

Geographic segment	*2018*	*2017*	*2016*
Vietnam	53.3%	47.1%	46.5%
China+Taiwan	21.3%	19.8%	22.0%
EMEA	20.1%	26.9%	24.1%
India	2.0%	2.4%	2.4%
Other	3.3%	3.8%	5.0%

N.B.: the geographic area "Vietnam" corresponds to the definition of "*local*" as defined in GRI Standard 204-1. "*Significant locations of operations*" mean the production site at Vihn Phuc (Vietnam).

Relations of the Piaggio group with suppliers are based on loyalty, impartiality and respect of equal

[6] For the industrial sector, only purchases of materials and components were considered. Purchases of services were excluded.
[7] For the calculation of the percentages, the value of incoming goods for orders - open orders was taken into consideration.

opportunities of all parties concerned.
The Piaggio group is convinced that responsibility is a commitment which must positively involve everyone in the company-supplier chain; this is why suppliers worldwide that wish to do business with Piaggio have to sign the general conditions of supply of the Piaggio group which include the “Code of Ethics and Guidelines for doing business”. Audits are regularly conducted on direct material suppliers to ensure their effective compliance.

In line with the Piaggio group's guidelines, every year the Purchasing Unit seeks to improve the procurement process by promoting the technical skills of buyers and focusing on the management of the various goods categories.

Over the last few years, Piaggio group Management has started a process of common development with its suppliers by setting up a specific department called "Vendor Assessment" as well as assigning the "Finance" Function to define and monitor activities of possible risks areas involving financial and corporate issues, to protect and guarantee the complete independence between corporate areas involved in the procurement processes, as well as to place priority on meeting the needs of all stakeholders.

For specific information about the role of Piaggio and its Corporate Finance Area, Vendor Assessment Function and Suppliers Portal, see the 2018 NFS of the Piaggio group.

Marine sector

In 2018, Intermarine worked with 882 suppliers, purchasing commodities, goods, products and services for a value of approximately €45.5 million. Total payments made in the previous year amounted to approximately €65 million.
The geographic distribution of purchases is shown below:

GEOGRAPHIC LOCATION OF PURCHASES FROM SUPPLIERS - MARINE SECTOR

Geographic segment	*2018*	*2017*	*2016*
Italy	84.4%	76.0%	80.5%
EMEA (excluding Italy)	14.8%	23.0%	17.0%
Other	0.8%	1.0%	2.5%

N.B.: the geographic area “Italy” corresponds to the definition of “*local*” as defined in GRI Standard 204-1. “*Significant locations of operations*” refer to Intermarine shipyards located at Sarzana (La Spezia) and Messina.

Suppliers are selected based on the prior evaluation of their reliability and dependability in guaranteeing products and services of a quality that meets Intermarine S.p.A.'s technical and planning requirements.
The selection process is based on an internal procedure overseen in conjunction with the Quality, Environment and Safety Department and Purchasing Department, which applies to suppliers of goods and services necessary to manufacture company products, such as:
- Components, apparatus and machinery for plants;
- Labour (contracts);
- Design services;
- Consultancy services.

Intermarine endeavours to prevent the use by third parties of its economic and financial system for the purpose of money laundering and financing terrorism by its suppliers, verifying with the utmost diligence the respectability of its commercial partners prior to establishing business relationships with them. Potential suppliers must guarantee compliance with laws and regulations applicable in all countries where Intermarine operates, with particular reference to specific legislation on the environment, health and safety. In fact, Intermarine does not work with organisations that do not intend observing the above.

With particular reference to the selection of suppliers for ship construction contracts, the following are considered strategic:

- ISO 9001 certification (of the company quality management system) and AQAP 2110 (NATO quality certification);
- Willingness to be audited by Intermarine S.p.A.'s Quality Assurance Department;
- Willingness to take part in scheduled audits, if supplies are contractually covered by AQAP regulations.

GRI Content Index

GRI STANDARD INDEX FOR "IN ACCORDANCE" – CORE			
GRI Standard	**#**	**Disclosure Title**	**References**
GENERAL DISCLOSURE			
ORGANIZATIONAL PROFILE			
GRI 102: General Disclosures 2016	**102-1**	Name of the organisation	Group profile
	102-2	Activities, brands, products, and services	Group profile The products and services dimension
	102-3	Location of headquarters	Group profile
	102-4	Location of operations	Group profile
	102-5	Ownership and legal form	Group profile *Corporate Governance*
	102-6	Markets served	Group profile The products and services dimension
	102-7	Scale of the organisation	Group profile The social dimension - Developing human resources - Staff; Directors' Report and Financial Statements of the Immsi Group at 31 December 2018 (http://www.immsi.it/it/investors/bilanci-relazioni); Report on Operations and Consolidated Financial Statements of the Piaggio group at 31 December 2018 (http://www.piaggiogroup.com/it/investor/bilanci-e-relazioni)
	102-8	Information on employees and other workers	The social dimension - Developing human resources *Non-employees (outsourced staff and contractors) are not considered*
	102-9	*Supply chain*	The supply chain
	102-10	Significant changes to the organisation and its supply chain	Group profile The supply chain; *The Intermarine site located at La Spezia (Sarzana) was closed in 2018.*
	102-11	Precautionary Principle or approach	Corporate Social Responsibility risks
	102-12	External initiatives	The products and services dimension - Piaggio vehicles; The products and services dimension - Intermarine vessels
	102-13	Membership of associations	The products and services dimension - Piaggio vehicles; The products and services dimension - Intermarine vessels;
STRATEGY			
GRI 102: General Disclosures 2016	**102-14**	Statement from senior decision-maker	Letter from the Chair
ETHICS AND INTEGRITY			
GRI 102: General Disclosures 2016	**102-16**	Values, principles, standards, and norms of behaviour	Corporate Governance - Code of Ethics
GOVERNANCE			
GRI 102: General Disclosures 2016	**102-18**	Governance structure	*Corporate Governance;* Report on Corporate Governance and Ownership (http://www.immsi.it/it/governance-ita)
STAKEHOLDER ENGAGEMENT			
GRI 102: General Disclosures 2016	**102-40**	List of stakeholder groups	Stakeholder engagement
	102-41	Collective bargaining agreements	The social dimension - Developing human resources - Industrial relations *All employment at Italian sites of the Group is regulated according to the relevant National Collective Bargaining Agreement. For non-Italian sites of the Group, regulations and/or collective agreements are adopted. Local regulations and collective agreements where present are therefore adopted for 100% of the Group's employees.*
	102-42	Identifying and selecting stakeholders	Methodological note - Materiality analysis; Stakeholder engagement
	102-43	Approach to stakeholder engagement	Stakeholder engagement
	102-44	Key topics and concerns raised	Stakeholder engagement
REPORTING PRACTICE			
GRI 102: General Disclosures 2016	**102-45**	Entities included in the consolidated financial statements	Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016) Directors' Report and Financial Statements of the Immsi Group at 31 December 2018 (http://www.immsi.it/it/investors/bilanci-relazioni)
	102-46	Defining report content and topic boundaries	Methodological note
	102-47	List of material topics	Methodological note - Contents of the Non-Financial Statement

	102-48	Restatements of information	*Any changes in data reported in the 2017 NFS are appropriately indicated.*
	102-49	Changes in reporting	*Any changes in data reported in the 2017 NFS are appropriately indicated.*
	102-50	Reporting period	Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016)
	102-51	Date of most recent report	Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016)
	102-52	Reporting cycle	Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016)
	102-53	Contact point for questions regarding the report	Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016)
	102-54	Claims of reporting in accordance with the GRI Standards	Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016)
	102-55	GRI content index	GRI Content Index
	102-56	External assurance	Report on the limited audit of the Consolidated non-financial statement

MATERIAL TOPICS

GRI Standard	***#***	***Disclosure***	***References***	***Omissions/Notes***
MARKET PRESENCE				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement The social dimension - Developing human resources - Personnel management policies	
GRI 202: Market Presence 2016	**202-1**	Ratios of standard entry level wage by gender compared to local minimum wage	The social dimension - Developing human resources - Personnel management policies - Rewarding	*A brief qualitative contribution is provided.*
PROCUREMENT PRACTICES				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement The supply chain	
GRI 204: Procurement Practices 2016	**204-1**	Proportion of spending on local suppliers	The supply chain	*With reference to the property and holding sector, and marine sector, the purchases and percentages indicated take account of Income Statement items relative to the purchase of materials, services and leases and rentals. For the industrial sector, data on the purchases of production sites relative to the purchase of goods and spare parts is provided. Purchases of commercial companies and research centres are not considered, as they are residual and not relevant.*
ANTI-CORRUPTION				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement *Corporate Governance* – The fight against corruption	
GRI 205: Anti-corruption 2016	**205-3**	Confirmed incidents of corruption and actions taken	*Corporate Governance* – The fight against corruption	
ANTI-COMPETITIVE BEHAVIOUR				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement Corporate Governance - Compliance with laws and regulations	
GRI 206: Anti-competitive Behaviour 2016	**206-1**	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Corporate Governance - Compliance with laws and regulations	
ENERGY				

GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement The environmental dimension; The environmental dimension - Energy consumption	
GRI 302: Energy 2016	**302-1**	Energy consumption within the organization	The environmental dimension - Energy consumption	*With reference to the industrial sector, data on the consumption of the Rome and Milan offices are not considered relevant.*
WATER				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement The environmental dimension; The environmental dimension - Conserving water resources	
GRI 303: Water 2016	**303-1**	Water withdrawal by source	The environmental dimension - Conserving water resources	*With reference to the industrial sector, data on the consumption of the Rome and Milan offices are not considered relevant.*
	303-3	Water recycled and reused	The environmental dimension - Conserving water resources	*With reference to this standard, available data only refer to the Indian and Vietnamese sites of the Piaggio group. As regards the management of waste water at Is Molas, all waste water from the hotel/resort premises is ducted into the treatment station of the Is Molas consortium. The treated water is then conveyed to the reservoirs for use in irrigation. As regards the residential expansion project, the property planned and built by the company Is Molas S.p.A. uses heat pumps for heating and cooling that use the technical water from the reservoir system. The technical water discharge systems convey water via pipes to the original reservoir, closing the loop.*
EMISSIONS				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement The environmental dimension; The environmental dimension - Emissions of CO_2 and other pollutants	
GRI 305: Emissions 2016	**305-1**	Direct energy (Scope 1) GHG emissions	The environmental dimension - Emissions of CO_2 and other pollutants	
	305-2	Indirect energy (Scope 2) GHG emissions	The environmental dimension - Emissions of CO_2 and other pollutants	*With reference to the industrial sector, emissions of commercial sites (also excluding the Milan and Rome offices) are not included in reporting.*
	305-7	Nitrogen oxides (NO_X), sulphur oxides (SO_X) and other significant air emissions	The environmental dimension - Emissions of CO_2 and other pollutants	*Only emissions of VOC (volatile organic compounds) from the Piaggio group's sites are reported. Data for the marine sector are available for 2018, only for the Sarzana site. Data are not available for the property and holding sector.*
EFFLUENTS AND WASTE				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement The environmental dimension; The Environmental Dimension - Absence of soil contamination and water sources	
GRI 306: Effluents and Waste 2016	**306-3**	Significant spills	The Environmental Dimension - Absence of soil contamination and water sources	
ENVIRONMENTAL COMPLIANCE				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement Corporate Governance - Compliance with laws and regulations	

GRI 307: Environmental compliance 2016	**307-1**	Non-compliance with environmental laws and regulations	Corporate Governance - Compliance with laws and regulations	
EMPLOYMENT				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement The social dimension - Developing human resources	
GRI 401: Employment 2016	**401-1**	New employee hires and employee turnover	The social dimension - Developing human resources - Staff	*The Group reports the turnover rate by professional category and geographic segment.*
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	The social dimension - Developing human resources - Personnel management policies - Rewarding	
LABOUR/MANAGEMENT RELATIONS				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement The social dimension - Developing human resources	
GRI 402: Labour/management relations 2016	**402-1**	Minimum notice periods regarding operational changes	The social dimension - Developing human resources - Industrial relations	
OCCUPATIONAL HEALTH AND SAFETY				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement The social dimension - Developing human resources	
GRI 403: Occupational Health and Safety 2016	**403-2**	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	The social dimension - Developing human resources - Occupational health and safety	*The standard is reported only indicating the frequency index and severity index for Italian production sites of the Immsi Group. Moreover, the number of occupational diseases reported and acknowledged, per production site, is provided.*
TRAINING AND EDUCATION				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement The social dimension - Developing human resources	
GRI 404: Training and Education 2016	**404-1**	Average hours of training per year per employee	The social dimension - Developing human resources - Personnel management policies - Training	
	404-2	Programs for upgrading employee skills and transition assistance programs	The social dimension - Developing human resources - Personnel management policies - Development and careers	
	404-3	Percentage of employees receiving regular performance and career development reviews	The social dimension - Developing human resources - Personnel management policies - Appraisal	
DIVERSITY AND EQUAL OPPORTUNITY				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement The social dimension - Developing human resources	
GRI 405: Diversity and Equal Opportunity 2016	**405-1**	Diversity of governance bodies and employees	The social dimension - Developing human resources - Diversity and equal opportunity	*The information requested by this standard concerning the Board of Directors is given in the "Report on Corporate Governance and Ownership" (http://www.immsi.it/it/governance-ita) Information on employees is given in the chapter on the "Social dimension".*

	405-2	Ratio of basic salary and remuneration of women to men	The social dimension - Developing human resources - Personnel management policies - Rewarding	
NON-DISCRIMINATION				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological Note - Contents of the Non-Financial Statement *Corporate Governance* - Code of Ethics Corporate Governance - Compliance with laws and regulations	
GRI 406: Non-discrimination 2016	**406-1**	Incidents of discrimination and corrective actions taken	Corporate Governance - Compliance with laws and regulations	
LOCAL COMMUNITIES				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement The social dimension - Relations with local communities	
GRI 413: Local communities 2016	**413-1**	Operations with local community engagement, impact assessments, and development programs	The social dimension - Relations with local communities	*A brief summary of the quality of actions promoted by Group companies is presented.* *With reference to the industrial sector, see the 2018 NFS of the Piaggio group, with information on initiatives promoted by the Piaggio Fondazione (Foundation) and Museo (Museum).*
CUSTOMER HEALTH AND SAFETY				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement The products and services dimension	
GRI 416: Customer Health and Safety 2016	**416-1**	Assessment of the health and safety impacts of product and service categories	The products and services dimension	*The percentage is not provided, but a qualitative contribution is indicated. With reference to the industrial sector, more details are given in the 2018 NFS of the Piaggio group.*
MARKETING AND LABELLING				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement Corporate Governance - Compliance with laws and regulations	
GRI 417: Marketing and Labelling 2016	**417-3**	Incidents of non-compliance concerning marketing communications	Corporate Governance - Compliance with laws and regulations	
CUSTOMER PRIVACY				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement Corporate Governance - Compliance with laws and regulations	
GRI 418: Customer Privacy 2016	**418-1**	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Corporate Governance - Compliance with laws and regulations	
SOCIOECONOMIC COMPLIANCE				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological note - Contents of the Non-Financial Statement Corporate Governance - Compliance with laws and regulations	
GRI 419: Socioeconomic Compliance 2016	**419-1**	Non-compliance with laws and regulations in the social and economic area	Corporate Governance - Compliance with laws and regulations	

Table of correspondence Legislative Decree no. 254/2016 - material topics – GRI Standards

Topic as of Legislative Decree no. 254/16	***Topic***	***Risks identified***	***Policies adopted***	***Topic specific standard/disclosure***
Environmental	**Energy efficiency and reduction in emissions**	Chapter on Corporate Social Responsibility risks	Chapter on The products and services dimension - Immsi Group certifications Chapter on The environmental dimension Moreover: - an Environmental policy is established, for the industrial sector; - an Integrated Quality, Environment and Safety Policy is adopted for the marine sector; - the Environmental Management System certified to UNI EN ISO 14001:2015 refers only to the industrial sector and marine sector, as defined in the section on "The Group profile"; - for the property and holding sector, environmental issues are managed based on the management principles adopted by other companies in the industrial and marine sectors, which are defined in a formalised policy;	**302-1**: Energy consumption within the organization
				305-1: Direct energy (Scope 1) GHG emissions
				305-2: Indirect energy (Scope 2) GHG emissions
				305-7: Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions
	Protecting water resources			**303-1**: Water withdrawal by source
				303-3: water recycled and reused
				306-3: Significant spills
	Broad-ranging			**307-1**: Non-compliance with environmental laws and regulations
Social sphere	**Responsible management of the supply chain**	Chapter on Corporate Social Responsibility risks	Chapter on The products and services dimension - Immsi Group certifications Chapter on The supply chain Moreover: - for the industrial sector, the ISO/TS 16949 quality standard was adopted (Supplier quality systems) for the two production sites. Moreover, a policy is adopted to qualify and periodically evaluate suppliers based on technical/professional/financial criteria in line with international standards - Group companies manage this issue through the adoption of specific formalised procedures intended to regulate the selection of suppliers and purchasing processes.	**204-1**: Proportion of spending on local suppliers
	Product/service safety and reliability		Chapter The products and services dimension: - for the industrials sector, a policy is adopted to produce vehicles that guarantee a high level of active, passive and preventive safety. The adoption of this policy is demonstrated by the commitment to maintaining certification of its quality management systems (ISO 9001/ ISO 16949). - For the property and holding sector, specific service quality monitoring protocols are implemented, where appropriate; - For the marine sector, specific procedures are established to guarantee the safety of end users of vessels.	**416-1:** Assessment of the health and safety impacts of product and service categories
	Product/service innovation		Chapter on The products and services dimension - for the industrial sector, a policy is adopted to monitor technological leadership in the sector. - - for the marine sector, an Integrated Quality, Environment and Safety Policy is adopted: the commitment targets products conforming to the contractually defined quality level, that can meet customer needs and are increasingly safer and environmentally friendly, in line with market needs, minimising environmental impact and protecting workers' health and safety.	
	Broad-ranging			**419-1:** Non-compliance with laws and regulations in the social and economic area

Topic as of Legislative Decree no. 254/16	Topic	Risks identified	Policies adopted	Topic specific standard/disclosure
Concerning personnel	**Developing human capital**	Chapter on Corporate Social Responsibility risks	Chapter on The social dimension - Developing human resources - Personnel management policies - individual Group companies have established their own policies, procedures and practices for personnel management based on their organisational configuration and own characteristics and professional needs. In fact, the Group does not consider a uniform personnel management system to be efficient or effective, given the considerable difference in the business segments its subsidiaries operate in, despite being united by principles of ethics, transparency and meritocracy.	**202-1**: Ratios of standard entry level wage by gender compared to local minimum wage
				401-1: New employee hires and employee turnover
				401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees
				402-1: Minimum notice periods regarding operational changes
				404-1: Average hours of training per year per employee
				404-2: Programs for upgrading employee skills and transition assistance programs
				404-3: Percentage of employees receiving regular performance and career development reviews
				405-1:Diversity of governance bodies and employees
				405-2: Ratio of basic salary and remuneration of women to men
	Occupational health and safety		Chapter on the Products and Services Dimension - Immsi Group certifications; Chapter on The social dimension - Developing human resources - Occupational health and safety - for the industrial sector, an Occupational Health and Safety Management System certified to BS OHSAS 18001:2007 is adopted; - for the marine sector, although production sites are not certified to BS OHSAS 18001:2007, they adopt the same Integrated Management System, adopting relative requirements; - for the property and holding sector, sites have internal security systems.	**403-2**: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
Respecting human rights	**Respecting human rights**	Chapter on Corporate Social Responsibility risks	Chapter on *Corporate Governance* The Code of Ethics of Immsi S.p.A. and Group companies was revised in 2017, introducing a specific article on principles safeguarding the human rights and workers. With reference to the Piaggio group, a *Policy on Prevention of Sexual Harassment of women in the workplace* is in place.	**406-1**: Incidents of discrimination and corrective actions taken
Fighting against corruption	**Fighting against corruption**	Chapter on Corporate Social Responsibility risks	Chapter on Corporate Governance Code of Ethics of each Group company; Compliance programme of each Group company.	**205-3**: Confirmed incidents of corruption and actions taken
Broad-ranging topics	**Transparency**	The topic of "Transparency" is considered as broad-ranging and covering all topics referred to in Legislative Decree 254/16. Therefore, a specific correlation with individual items in this table of correspondence is not indicated. Reference is made to this table as regards all other topics addressed.		

Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018

To the Board of Directors of Immsi SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the "Consolidated non-financial statement - pursuant to Italian Legislative Decree 254/16" of Immsi SpA and its subsidiaries (hereafter "Group" or "Immsi Group") for the year ended 31 December 2018 prepared in accordance with article 4 of the Decree, presented in the specific section of the "Directors' report on operations", and approved by the Board of Directors on 25 March 2019 (hereafter the "NFS").

Responsibility of Management and those charged with Governance for the NFS

The Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by the GRI – Global Reporting Initiative (hereafter the "GRI Standards), identified by them as the reporting standards.

The Directors are responsible, in accordance with the law, for the implementation of internal controls necessary to ensure that the NFS is free from material misstatement, whether due to fraud or unintentional errors.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in *the Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italy 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with "*International Standard on Assurance Engagements ISAE 3000* (Revised) – *Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* (hereafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised ("*reasonable assurance engagement*") and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.
The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standards adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. understanding of the following matters:
   - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
   - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
   - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

   With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 4 a) below;
4. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management and the personnel of Immsi SpA and Piaggio & C. SpA and with the personnel of Intermarine SpA and Piaggio Vehicles Private Ltd, and we

performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at holding level
  a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
  b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the following sites Sarzana (Intermarine SpA), Pontedera (Piaggio & C. SpA, Italy) and Baramati (Piaggio Vehicles Private Ltd., India), which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Immsi Group as of 31 December 2018 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Brescia, 9 April 2019

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

Signed by

Paolo Bersani
(Authorised signatory)

This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2018 translation.

REPORT
ON CORPORATE GOVERNANCE AND OWNERSHIP

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

(Traditional management and control model)

Financial year to which the Report refers: 2018
Date of approval of the report: 25 March 2019

This Report on Corporate Governance and Ownership 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

GLOSSARY

Code / Corporate Governance Code: The Corporate Governance Code of listed companies approved in July 2018 by the Corporate Governance Committee and endorsed by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria; available at www.borsaitaliana.it, in the section “Borsa Italiana/Rules/Corporate Governance”.

Civil Code / CC: the Italian Civil Code.

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

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

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

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

Consob Regulation on Markets or Markets Regulation: the Regulations issued by Consob by Resolution no. 20249 of 2017 (and amendments thereto) concerning markets.

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

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

Remuneration Report: the remuneration report prepared pursuant to article 123-*ter* of the TUF and article 84-*quater* of the Consob Regulation on Issuers, available pursuant to legislation at the registered office of the Company, on the website of the Issuer at www.immsi.it, in the section *Governance/General Meeting/Archive*", and in the authorised storage mechanism “eMarket STORAGE” viewable at the web address www.emarketstorage.com.

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

1. ISSUER PROFILE

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

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

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

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

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

In particular, the Company may be classified as an SME in accordance with article 1, paragraph 1, letter w-*quater*.1) of the TUF and article 2 of the Consob Regulation on Issuers.

2. INFORMATION ON CORPORATE OWNERSHIP
(pursuant to article 123-*bis*, paragraph 1 of the TUF) at 31/12/2018

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

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

See Table 1 in the appendix, which includes information updated at 31/12/2018 and at the date of this Report.

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

There are no securities transfer restrictions.

c) Significant holdings in the share capital(pursuant to article 123-*bis*, paragraph 1, letter c) of the TUF)

For indirect or direct material investments in capital, as resulting from disclosure made pursuant to article 120 of the TUF and specific information received by the Issuer, see Table 1, in the index, which includes information updated at 31/12/2018 and at the date of this Report.

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

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

The articles of association of the Issuer do not contain provisions relating to the increased vote pursuant to art. 127-*quinquies* of the TUF.

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

No system for employees' equity holdings exists.

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

There are no restrictions on voting rights.

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

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

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

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

The Issuer has stipulated some significant agreements that could be amended or terminated in the event of changes in control of Immsi S.p.A., such as: a Bullet - Multi Borrower loan agreement in effect at 31 December 2018 for a total of €130 million, of which €87.7 million disbursed to Immsi S.p.A., €30 million to ISM Investimenti S.p.A. and €12.3 million to Intermarine S.p.A.; a mortgage loan agreement for a residual nominal value of approximately €31.5 million; further loan agreements and credit lines for a total nominal value of approximately €120 million.

The Piaggio group has signed significant agreements that may be modified or extinguished in the event of changes to the ownership of the contracting company. Specifically the following agreements have been made: a contract for a syndicated term loan and revolving credit facility for a total of €250 million; a debenture loan of €250 million issued by Piaggio & C. S.p.A.; a debenture loan of 75 million USD issued by Piaggio & C. S.p.A.; a debenture loan of €30 million issued by Piaggio & C. S.p.A.; a loan agreement with the European Investment Bank for €60 million; a loan agreement with the European Investment Bank for €70 million; a syndicated term loan and revolving credit facility with Banca Popolare di Milano totalling €25 million; a loan agreement with Banca Popolare Emilia Romagna for €25 million; a revolving credit facility with Banca del Mezzogiorno MedioCredito Centrale for €20 million; a loan agreement with Banca del Mezzogiorno MedioCredito Centrale totalling €10 million; a loan agreement with Banco Ifis totalling €10 million. a loan agreement with Banca Popolare Emilia Romagna for €20 million;

With regard to the subsidiary Intermarine S.p.A.,[8] the following significant agreements are noted that may be modified or extinguished in the event of changes to the ownership of the contracting company. In particular: an unsecured line of credit (for a total value of USD 84.5 million and used at 31 December 2018 for USD 3.8 million) valid on the contract with the Sultanate of Oman, guaranteed by a pool of banks; a guarantee for an amount of €2.7 million issued by BPM for the

[8] Intermarine S.p.A. is wholly owned by RCN Finanziaria S.p.A., which in turn is controlled by the Issuer that has a 63.18% stake.

Pietra Ligure project and additional credit lines and financing associated with the company's operations for a total amount used as of 31 December 2018 of €56.8 million, including the aforesaid share of the Bullet – Multiborrower loan issued to Intermarine S.p.A. for an amount of €12.3 million.

The subsidiary Is Molas S.p.A.[9] also has a loan agreement with Banca Monte dei Paschi di Siena for a residual nominal amount of €19 million, with early repayment mandatory in the event of a change in control of the investee.

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

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

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

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

(i) pursuant to article 2443 of the Civil Code, to increase, on one or more occasions, against payment and also in divisible amounts, within a period of five years from the date of the resolution, the share capital up to a maximum nominal amount of €500,000,000, through the issue, with or without a share premium, of new ordinary shares having the same characteristics as those already in issue, to be offered as stock options to those entitled;

(ii) pursuant to article 2443 and 2420-*ter* of the Civil Code, to increase, on one or more occasions, against payment and also in divisible amounts, within a period of five years from the date of the resolution, the share capital up to a maximum nominal amount of €500,000,000, to use as follows:

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

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

[9] Is Molas S.p.A. is owned by ISM Investimenti S.p.A. with a 92.59% stake, which in turn is controlled by the Issuer that has a 72.64% stake.

The Board may determine from time to time, in exercising the aforesaid powers, in compliance with the option right of those entitled and with procedures of laws as applicable, and within the above limits, the amount of the increase in capital (and/or of single tranches), the issue price (including any share premium) of new ordinary shares, taking account of market trends and practices of similar operations, and the times, methods and conditions of the offer under option; as well as the amount of the convertible loan stocks that can be converted into ordinary shares, with or without warrants, and of the increase in capital to service them, the procedures, terms and conditions of the issue of the debenture loans (including the share exchange ratio and bond conversion methods; the interest rate, expiry and methods of repayment, also in advance, the characteristics, terms and the conditions of the issue of warrants) and relative regulations and/or the regulation of combined warrants, and, more in general, define the terms and conditions of the increase in capital and the operation as a whole.

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

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

With a resolution passed on 10 May 2018, the Ordinary Shareholders' Meeting authorised the purchase and allocation of treasury shares, pursuant to articles 2357 and 2357-*ter* of the Civil Code, as well as article 132 of the TUF and relative implementing provisions, subject to withdrawal of the authorisation granted by the Ordinary Shareholders' Meeting on 12 May 2017. Purchase authorisation was granted for the 18-month period as of the date of the above resolution, whereas authorisation for placing was granted with no time limits.

The objective of the authorisation for the purchase and disposal of treasury shares is to give the Company a strategic investment opportunity for all purposes allowed by applicable regulations, including the purposes referred to in article 5 of Regulation (EU) No 596/2014 (Market Abuse Regulation, hereinafter “MAR”) and according to practices permitted by article 13 of the MAR, including the purchase of treasury shares based on their subsequent annulment, according to terms and procedures to be decided by competent company boards.

This authorisation was requested for the purchase, also in several tranches, of ordinary shares of Immsi up to a maximum number which, considering the ordinary shares of Immsi held from time to time by the Company and by its subsidiaries, as applicable, is not more than the maximum limit established by applicable *pro tempore* regulations. Purchases may be undertaken according to procedures established in applicable provisions of Consob Regulation 11971/1999 (as amended) implementing article 132 of the TUF, in compliance with conditions relative to trading as of article 3 of Regulation 1052 and within a time frame deemed appropriate in the interests of the Company. As regards the consideration, the Board of Directors proposes that treasury shares are purchased in compliance with the trading conditions established in article 3 of Commission Delegated Regulation (EU) 2016/1052 (“**Regulation 1052**”) in compliance with the MAR, where applicable. In particular, purchases may be made for an amount that is no higher than the highest price between the price of the last independent transaction and the highest independent offer price in the trading venues where the purchase is made, provided that the unit amount is at least a minimum of 20% and a maximum not exceeding 10% of the arithmetic mean of official Piaggio share prices registered in the ten stock exchange days prior to each purchase transaction.

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

During the financial year, no treasury shares were purchased. At 31 December 2018 and at the date of this Report, the Issuer did not hold any treasury shares.

l) Management and coordination (pursuant to article 2497 and following of the Civil Code)

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

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

* * *

Please note that:

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

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

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

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

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT

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

The Articles of Association of the Issuer conform to regulations on the gender balance of company boards pursuant to article 147-*ter*, paragraph 1-*ter* of the TUF, as introduced by Law 120/2011, and article 144-*undecies*.1 of the Consob Regulation on Issuers.

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

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

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

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

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

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

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

Shareholders are entitled to present lists only if, alone or with other Shareholders, they hold shares with voting rights representing at least 2.5% of the share capital with voting rights at the Ordinary Shareholders' Meeting, or a different percentage that may be established by law or other regulations. In the Executive Ruling of the Corporate Governance Division Manager no. 13 of 24 January 2019, Consob established a requirement of 2.5% of the share capital as necessary for presenting lists of candidates for election to the Board of Directors of the Company.

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

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

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

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

The Board of Directors is appointed as follows:

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

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

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

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

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

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

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

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

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

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

Given the organisational structure of the Issuer, as well as the practice of assigning the position of Executive Director to persons who have gained significant experience within the Company or to persons who have gained experience in sectors in which the Issuer operates, the Board of Directors deemed it unnecessary, most recently during the meeting of 25 March 2019, to adopt a plan for the succession of Executive Directors, with the right to make different evaluations in the future.

4.2. COMPOSITION

(pursuant to article 123-*bis*, paragraph 2, letters d) and d-*bis* of the TUF)

The Board of Directors, in office until 10 May 2018, comprised 9 members appointed by the Ordinary Shareholders' Meeting of 13 May 2015.

The Board of Directors of the Issuer, in office at the date of this Report, comprises 11 members appointed by the Ordinary Shareholders' Meeting of 10 May 2018.

The Board, appointed on the basis of the single list of candidates presented by the majority Shareholder Omniainvest S.p.A., was elected with a percentage of votes presenting 99.237% of shares with voting rights and will remain in office until the date when the Shareholders' Meeting is convened to approve the Financial Statements for the year ending 31 December 2020.

For more information on the list filed for the appointment of the Management Body, see the website of the Issuer, and the section "*Governance/Shareholders' Meeting/Archive/2018*" or in the authorised storage mechanism "eMarket STORAGE" viewable at the web address www.emarketstorage.com.

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

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

See Table 2 in the appendix.

As regards company policies on diversity concerning members of the Board of Directors in office in reference to aspects such as age, gender and educational and professional background (article 123-*bis*, letter d-*bis*) of the TUF: (i) the Board of Directors of the company comprises 3 directors of the least represented gender, in compliance with laws on gender balance; (ii) Board members vary in age, from 42 to 75 years; (iii) the educational and professional backgrounds of the directors ensure a balanced combination of member profiles and experiences within the administrative body, with members selected in order to ensure that all functions thereof are executed correctly.

Moreover, as regards the Board of Directors currently in office, the reports prepared pursuant to article 125-*ter* of the TUF, with reference to the appointment of the Board of Directors and the Board of Statutory Auditors by the Shareholders' Meeting convened to approve the Financial Statements as of 31 December 2017, included some indications for Shareholders - also pursuant to criterion 1.C.1. letter h) of the Corporate Governance Code concerning the diversity policy adopted for company boards.

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

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

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

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

Maximum number of offices held in other companies

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

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

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

In the meetings of 21 March 2018 and 25 March 2019, the Board decided not to define general criteria regarding the maximum number of administration and control positions that may be held in other companies, that may be considered as compatible with effectively holding the position of Director of the Issuer, without prejudice to the fact that each Director shall assess the compatibility of positions of Director and Statutory Auditor held in other companies listed on regulated markets (also abroad), in financial, banking and insurance companies or in companies of a considerable scale, diligently conducting the duties assigned to them as Board Director of the Issuer.

In the meeting of 10 May 2018 (after the new Board took up office), and in the meeting of 25 March 2019, the Board, after reviewing positions currently held by its Directors in other companies, considered that the number and type of positions held does not cause any interference and is therefore compatible with effectively carrying out duties as Director of the Issuer.

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

The table below lists the administration and control positions held, at 31 December 2018, by the members of the Board of Directors, in other companies listed on regulated markets (also abroad), in financial, banking and insurance companies or in companies of a considerable scale.

Full name	Company	Administration and control positions
Roberto Colaninno	Piaggio & C. S.p.A.* Omniaholding S.p.A.* Omniainvest S.p.A.* Piaggio Fast Forward Inc.* RCN Finanziaria S.p.A.* Intermarine S.p.A.*	Chairman BoD and Chief Executive Officer Chairman of the Board of Directors Chairman of the Board of Directors Member of the Advisory Board Director Director
Michele Colaninno	Omniaholding S.p.A.* Omniainvest S.p.A.* ISM Investimenti S.p.A.* Piaggio Fast Forward Inc.* Piaggio & C. S.p.A.* ACEM (Association des Constructeurs Européens de Motocycles) Intermarine S.p.A.* Is Molas S.p.A.* RCN Finanziaria S.p.A.* Immsi Audit S.c.a r.l.*	Chief Executive Officer Chief Executive Officer Chairman of the Board of Directors Deputy Chairman of the Board Director with powers Deputy Chairman Director Director Director Director
Daniele Discepolo	Ciano Trading & Service S.r.l. Pianoforte Holding S.p.A. Simest S.p.A. Melville S.r.l. La Madonnina S.p.A. – Companies of Gruppo Ospedaliero San Donato Esaote S.p.A. Hotel Lido Uno Gestione S.r.l. Fondazione Filarete per le Bioscienze e l'Innovazione Gruppo Argenta S.p.A. Credito di Romagna S.p.A. Iniziative Logistiche S.r.l. Illa S.p.A. Sorgenia S.p.A. Manzoni S.r.l. Savio Macchine Tessili S.p.A. Livingston S.p.A. in extraordinary administration Meraklon S.p.A. and associates Meraklon Yarn S.r.l. Valtur S.p.A. and associates Alitalia S.p.A. – Società Aerea Italiana and Alitalia - CityLiner Coop. Commissionaria Valtrumplina Co.Va.C. – Soc. Coop. a r.l. Gruppo Stabila – De Roma in extraordinary administration	Chairman of the Board of Directors Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Chairman of the Supervisory Board Chairman of the Supervisory Board Chairman of the Supervisory Board Chairman of the Supervisory Board Director Director Director Auditor Auditor Auditor Special Administrator Special Administrator Special Administrator Member of the trio of Special Administrators Member of the trio of Special Administrators Official Liquidator Chairman of the Supervisory Committee
Matteo Colaninno	Omniaholding S.p.A.* Piaggio & C. S.p.A.* Omniainvest S.p.A.*	Deputy Chairman and Chief Executive Officer Deputy Chairman Director

Rita Ciccone	Ei Towers S.p.A. 2i Rete Gas S.p.A. Irideos S.p.A. Sagat S.p.A. Sogeaal S.p.A.	Chairman of the Board of Directors Director Director Director Director
Patrizia De Pasquale	-	-
Ruggero Magnoni	Fondazione Giuliano e Maria Carmen Magnoni Onlus Fondazione Laureus Sport for Good Italia Onlus M&M Capital Ltd Respublica Fondazione di Cultura Politica Compagnie Financiere Richemont SA APLOMB S.r.l. Raffaele Caruso S.p.A. INTEK S.p.A. Omniainvest S.p.A.* Fondazione Dynamo - Motore di Filantropia Lehman Brothers Foundation Europe Quattroduedue Holding BV Trilantic Capital Partners Europe Istituto Javotte Bocconi Manca di Villahermosa - Associazione "Amici della Bocconi"	Founding Member and Chairman Founding Member and Chairman Chairman Deputy Chairman Director and Member of the Audit Committee Director Director Director Director Director Trustee Supervisor Director Senior Advisor and Member Advisory Council Executive Committee Member
Livio Corghi	Intermarine S.p.A.* RCN Finanziaria S.p.A.*	Chief Executive Officer Director
Paola Mignani	LU-VE S.p.A. De' Longhi S.p.A. De' Appliances Longhi S.p.A. Cairo Communication S.p.A. Digital Bros S.p.A. Impact Sim S.p.A.	Chairman of the Board of Statutory Auditors Auditor Auditor Director Director Director
Gianpiero Succi	-	-
Devis Bono	Sella Leasing S.p.A.	Director
Giovanni Sala(1)	Intermonte Holding SIM S.p.A. Intermonte SIM S.p.A. Lemar S.p.A. Movi S.p.A. Pentax Italia S.r.l. Gewiss S.p.A.	Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Director

* Company of the Group of which the Issuer is Parent Company or forms a part.
(1) Appointment with Immsi S.p.A. ended on 10/05/2018.

The type of board disclosure allows Directors to have adequate knowledge of the sector in which the Issuer operators, of corporate dynamics and their developments, as well as the regulatory and self-regulatory reference framework. During board meetings concerning the approval of interim accounting figures, held at least quarterly, the Chief Executive Officer updates the Board on the organisational changes, the strategic development strategies and the outlook for the Group, breaking down the analysis according to individual cash generating units.

In particular, Directors and Auditors were able to further their knowledge of the applicable legal, regulatory and self-regulatory framework, taking part in board meetings in which internal procedures adopted by the Company concerning inside information, *the insider list* and *insider dealing* were amended, following in-depth discussion of the latest updates concerning *market abuse* regulations, and in particular, regarding recommendations in Consob Guidelines no. 1/2017 on the *Management of Inside Information*, adopted on 13 October 2017; moreover, after a thorough review of the Consob Regulations on Related-Party Transactions, the Directors updated the Related-Parties Procedure.

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

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

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

During the year, the Board of Directors held 6 meetings on the following dates: 1 March, 21 March, 10 May, 3 September, 13 November and 21 December.

The meetings lasted on average one hour, thirty minutes, with the Board of Statutory Auditors taking part.

The average attendance of Board Directors at these meetings was equal to 90.97%, while the average attendance of Independent Directors was equal to 91.67%.

The Articles of Association do not establish a minimum number of Board meetings, however the Board is expected to meet at least 6 times in 2019. At the date of this Report, 2 meetings had been held, on 19 and 25 March 2019.

In this regard, in compliance with article 2.6.2, paragraph 1, letter b) of the Regulation on markets organised and managed by Borsa Italiana S.p.A., on 30 January 2019, Immsi S.p.A. informed Borsa Italiana S.p.A. of its annual schedule of corporate events for 2019. This calendar has also been published on the website of the Issuer, in the section "*Investors/Calendar*" and in the authorised storage mechanism "eMarket STORAGE" viewable at the web address www.emarketstorage.com.

To ensure the continuity and regularity of information to the financial community, the Company resolved to continue publishing quarterly information, on a voluntary basis, and, with effect from the year and until otherwise decided, to adopt the communication policy detailed in the press release of 21 December 2016 available on the website of the Issuer, in the section "*Investors/Media/Press Releases*" and in the authorised storage mechanism "eMarket STORAGE" viewable at the web address www.emarketstorage.com.

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

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

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

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

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

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

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

In the meeting of 10 May 2018, the Board of Directors resolved on the distribution of managerial competencies of the Board of Directors (see section 4.4 below for the competencies of the Chairman and Chief Executive Officer), with the Board jointly having, besides all powers assigned to it by law and by the articles of Association, as well as powers to approve "related-party transactions" as provided for by the specific procedure adopted by the Company (see section 12 of this Report), the following powers:

a) define the strategic, industrial and financial strategies as well as the general policy of the Company and Group;

b) acquire and dispose of controlling investments, acquire or dispose of business units for individual amounts above €25 million, mergers and demergers;

c) approve long-term plans;

d) carry out property dealings for individual amounts above €25 million.

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

Pursuant to Article 2381 of the Civil Code and to the application criterion 1, paragraph 1, letter c) of the Code, during the year the Board evaluated the adequacy of the organisational, administrative and general accounting structure of the Issuer and its strategic subsidiaries, with particular reference to the internal control and risk management system, according to procedures adopted by the Issuer for this purpose. In particular, in the meetings of 21 March 2018 and 25 March 2019, the Board considered - among others - the functional company organisation charts of the main strategic companies of the Group, with a particular focus on the charts of the Administration, Finance and Control departments, also considering organisational changes taking place during the year.

Within the framework of this periodic activity the Board has, depending on the case, used the support of the Control and Risks Committee, the Head of Internal Audit, the auditing company Immsi Audit S.c. a r.l. and the Financial reporting manager as well as the procedures and checks implemented also in accordance with Italian Law 262/2005. In particular, the Control and Risks Committee of the Issuer, in its meeting of 10 May 2018, reviewed specific documentation in order to determine operating and significant companies to be included in its controls, pursuant to Italian

Law no. 262/2005, agreeing on the methodology to apply and companies to be controlled.

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

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

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

During the year, the Board evaluated the general trend of operations, at least quarterly, considering information received from authorised bodies, periodically comparing results with objectives.
In accordance with legal provisions, the articles of Association and the Code, the Board of Directors has examined and approved in advance transactions, conducted by the Issuer and its subsidiaries, of strategic importance or with a material impact on the financial position and performance of the Issuer, with a particular focus on transactions in which one or more Directors have a personal interest or interest on behalf of third parties.

On 10 May 2018 (after the new Board of Directors took up office), and on 25 March 2019, the Issuer’s Board of Directors conducted the annual review pursuant to Article 1 C.1 letter g) of the Corporate Governance Code. The review found that the size, composition and operation of the Board of Directors and its committees were adequate, given the Company's management and organisational requirements and considering the professional and managerial characteristics and experience of its members, their seniority in office, as well as the fact that out of a total of eleven Board members, nine are non-executive directors, five of whom are independent non-executive directors, who also ensure a suitable composition of the Board's committees.

In this regard, the Board decided to carry out self-assessment, to evaluate its abilities to carry out the functions assigned to it by applicable regulations. This assessment was conducted in February 2019. It concerned the financial year and was based on a self-assessment questionnaire sent to all Board Directors. The questionnaire – which was divided into different areas of investigation (e.g. composition, structure, size, functioning and dynamics of the Board, interaction with management, risk governance, and composition and structure of the Committees) and with the possibility of providing comments and suggestions – was completed by all the Directors and examined by the Board in the meeting of 25 March 2019. As stated above, the assessment outcome showed that the Board and Committees are suitable for carrying out their respective functions. In this context, the Board of Directors also considered the composition of the Board of Directors to be adequately diverse in terms of age, gender balance, and educational and professional background.

Under Article 18 of the articles of Association, and unless decided otherwise by the Shareholders' Meeting, Directors are not subject to the prohibition set out in Article 2390 of the Civil Code. During the financial year, no matters concerning the profiles envisaged in Article 2390 of the Civil Code were put to the Board of Directors.

At present, the above departure has not been applied in any specific case.

4.4. AUTHORISED BODIES

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

The Chairman convenes the Board of Directors and coordinates its activities, ensuring that adequate information on items on the agenda is made available to all Directors, taking account of contingent circumstances. The Chairman chairs Shareholders' Meetings, ascertains the identity and entitlement of those attending, that the meeting is duly established, that a sufficient number of Shareholders is present for resolutions to be valid, and also governs the proceedings, establishing voting methods and monitoring results.

The Board of Directors may also appoint a Deputy Chairman, who replaces the Chairman in the above functions in his absence or impediment.
The Chairman has powers to sign for the Company and is the legal representative vis-à-vis third parties and before the courts. In the case of his absence or impediment, these functions are overseen by the Deputy Chairman, if appointed.

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

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

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

Chairman of the Board of Directors and Chief Executive Officer

On 10 May 2018 following the Ordinary Shareholders’ Meeting appointing the current Board of Directors, Roberto Colaninno was appointed by the Board as Chairman and will remain in office until approval of the Financial Statements for the year ending 31 December 2020.

The Chairman of the Board is the person mainly responsible for management of the Issuer (Chief Executive Officer): by Board resolution of 10 May 2018, this officer, in addition to the task of overseeing the management of the Company, has been assigned all powers of ordinary and extraordinary management, excluding those powers reserved by Law or the articles of Association to the entire Board of Directors, as well as the powers in all cases reserved to the Board on the basis of said resolution (refer to section 4.3 above for a list). In the event of extraordinary actions or operations, the Chairman shall adequately inform the Board at the first possible meeting.

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

Interlocking directorate, as established by application criterion 2, paragraph 6 of the Code, does not apply.

Michele Colaninno, former General Manager of the Company, was appointed Chief Executive Officer on 10 May 2018. In addition to powers to act as the Company’s legal representative vis-à-vis third parties and before the courts and to sign on behalf of the company, the CEO was granted the power to oversee the ordinary management of the Company, being authorised, for this purpose, to carry out all standard operations for sums not exceeding €20,000,000 per transaction or series of related transactions, and to adopt the resolutions passed by the Shareholders' Meeting and the Board of Directors.

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

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

Reporting to the Board and the Board of Statutory Auditors

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

In particular, during the 6 board meetings held during the year, the Delegated Bodies promptly and extensively reported to the Board of Directors on activities carried out, on the performance generation operations and their outlook, as well as material transactions, in terms of their scale and characteristics, undertaken by the Company and its subsidiaries, as required by law and by the articles of Association.

4.5. OTHER EXECUTIVE DIRECTORS

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

4.6. INDEPENDENT DIRECTORS

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

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

The independence requirements as of Article 3 of the Code and Article 148, paragraph 3, letters b) and c) of the TUF for independent directors currently in office were reviewed by the Board of Directors on the first occasion possible after their appointment on 10 May 2018 (as disclosed to the market) and most recently during the meeting of 25 March 2019. On the same date, the Board of Statutory Auditors acknowledged that the criteria and review procedures used by the Board of Directors to evaluate independence requirements had been correctly adopted.

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

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

During the year, the Independent Directors met on 1 March 2018 and 12 November 2018, to discuss matters concerning the Group's company policies, covered by their areas of expertise. The meetings, lasting 30 minutes, were also attended by a secretary taking the minutes, the Director of Administration, Finance and Control and all members of the Board of Statutory Auditors.

For the year 2019, the Independent Directors are expected to meet at least twice.

4.7. LEAD INDEPENDENT DIRECTOR

As indicated in section 4.4. above, the Chairman of the Board of Directors is the person mainly responsible for management of the Issuer (Chief Executive Officer). On 10 May 2018, the Board of Directors appointed the non-executive, independent Director Daniele Discepolo as Lead Independent Director, to represent non-executive directors and in particular independent directors.

The Lead Independent Director, Daniele Discepolo, with adequate accounting, financial and/or risk management expertise, also holds the position of Chairman of the Control and Risks Committee, Chairman of the Remuneration Committee and Chairman of the Appointments Committee of the Issuer.

The Lead Independent Director also works with the Chairman to ensure that Directors receive exhaustive and timely information, and may call, independently or at the request of other Directors, special meetings only attended by Independent Directors, to discuss issues considered of interest regarding the functions of the Board of Directors and corporate management.

As stated above, during the year, the Independent Directors met on 1 March and 12 November 2018 in the absence of the other Directors.

5. PROCESSING OF CORPORATE INFORMATION

On 1 July 2016, the Issuer adopted, with effective date as from 3 July 2016 and in line with new EU provisions on market abuse (MAR and relative implementing regulations of the European Commission) new procedures concerning the Market Abuse Regulation, and namely:

- the “Procedure for Communicating Privileged Information to the General Public”;
- the “Procedure for management of the Register of Persons who have access to Price-Sensitive Information”;
- the “Procedure for the fulfilment of Internal Dealing obligations”.

In particular, these procedures specifically establish the procedures for monitoring, accessing and distributing inside information before it is disclosed to the public, in order to ensure compliance with obligations of laws and regulations concerning confidentiality and market protection.

These procedures were updated by the Board of Directors on 15 December 2017, coming into force on 1 January 2018, to take into account**(i)** the latest guidance issued by ESMA (*European Securities and Markets Authority*) (including *Questions and Answers on the Market Abuse Regulation*, as last amended); **(ii)** recommendations in Consob's Guidelines no. 1/2017 on the “*Management of inside information*” adopted on 13 October 2017; **(iii)** amendments made by Consob to its Regulation on Issuers, by resolution no. 19925 of 22 March 2017 concerning, among others, disclosure obligations for shareholders that hold at least 10% of the share capital.

The procedures are available on the Issuer's website www.immsi.it - in the section “*Governance/Procedures*” and in the authorised storage mechanism “eMarket STORAGE” viewable www.emarketstorage.com.

6. BOARD COMMITTEES
(*pursuant to article* 123-*bis*, page 2, letter d), TUF)

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

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

7. NOMINATIONS COMMITTEE

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

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

The Appointments Committee in office until 10 May 2018, the date when the Shareholders' Meeting was convened to approve the Financial Statements for the year ending 31 December 2017, comprised the independent directors Giovanni Sala (acting as Chairman), Daniele Discepolo and Rita Ciccone.

The Board of Directors appointed by the Shareholders' Meeting of 10 May 2018, in its first meeting, appointed the independent directors Daniele Discepolo, acting as Chairman (also designated as the Lead Independent Director), Rita Ciccone and Paola Mignani as the new members of the Appointments Committee, who will remain in office until the date of the Shareholders' Meeting convened to approve the Financial Statements for the year ending 31 December 2020.

During the year, and specifically on 21 March 2018, the Appointments Committee, with its previous composition, considering the approaching end of the term of office of the Board of Directors, met in order to formulate an opinion on the size and composition of the new Board, and to provide guidance on the professional positions considered most appropriate. The Committee then met on 9 April 2018 to review documents filed with the lists.

The Committee meetings, recorded in the minutes, lasted half an hour on average.

See Table 2 in the appendix.

Functions of the Appointments Committee

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

In accordance with the Application Criterion 5.C.1, letters a) and b) of the Code, the Appointments Committee is also assigned the task of providing opinions to the Board, when considered necessary, regarding its size and composition or making recommendations regarding the professional profiles that are considered advisable to be present within the Board, as well as the maximum number of positions of Director or Statutory Auditor that can be considered compatible with the effective performance of the position of Director in the Issuer, and regarding the advisability of authorising exemptions to the non-competition obligation. The Committee also advises the Board on candidates for the position of Director in the case of co-opting, when independent directors need to be replaced.

In carrying out its functions, the Appointments Committee was able to access and consult the corporate information and departments necessary to carry out its duties, and also use external consultants within the terms set by the Board.

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

8. REMUNERATION COMMITTEE

In compliance with the Corporate Governance Code, the Company's Board of Directors has established a Remuneration Committee from Board members.

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

The Remuneration Committee in office until 10 May 2018, the date when the Shareholders' Meeting was convened to approve the Financial Statements for the year ending 31 December 2017, comprised the non-executive, independent directors Daniele Discepolo (acting as Chairman), Giovanni Sala and Rita Ciccone.

The Board of Directors appointed by the Shareholders' Meeting of 10 May 2018, in its first meeting, appointed the non-executive, independent directors Daniele Discepolo, acting as Chairman (also designated as the Lead Independent Director), Rita Ciccone and Paola Mignani as the new members of the Remuneration Committee, who will remain in office until the date of the Shareholders' Meeting convened to approve the Financial Statements for the year ending 31 December 2020. All members of the above committee have an adequate knowledge and experience of financial matters and/or salary policies, considered conforming by the Board at the time of the appointment.

During the year, the Remuneration Committee met twice, once with the previous composition on 21 March 2018 and once with the current composition, held on 10 May 2018, and both meetings, lasting around 20 minutes, were attended by all members, the secretary recording the minutes, and members of the Board of Statutory Auditors, who were involved in all decisions taken by the Committee before the Committee Chairman submitted them to the Issuer's Board of Directors on 21 March and 10 May 2018.

The Remuneration Committee is expected to meet at least once during 2019. At the date of this Report, this meeting had been held on 25 March 2019.

See Table 2 in the appendix.

Functions of the Remuneration Committee

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

- periodically assessing the adequacy, overall consistency and actual application of the Remuneration Policy for the Directors and Key Management Personnel, and using the information provided by the Executive Directors for this purpose;
- make recommendations to the Board to define the General Remuneration Policy for executive directors, other directors with key positions and key senior management, monitoring the adoption of decisions taken;
- presenting proposals to the Board concerning the remuneration of Executive Directors and Directors with special positions as well as defining performance objectives related to the variable component of remuneration, monitoring the application of decisions adopted by the Board and verifying, in particular, the actual achievement of performance objectives.

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

For further information, see the Remuneration Report, available, as established by law, on the website of the Issuer, in the section "*Governance*/General Meeting/Archive" and in the authorised storage mechanism "eMarket STORAGE" viewable at the web address www.emarketstorage.com.

9. DIRECTORS' REMUNERATION

On 25 March 2019, the Board, following a proposal made by the Remuneration Committee, confirmed the "General policy for the remuneration of directors and key managers" (the "**Remuneration Policy**") pursuant to article 6 of the Code. This policy defines the basic guidelines on which the remunerations must then be concretely established by the competent company bodies.

For a description of the Remuneration Policy and fees paid during the year to Directors, General Directors and Key Senior Management, see the Remuneration Report, available, as established by law, on the website of the Issuer, in the section "*Governance/General Meeting/Archive*" in the authorised storage mechanism "eMarket STORAGE" viewable at the web address www.emarketstorage.com.

Mechanisms of incentive of the Head of the Internal Audit Function and of the Financial reporting manager.

The incentive mechanisms for the Internal Auditing Supervisor and Executive in Charge of Financial Reporting are consistent with their duties.

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

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

10. CONTROL AND RISKS COMMITTEE

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

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

The Control and Risks Committee in office until approval of the Financial Statements at 31 December 2017 consisted of three members: Daniele Discepolo, acting as Chairman, Giovanni Sala and Rita Ciccone. The new Board of Directors, appointed by the General Meeting on 10 May 2018, in its first meeting on the same date, appointed to the Control and Risks Committee, based on the professional profile of candidates put forward, the independent directors, Daniele Discepolo, with adequate accounting, financial and/or risk management expertise, acting as Chairman (also as Lead Independent Director), Rita Ciccone and Paola Mignani.

During the year, the Control and Risks Committee met 8 times, with each meeting lasting on average approximately 40 minutes, coordinated by the Committee Chairman.

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

In addition, upon the invitation of the Committee and in relation to various items on the agenda, the meetings were also attended by the Board of Statutory Auditors, the Manager in charge of preparing the company accounts and documents and, during the meeting held on the occasion of the review of the audit plan, a representative from the independent auditors.

In particular, the Control and Risks Committee operated during the year working with the Board of Statutory Auditors and with continuous information flows on issues in its remit.

In 2019, the Control and Risks Committee is expected to met at least 7 times; the first two meetings were held on 19 and 25 March 2019.

See Table 2 in the appendix.

Functions of the Control and Risks Committee

The Control and Risks Committee, in assisting the Board of Directors in performing its duties concerning internal control and risk management:

(i) evaluates, with the Financial reporting manager and after consulting with the independent auditors and the Board of Statutory Auditors, the correct use of accounting standards and their consistency in the preparation of the Consolidated Financial Statements;

(ii) expresses opinions on specific aspects concerning the identification of main company risks;

(iii) reviews periodic reports on the evaluation of the internal control and risk management system, and information of particular significance provided by the Internal Audit Department;

(iv) monitors the independence, adequacy, effectiveness and efficiency of the Internal Audit Department;

(v) requests the Internal Audit Department to audit specific operating areas, also informing the Chairman of the Board of Statutory Auditors;

(vi) reports to the Board, at least every six months, at the time of approving the annual and half-yearly financial report, regarding activities carried out, as well as the adequacy of the internal control and risk management system;

(vii) supports, with adequate preliminary activities, the evaluations and decisions made by the Board of Directors on the management of risks arising from adverse events which have come to the knowledge of the Board of Directors;

(viii) gives recommendations to the Board as regards decisions relative to the appointment, removal from office, remuneration and availability of resources of the Internal Audit Department Manager.

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

a) reviewed changes to the organisational structure, to processes and company activities;

b) reviewed the progress of the internal auditing work plan, with particular reference to the implementation of measures concerning audits of previous years, the progress of the 2018 Audit Plan, including activities assisting the Risk Analysis unit and compliance audits conducted pursuant to Italian Law no. 262/2005 and Italian Legislative Decree no. 231/2001;

c) monitored the independence, adequacy and effectiveness of the Internal Audit Department, also based on a review of specific indicators and of the Quality Assurance Review process adopted by the Function, which resulted in certification being obtained in compliance with international standards for the sector and recommendations of the Corporate Governance Code;

d) reviewed, with the Financial reporting manager and after consulting the Independent Auditors and Board of Statutory Auditors, the financial disclosure process, the accounting standards adopted in preparing accounts and the financial statements, as well as the uniformity of these principles for preparing the consolidated financial statements;

e) reviewed the impairment testing procedure used to verify adequacy and compliance with IAS/IFRS, as regards recommendations in the document issued by the Bank of Italy, Consob and ISVAP on 3 March 2010;

f) examination of risk management and evolution of the risk assessment process.

In order to carry out its duties, the Committee:

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

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

The Board of Directors, in the meeting of 10 May 2018, set the annual expenditure budget for the Control and Risks Committee at €30,000.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

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

a) It defines the nature and the level of risk compatible with the Issuer's strategic objectives, including in its assessment all risks that may be significant for medium to long term sustainability;

b) defines the guidelines for the internal control and risk management system, so that main risks concerning the Issuer and its subsidiaries are correctly identified, and adequately measured, managed and monitored, also determining the level of compatibility of these risks with a business management in line with strategic objectives identified;

c) evaluates, at least annually, the adequacy of the internal control and risk management system in relation to business characteristics and the risk profile undertaken, as well as its effectiveness;

d) approves, at least annually, the work plan prepared by the *Internal Audit* Function Manager, after consulting with the Board of Statutory Auditors and the Internal Control and Risk Management Director;

e) describes, in the corporate governance report, the main characteristics of the internal control and risk management system, evaluating its adequacy;

f) evaluates, after consulting with the Board of Statutory Auditors, the results of the independent auditors in their letter of findings and fundamental issues identified during auditing.

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

In the meetings of 21 March 2018 and 25 March 2019, the Board of Directors, also considering recommendations from the Control and Risks Committee, evaluated the effectiveness of the internal control and risk management system of the Issuer as adequate, with respect to the characteristics of the company and its risk profile.

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

11.1. THE DIRECTOR APPOINTED TO OVERSEE THE FUNCTIONING OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

On 10 May 2018, the Board of Directors, in compliance with the Corporate Governance Code, and assisted by the Control and Risks Committee, appointed the Chief Executive Officer, Michele Colaninno, as the Internal Control and Risk Management System Director.

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

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

- identified main corporate risks (strategic, operational, financial and compliance risks), taking account of the characteristics of the Issuer and its subsidiaries' operations, and regularly notified them to the Board for review
- implemented the guidelines defined by the Board, overseeing the design, development and management of the internal control and risk management system, checking its overall adequacy and effectiveness on an ongoing basis;
- oversaw changes to this system to take into account dynamics in operating conditions and legal developments;
- has the power to request that the Internal Audit Function perform verifications on specific areas of operation and on compliance with the internal rules and procedures in the execution of corporate operations, giving concurrent communication to the Chairman of the Board of Directors, the Chairman of the Control and Risks Committee and the Chairman of the Board of Statutory Auditors. During the Year, although no need was identified to request the performance of specific audits in addition to those already scheduled in the Audit Plan, the Head of Internal Audit was provided the information from the Appointed Director for the preparation of the Audit Plan, which also took into account the same information provided by the Control Bodies;
- proposed the appointment of the Internal Audit Department Manager to the Board during the meeting of 10 May 2018.

11.2. INTERNAL AUDIT DEPARTMENT MANAGER

On 12 December 2008, a consortium company was established called Immsi Audit Società Consortile di Internal Auditing del Gruppo Immsi a r.l. ("**Immsi Audit**"), in order to start the centralisation and relocation of all internal auditing activities of Group companies to a single company. Immsi Audit provides its services solely for companies which are part of the consortium (Immsi S.p.A., Intermarine S.p.A., Is Molas S.p.A. and Piaggio & C. S.p.A.) and, in their interest, it carries out all activities connected with and functional to internal auditing, ensuring adequate standards of professionalism, independence and organisation, with the objective of improving the effectiveness and efficiency of the internal control and risk management system and assessing its functionality. This strategy allows the Group to acquire the necessary knowledge and expertise on internal control and risk assessment, whilst also achieving economies of scale and synergies in applying uniform audit methods.

On 10 May 2018, the Board of Directors of the Company, following recommendations from the Internal Control and Risk Management System Director and after consulting with the Control and Risks Committee and Board of Statutory Auditors, approved the appointment of Maurizio Strozzi (Chief Executive Officer of Immsi Audit S.c. a r.l.) as *Internal Audit* Department Manager, responsible for verifying the functioning and adequacy of the internal control and risk management system. No specific financial resources were allocated to the Internal Audit Department Manager, as he uses funds and facilities of the Issuer to carry out his duties, and of Immsi Audit, which charges each company in the consortium for costs incurred for the services provided to them.

The Internal Audit Function Manager, who is not responsible for any operating area of the Issuer and directly reports on activities carried out to the Board of Directors, and has direct access to all information useful for his position, during the year, which involved:

- checking, on both an ongoing basis and in relation to specific needs and in compliance with international standards, the operation and adequacy of the internal control and risk management system, through an audit plan approved by the Board of Directors and based on a structured process that analyses and prioritises main risks;
- preparing periodic reporting, which included appropriate information on activities and an assessment of the adequacy of the internal control and risk management system, as well as compliance with action plans established to reduce risks;
- prepared the audit plan for 2018, in line with the relative 2018-2020 plan, comprising an audit of the reliability of information systems, including accounting systems.

In particular, during the year, the Internal Audit Manager, assisted by Immsi Audit, S.c. a r.l., conducted an audit of the internal control and risk management system, in accordance with the Internal Audit Plan scheduled for 2018-2020, and approved by the Board of Directors on 1 March 2018, carrying out risk analysis, financial, operational and compliance auditing (with particular reference to audits carried out in order to comply with provisions of Law no. 262/2005 and Legislative Decree no. 231/2001), verifying the reliability of information systems, including accounting systems, and monitoring adoption of improvement/corrective actions agreed after internal audi activities.

The results of auditing activities, carried out based on the Audit Plans, were always analysed and discussed with various Managers of the processes/functions and Company Management, in order to agree on and adopt preventive/corrective measures, with implementation monitored. The Internal Audit Manager presents audit reports to the Chairman, Appointed Director, Chairman of the Control and Risks Committee and Chairman of the Board of Statutory Auditors, as well as to the Supervisory Committee and Financial Reporting Officer, for areas under their responsibilities. This presentation was made at the end of the related audits, both by sending the audit reports and with examination of the specific outcomes during periodic meetings with mentioned recipients. In a specific report, the Internal Audit Manager also provided details on the work conducted by the Internal Audit Department in the year, also giving his opinion on the adequacy of the Company's internal control and risk management system.

11.3. COMPLIANCE PROGRAMME pursuant to Legislative Decree 231/2001

On 13 September 2004, the Issuer adopted the Compliance Programme for the prevention of offences indicated in Legislative Decree no. 231/2001 as amended. This strategy has also been adopted by subsidiaries with strategic importance, that in turn resolved to adopt their own Programmes pursuant to Legislative Decree no. 231/2001.

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

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

The Programme is monitored and updated on an ongoing basis. In particular, in March 2018, the Programme review concerned additions to the section on whistleblowing, establishing: i) procedures for reporting to the Supervisory Body, with one dedicated IT channel (a specific email address with only the Supervisory Body as the recipient), that are suitable for guaranteeing the confidentiality of the party reporting the unlawful conduct which is relevant pursuant to Legislative Decree 231/2001 or infringements of the Company's Compliance Programme; ii) disciplinary system sanctions for persons that infringe measures to protect reporting parties, and for persons that, committing wilful misconduct or gross negligence, report information which is unfounded. Moreover, the Company, as part of a wider review of its Programme, started activities to assess compliance with recent amendments introduced by the Decree, including the offence of unlawful influence and amendments to the offence of market abuse and corruption.

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

On 10 May 2018, the Board of Directors confirmed Marco Reboa, selected from external professionals with the necessary requisites, as Chairman of the Supervisory Board of the Issuer and Maurizio Strozzi, Chief Executive Officer of Immsi Audit S.c. a r.l. as Internal Audit Department Manager of the Company, while the Statutory Auditor Giovanni Barbara took over from Alessandro Lai as Chairman of the Board of Statutory Auditors.

In this regard, the Issuer considered the feasibility of assigning supervisory functions to the Board of Statutory Auditors, but considered the supervisory functions of an *ad hoc* organisation, i.e. the Supervisory Board, to be more efficient and effective at monitoring the functioning of and compliance with the Programme.

This Board, that will remain in office until the date of the Shareholders' Meeting convened to approve the Financial Statements for the year ending 31 December 2020, operates at the highest company level, and according to principles of independence, autonomy, professionalism and impartiality, and also on the basis of Regulations approved by the Board of Directors, that it reports to periodically on activities carried out, information received and sanctions administered. During the year, no reports were made by the Issuer's employees via the email address with only the Supervisory Body as the recipient.

The Board has the financial and logistics resources necessary to carry out its duties. On 10 May 2018, the Board of Directors set the annual expenditure budget for the Supervisory Board at €30,000.

During the year, the Supervisory Body of Immsi S.p.A. met 6 times and overall member attendance was 100%.

The Supervisory Board is expected to meet at least 5 times in 2019. The first two meetings were held on 21 and 25 March 2019; the Working Plan for 2019 was approved during the meeting of the Supervisory Board on 12 November 2018.

11.4. EXTERNAL AUDITORS

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

11.5. FINANCIAL REPORTING MANAGER AND OTHER COMPANY ROLES AND FUNCTIONS

In accordance with the Articles of Association, the Board of Directors, with the mandatory opinion of the Board of Statutory Auditors, appoints and revokes the Financial reporting manager, that shall meet requirements for good standing as of laws applicable to persons holding management and control positions, and shall also meet professional requirements, with specific administrative and accounting expertise. This competence, to be verified by the Board of Directors, must be attained through work experience gained in positions of adequate responsibility for a reasonable period of time. The above Manager has the powers and functions established by law and by other applicable provisions, as well as the powers and functions established by the Board on his appointment or by subsequent resolution.

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

a) free access to all information considered important for carrying out duties, both within Immsi and within Group companies, with the power to review all financial reporting documents of Immsi and the Group and the power to request clarifications and explanations from all persons involved in the process of preparing the accounts of Immsi and the Group;

b) attendance at the meetings of the Board of Directors;

c) the right to engage with every Administrative and Control Body;

d) the right to prepare and put forward for approval company procedures, when they affect the financial statements, the consolidated financial statements and documents submitted for certification;

e) is involved in designing the information systems that affect financial position and performance, with the possibility of using them for control purposes;

f) the right to organise a suitable structure within his own area of activity, internally employing available resources and, where necessary, outsourcing;

g) the right to use the Internal Audit Department, for mapping processes in his area of activity and in carrying out specific controls, with the possibility of outsourcing if this Function is not available in-company.

Lastly, the Executive in charge of financial reporting must report, at least half-yearly, to the Board of Directors, on activities carried out and expenses sustained.

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

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

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

On 25 March 2019, the Board of Directors, in accordance with the provisions of criterion 7.C.1 of the Code, provided its opinion on the adequacy of the aforementioned procedures of coordination between the various parties involved in the internal control and risk management system.

12. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

On 15 December 2017, the Board of Directors, during the three-year review of the Related Parties Procedure (as defined herein) and subject to the favourable opinion of the Related Party Transactions Committee, updated the Procedure governing the approval and management of transactions with related parties (**Related Parties Procedure**), pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 (as amended), undertaken by Immsi S.p.A., also through its subsidiaries. The procedure became effective on 1 January 2018.

The Issuer, also in compliance with Consob Communication no. DEM/10078683 published on 24 September 2010 containing "Indications and guidance on the Related Party Transactions Regulation adopted with resolution no. 17221 of 12 March 2010 as amended", requires the Board to assess at least every three years and also as indicated by the Related Party Transactions Committee, whether to revise the Related-Parties Procedure, considering, among others, any legal changes, amendments to corporate ownership as well as the effectiveness of the procedure.

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

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

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

The Board of Directors appointed a Related Party Transactions Committee responsible for approving both minor and material transactions with related parties. The Committee, as appointed by the Board of Directors on 10 May 2018, consists exclusively of 3 independent directors who, in accordance with statutory regulations, are required to be directors that are not related to the transactions reviewed. Specifically, the three members of the Related Party Transactions Committee are: Rita Ciccone, acting as Chair, Patrizia De Pasquale and Paola Mignani.

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

During the year, the Committee held two meetings.

13. APPOINTMENT OF STATUTORY AUDITORS

The Articles of Association of the Issuer conform to regulations on the gender balance of company boards pursuant to article 148, paragraph 1-*bis* of the TUF, as introduced by Law 120/2011, and article 144-*undecies*.1 of the Consob Regulation on Issuers.

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

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

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

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

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

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

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

Shareholders are entitled to present lists only if, alone or with other Shareholders, they hold shares with voting rights representing at least 1% of the share capital with voting rights at the Ordinary Shareholders' Meeting, or a different percentage that may be established by law or other regulations. In the Executive Ruling of the Corporate Governance Division Manager no. 13 of 24 January 2019, Consob established a requirement of 2.5% of the share capital as necessary for presenting lists of candidates for election to the Board of Directors of the Company.

The lists must be presented along with:

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

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

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

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

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

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

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

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

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

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

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

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (***pursuant to*** **article 123-*bis*, paragraph 2, letters d) and d-*bis* of the TUF)**

The Board of Statutory Auditors in office until 10 May 2018, was appointed by the Ordinary Shareholders' Meeting of 13 May 2015.

The Board of Statutory Auditors of the Issuer, in office at the date of this Report was appointed by the Shareholder's General Meeting held on 10 May 2018, on the basis of the single list of candidates presented by the majority Shareholder Omniainvest S.p.A., in conformity with the provisions of the Articles of Association. The Supervisory Board formed in this manner, elected with a percentage of votes in relation to the voting capital equal to 99.27%, shall remain in office until the date of the Shareholders' Meeting called for approval of the financial statements for the year ending 31 December 2020.

For more information on the list filed for the appointment of the Board, see the website of the Issuer, and the section "*Governance/Shareholders' Meeting/Archive/2018*" or the authorised storage mechanism "eMarket STORAGE" viewable at the web address www.emarketstorage.com.

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

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

For the year 2019 the Board of Statutory Auditors is expected to meet at least 8 times. At the date of this Report, the Board had met 3 times on the following dates: 1 February, 19 and 25 March 2019.

As regards company policies on diversity in relation to the composition of the Board of Statutory Auditors (article 123-*bis*, letter d-*bis* of the TUF): (i) one Statutory Auditor and one Alternate Auditor are of the least represented gender, in compliance with laws on gender balance; (ii) Board members vary in age, from 44 to 59 years; (iii) without prejudice to the professional requirements set out by law, the educational and professional backgrounds of members of the Board of Statutory Auditors currently in office ensure that these individuals have the appropriate profiles and experience to ensure that all functions thereof are executed correctly.

Moreover, the outgoing Board of Directors, whose term of office ends on 10 Mary 2018, included some information for shareholders on the diversity policy adopted for company boards in the Company in reports prepared pursuant to article 125-*ter* of the TUF, with specific reference to the appointment of the Board of Directors and the Board of Statutory Auditors by the Shareholders' Meeting convened to approve the Financial Statements as of 31 December 2017, and also pursuant to criterion 1.C.1. letter h) of the Corporate Governance Code.

See Table 3 in the appendix.

In the meeting of 10 May 2018 and the meeting of 25 March 2019, the Board of Statutory Auditors, when appointed (the outcome of which was notified on 10 May 2018 to the market), ascertained that its members still met the independence requirements, also based on criteria in the Corporate Governance Code, with reference to Directors. Moreover, during the board meeting of 25 March 2019, save for evaluations in the remit of the Board of Statutory Auditors as regards its composition, the Board, favouring a composition based on substance, resolved the following: (i) to consider appropriate, in the interest of the Company, the non-application of the criterion 3.C.1 point e) of the Corporate Governance Code with regard to the Auditor Alessandro Lai (possessing high professional profiles that over time have proven valuable to the Issuer and are adequate in overall terms for operating within the regulatory and structural framework of Immsi), (ii) to recognise the fulfilment of the requirements of independence pursuant to article 148, paragraph 3, of the TUF and article 3 of the Corporate Governance Code by all the members of the Board of Statutory Auditors.

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

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

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

Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016, identifies the Board of Statutory Auditors as the Internal Control and Audit Committee, appointed to carry out the following activities in particular:

- to inform the competent body of the audit outcome and send the latter the additional report, as per article 11 of Regulation No 537/2014, along with any observations;
- to monitor the financial disclosure process and make recommendations or proposals to ensure the integrity of this process;
- to monitor the effectiveness of internal quality control and business risk management systems and, if applicable, of internal auditing activities, as regards financial disclosures by the organisation subject to audit, without affecting its independence;
- to monitor the auditing of the financial statements and consolidated financial statements, in consideration of any results and findings of quality controls conducted by Consob pursuant to article 26, paragraph 6 of Regulation No 537/2014, where available;
- to verify and monitor the independence of the statutory auditors or independent auditors pursuant to articles 10, 10-*bis*, 10-*ter*, 10-*quater* and 17 of Legislative Decree no. 39/2010 and of article 6 of Regulation No 537/2014, in particular as concerns the adequacy of services provided other than those concerned with the auditing of the entity in question, in accordance with article 5 of the aforementioned Regulation;
- to be responsible for the procedure to appoint the statutory auditors or independent auditors or to recommend the appointment of statutory auditors or independent auditors pursuant to article 16 of Regulation No 537/2014.

15. RELATIONSHIPS WITH SHAREHOLDERS

The Company feels that engaging with Shareholders and institutional investors, on the basis of a mutual understanding of roles, is in its own interests and also a duty it has to the market; such a relation should be carried on within the observance of the “Procedure for Communicating Privileged Information to the General Public”, available on the Issuer's institutional website www.immsi.it, in the section *Governance - Procedures*, and referenced in the above section 5.

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

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

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

Investor Relations reporting is also ensured by making the most significant corporate documentation available in a timely manner and ongoing basis on the website of the Issuer, in the sections *“Investors and Governance”* and in the authorised storage mechanism “eMarket STORAGE” viewable at the web address www.emarketstorage.com.

For the transmission and storage of the Regulated Information, the Issuer uses the “eMarket SDIR” diffusion system and the “eMarket STORAGE” storage system available at the website www.emarketstorage.com., managed by Spafid Connect S.p.A. – based in Foro Buonaparte 10, Milan – following the authorisation and the Consob resolutions 19878 and 19879 of 15 February 2017.

In particular, the company website provides Italian and English versions of the CVs of Directors and Auditors, all press releases distributed to the market, periodical accounting documents of the Company approved by Company Bodies, as well as documents distributed at meetings with professional investors, analysts and the financial community. It is also possible to view the documentation prepared for the Shareholders' Meetings, the communications on internal dealing, the annual report on the corporate governance system and the ownership structure, and any other document whose publication, on the website of the Issuer, is required by the applicable regulations.

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

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

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

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

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

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

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

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

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

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

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

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

- establishment or closure of secondary offices;

- which Directors represent the Company;

- reductions in share capital in the event of withdrawal of the shareholder;

- amendments to the Articles of Association in order to comply with legal provisions;

- transfer of the registered office to another location in Italy.

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

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

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

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

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

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

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

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

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

At the Ordinary Shareholders' Meeting of the Issuer, held on 10 May 2018, 7 Directors took the floor, out of 9 in office on the Board of Directors, as well as the Chairman of the Board of Statutory Auditors and one Statutory Auditor.

It is also deemed that the Shareholders were adequately informed about the operation of the Remuneration Committee through the Remuneration Report, prepared by the Company pursuant to article 123-*ter* of the TUF, and published on the Issuer's institutional website, in the section "*Governance/General Meeting/Archive*" and in the authorised storage mechanism "eMarket STORAGE" viewable at the web address www.emarketstorage.com. The Company also has distributed a copy of the same to all the Shareholders who attended the General Meeting, in order to facilitate the expression of the advisory vote.

In the meeting of 25 March 2019, the Board decided that it was not necessary to propose amendments to the Shareholders' Meeting concerning the percentages established to protect minorities as, in accordance with article 144-*quater* of the Consob Regulation on Issuers on presenting lists for the appointment of members of the Board of Directors and the Board of Statutory Auditors, articles 17 and 25 of the Articles of Association of the Issuer have established a requirement of 2.5% and 1% of the share capital with voting rights, or as otherwise required by applicable laws or regulations. In the Executive Ruling of the Corporate Governance Division Manager no. 13 of 24 January 2019, Consob established a requirement of 2.5% of the share capital as necessary for presenting lists of candidates for election to the Board of Directors of the Issuer.

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

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

18. CHANGES AFTER THE FINANCIAL YEAR-END

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

19. CONSIDERATIONS ON THE LETTER FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE, 21 DECEMBER 2018

The letter of 21 December 2018 from the Chairman of the Corporate Governance Committee to the Chairs of the Boards of Italian listed companies was brought to the attention of the Board of Statutory Auditors of the Issuer in the meeting of 1 February 2019 and Board of Directors in the meeting of 25 March 2019.
The Board acknowledged the analyses and recommendations in the letter and considered the Company to be adequate in overall terms in relation to indications on the quality of pre-board

meeting information (see section 4.3 of this Report), the adoption of independence criteria (see section 4.6 of this Report) and procedures for conducting the board review (see section 4.6 of this Report). As regards remuneration policies, reference is made to this Report and the Remuneration Report prepared pursuant to article 123-ter of the TUF.

TABLE 1: INFORMATION ON CORPORATE OWNERSHIP

STRUCTURE OF THE SHARE CAPITAL at 31/12/2018				
	N° of Shares	% of share capital	Listed	rights and obligations
Ordinary shares	340,530,000	100%	MTA Standard Segment	Articles 2346 and following of the Civil Code
Shares with multiple voting	-	-	-	-
Shares with restricted votes	-	-	-	-
Shares without voting rights	-	-	-	-
Other	-	-	-	-

OTHER FINANCIAL INSTRUMENTS (giving the right to subscribe for newly issued shares) at 31/12/2018				
	Listed (indicate the markets) / not listed	Number of instruments in issue	Class of shares for the conversion / exercise	Number of shares for the conversion / exercise
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

SIGNIFICANT HOLDINGS IN THE SHARE CAPITAL at 31/12/2018			
Declarer	Direct shareholder	% of ordinary share capital	% of shares with voting rights
Omniaholding S.p.A.	Omniaholding S.p.A.	15.69%	15.69%
	Omniainvest S.p.A.	44.14%	44.14%
	Total	59.83%	59.83%

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

Board of Directors													Control and Risks Committee		Remuneration Committee		Nomination Committee		Executive Committee *(as applicable)*	
Position	**Members** ∞	**Year of birth** ►	**Date of first appointment** *	**In office since**	**In office up to**	**List** **	**Exec.**	**Non-exec.**	**Indep. Code**	**Indep. TUF**	**No. of other positions** ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman ◊	Roberto Colaninno	16/08/1943	31/01/2003	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M	X				6	6/6								
Deputy Chairman ○	Daniele Discepolo	20/07/1947	13/05/2015	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X	X	X	22	6/6	8/8	P	2/2	P	2/2	M/P		
CEO ●	Michele Colaninno	23/11/1976	13/11/2006	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M	X				10	6/6								
Director	Matteo Colaninno	16/10/1970	31/01/2003	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X			3	6/6								
Director	Patrizia De Pasquale	02/04/1961	13/05/2015	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X	X	X	-	5/6								
Director	Ruggero Magnoni	10/02/1951	27/08/2010	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X			14	5/6								
Director	Rita Ciccone	06/06/1960	11/05/2012	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X	X	X	5	4/6	5/8	M	2/2	M	2/2	M		
Director	Livio Corghi	15/02/1946	13/05/2015	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X			2	5/6								
Director	Gianpiero Succi	14/11/1974	10/05/2018	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X			-	3/4								
Director	Paola Mignani	17/04/1966	10/05/2018	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X	X	X	6	4/4	4/4	M	1/1	M	0/0	M		
Director	Devis Bono	26/12/1967	10/05/2018	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X	X	X	1	4/4								
---------------------------- DIRECTORS NO LONGER IN OFFICE DURING THE REPORTING PERIOD ----------------------------																				
Director	Giovanni Sala	14/04/1938	13/11/2008	13/05/2015 Shareholders' Meeting for the Financial Statements	31/12/2017 Shareholders' Meeting for the Financial Statements	M		X	X	X	6	2/2	/4	M	1/1	M	2/2	P		
Number of Meetings held during the reporting period – BoD: 6						Control and Risks Committee: 8				Remuneration Committee: 2			Nomination Committee: 2			Executive Committee: -				
Indicate the quorum required by minorities to submit lists to elect one or more members (pursuant to article 147-ter TUF): 2.5%																				

• Internal control and risk management system director. ◊ Chief Executive Officer or CEO ○ Lead Independent Director (LID).
∞ 36.36% of Directors are female, while 63.64% are male. ► 27.27% of Directors are in the 30-50 age bracket, while 72.73% are over 50.
* Date when the director was first appointed to the Board of the issuer.
** List from which each director was appointed ("M": majority list; "m": minority list; "BoD": list presented by the Board of Directors).
*** Number of positions held as director or auditor by the person in other companies listed on regulated markets, also abroad, and in financial, banking, insurance or large-scale companies.
(*) Participation of directors in meetings of the Board of Directors and committees (indicate the number of meetings attended and the total number of meetings the person could have attended;
(**) Qualification as director within the Committee: "P": Chairman; "M": member.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Position	***Members ∞***	***Year of birth ►***	***Date of first appointment ****	***In office since***	***In office up to***	***List *****	***Indep. Code***	***Involvement in Board meetings *******	***No. of other positions *********
Chairman	*Alessandro Lai*	*10/01/1960*	*05/05/2003*	*10/05/2018 Shareholders' Meeting for the Financial Statements*	*31/12/2020 Shareholders' Meeting for the Financial Statements*	*M*	*X*	*10/10*	*8*
Statutory Auditor	*Giovanni Barbara*	*19/12/1960*	*10/05/2018*	*10/05/2018 Shareholders' Meeting for the Financial Statements*	*31/12/2020 Shareholders' Meeting for the Financial Statements*	*M*	*X*	*4/4*	*8*
Statutory Auditor	*Maria Luisa Castellini*	*15/01/1967*	*10/05/2018*	*10/05/2018 Shareholders' Meeting for the Financial Statements*	*31/12/2020 Shareholders' Meeting for the Financial Statements*	*M*	*X*	*4/4*	*4*
Alternate Auditor	*Gianmarco Losi*	*22/07/1964*	*29/04/2009*	*10/05/2018 Shareholders' Meeting for the Financial Statements*	*31/12/2020 Shareholders' Meeting for the Financial Statements*	*M*	*X*	*--*	*--*
Alternate Auditor	*Elena Fornara*	*31/05/1974*	*29/04/2009*	*10/05/2018 Shareholders' Meeting for the Financial Statements*	*31/12/2020 Shareholders' Meeting for the Financial Statements*	*M*	*X*	*--*	*--*
---------------------------- AUDITORS NO LONGER IN OFFICE DURING THE REPORTING PERIOD ----------------------------									
Statutory Auditor	*Daniele Girelli*	*16/05/1960*	*11/05/2012*	*13/05/2015 Shareholders' Meeting for the Financial Statements*	*31/12/2017 Shareholders' Meeting for the Financial Statements*	*M*	*X*	*6/6*	*--*
Statutory Auditor	*Silvia Rodi*	*07/12/1977*	*13/05/2015*	*13/05/2015 Shareholders' Meeting for the Financial Statements*	*31/12/2017 Shareholders' Meeting for the Financial Statements*	*M*	*X*	*6/6*	*--*
***Number of meetings held during the reporting period**: 10*									
***Indicate the quorum required by minorities to submit lists to elect one or more members (pursuant to article 148-ter TUF):** 2.5%*									

∞ 33.3% of auditors are female, while 66.7% are male.
► 100% of auditors are aged over 50.
* Date when the auditor was first appointed to the Board of Statutory Auditors the issuer.
** List from which each auditor was appointed (“M”: majority list; “m”: minority list).
(*) Participation of auditors in meetings of the Board of Statutory Auditors (indicate the number of meetings attended and the total number of meetings the person could have attended);
**** Total number of positions held with other companies pursuant to Book V, Section V, Parts V, VI and VII of the Civil Code. For information on the positions of director and auditor held by members of the Board of Statutory Auditors, which are relevant pursuant to articles 144-duodecies et. seq. of the Consob Issuer Regulation, see data published by Consob pursuant to article 144-quinquiesdecies of the Consob Regulation on Issuers, on the website www.sai.consob.it in the section “Company Boards – Information for the public”.

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

Introduction

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

Aims and objectives

As regards financial reporting of the Immsi Group, the risk management and internal control system was developed using the "COSO Report" as a reference model[10], according to which the Internal Audit System, in its broadest meaning, is defined as "*a process, carried on by the Board of Directors, the Executives and other subjects in the business structure, finalised at providing reasonable certainty on the attainment of the objectives in the following categories:*

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

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

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

Methodological approach

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

- Code of Ethics;
- Compliance programme pursuant to Legislative Decree no. 231/2001 and related protocols;
- Market Abuse Regulation procedures;
- Principles and procedures for material transactions and transactions with related parties;
- the System granting powers and proxies;
- Company Organisation Chart and Job profiles;

[10]The COSO Model, developed by the *Committee of Sponsoring Organizations of the Treadway Commission - "Internal Control – Integrated Framework*" published in 1992 and updated in 2013 bythe *Committee of Sponsoring Organizations of the Treadway Commission*.

- Procedure on reporting information to the Market;
- Risk Analysis process adopted (Risk Assessment);
- Accounting and Management Control System.

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

- the Accounting and Administrative Auditing Model – a document available to all employees directly involved in the process of preparing and/or controlling accounting information and aimed at defining the operating procedures of the Accounting Auditing System;
- The Group Accounting Manual – a document designed to promote the development and application of standard accounting policies across the Group for the recognition, classification and measurement of operations;
- Operating instructions for financial statements and reporting and closing schedules – documents designed to instruct various company departments on specific operational procedures for preparing financial statements within established deadlines;
- Administrative and accounting procedures – documents that identify responsibilities and rules in administrative and accounting processes.

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

a) Identification and assessment of risks involved in financial disclosure;

b) Identification of controls to minimise risks identified;

c) Assessment of controls to minimise risks identified and the management of any problems found.

Elements of the system

a) Identification and assessment of financial disclosure risks

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

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

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

Those criteria are determined by:

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

b) Identification of controls for identified risks;

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

In particular, the accounts of the financial statements classified as significant are connected to the business processes underlying them in order to identify controls that meet the objectives of the internal control and risk management system for financial disclosure. Assessments are then made of the adequacy and effective application of the controls identified. For automatic controls, the assessment of adequacy and effective application also concerns general IT controls on the software applications used to support processes of material relevance.

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

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

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

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

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

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

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

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

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

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

Roles and departments involved

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

The Financial Reporting Officer is also responsible for preparing adequate administrative and accounting procedures for preparing the financial statements and consolidated financial statements and, assisted by the Internal Audit Department, provides subsidiaries that are considered as significant within the framework of the Group financial disclosure process, with guidelines for carrying out appropriate activities to evaluate their own Accounting Control System.

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

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

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

Immsi Group

Financial statements to 31 December 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

In thousands of Euros

ASSETS		31 December 2018	31 December 2017
NON-CURRENT ASSETS			
Intangible assets	F1	833,805	826,198
Plant, property and equipment	F2	300,860	307,343
Investment property	F3	84,919	85,637
Investments	F4	7,962	7,583
Other financial assets	F5	6,029	7,364
Tax receivables	F6	17,399	19,913
Deferred tax assets	F7	126,998	122,984
Trade receivables and other receivables	F8	18,460	13,986
- of which with Related Parties		*94*	*115*
TOTAL NON-CURRENT ASSETS		1,396,432	1,391,008
ASSETS HELD FOR DISPOSAL	F9	27,434	27,183
CURRENT ASSETS			
Trade receivables and other receivables	F8	140,227	154,934
- of which with Related Parties		*2,507*	*5,878*
Tax receivables	F6	9,946	13,656
Inventories	F10	331,242	309,184
Other financial assets	F5	5,572	6,665
Cash and cash equivalents	F11	200,450	138,949
TOTAL CURRENT ASSETS		687,437	623,388
TOTAL ASSETS		2,111,303	2,041,579

LIABILITIES		31 December 2018	31 December 2017
SHAREHOLDERS' EQUITY			
Consolidated shareholders' equity attributable to the Group		234,986	221,623
Capital and reserves of non-controlling interests		144,389	149,066
TOTAL SHAREHOLDERS' EQUITY	G1	379,375	370,689
NON-CURRENT LIABILITIES			
Financial liabilities	G2	525,858	578,462
- of which with Related Parties		*0*	*2,900*
Trade payables and other payables	G3	7,101	6,829
- of which with Related Parties		*0*	*12*
Retirement fund and similar obligations	G4	45,147	48,628
Other long-term provisions	G5	14,030	10,739
Deferred tax liabilities	G6	22,598	22,677
TOTAL NON-CURRENT LIABILITIES		614,734	667,335
LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL		0	0
CURRENT LIABILITIES			
Financial liabilities	G2	538,929	432,032
- of which with Related Parties		*9*	*9*
Trade payables	G3	492,553	490,483
- of which with Related Parties		*7,424*	*9,319*
Current taxes	G7	16,160	12,309
Other payables	G3	49,382	47,928
- of which with Related Parties		*36*	*214*
Current portion of other long-term provisions	G5	20,170	20,803
TOTAL CURRENT LIABILITIES		1,117,194	1,003,555
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,111,303	2,041,579

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2018

In thousands of Euros

		31.12.2018	31.12.2017
Net revenues	H1	1,464,533	1,454,939
- of which with Related Parties		*2,772*	*1,777*
Costs for materials	*H2*	*843,470*	*825,168*
- of which with Related Parties		*20,026*	*23,508*
Costs for services, leases and rentals	H3	257,116	265,069
- of which with Related Parties		*908*	*962*
Employee costs	H4	237,496	234,493
Depreciation and impairment costs of plant, property and equipment	H5	42,379	46,537
Impairment of goodwill		0	0
Amortisation and impairment costs of intangible assets with a definite useful life	H6	70,329	76,652
Other operating income	H7	117,678	109,929
- of which with Related Parties		*343*	*254*
Net reversals (impairment) of trade and other receivables	H8	(2,301)	(3,470)
Other operating costs	H9	28,519	27,046
- of which with Related Parties		*79*	*0*
OPERATING INCOME		100,601	86,433
Earnings on investments	H10	474	716
Financial income	H11	23,402	21,093
Borrowing costs	H12	65,919	69,226
- of which with Related Parties		*104*	*152*
PROFIT BEFORE TAX		58,558	39,016
Taxes	H13	33,146	24,132
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS		25,412	14,884
Gain (loss) from assets held for disposal or sale	H14	0	0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS		25,412	14,884
Earnings for the period attributable to non-controlling interests		12,549	6,695
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	H15	12,863	8,189

EARNINGS PER SHARE

Amounts in euro

From continuing and discontinued operations:	31.12.2018	31.12.2017
Basic	0.038	0.024
Diluted	0.038	0.024

From continuing operations:	31.12.2018	31.12.2017
Basic	0.038	0.024
Diluted	0.038	0.024

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 31 DECEMBER 2018

In thousands of Euros

	31.12.2018	31.12.2017
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	25,412	14,884
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	(1,581)	(21,821)
Actuarial gains (losses) on defined benefit plans	(993)	1,243
Total	(2,574)	(20,578)
Items that may be reclassified to profit or loss		
Gains/(losses) on cash flow hedges	335	290
Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	(3,115)	(10,282)
Total	(2,780)	(9,992)
Other Consolidated Comprehensive Income (Expense)	(5,354)	(30,570)
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD	20,058	(15,686)
Comprehensive earnings for the period attributable to non-controlling interests	10,612	376
COMPREHENSIVE EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	9,446	(16,062)

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

STATEMENT OF CONSOLIDATED CASH FLOWS AT 31 DECEMBER 2018

In thousands of Euros

		31.12.2018	31.12.2017
Operating activities			
Profit before tax		58,558	39,016
Depreciation of plant, property and equipment (including investment property)	H5	41,757	46,192
Amortisation of intangible assets	H6	67,898	72,427
Provisions for risks and for severance indemnity and similar obligations	H4 – H9	25,693	25,109
Write-downs / (Reversals of fair value measurements)	H7 - H8 – H9	6,593	8,042
Losses / (Gains) on the disposal of plant, property and equipment (including investment property)	H7 – H9	114	(558)
Losses / (Gains) on the disposal of securities	H11 - H12	0	(3,350)
Financial income	H11	(8,099)	(1,808)
Dividend income	H11	(8)	(109)
Borrowing costs	H12	50,812	50,202
Amortisation of grants	H7	(6,052)	(5,464)
Portion of earnings before taxes of affiliated companies (and other companies accounted for using the equity method)	H10	(474)	(716)
Change in working capital:			
(Increase) / Decrease in trade receivables	F8	(3,725)	13,169
(Increase)/Decrease in inventories	F10	(22,058)	(15,127)
Increase / (Decrease) in trade payables	G3	3,479	21,019
(Increase) / Decrease in contract work in progress	F8	11,673	(23,254)
Increase / (Decrease) in provisions for risks	G5	(14,280)	(12,148)
Increase / (Decrease) in retirement funds and similar obligations	G4	(12,378)	(13,779)
Other changes		3,265	6,201
Cash generated from operating activities		202,768	205,064
Interest paid		(43,802)	(44,414)
Taxes paid		(27,311)	(19,186)
Cash flow from operations		131,655	141,464
Investing activities			
Acquisition of subsidiaries, net of cash and cash equivalents	F1	(1,537)	0
Sale price of subsidiaries, net of cash and cash equivalents		0	3,567
Investment in plant, property and equipment (including investment property)	F2	(39,594)	(29,800)
Sale price, or repayment value, of plant, property and equipment (including investment property)	F2	1,064	3,394
Investments in intangible assets	F1	(78,150)	(58,040)
Sale price, or repayment value, of intangible assets		72	62
Purchase of non-consolidated investments	F4	0	(11)
Sale price of non-consolidated investments		2	(2)
Purchase of financial assets	F5	(14)	(781)
Sale price of financial assets		0	3,350
Collected interests		606	1,452
Other flows from assets held for disposal or sale		(251)	0
Grants received		2,863	706
Dividends from investments		8	109
Cash flow from investing activities		(114,931)	(75,994)
Financing activities			
Loans received		528,903	216,205
Outflow for repayment of loans		(473,939)	(300,522)
Repayment of finance leases		(1,145)	(1,124)
Outflow for dividends paid to non-controlling interests		(9,835)	(9,752)
Cash flow from financing activities		43,984	(95,193)
Increase / (Decrease) in cash and cash equivalents		60,708	(29,723)
Opening balance		135,258	173,223
Exchange differences		2	(8,242)
Closing balance		195,968	135,258

Changes in working capital include lower trade payables and other payables toward Related Parties for €2,085 thousand and lower trade receivables and other receivables from Related Parties for €3,392 thousand. For more detail on Related-Party transactions during 2018, see the paragraph in the Report on Operations.

This table shows the changes in cash and cash equivalents at 31 December 2018, which amount to €200.5 million, gross of short-term bank overdrafts equal to €4.5 million.

CHANGES IN CONSOLIDATED SHAREHOLDERS’ EQUITY AT 31 DECEMBER 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	0	275	(275)	0	0	0
Allocation of Group earnings to Dividends	0	0	0	0	(9,752)	(9,752)
Allocation of Group earnings to Retained Earnings/Losses	0	(8,938)	8,938	0	0	0
Purchase of treasury shares by Piaggio & C. S.p.A.	0	0	0	0	0	0
Other changes	0	4,898	0	4,898	(1,329)	3,569
Overall earnings for the period	0	(24,251)	8,189	(16,062)	376	(15,686)
Balances at 31 December 2017	**178,464**	**34,970**	**8,189**	**221,623**	**149,066**	**370,689**

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 2017	***178,464***	***34,970***	***8,189***	***221,623***	***149,066***	***370,689***
Allocation of Group earnings to the Legal Reserve	0	152	(152)	0	0	0
Allocation of Group earnings to Dividends	0	0	0	0	(9,835)	(9,835)
Allocation of Group earnings to Retained Earnings/Losses		(8,938)	8,938	0	0	0
Purchase of treasury shares by Piaggio & C. S.p.A.	0	(771)	0	(771)	(766)	(1,537)
Other changes	0	4,690	0	4,690	(4,690)	0
Overall earnings for the period	0	(3,418)	12,863	9,445	10,613	20,058
Balances at 31 December 2018	***178,464***	***26,684***	***29,838***	***234,986***	***144,389***	***379,375***

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

- A - GENERAL ASPECTS

Immsi S.p.A. (the "Company") is a limited company established under Italian law and has registered offices in Mantova - P.zza Vilfredo Pareto, 3 Centro Direzionale Boma. The main activities of the company and its subsidiaries (the "Immsi Group"), the information on relevant events after the end of the reporting period and on operating outlook are described in the Directors' Report on Operations. At 31 December 2018, Immsi S.p.A. was directly and indirectly, pursuant to Article 93 of the TUF, controlled by Omniaholding S.p.A., a company wholly owned by the Colaninno family, through the subsidiary Omniainvest S.p.A..

The consolidated financial statements of the Immsi Group include the financial statements of the Parent Company Immsi S.p.A. and the Italian and international companies directly and indirectly controlled by it, approved by the relevant corporate functions of the respective companies, the list of which is shown in the paragraph "List of companies included in the consolidated financial statements and investments" contained in this Report.
The financial statements are expressed in euros as this is the currency in which most of the Group's transactions take place.
The amounts in the above tables and in the Notes to the consolidated financial statements are in thousands of euro (if not otherwise indicated).

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

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The Consolidated Financial Statements of the Immsi Group at 31 December 2018 have been drafted 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 Commission pursuant to Regulation (EC) No 1606/2002, as well as in compliance with the provisions established in Article 9 of Legislative Decree no. 38/2005 (including 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", Consob communication no. 6064293 dated 28 July 2006 containing "Corporate disclosure required in accordance with Article 114, paragraph 5 of Legislative Decree no. 58/98"). The interpretations of the Standing Interpretation Committee ("SIC") and the International Financial Reporting Interpretations Committee ("IFRIC") were also considered.

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

The financial statements have been prepared based on the historical cost principle, considering, where appropriate, value adjustments, with the exception of financial statement items that, according to IFRS, must be measured at fair value, as indicated in the measurement criteria, and on the basis of the company being a going concern, using a future period of 12 months from 31 December 2018 as the reference.
The considerable downturn in financial markets characterising the last few months of 2018, in relation to the financial situation of the Parent Company, with collateral on nearly all loans, led to a failure to meet some financial parameters and values to loan concerning the subsidiary Piaggio &

C. S.p.A.. For most of the loans concerned, the Company Immsi S.p.A. requested and obtained exemption before 31 December 2018, but as a response was provided for one loan after the end of the reporting period, the entire exposure has been reclassified as short-term. As regards one credit line affected by non-compliance of a financial covenant at 31 December 2018, Immsi S.p.A. is taking action to remedy the situation within the contractual terms established.
As regards financial requirements for the next 12 months, considering credit lines that are due to mature over the year and the Group's financial commitments to support the development of its initiatives, the Directors of the Parent Company have taken and will take in the next few months, actions to find solutions that guarantee a financial balance, while considering the possible risk of future trends in weak equity markets, that represent an element of uncertainty as to the scale of credit lines granted, at present, to Immsi.

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group has chosen to highlight all changes generated by transactions with non-shareholders within two statements reporting trends of the period, respectively named the "Consolidated Income Statement" and "Consolidated Statement of Comprehensive Income". These consolidated financial Statements are therefore composed of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Statement of Changes in Consolidated Shareholders' Equity, the Consolidated Cash Flow Statement, and these Explanatory and additional notes to the consolidated financial statements.

With reference to Consob Resolution no. 15519 of 27 July 2006, as regards the financial statements, specific Income statement and Statement of financial position tables have been included indicating significant Related-Party transactions and non-recurring transactions.

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. This amended version of the standard requires income attributable to owners of the parent company and to non-controlling interest net of the corresponding fiscal effect to be indicated. 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.

There were no atypical or unusual transactions during 2018 and the corresponding period of the previous year, as defined in Consob Communication no. DEM/6037577 of 28 April 2006 and no. DEM/6064293 of 28 July 2006.
No significant non-recurrent transactions were recorded in 2017, while figures for 2018 reflect the following events:

- as regards the subsidiary Piaggio & C. S.p.A., a liability management operation on the "Eur 250 million Piaggio 4.625% due 2021" debenture loan was finalised, with effects entered in profit or loss, as required by IFRS 9. In particular, at the start of 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 maturing on 30 April 2021. On 9 May, the remaining portion of this loan (equal to approximately €168,497 thousand) was paid back at the price of 101.25%, after finalisation of the exchange offer launched on 9 April. The transaction resulted in the following being recognised in profit or loss for 2018:
    - borrowing costs related to premiums paid to bond holders that did not take up to the exchange offer and for the exchange of outstanding securities and costs of the repaid loan not yet amortised (€3,530 thousand);
    - financial income from the operation to change the original liability with a new bond issued at more favourable conditions for the issuer (€4,431 thousand).
- with reference to the marine sector, considering the serious breaches by the Asian customer shipyard, Intermarine decided to terminate relative contracts. The company therefore entered greater revenues equal to the sums collected in relation to production progress, recognised inventories and own work, and made provisions for costs estimated for modifications to equipment that may be re-used. This resulted in an improvement to Operating Income equal to €10.1 million.

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

- B - SCOPE OF CONSOLIDATION

The scope of consolidation has not changed considerably compared to the Consolidated Financial Statements at 31 December 2017. Changes taking place are summarised below:

- with reference to the portion held by the Parent Company Immsi S.p.A. in ISM Investimenti S.p.A., considering the various equity rights of the two partners and analysis of impairment testing, the portion of consolidated shareholders' equity of ISM Investimenti S.p.A. was

estimated to be 41.81% at 31 December 2018, down on the figure of 51.55% at 31 December 2017;
- the consolidated portion of shareholders' equity of the Piaggio group, which amounted to 50.18% at 31 December 2018, was equal to 50.07% at 31 December 2017. The increase is mainly due to the effect of the purchase of 793,818 treasury shares by Piaggio S.p.A.;
- at the end of 2018, liquidation of the First Atlantic property fund was completed.

For details of the Immsi Group structure at 31 December 2018, see the attachment to these Notes, which is referred to herein.

- C - CONSOLIDATION PRINCIPLES

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

Subsidiaries

Subsidiaries are companies in which the Group has a major influence. This influence exists when the Group has direct or indirect power to determine the financial and operational policies of a company in order to gain benefits from its operations. The acquisition of subsidiaries is recognised according to the acquisition method. The cost of acquisition is determined by the sum of present values at the date control of the given assets was obtained, liabilities borne or undertaken and financial instruments issued by the Group in exchange for control of the acquired company.
In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at the present value at the date of acquisition. The positive difference between the acquisition cost and the share of the Group at the fair value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is instead recorded in the Income Statement at the time of acquisition.
The financial statements of subsidiaries are included in the Consolidated Financial Statements starting from the date when control is acquired until control ceases.
The portions of shareholders' equity and income attributable to non-controlling interests are separately indicated in the Consolidated Statement of Financial Position and Consolidated Income Statement respectively.

Associates and joint arrangements

Associates are companies in which the Group has considerable influence but not control of financial and operational policies.
The Group adopts IFRS 11 for all joint arrangements. According to IFRS 11, investments in joint arrangements are classified as joint operations or joint ventures depending on the contractual obligations and rights of each investor. The Group has classified the only joint arrangement agreement in place as being a joint venture.
In adopting the equity method, the investment in an associate or joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the portion attributable to the Group of profit or loss of the investee realised after the date of acquisition. The portion of profit (loss) for the period of the investee attributable to the Group is recognised separately in the consolidated profit or loss. Dividends received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount of the investment are also due to changes in items

of other comprehensive income of the investee (e.g. changes arising from translation differences of items in foreign currency). The portion of these changes, attributable to the Group, is recognised under other components of comprehensive income. If the Group's share of the losses of an associate or a joint venture is equal to or more than its interest in the associate or the joint venture, the Group ceases to recognise its share of any additional losses. After the interest is reduced to zero, additional losses are recognised by a provision (liability) only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its portion of those profits only after its portion of the profits equals the share of losses not recognised. The profits and losses resulting from "upwards" and "downwards" transactions between the Group and an associate or a joint venture are recognised in the consolidated financial statements solely to the extent of the non-controlling interest in the associate or joint venture. The Group's share of the profit or loss of the associate or joint venture arising from these transactions, attributable to the investor, is eliminated in the consolidated income statement under "earnings from investments", with a counter entry of the asset's value, in "upwards" transactions, and of the value of the investment, in "downwards" transactions.

Transactions eliminated during the consolidation process

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

Transactions in foreign currency

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

Consolidation of foreign companies

The separate financial statements of each company belonging to the Group are prepared in the currency of the primary economic environment in which they operate (the functional currency). For the purposes of the consolidated financial statements, the financial statements of each foreign entity are in euros, which is the functional currency of the Group and the presentation currency of the consolidated financial statements.
All assets and liabilities of foreign companies in a currency other than the Euro which come under the scope of consolidation are translated, using rates of exchange in effect at the end of the reporting period (currency exchange rates method). Income and costs are translated at the average exchange rate of the period. Translation differences arising from the adoption of this method, as well as the exchange differences arising from the comparison between the initial shareholders' equity converted at current exchange rates and the same translated at historical exchange rates, pass through the Statement of Comprehensive Income and are accumulated in a specific reserve of shareholders' equity until disposal of the investment: average exchange rates for translating the cash flows of foreign subsidiaries are used in preparing the Statement of Consolidated Cash Flows.

The exchange rates used for the translation of the financial statements of companies included in the scope of consolidation into euros are indicated in the following table:

	Exchange rate at 31 December 2018	Average exchange rate 2018	Exchange rate at 31 December 2017	Average exchange rate 2017
US Dollar	1.1450	1.18095	1.1993	1.12968
Pounds Sterling	0.89453	0.884706	0.88723	0.876674
Brazilian Real	4.4440	4.30849	3.9729	3.60543
Indian Rupee	79.7298	80.73324	76.6055	73.53242
Singapore Dollars	1.5591	1.59261	1.6024	1.55882
Chinese Renminbi	7.8751	7.80808	7.8044	7.629
Croatian Kuna	7.4125	7.41816	7.44	7.4637
Japanese Yen	125.85	130.39588	135.01	126.71118
Vietnamese Dong	26,230.56	26,984.72276	26,934.34	25,472.91202
Indonesian Rupiah	16,565.86	16,802.30086	16,260.11	15,119.53357
Canadian Dollars	1.5605	1.52936	1.5039	1.46472
Algerian dinar	135.4881	137.6525	137.8343	125.3194
Swedish Krona	10.2548	10.2583	9.8438	9.6369

- D - ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The accounting standards adopted in preparing these Consolidated Financial Statements of the Immsi Group are the same as those used for the Consolidated Financial Statements at 31 December 2017 with the exception of information in the section on new accounting standards.

The most significant accounting policies adopted to prepare the Consolidated Financial Statements at 31 December 2018 are outlined below:

INTANGIBLE ASSETS

As provided for in IAS 38, an intangible asset which is purchased or internally generated, is recognised as an asset only if it is identifiable, controllable and future economic benefits are expected and its cost may be measured reliably.
Intangible assets with a finite life are measured at acquisition cost or production cost net of amortisation and accumulated impairment losses. Borrowing costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.
Amortisation is referred to the expected useful life and commences when the asset is available for use.

Goodwill

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at fair value at the date of acquisition. The positive difference between the acquisition cost and the share of the Group at the fair value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is instead recorded in the Income statement at the time of acquisition.
Goodwill is not amortised but tested annually for impairment, or more frequently if specific events or changed circumstances indicate that an asset may be impaired, as provided for in IAS 36 - *Impairment of Assets.* After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.

At the disposal of part of or an entire company previously acquired from whose acquisition goodwill arose, the corresponding residual value of goodwill is considered when measuring the capital gain or loss of the disposal.

During first-time adoption of IFRS, the Group opted not to retroactively apply IFRS 3 – *Business Combinations* to acquisitions of companies that took place before 1st 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. After 1 January 2004, and following acquisitions made during 2004, additional goodwill was generated, the amount of which was remeasured in the light of the different values of shareholders' equity of the acquired companies in relation to provisions in IFRS 3.

Development costs

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

Other intangible assets

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

Other intangible assets recognised following the acquisition of a company are accounted for separately from goodwill, if their fair value can be reliably measured. The amortisation period for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period: if the expected useful life proves different from previous estimates, the amortisation period is changed accordingly.
The amortisation periods of intangible assets are shown below:

Development costs	3 - 5 years
Industrial patents and rights of use for original works	3 - 5 years
Licences	10 years
Trademarks	15 years
Other	5 years

PLANT, PROPERTY AND EQUIPMENT

The Immsi Group opted to use the cost method for the first-time adoption of IAS/IFRS in preparing its financial statements, as provided for by IFRS 1. For the measurement of property, plant and equipment, therefore, the preference was not to use the fair value method. Property, plant and equipment were booked at the purchase or production cost and were not revalued. Borrowing costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.

Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset they refer to. All other costs are recorded in the income statement when they are incurred. Property, plant and equipment under construction are measured at cost and depreciated starting from the period in which they are put into operation.
Depreciation is determined, on a straight-line basis, on the cost of the assets net of their relative residual values, based on their estimated useful life, while land is not depreciated.

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

Buildings	from 1.67% to 3%
Plant and machinery	from 6.67% to 25%
Miscellaneous equipment and other assets	from 5% to 40%
Land	not depreciated
Assets to be given free of charge	based on the duration of the concession

Profits and losses arising from the sale or disposal of assets are measured as the difference between the sale revenue and net carrying amount of the asset and are recognised in profit or loss for the period.
Assets to be given free of charge are assets held by Intermarine S.p.A. further to an agreement to lease and at the end thereof must be given free of charge and in perfect working order to the lessor. These assets are depreciated according to the duration of the concession.

Lease contracts

Lease contracts for property, plant and machinery where the Group, as lessee, basically undertakes all risks and benefits of the property, are classified as finance leases. Finance leases are capitalised when the lease is established, at the fair value of the leased asset or, if less, at the current value of minimum payments due. The corresponding amount due to the lessor, net of borrowing costs, is recognised as a financial payable. The borrowing cost is recognised in profit or loss over the lease period, so as to produce an interest rate that is constant for the remaining amount due for each period. Property, plant and machinery of finance leases are depreciated during the useful life of the asset or the shorter of the useful life of the asset or the duration of the lease agreement, if there is no reasonable certainty that the Group will obtain the property at the end of the lease period.
Leases in which a significant part of the risks and benefits of ownership are not transferred to the Group as the lessor, are classified as operating leases. Payments made for operating leases (net of any incentives received from the lessee), are recognised in profit or loss on a straight-line basis for the duration of the lease agreement.
The Group – through the Piaggio group – has its own production plants even in countries where ownership rights are not allowed. In 2007, on the basis of clarification from IFRIC, the Group reclassified as receivables the rentals paid in advance to obtain the availability of land where its production sites are situated.

Impairment

At the end of the reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that these assets may be impaired (impairment test). If there is an indication that an asset may be impaired, the asset's recoverable amount is estimated to determine the amount of the write-down. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the asset's cash generating unit.
The recoverable amount is the higher of an asset's fair value less costs to sell (if available) and its value in use. In measuring the value in use, estimated future cash flows are discounted at their fair

value, using a rate net of taxes, which reflects current market changes in the fair value of money and specific risks of the asset.
If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset is land or buildings other than the property investments recognised at revalued amounts, in which case the loss is charged to the respective revaluation reserve.
When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset (or of a cash generating unit), except for goodwill, is increased to the new value arising from an estimate of its recoverable amount, up to the net carrying amount applicable to the asset if no impairment loss had been recognised. The reversal of the impairment loss is immediately recognised in profit or loss, unless the asset is land or buildings other than the property investments recognised at revalued amounts, in which case the loss is charged to the respective revaluation reserve.
An intangible asset with an indefinite useful life is tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.

INVESTMENT PROPERTY

International accounting standards regulate the accounting treatment of property used for production or administrative purposes (IAS 16) differently from investment property (IAS 40). As permitted by IAS 40, non instrumental property and buildings held for rental and/or asset appreciation purposes are measured at fair value.
Investment properties are eliminated from the financial statements when they are disposed of or when they may not be used over time and future economic benefits from their sales are not expected.

NON-CURRENT ASSETS HELD FOR SALE

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

FINANCIAL ASSETS

Financial assets are recognised in and deleted from the financial statements based on the settlement date.
New provisions in IFRS 9 envisage a single approach to analysing and classifying all financial assets, including assets with embedded derivatives. Classification and measurement consider the business model of the financial asset and the contractual characteristics of cash flows that may be obtained from the asset. Depending on the characteristics of the instrument and business model adopted, the following three categories are determined:

(i) financial assets measured at amortised cost;
(ii) (ii) financial assets measured at fair value, with the effects recognised in other comprehensive income (OCI);
(iii) financial assets measured at fair value, with the effects recognised in fair value through other comprehensive income (FVTOCI).

The financial asset is measured at amortised cost if both the following conditions are met:
- the business model holds the financial asset only to collect the relative cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that only represent the return on the financial asset.

According to the amortised cost method, the value of initial recognition is subsequently adjusted to take into account repayments of principal, any impairment and amortisation of the difference between the repayment value and value of initial recognition.

Amortisation is based on the internal effective interest rate that represents the rate which, at the time of initial recognition, makes the present value of expected cash flows equal to the value of initial recognition.

Receivables and other financial assets measured at amortised cost are presented in the statement of financial position net of the relative provision for write-downs.

Financial assets representing debt instruments whose business model covers the possibility of collecting contractual cash flows and realising capital gains from sale (the hold to collect and sell business model), are measured at fair value, recognising the effects in OCI.

In this case, changes in fair value of the instrument are recognised as shareholders' equity in OCI. The total of changes in fair value, recognised in a shareholders' equity reserve that includes OCI, is reversed to profit or loss when the instrument is deleted from the accounts. Interest expense is recognised in profit or loss using the effective interest rate, exchange differences and write-downs.

A financial asset representing a debt instrument that has not been measured at amortised cost or at fair value through other comprehensive income is measured at fair value with the effects recognised in profit or loss.

With reference to the classification and measurement of financial assets, the Group adopts the following business models:
- a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (the “hold to collect” business model);
- a business model whose objective is to hold financial assets intended for collecting contractual cash flows (the “hold to collect and sell” business model)”.

For both types, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding..

Financial assets held by the group are recognised:
- at amortised cost, in the case of financial assets relative to the *“hold to collect”* business model;
- at fair value recognised in other comprehensive income, in the case of financial assets relative to the *“hold to collect and sell”* business model.

INVENTORIES

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

RECEIVABLES

Trade receivables and other receivables are initially recognised at fair value and subsequently recognised based on the amortised cost method, net of the provisions for write-downs.

IFRS 9 has introduced the concept of "expected loss", which allows for the recognition of adjustments to receivables in proportion to the increase in risks. This new model classifies financial assets into three categories, each of which corresponds to a different risk level and specific procedures for calculating value adjustments. In particular: i) exposures with a good credit quality or low risk. Value adjustments correspond to expected credit losses that result from default events within 12 months after the reporting date; ii) exposures whose credit rating has significantly deteriorated but that do not have objective evidence of impairment; Value adjustments are calculated considering the expected loss of the exposure over its lifetime or the estimate of the current value of losses over the expected life of the financial instrument; iii) all impaired assets, i.e. exposures with objective evidence of impairment and that must be adjusted using the expected loss model.

For trade receivables, the Group adopts a simplified approach which does not require the recognition of periodic changes in credit risk, but instead the recognition of an expected credit loss (ECL) calculated over the ECL lifetime. In particular, the policy adopted by the Group involves the stratification of trade receivables in categories based on past due days, defining the allocation based on the historical experience of credit losses, adjusted to take into account specific forecasts referred to creditors and the economic environment. The Group measures the provision to hedge losses for an amount equal to full lifetime expected credit losses, using a method that considers whether, at the end of the reporting period, the credit risk relative to a financial instrument has increased considerably after initial recognition or otherwise.

Trade receivables are wholly written down in the absence of a reasonable expectation of their recovery, or in the case of inactive counterparties.

The carrying amount of the asset is reduced through the use of a provision for write-downs and the amount of the loss is recognised in the income statement.

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

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

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

FACTORING AND REVERSE FACTORING

The Group – mainly through the companies of the Piaggio group – sells a significant part of its trade receivables through factoring. Factoring may be without recourse, and in this case no risks of recourse or liquidity exist, as corresponding amounts of the balance of trade receivables are reversed when the receivable is sold to the factor. For factoring with recourse, the risk of non-payment and the liquidity risk are not transferred, and therefore relative receivables remain under the Statement of financial position until payment by the client of the amount due: in this case any advance payments collected by the factor are recognised under payables as amounts due to other lenders.
The Immsi Group - through the Piaggio group - in order to ensure easier access to credit for its suppliers, has established factoring agreements, typically in the technical forms of supply-chain financing or reverse factoring. On the basis of existing contractual structures, the supplier has the option to sell, at its discretion, the amounts due from the group to a lender and cash in the amount before expiry. In some cases, the timing of payment provided in the invoice is subject to further extensions agreed between the supplier and the group: these extensions may be interest or non-interest bearing. In order to assess the nature of these reverse factoring transactions, the group has adopted a specific policy: In relation to the contractual terms, differentiated on the basis of place of origin, a qualitative analysis of the contract terms is performed centrally by the Finance department, as well as a legal analysis aimed at evaluating the regulatory references and the assignment nature of the transaction (as provided for by IFRS 9). Moreover, in some cases, as payment terms have been extended, quantitative analysis is carried out to verify the materiality of changes in contract terms, based on quantitative tests. In this context, relations, for which a primary obligation with the supplier is maintained and any deferment, if granted, does not significantly change payment terms, are still classified as trade liabilities.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, current bank accounts, deposits payable on demand and other high liquidity short term financial investments, which are readily convertible into cash and not affected by any major risk of a change in value. This item does not include bank overdrafts payable on demand.

TREASURY SHARES

Treasury shares are recognised as a reduction of shareholders' equity. The original cost of treasury shares and the revenue proceeds from any subsequent sale are recognised directly in equity.

FINANCIAL LIABILITIES

Financial liabilities include financial payables, including amounts payable for advances on the sale of receivables, as well as other financial liabilities, including financial derivatives and liabilities for assets recognised regarding finance lease agreements. Pursuant to IFRS 9, they include trade and other payables. Financial liabilities are recognised at fair value net of relative transaction costs. After initial recognition, loans are measured at amortised cost and calculated using the effective interest rate.
With the introduction of IFRS 9, in the event of the renegotiation of a financial liability that does not qualify as "extinction of the original debt", the difference between i) the book value of the pre-change liability and ii) the present value of the cash flows of the revised debt, discounted at the original rate (IRR), is accounted for in the income statement.

Financial liabilities hedged by derivatives are recognised at present value, according to procedures established for hedge accounting: gains and losses arising from subsequent measurements at present value are recognised in profit or loss and are offset by the effective portion of the loss and again arising from subsequent measurements at present value of the hedging instrument. At the moment of the initial assessment, a liability may be designated to the fair value taken from the Income statement (profit & loss) when such designation eliminates or significantly reduces a lack of uniformity in the evaluation or in the assessment (at times defined "accounting asymmetry") that otherwise would appear from the asset or liability evaluation or from the evaluation of the relative profits and losses on different bases. This fair value designation is exclusively applied to some financial liabilities in currency subject to exchange risk hedging.

DERIVATIVES AND MEASUREMENT OF HEDGING TRANSACTIONS

Group assets are primarily exposed to financial risks from changes in exchange and interest rates. The Group uses derivatives to hedge risks arising from changes in foreign currency and interest rates in particular irrevocable commitments and planned future transactions. With particular reference to the Piaggio group, the use of these instruments is regulated by written procedures on the use of derivatives, in line with the risk management policies of the group.
As permitted by IFRS 9, the Group has opted to continue to adopt the provisions on hedge accounting in IAS 39, rather than in
IFRS 9.

Derivatives are initially recognised at fair value, represented by the initial amount, and adjusted to fair value at subsequent end of reporting periods. Derivative financial instruments are only used with the intent of hedging, in order to reduce the exchange risk, interest rate risk and risk of changes in market prices.
In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated. When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:

- *Fair value hedge*: if a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognised asset or liability, attributable to a particular risk and could affect profit or loss, the gain or loss from the subsequent change in fair value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, attributable to the hedged risk, change the carrying amount of the hedged item and is recognised in profit or loss;
- *Cash flow hedge*: if an instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or of a highly probable forecast transaction which could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised in the statement of comprehensive income. Accumulated gain or loss is reversed from the statement of comprehensive income and recognised in profit or loss in the same period as the hedging transaction. The gain or loss associated with hedging or the part of hedging which is ineffective, is immediately recognised in profit or loss. If a hedging instrument or hedge relationship is terminated, but the hedged transaction has not yet been completed, the aggregate gains and losses, up to that moment recorded in Shareholders' equity, are recognised in profit or loss at the moment when the related transaction takes place. If hedge accounting ceases for a cash flow hedge relationship, gains and losses deferred in the statement of comprehensive income are recognised immediately in profit or loss.

If hedge accounting cannot be applied, gains and losses from measurement at fair value of the derivative financial instrument are immediately recognised in profit or loss.

LONG-TERM PROVISIONS

The Group recognises provisions for risks and charges when it has a legal or implicit obligation to third parties and it is likely that Group resources will have to be used to meet the obligation and when the amount of the obligation itself can be reliably estimated. Changes in estimates are recognised in profit or loss when the change takes place. If the effect is considerable, provisions are calculated discounting future cash flows estimated at a discount rate gross of taxes, to reflect current market changes in the fair value of money and specifics risks of the liability.

RETIREMENT FUNDS AND EMPLOYEE BENEFITS

Liabilities relative to employee benefits paid on or after termination of employment for defined benefit plans are determined separately for each plan, based on actuarial hypotheses estimating the amount of future benefits that employees will accrue at the reporting date (the "projected unit credit method"). Liabilities, recognised in the financial statements net of any assets serving the plan, are entered for the period when the right accrues. Liabilities are measured by independent actuaries.
The cost components of defined benefits are recognised as follows:

- costs relative to services are recognised in profit or loss under employee costs;
- net borrowing costs of liabilities or assets with defined benefits are recognised in profit or loss as financial income/(borrowing costs), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking account of the payment of contributions and benefits during the period;
- the remeasurement components of net liabilities, which include actuarial gains and losses, returns on assets (excluding interest income recognised in profit or loss) and any change in the limit of the assets, are immediately recognised as Other total profits (losses). These components must not be reclassified to the Income Statement in a subsequent period.

TERMINATION BENEFITS

Termination benefits are recognised at the closest of the following dates: i) when the Group can no longer withdraw the offer of such benefits and ii) when the Group recognises the costs of restructuring.

TAX ASSETS AND LIABILITIES

Deferred taxes are determined based on the temporary taxable differences between the value of the asset and liability and their tax value. Deferred tax assets are measured only to the extent to which it is likely that adequate future taxable sums exist against which the deferred taxes can be used. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent to which it is no longer likely that sufficient taxable income exists allowing for all or a portion of said assets to be recovered.

Deferred tax liabilities are determined based on tax rates expected for the period in which the tax assets are realised, considering the rates in effect or which are known to come into effect. Deferred tax liabilities are directly recognised in profit or loss, except for items directly recognised in the statement of comprehensive income, in which case relative deferred taxes are also recognised in the statement of comprehensive income. In the case of reserves of undistributed profits of subsidiaries and because the Group is able to control distribution times, deferred taxes are allocated for the reserves when distribution is expected in the future.
Deferred tax assets and liabilities are recognised at their net value when they may be offset in the same tax jurisdiction.

PAYABLES

Payables are recognised at fair value and are subsequently measured using the amortised cost method, which coincides with the nominal amount for trade payables that fall due within normal business terms.

RECOGNITION OF REVENUES

Based on the five-step model introduced by IFRS 15, the Group measures revenues after identifying the contracts with its customers and relative performance to provide (transfer of goods and/or services), after determining the transaction price it considers due in exchange for performance, and evaluating the procedure for satisfying the performance (performance at a given time versus performance over time).
In particular, the Group measures revenues only if the following requirements have been met (requirements to identify the "contract" with the customer):
a) the contract has been approved by the parties to the contract (in writing, verbally or in compliance with other standard business practices) and the parties undertake to meet their respective obligations; an agreement therefore exists between the parties that establishes the rights and obligations to be met, regardless of the form by which the agreement is made;
b) the Group can identify each party’s rights in relation to the goods or services to be transferred;
c) the Group can identify the payment terms for the goods or services to be transferred;
d) the contract has commercial substance; and
e) it is probable that the Group will receive the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer.
If the above requirements are not met, the relative revenues are recognised when: (i) the Group has already transferred control of the goods and/or provided the services to the customer and all or nearly all of the consideration from the customer has been received and cannot be reimbursed; or (ii) the contract has ended and the consideration received by the Group from the customer cannot be reimbursed.
If the above requirements are instead met, the Group adopts the following rules for recognition.
Revenues for the sale of vehicles and spare parts are recognised when control of the good is transferred to the purchaser, or when the customer can use in full the good or substantially benefit from it.
Revenues are represented net of discounts, including, among others, sales incentive programmes and bonuses to customers, as well as taxes directly connected with the sale of the goods.
Revenues from the provision of services are recognised when the services are provided with reference to the interim payment certificate.
Revenues also include lease payments recognised on a straight line basis for the duration of the contract.

GRANTS

Equipment grants are recognised in the financial statements when their payment is certain and are recognised in profit or loss based on the useful life of the asset for which the grants have been provided. Operating grants are recognised in the financial statements, when their payment is certain and are recognised in profit or loss in relation to costs for which the grants have been provided.

With specific reference to the subsidiary Intermarine S.p.A. operating in the naval sector, the company benefits from different types of Ministerial contributions. Intermarine primarily benefits from ministerial research grants, out of national and Community funds, due on the research and development costs incurred and capitalised, are entered under Other payables and will be offset against the amortisation and depreciation entries of the capitalised costs they are related to in the Income statement. For projects that entail the building of a prototype, the subsidy granted for the costs incurred is entered in the Income statement account in proportion to the work progress status of the underlying construction.

FINANCIAL INCOME

Financial income is recognised on an accrual basis and includes interest payable on invested funds, exchange differences receivable and income from financial derivatives, when not offset in hedging transactions. Interest income is charged to the Income statement as it accrues, considering the effective yield.

BORROWING COSTS

Financial charges are recognised on an accrual basis and include interest payable on financial payables calculated using the effective interest rate method, exchange differences payable and losses on derivatives. The rate of interest payable of finance lease payments is recognised in profit or loss, using the effective interest rate method.

DIVIDENDS

Dividends recognised in profit or loss, from non-controlling interests, are recognised on an accrual basis, and therefore at the time when, following the resolution to distribute dividends by the subsidiary, the relative right to payment arises.

INCOME TAXES

Taxes represent the sum of current and deferred tax assets and liabilities. Taxes allocated under statutory accounting circumstances of individual companies included in the scope of consolidation are recognised in the consolidated financial statements, based on taxable income estimated in compliance with national laws in force at the end of the reporting period, considering applicable exemptions and tax receivables owing. Income taxes are recognised in profit or loss, with the exception of those taxes relative to items directly deducted from or charged to the Statement of Comprehensive Income. Taxes are recorded under “Tax payables” net of advances and withheld taxes. Taxes due in the event of the distribution of reserves as withheld taxes recognised in the financial statements of individual Group companies are not allocated, as their distribution is not planned.

Immsi S.p.A., with the subsidiaries Piaggio & C. S.p.A., Piaggio Concept Store Mantova S.r.l., Aprilia Racing S.r.l., Apuliae S.p.A., Intermarine S.p.A., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l. and Pietra Ligure S.r.l., opted to be a part of the Group taxation system, as provided for by Articles 117 and following of the Consolidated Income Tax Act (National Consolidated Tax Convention). In exercising this option, each company which is party to the National Consolidated Tax Convention transfers its tax income (taxable income or tax loss) to the consolidating company: the consolidating company therefore determines one taxable base for the group of companies that are party to the National Consolidated Tax Convention, and may therefore offset taxable income against tax losses in one tax return. The latter recognises a receivable from consolidated companies transferring taxable income, while for companies with tax losses, the consolidating company records a related payable equal to Italian Tax on Corporate Income on the portion of the loss actually offset at a Group level.

EARNINGS PER SHARE

Earnings per share are calculated by dividing the income or loss attributable to parent company shareholders by the weighted average number of ordinary shares outstanding during the period, excluding treasury stock. Diluted earnings per share are calculated dividing the profit or loss attributable to shareholders of the Parent Company by the weighted average of ordinary shares in circulation adjusted to take account of the effects of all potential ordinary shares with a dilutive effect. Any shares related to the stock option plan are considered as shares that may be potentially issued. The adjustment to make to the number of stock options to calculate the number of adjusted shares is determined by multiplying the number of stock options by the subscription cost and dividing it by the share market price.

USE OF ESTIMATES

The preparation of the financial statements and notes in compliance with IFRS requires management to make estimates and assumptions which have an impact on the values of assets and liabilities and on disclosure regarding contingent assets and liabilities at the end of the reporting period. Actual results could differ from estimates.
Moreover, estimates are used to measure intangible assets tested for impairment and to identify allocations for bad debts, for obsolete inventories, amortisation and depreciation, impairment of assets, employee benefits, taxes, restructuring provisions and other allocations and funds. Estimates and assumptions are periodically revised and the effects of any change are immediately recognised in profit or loss.

In the current ongoing uncertainty of the global economic and financial scenario, assumptions made as to future trends are marked by a considerably degree of uncertainty. Therefore the possibility in the next reporting period of results that differ from estimates cannot be ruled out, and these could require even significant adjustments which at present cannot be predicted or estimated.

TRANSACTIONS WITH SUBSIDIARIES AND RELATED PARTIES

Transactions with subsidiaries and related parties are described in the Report on Operations and in the Note, referred to herein.

NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS FROM 1 JANUARY 2018

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 will be applicable for years commencing on or after 1 January 2018, but the Group adopted IFRS 9 in advance as from 1 January 2017, as permitted by the standard and resolved by the Board of Directors of Immsi S.p.A. on 12 May 2017, also in order to eliminate a lack of uniformity, with a view to measuring financial assets on initial recognition and their subsequent measurement. The Group has adopted IFRS 9 and all amendments, applying the modified, retrospective method, without however redetermining balances relative to previous years.

Moreover, IFRS 9 has amended IAS 1 (82 ba) requiring the separate recognition of impairment losses (including reversals of impairment losses and impairment gains) in profit or loss. In this regard, the Group indicated this aggregate also for 2017, in order to have a better comparison of 2018 financial data with 2017 financial data.
Lastly, the Group has opted for a policy choice which allows it to adopt the provisions in IAS 39 for hedge accounting. The new requirements of IFRS 9 have therefore been deferred to a time when the macro-hedging project will be completed.

Competent bodies of the European Union have approved the following accounting standards and amendments to adopt as from 1 January 2018, none of which have had a significant effect on the Financial Statements of the Group.

- *IFRS 15 - "Revenue from Contracts with Customers"* The new standard is applicable retrospectively for years commencing on or after 1 January 2018. 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 regulated, i.e. when the customer acquires control of the goods and/or services.

  The Group has carried out in-depth analysis of 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 is no significant impact arising from the adoption of the new standard, as the most significant component of revenue will continue 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 recognised when control is transferred and when the Group meets its obligation transferring the promised asset to the customer.
  One exception is a number of scheduled maintenance schemes and extended warranties that go beyond the statutory period (sold together with the vehicle) which, according to the new standard, constitute separate performance bonds and, as such, must now be identified and accounted for 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 on the occurrence of certain conditions).
  Also with reference to the subsidiary Intermarine, analysis of various job orders and the economic impact from the adoption of IFRs 15 has shown that there are no significant effects arising from the adoption of the new standard, as the most significant revenue components will still be recognised in a manner that is consistent with previous accounting standards. Considering the complexity of Intermarine contracts, that have numerous legal, operating and financial aspects, the subsidiary will continue to monitor these issues and relative application in compliance with IFRS 15.
  The Group has adopted IFRS 15 and all related amendments retrospectively, without amending 2017 financial statement data which are presented for comparison, but instead

indicating the effects on various items of the 2018 financial statement items if the standard had not been adopted.
The effects of adopting IFRS 15 on the consolidated income statement for 2018 are summarised in the following table:

In thousands of Euros	**2018 published**	**Reclassifications**	**2018 without adoption IFRS 15**
Net revenues	1,464,533	10,939	1,475,472
Cost for materials	-843,470	-3,132	-846,602
Costs for services	-257,116	-7,611	-264,727
Other operating costs	-28,519	-196	-28,715
Operating income (EBIT)	100,601	0	100,601

- Amendment to IFRS 2 – Share-based Payment: The amendments clarify how some share-based payments are recognised.
- Amendment to IAS 40 – Investment Property: These amendments clarify change in use, which is a necessary condition for transfer from/to Investment Property.
- Series of annual amendments to IFRS 2014–2016: The main amendment concerns IAS 28 “Investments in Associates and Joint Ventures”. The amendments clarify, correct or remove redundant wording in the related IFRS and did not have a material impact on the Financial Statements or on disclosure.
- Interpretation IFRIC 22 - The amendment addresses the exchange rate to use 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 completed the approval process necessary for the adoption of the following accounting standards and amendments.

In the month of January 2016, the IASB published IFRS 16 "Leases". This new standard will replace the current IAS 17. The main change concerns the accounting of lease agreements by lessees that, according to IAS 17, were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). With IFRS 16, operating leases will be treated for accounting purposes as finance leases. According to the new standard, an asset (the right to use the leased item) and a financial liability to pay for rent are recognised.
This principal will apply from 1 January 2019. Early application was possible if IFRS 15 "Revenue from contracts with customers" was jointly adopted.
The Group has carried out in-depth analysis on all lease agreements in effect at 31 December 2018, in view of new accounting arrangements for leases established in IFRS 16. The standard will mainly have an effect on the recognition of the Group's operating leases.
The IASB has provided for the optional exemption for certain leasing contracts and low value and short-term leases. For other operating lease commitments, the Group expects to recognise assets for the right of use equal to €29.3 million at 1 January 2019, with a contra-entry in net liabilities for leases. Based on ongoing agreements, the Group expects net profit after taxes to decrease by approximately €0.4 million for 2019, following the adoption of the new versions of the standards, which require costs to be recognised no longer on a straight line basis as lease and rental costs, but instead as (constant) amortisation and as borrowing costs (which are variable depending on

the debt). EBITDA is expected to increase by approximately €6.8 million, as the amortisation of assets and interest in lease rights are excluded.
Operating cash flows will go up by approximately €6.8 million, while cash flows from financing activities will go down by approximately €6.8 million, as the reimbursement of lease liabilities will be classified as cash flow from financing activities.
The Group will adopt the standard from the mandatory date of 1 January 2019, using the simplified transition approach and will not amend comparative figures of the year prior to first-time adoption. Assets recognised for lease and rental costs will be measured for the amount of the lease debt at the time of adoption.

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 October 2017, the IASB published some amendments to IAS 28 providing clarifications on affiliated companies or joint ventures to whom the equity method is not applied, based on IFRS 9. These amendments will apply from 1 January 2019 (approved on 8 February 2019).
- In December 2017, the IASB published its annual improvements to IFRS 2015–2017 (IFRS 3, IFRS 11, IAS 12 and IAS 23) that will be valid starting from 1 January 2019.
- In February 2018, the IASB published some amendments to IAS 19, that will require companies to revise assumptions for determining the cost and borrowing costs at each change of the plan. These amendments will apply from 1 January 2019.
- In October 2018, the IASB published some amendments to IAS 1 and IAS 8 that provide clarifications on the definition of "materiality". These amendments will apply from 1 January 2020.
- In October 2018, the IASB published some amendments to IFRS 3 that amend the definition of “business”. These amendments will apply from 1 January 2020.

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 application of IFRS 8 - Operating Segments - is mandatory at 1 January 2009. This principle requires operating segments to be identified on the basis of an internal reporting system which company management utilises to allocate resources and assess performance.

The information for operating segments presented below reflects the internal reporting system utilised by management for making strategic decisions. In this respect, as regards individual *business* areas, wherever possible information is provided relating to the property and holding, industrial and marine sectors.

Primary sector: business areas

Income statement at 31 December 2018

In thousands of Euros	*Sector property and holding*	*Sector industrial*	*Sector marine*	*Group Immsi*
Net revenues to non-controlling interests	5,178	1,389,546	69,809	1,464,533
Intercompany net revenues				0
NET REVENUES	**5,178**	**1,389,546**	**69,809**	**1,464,533**
OPERATING INCOME	**-3,513**	**92,778**	**11,336**	**100,601**
Earnings on investments	0	474	0	474
Financial income				23,402
Borrowing costs				65,919
PROFIT BEFORE TAX				**58,558**
Taxes				33,146
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS				**25,412**
Gain (loss) from assets held for disposal or sale				0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS				**25,412**
Earnings for the period attributable to non-controlling interests				12,549
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP				**12,863**

Statement of financial position at 31 December 2018

In thousands of Euros	*Sector property and holding*	*Sector industrial*	*Sector marine*	*Group Immsi*
Segment assets	360,651	1,585,539	164,957	2,111,147
Investments in affiliated companies	0	138	18	156
TOTAL ASSETS	**360,651**	**1,585,677**	**164,975**	**2,111,303**
TOTAL LIABILITIES	**376,582**	**1,193,725**	**161,621**	**1,731,928**

Other information at 31 December 2018

In thousands of Euros	*Sector property and holding*	*Sector industrial*	*Sector marine*	*Group Immsi*
Investments in plant, property and equipment and intangible assets	**1,688**	**115,278**	**778**	**117,744**
Depreciation, amortisation and write-downs	**470**	**112,437**	**3,341**	**116,248**
Cash flow from operating activities	**-19,710**	**154,979**	**-3,614**	**131,655**
Cash flow from investing activities	**-1,820**	**-110,984**	**-590**	**-113,394**
Cash flow from financing activities	**16,950**	**16,495**	**9,002**	**42,447**

Secondary sector: geographic segments

The following table presents the financial position and performance of the Group for 2018 in relation to geographic segments "of origin", that is, with reference to the country of the company which realised the revenues or which owns the assets.

The distribution of revenues by geographic segment of "destination", that is, with reference to the customer's country, is analysed in the Notes to the Consolidated Financial Statements at 31 December 2018 under the item net revenues in the Income Statement.

Income statement at 31 December 2018

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Group Immsi*
Net revenues to non-controlling interests	791,349	29,945	410,758	51,109	181,372	1,464,533
Intercompany net revenues						0
NET REVENUES	**791,349**	**29,945**	**410,758**	**51,109**	**181,372**	**1,464,533**

Statement of financial position at 31 December 2018

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Group Immsi*
Segment assets	1,723,650	23,373	237,476	10,164	116,484	2,111,147
Investments in affiliated companies	126	30	0	0	0	156
TOTAL ASSETS	**1,723,776**	**23,403**	**237,476**	**10,164**	**116,484**	**2,111,303**

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Group Immsi*
Total receivables *	**76,068**	**12,052**	**54,624**	**6,064**	**11,699**	**160,507**
Total payables **	**343,768**	**27,050**	**126,472**	**3,231**	**48,515**	**549,036**

*) Contract work in progress and Tax receivables are not included.
**) Payables for Current taxes and Financial liabilities are not included.

Other information at 31 December 2018

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Group Immsi*
Investments in plant, property and equipment and intangible assets	**98,101**	**143**	**13,862**	**1,936**	**3,702**	**117,744**
Depreciation, amortisation and write-downs	**92,207**	**1,409**	**11,766**	**1,310**	**9,556**	**116,248**

For comparability, corresponding tables referring to 31 December 2017 are shown below:

Income statement at 31 December 2017

In thousands of Euros	*Sector property and holding*	*Sector industrial*	*Sector marine*	*Group Immsi*
Net revenues to non-controlling interests	4,751	1,342,450	107,738	1,454,939
Intercompany net revenues				0
NET REVENUES	**4,751**	**1,342,450**	**107,738**	**1,454,939**
OPERATING INCOME	**-3,754**	**72,329**	**17,858**	**86,433**
Earnings on investments	0	716	0	716
Financial income				21,093
Borrowing costs				69,226
PROFIT BEFORE TAX				**39,016**
Taxes				24,132
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS				**14,884**
Gain (loss) from assets held for disposal or sale				0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS				**14,884**
Earnings for the period attributable to non-controlling interests				6,695
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP				**8,189**

Statement of financial position at 31 December 2017

In thousands of Euros	*Sector property and holding*	*Sector industrial*	*Sector marine*	*Group Immsi*
Segment assets	361,784	1,511,270	168,379	2,041,433
Investments in affiliated companies	0	128	18	146
TOTAL ASSETS	**361,784**	**1,511,398**	**168,397**	**2,041,579**
TOTAL LIABILITIES	**368,790**	**1,130,356**	**171,744**	**1,670,890**

Other information at 31 December 2017

In thousands of Euros	*Sector property and holding*	*Sector industrial*	*Sector marine*	*Group Immsi*
Investments in plant, property and equipment and intangible assets	**93**	**86,706**	**1,041**	**87,840**
Depreciation, amortisation and write-downs	**1,024**	**122,758**	**2,879**	**126,661**
Cash flow from operating activities	**-31,026**	**148,737**	**23,753**	**141,464**
Cash flow from investing activities	**6,041**	**-82,281**	**246**	**-75,994**
Cash flow from financing activities	**51,784**	**-121,720**	**-25,257**	**-95,193**

Secondary sector: geographic segments

Income statement at 31 December 2017

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Group Immsi*
Net revenues to non-controlling interests	829,608	26,527	355,945	67,173	175,686	1,454,939
NET REVENUES	**829,608**	**26,527**	**355,945**	**67,173**	**175,686**	**1,454,939**

Statement of financial position at 31 December 2017

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Group Immsi*
Segment assets	1,641,639	27,127	208,113	34,070	130,484	2,041,433
Investments in affiliated companies	111	35	0	0	0	146
TOTAL ASSETS	**1,641,750**	**27,162**	**208,113**	**34,070**	**130,484**	**2,041,579**

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*States United States*	*Rest of the World*	*Group Immsi*
Total receivables *	**77,435**	**19,871**	**40,611**	**8,162**	**12,988**	**159,067**
Total payables **	**345,132**	**38,577**	**120,562**	**1,853**	**39,116**	**545,240**

*) Contract work in progress and Tax receivables are not included.
**) Payables for Current taxes and Financial liabilities are not included.

Other information at 31 December 2017

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Group Immsi*
Investments in plant, property and equipment and intangible assets	**69,500**	**129**	**11,232**	**1,241**	**5,738**	**87,840**
Depreciation, amortisation and write-downs	**99,590**	**283**	**15,198**	**425**	**11,165**	**126,661**

- F - INFORMATION ON THE MAIN ASSET ITEMS

Amounts are stated in thousands of euro unless otherwise indicated.

- F1 - INTANGIBLE ASSETS 833,805

Net intangible assets at 31 December 2018 amounted to €833,805 thousand, up by €7,607 thousand compared to 31 December 2017, mainly due to the capitalisation of development costs for new products and new engines, as well as the acquisition of software, detailed 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	25,462	32,483	0	0	95	58,040
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	(7,726)	(1,045)	6,000	0	(856)	(3,627)
Gross amounts at 31 December 2017	**281,825**	**376,883**	**155,200**	**625,421**	**9,188**	**1,448,517**
Accumulated depreciation at 31 December 2016	**159,394**	**265,556**	**100,970**	**11,439**	**9,686**	**547,045**
Depreciation	35,816	31,608	4,828	0	175	72,427
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	(3,401)	1,078	6,000	0	(830)	2,847
Accumulated amortisation at 31 December 2017	**191,809**	**298,242**	**111,798**	**11,439**	**9,031**	**622,319**
Net amounts at 31 December 2017	**90,016**	**78,641**	**43,402**	**613,982**	**157**	**826,198**
Gross amounts at 31 December 2017	**281,825**	**376,883**	**155,200**	**625,421**	**9,188**	**1,448,517**
Increases	33,299	44,204	611	0	36	78,150
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	3,369	(946)	(27,664)	0	670	(24,571)
Gross amounts at 31 December 2018	**318,493**	**420,141**	**128,147**	**625,421**	**9,894**	**1,502,096**
Accumulated amortisation at 31 December 2017	**191,809**	**298,242**	**111,798**	**11,439**	**9,031**	**622,319**
Depreciation	32,332	30,638	4,827	0	101	67,898
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	5,571	(512)	(27,664)	0	679	(21,926)
Accumulated amortisation at 31 December 2018	**229,712**	**328,368**	**88,961**	**11,439**	**9,811**	**668,291**
Net amounts at 31 December 2018	**88,781**	**91,773**	**39,186**	**613,982**	**83**	**833,805**

N.B.: The “Other movements” item includes the reductions for fully amortised intangible assets, translation differences relating to financial statements in foreign currencies, reclassifications and write-downs.

Development costs

Development costs include costs for products, vessels and engines in projects for which there is an expectation, for the period of the useful life of the asset, to realise revenues that will allow for the recovery of the costs incurred. This item includes assets under construction for €25,451 thousand, entirely ascribable to the Piaggio group, which instead represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.

With particular reference to the **industrial sector** (Piaggio group), new projects capitalised during 2018 refer to the study of new vehicles and new engines (two-/three-/four-wheelers which will feature as the top products in the 2018-2020 range.
Borrowing costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the actual assets. During 2018, development expenditure amounting to €17,500 thousand was directly recognised in profit or loss.

As regards the **marine sector** (Intermarine S.p.A.), total development costs capitalised at 31 December 2018 under intangible assets, net of amortisation, amounted to €7,557 thousand. In previous years, two important research projects were started: "Hydrofoils with Submerged Foils" and "Enviroaliswath".

For further details on main research and development activities of companies belonging to the Immsi Group, see the Non-Financial Statement included in the Report on Operations.

Concessions, patents, industrial and similar rights

The net balance of this item, equal to €91,773 thousand at 31 December 2018, is mainly related to the Piaggio group that has recorded software, patents and know-how for a total of €91,456 thousand, of which fixed assets in progress for €27,034 thousand.

Patents and know-how mainly refer to 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 2018-2020 range.

Trademarks and licences

The item trademarks and licences with a finite useful life, totalling €39,186 thousand, is broken down as follows:

In thousands of Euros	**Net value at 31 December 2018**	**Net value at 31 December 2017**	**Change**
Guzzi trademark	13,000	14,625	(1,625)
Aprilia trademark	25,544	28,737	(3,193)
Foton licence	611	0	611
Other	31	40	(9)
Total brands	**39,186**	**43,402**	**(4,216)**

The Aprilia and Guzzi trademarks are amortised over a period of 15 years, expiring in 2026.

Goodwill

The goodwill recognised by the Group was unchanged compared to the balance at the end of 2017. The item in question is broken down in the following table:

In thousands of Euros	*Net Balance at 31.12.2018*
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. During the first-time adoption of the IFRS, in fact, the Group chose not to apply *IFRS 3 – Business combinations* retroactively to company acquisitions prior to 1 January 2004. 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 current value of future financial flows over a multi-year forecasting period that are estimated to be generated by the continuous use of the assets referred to the single cash generating units ("Unlevered" version of the "Discounted Cash Flow" method); and
- by the terminal value attributable to them (estimated according to the perpetual growth method), so as to reflect the residual value that each cash-generating unit is expected to generate beyond the planning timeframe and which is representative of the current value of future cash flows after the specific period of forecast financial data.

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.

Goodwill has been allocated to the Intermarine and Piaggio group cash-generating units. The impairment testing for both the cash-generating units was conducted in-house by Immsi S.p.A.'s management, in order to support the Company's Board of Directors in the application of the procedure set out in the accounting standard IAS 36.

As concerns the **Piaggio group**, it has been considered reasonable to consider the Piaggio cash-generating unit coincident with the Piaggio group as a whole (Piaggio & C. S.p.A. and its subsidiaries). Therefore all the considerations related to the estimate of the utilisation value of the cash-generating unit and to its use for the purposes of the impairment test were developed considering the Piaggio group at consolidated level. The carrying amount of the goodwill allocated to the cash-generating unit Piaggio group is equal to approximately €579.5 million. The main hypotheses and assumptions used in determining the recoverable value of the cash generating

unit are related to i) the use of forecast economic and asset data of the Piaggio group; ii) the discount rate used for discounting estimated expected cash flows; iii) the use of the expected growth rate for the calculation of the terminal value consistently with the approach of the perpetuity growth.
As regards the figures as of point i), analyses were based on predicted financial flows relative to a four-year period assumed from 2019 budget data (approved by the Board of Directors of Piaggio & C. S.p.A. on 21 February 2019) supplemented by forecast data relative to 2019-2022.
With reference to the value of point ii), for discounting the estimated expected cash flows, a weighted average discount rate calculated beginning from the discount rates related to the different geographic segments of operation of the Piaggio group for its own cash-generating units has been used, that reflect the current market evaluations of the cost of money and that take account of the specific risks of the business and of the geographic segment in which the different cash-generating units of the Piaggio group operate. In particular, to establish the cost of its equity ("K_e") according to the CAPM ("*Capital Asset Pricing Model*") a) a variable long-term risk-free rate for the different areas of operation of the group was considered; b) a market risk premium in an unconditional form (normal long-term premium), in order to avoid the risk of running into a "double counting" of the country risk associated to the group's operational areas; c) Beta coefficients also taking into account the Beta coefficients of main listed companies that are comparable to the Piaggio group. The cost of debt ("K_d") net of taxes was estimated taking account of the target financial structure that can be related to main listed companies comparable to the Piaggio group as well as – prudentially in order to mitigate the positive impact of the current expansive monetary policy – a long-term risk-free rate. The average weighted discount rate ("WACC") used for impairment testing net of taxes is therefore estimated to be equal to approximately 7.79% the increase in the WACC compared to the previous year (7.35% at 31 December 2017).
As regards point iii) when processing the impairment test, the final value was determined using a weighted average perpetual growth rate ("g rate"), calculated starting from different "g rates", determined by the Piaggio group for its own internal cash-generating units; this average weighted "g rate" was estimated as being equal to 1.4% (in line with the figure used at 31 December 2017).

Analyses did not identify any impairment losses: therefore, no impairment loss was reflected in the data of the Consolidated Financial statements of the Immsi Group at 31 December 2018. with the above values of the basic assumptions considered, the goodwill test regarding the Piaggio group cash-generating unit was passed with a broad margin. In addition, also on the basis of the indications contained in the Document Banca d'Italia/Consob/Isvap no. 2 of 6 February 2009 and in the document Banca d'Italia/Consob/Isvap no. 4 of March 2010, sensitivity analysis was carried out on the test results compared to the basic assumptions used such as the perpetual growth rate used to process the final value ("g rate") and the discount rate ("WACC"), that affect the estimate of the value of use of the cash-generating unit Piaggio group: the impairment test was passed in all reasonably considered cases.

As regards the cash-generating unit **Intermarine** the company coincides with the definition of the "naval sector" identified by the Immsi Group in its own segment reporting, in compliance with *IFRS 8 – Operating segments*: the carrying amount of goodwill allocated to the cash-generating unit is equal to approximately €34.4 million. The main hypotheses and assumptions used in determining the recoverable value of the cash generating unit are related to i) the use of forecast financial data of Intermarine; ii) the discount rate used for discounting estimated expected cash flows; iii) the expected growth rate for calculating the terminal value, consistently with the approach of discounting back the "perpetual growth".

As regards values of point i) the analyses were based on a hypothesis of forecast financial flows relative to a four-year time line inferable from budget data for 2019, supplemented with forecast data for the period 2019-2023 prepared by the management of Intermarine S.p.A.: the data processed as above were approved by the Board of Directors of the company on 8 March 2019. In this regard, forecast data considered – uncertain and variable by nature – reflect the evolution of the company's order portfolio as well as its future industrial and commercial strategies: such data, in particular, is essentially based on the acquisition of future contracts, in relation to which negotiations are currently in the advanced stage. Updates, revisions or negative developments relative to the aforesaid assumptions and forecasts occurring after the reporting period of this evaluation could influence, even significantly, the results of impairment testing. In previous years, final results for the marine sector showed deviations compared to financial data estimates used, also following some exceptional and unforeseeable events: given the intrinsically uncertain nature of the forecast data considered, it cannot be excluded that these deviations may continue to take place even in the future, with respect to the forecast data used in the impairment test carried out at 31 December 2018.
As regards the value of point ii), for discounting the estimated expected cash flows of Intermarine, a discount rate was used that reflects current market evaluations of the cost of money and takes account of the specific risks of the business and geographic segment in which the company operates. In particular, the cost of equity ("K_e") was determined according to the CAPM ("*Capital Asset Pricing Model*"). For this purpose, we considered a) a long-term risk-free rate; b) a market risk premium in an unconditional form (normal long-term premium); c) a Beta coefficient calculated by taking into account also the Beta coefficient of a sample of companies comparable to the company, operating in the leisure and defence shipbuilding sector. For the purpose of estimating the aforementioned rate, a specific risk premium equal to 1.5% was also considered. The cost of debt ("K_d") net of taxes was estimated taking account of the expected financial structure of a panel of listed companies comparable to Intermarine as well as – prudentially in order to mitigate the positive impact of the current expansive monetary policy - a long-term risk-free rate. The weighted average discount rate used for the purposes of the impairment test net of taxes is therefore estimated equal to approximately 8.67% (7.96% at 31 December 2017).
As regards point iii) when processing the impairment test, the final value was determined using a perpetual growth rate ("g rate"), prudentially estimated as being equal to 0.75%.

The analyses conducted did not highlight any impairment losses with reference to the test of goodwill allocated to the Intermarine cash-generating unit: therefore, no impairment of goodwill is reflected in the data of the Consolidated Financial statements of the Immsi Group at 31 December 2018. Sensitivity analysis was carried out on the test results compared to the basic assumptions used such as the perpetual growth rate used to process the final value ("*g rate*") and the discount rate ("WACC"), that affect the estimate of the value of use of the cash-generating unit Intermarine: the test concerning goodwill allocated to the cash-generating unit in question was passed in all reasonably considered cases.

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 climate of uncertainty on reference markets and financial markets, the different factors – both inside and outside the identified cash-generating units – used in drawing up the estimates could in the future be reviewed. The Group will constantly monitor these factors and the possible existence of future impairment losses.

Other intangible assets

The item "Other intangible assets with a finite life" totalling €83 thousand, mainly includes expenses incurred by Piaggio Vietnam.

- F2 - PLANT, PROPERTY AND EQUIPMENT 300,860

Net plant, property and equipment at 31 December 2018 amounted to €300,860 thousand, compared to €307,343 thousand at 31 December 2017, and comprise assets owned by the Piaggio group for €266,198 thousand, of Intermarine S.p.A. for €17,080 thousand, of Is Molas S.p.A. for €17,336 thousand and of Immsi S.p.A. for €238 thousand. 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	1,910	15,990	6,817	332	4,692	29,741
Decreases	(443)	(524)	(5,990)	(9,177)	0	(845)	(16,979)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	(3,031)	(14,584)	(4)	0	(872)	(18,491)
Gross amounts at 31 December 2017	**44,422**	**189,986**	**518,466**	**519,234**	**16,256**	**62,711**	**1,351,075**
Accumulated depreciation at 31 December 2016	**0**	**77,378**	**382,775**	**494,804**	**15,024**	**50,356**	**1,020,337**
Depreciation	0	5,678	24,255	11,220	59	4,980	46,192
Applications	0	(255)	(5,738)	(7,371)	0	(575)	(13,939)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	(901)	(7,172)	3	(1)	(787)	(8,858)
Accumulated amortisation at 31 December 2017	**0**	**81,900**	**394,120**	**498,656**	**15,082**	**53,974**	**1,043,732**
Net amounts at 31 December 2017	**44,422**	**108,086**	**124,346**	**20,578**	**1,174**	**8,737**	**307,343**
Gross amounts at 31 December 2017	**44,422**	**189,986**	**518,466**	**519,234**	**16,256**	**62,711**	**1,351,075**
Increases	286	2,242	16,801	14,298	19	5,412	39,058
Decreases	0	(81)	(3,808)	(5,641)	(722)	(4,616)	(14,868)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	(580)	(6,906)	(5,210)	(60)	(3,596)	(16,352)
Gross amounts at 31 December 2018	**44,708**	**191,567**	**524,553**	**522,681**	**15,493**	**59,911**	**1,358,913**
Accumulated amortisation at 31 December 2017	**0**	**81,900**	**394,120**	**498,656**	**15,082**	**53,974**	**1,043,732**
Depreciation	0	5,670	21,926	9,587	60	4,514	41,757
Applications	0	(13)	(3,662)	(5,470)	(607)	44	(9,708)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	401	(5,233)	(5,210)	(60)	(7,626)	(17,728)
Accumulated amortisation at 31 December 2018	**0**	**87,958**	**407,151**	**497,563**	**14,475**	**50,906**	**1,058,053**
Net amounts at 31 December 2018	**44,708**	**103,609**	**117,402**	**25,118**	**1,018**	**9,005**	**300,860**

N.B.: the "Other movements" item includes the translation differences relating to financial statements in foreign currencies, reclassifications and write-downs.

Plant, property and equipment are depreciated at rates considered suitable for representing their useful life and in any case according to depreciation on a straight line basis, to which reference is made to paragraph *D – Accounting standards and measurement criteria*.

Plant, property and equipment at 31 December 2018 included approximately €1,018 thousand relative to freely transferable assets attributable to Intermarine, comprising light constructions, buildings and relative renovation costs, built on state-owned land in the Municipality of Messina. Buildings built on state-owned land are depreciated based on the remaining duration of the concession. These assets, held because of a concession agreement, at its expiry, must be freely and in a perfect state of operation transferred to the granting body.
Furthermore, borrowing costs on loans acquired to finance the building of assets that require a substantial period of time to be ready for use are capitalised as part of the cost of the assets themselves: in this regard, the Group capitalised borrowing costs for €115 thousand in the year.

Land and building

Land and industrial property refer to production facilities of the Piaggio group located in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam), to the industrial complex of Intermarine S.p.A. in Sarzana (La Spezia) and to the tourist/hotel complex managed by Is Molas S.p.A. in the Municipality of Pula (Cagliari).
The item also includes a building located in Pisa, used as a warehouse by Piaggio & C. S.p.A.. The Group recognised €5,602 thousand for assets under construction at owned property.

Plant and machinery

The "Plant and machinery" item refers essentially to the production facilities of the Piaggio group located in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam), as well as the structures owned by Intermarine S.p.A. and the facilities located in the tourist/hotel complex managed by Is Molas S.p.A., for a net overall amount (excluding assets held under finance leases) of €117,402 thousand. The Group recognised €9,305 thousand for assets under construction and as a whole it uses plant and machinery fully depreciated for a gross value of approximately €23,328 thousand.
This item includes the net value of the assets held through finance leases of €10,699 thousand, consisting of the Vespa painting plant located in Pontedera.

Industrial and commercial equipment

The item industrial and commercial equipment was equal to €25,118 thousand. The balance includes assets under construction for €7,272 thousand, wholly recognised by the Piaggio group.
Main investments in equipment were made by the Piaggio group and concerned moulds for new vehicles launched during the year or scheduled to be launched in the first half of next year, moulds for new engines and specific equipment for assembly lines.

Other assets

The "Other assets" item comprises vehicles, furniture, office fittings and EDP systems. Other assets are recognised for a total value of €9,005 thousand, net of relative depreciation. The Group uses fully depreciated assets belonging to this category for a gross value of €1,570 thousand and recognised assets under construction for €758 thousand. This item includes the net value of assets held through finance leases of €7 thousand, consisting of auto vehicles supporting the Aprilia Racing Team.

Guarantees

At 31 December 2018, the Group had land and property encumbered by mortgages or pledges in favour of financial institutions to guarantee bank loans, to which reference is made in the paragraph *I – Commitments,risks and guarantees*.

- F3 - INVESTMENT PROPERTY 84,919

At 31 December 2018, investment property of the Immsi Group was recognised amounting to €84,919 thousand, attributable to the property of Immsi S.p.A. situated in Rome – Via Abruzzi for €74,650 thousand and to property, plant and machinery of the Spanish site at Martorelles of the Piaggio group for €10,269 thousand.

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), since it was no longer instrumental to the typical activity, but instead an asset usable to finance other ongoing investment activities. The greater value was entered in a specific reserve of shareholders' equity, net of the related tax effect. Subsequent investments led to an increase of the property as periodically confirmed by an independent external appraisal. The investment is no longer subject to depreciation starting from the year 2009, as required by international accounting standards.
The valuation of the real estate investment is based on an appraisal of an external consultant that estimated the fair value at the end of 2018 in line with the value recognised in the Financial Statements at 31 December 2018. The valuation criteria used in this survey refer to generally accepted valuation methodologies and principles, using discounted cash flow analysis.
The valuation is therefore based on discounting cash flows generated during the period at the estimate date. Revenues and costs were considered at present value, at the time when they arose and were discounted bank using a suitable rate.
The market value of the property complex therefore comprises the discounting of operating costs, revenues from the property according to various uses and revenues from the sale of the property assumed for capitalisation of the rental payment of the last period considered.
In order to determine the rental payment of the property, the comparative synthetic method was used which makes it possible to determine the value corresponding to the sum of money for which the property could be rented, at the time of the estimate, between an owner and lessee both interested in the transaction, in the absence of particular interests and after an adequate sale, assuming that both parties act freely, cautiously and are informed. This comparative procedure estimates the rental value by comparing recent or present transactions, relative to similar assets as regards the type, building and location. The rental payment for the asset may, therefore, be determined taking into account rental prices and making adjustments considered adequate as regards the morphological aspects of the asset, its maintenance, profitability, the qualities of any lessee and any other factor considered relevant.
The continued uncertainty on the real estate market makes it possible for prices and values to be extremely volatile at times, until the market regains stability.
Rental income referred to the building and recognised under net revenues amounted to €2,501 thousand, whereas the costs connected to it refer substantially to ordinary maintenance and operating administration of the building. Most of these costs are then charged to tenants as of building service regulations.

There are also mortgages on this property, for a total of €90 million guaranteeing the loan obtained in 2010 and renegotiated at the end of 2015 with Banco BPM (former Banco Popolare) for €45 million, which is expected to be settled in 2025.
Management does not consider the property to be a strategic asset, so its sale on the market in the future is not excluded.

As regards the property of the Piaggio group, the carrying amount of the Martorelles site at 31 December 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 €10,269 thousand. In this regard, the valuation took account of the current status of the property,and the project to convert the area, for the development of a retail centre prepared by the Piaggio group, together with comparable transactions. Following the site redevelopment project, an agency management contract was given to a Spanish property company, to seek investors interested in the property.
The Group uses the "fair value model" as provided for in IAS 40. Therefore, the measurement updated in 2018 resulted in a charge of €1,254 thousand, adjusted to fair value, being recognised under other costs in the income statement for the period. If the cost criterion had still been used instead of fair value, the value of the Martorelles site would have been equal to €6,123 thousand.

- F4 - INVESTMENTS 7,962

The table below details the item Investments at 31 December 2018:

In thousands of Euros	Balance 31.12.2017	Increases	Decreases	Reversals / Write-downs	Reclassifications / Exchange differences	Balance 31.12.2018
Investments in subsidiaries	22	0	(2)	0	0	20
Investments in affiliated companies and joint ventures	7,561	0	0	474	(93)	7,942
TOTAL	**7,583**	**0**	**(2)**	**474**	**(93)**	**7,962**

The increase of the above item refers to the equity valuation of the investment in the Zongshen Piaggio Foshan Motorcycles Co. Ltd. joint-venture.

Below is the corresponding table related to changes that occurred during 2017:

In thousands of Euros	Balance 31.12.2016	Increases	Decreases	Reversals / Write-downs	Reclassifications / Exchange differences	Balance 31.12.2017
Investments in subsidiaries	11	11	0	0	0	22
Investments in affiliated companies and joint ventures	7,453	0	0	716	(608)	7,561
TOTAL	**7,464**	**0**	**0**	**714**	**(608)**	**7,583**

The table below details Investments at 31 December 2018:

Investments	% Group	Book value at 31 December 2018
Accounted for using the equity method:		
Rodriquez Pietra Ligure S.r.l.	100.00%	20
Accounted for using the cost method:		
Total subsidiaries		**20**
Accounted for using the equity method:		
Zongshen Piaggio Foshan Motorcycle Co. LTD.	45.00%	7,786
Total joint-ventures		**7,786**
Accounted for using the equity method:		
S.A.T. Societé d'Automobiles et Triporteurs S.A.	20.00%	0
Depuradora d'Aigües de Martorelles S.C.C.L.	22.00%	27
Pont – Tech, Pontedera & Tecnologia S.c.r.l.	20.44%	111
Accounted for using the cost method:		
Consorzio CTMI – Messina	33.33%	18
Total associates		**156**
TOTAL		**7,962**

The investment in Zongshen Piaggio Foshan Motorcycles Co. Ltd was classified under "Joint ventures" in relation to the agreement signed on 15 April 2004 between Piaggio & C. S.p.A. and Foshan Motorcycle Plant, on one side, and the Chinese company Zongshen Industrial Group Company Limited on the other side. Piaggio & C. S.p.A.'s investment in Zongshen Piaggio Foshan Motorcycles is equal to 45%, of which 12.5% through the direct subsidiary Piaggio China Company Ltd. The carrying amount of the investment is equal to €7,786 thousand and refers to shareholders' equity pro-rata adjusted to take into account the measurement criteria adopted by the Group.

The following table summarises the main financial highlights of the joint venture:

figures in thousands of euros	31.12.2018	31.12.2017
Working capital	2,991	3,809
Consolidated debt	300	465
Total assets	6,528	5,413
NET CAPITAL EMPLOYED	**9,819**	**9,687**
Provisions	94	85
Consolidated debt	0	0
Shareholders' equity	9,725	9,602
TOTAL SOURCES OF FINANCING	**9,819**	**9,687**
Shareholders' equity attributable to the Group	9,725	9,602
Elimination of margins on internal transactions	(1,939)	(2,187)
Value of the investment	**7,786**	**7,415**

The statement of reconciliation of Shareholders' Equity at the end of 2017 and at 31 December 2018 is presented below:

Opening balance at 1 January 2018	7,415
Profit (Loss) for the period	211
Other comprehensive income	(88)
Elimination of margins on internal transactions	248
Closing balance at 31 December 2018	**7,786**

- F5 - OTHER FINANCIAL ASSETS 11,601

- Non-current portion

Other non-current financial assets amounted to €6,029 thousand, of which €5,992 thousand refer to the fair value of hedging derivatives of the Piaggio group, and in particular the long-term portion of the fair value of the cross currency swap on the private debenture loan.
The residual part is attributable to the carrying amount of investments held in other minor companies
by the Piaggio group for a total of approximately €37 thousand.

Non-current financial assets also include the investment held in Alitalia – CAI by Immsi S.p.A., unchanged compared to the previous year, and amounting to 2.18%. Considering events relating to the airline and in particular the temporary receivership in May 2017 and consequent write-off of the investment in Alitalia – SAI by Alitalia – CAI, company management decided to reset the carrying amount to zero.

- Current portion

Other current financial assets amounted to €5,572 thousand compared to €6,665 thousand at the end of the previous year.

This item includes the investment (equal to 279,639 shares) held by Immsi S.p.A. in Unicredit S.p.A., measured at fair value at the reporting date of 31 December 2018 and equal to €2,767 thousand, down by €1,577 thousand at 31 December 2017.
The Company adjusted the carrying amount of the investment to the value measured at 31 December 2018, recognising the adjustment in other comprehensive income.
Current financial assets include €2,805 thousand relative to the short-term portion of the fair value of Cross Currency Swaps on the private debenture loan.

- F6 - TAX RECEIVABLES 27,345

Current and non-current amounts due from tax authorities total €27,345 thousand and are as follows:

- Non-current portion

In thousands of Euros	*Balance 31.12.2018*	*Balance 31.12.2017*
VAT receivables	5,138	5,588
Income tax receivables	12,235	10,632
Other tax receivables	26	3,693
TOTAL	**17,399**	**19,913**

- Current portion

In thousands of Euros	*Balance 31.12.2018*	*Balance 31.12.2017*
VAT receivables	5,630	8,781
Income tax receivables	2,672	2,961
Other tax receivables	1,644	1,914
TOTAL	**9,946**	**13,656**

Tax receivables due after 12 months refer exclusively to receivables of the Piaggio group.
The decrease is mainly due to the reimbursement from the French tax authorities, following the ruling in favour of the company issued by the Versailles Appeal Court, concerning a tax assessment for the 2006 and 2007 tax periods.

Immsi S.p.A. has tax consolidation contracts with the subsidiaries Piaggio & C. S.p.A., Piaggio Concept Store Mantova S.r.l., Aprilia Racing S.r.l., Apuliae S.p.A., Intermarine S.p.A., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l. and Pietra Ligure S.r.l.. As regards contracts signed with these companies, the Parent Company Immsi S.p.A., as consolidating entity, recognised tax receivables for €127 thousand in its financial statements, relative to withholding taxes transferred from companies of the agreement, recognised in the current portion as they concern disposal to subsidiaries pursuant to Article 43-*ter* of Italian Presidential Decree no. 602/73 to be offset in 2019.

- F7 - DEFERRED TAX ASSETS 126,998

At 31 December 2018, net deferred tax assets that will fall due within 12 months totalled €7,010 thousand (€5,743 thousand at 31 December 2017) while those falling due beyond 12 months amounted to €119,988 thousand (€117,241 thousand at 31 December 2017): these values are recorded net of deferred tax liabilities which are uniform as regards maturity and nature. Deferred tax liabilities were determined applying the tax rate in effect in the year when temporary differences occur.

Deferred tax assets recognised mainly refer to the Piaggio group for €59,250 thousand (€59,871 thousand at 31 December 2017), Intermarine S.p.A. with €48,321 thousand (compared to €43,845 thousand at 31 December 2017) and Is Molas S.p.A. with €15,193 thousand (€14,098 thousand at 31 December 2017). In general, reference is made to temporary differences measured in 2018 and previous years and losses of 2018 and previous years.

As regards the measurements to define the deferred tax assets, the Group mainly took account of i) the tax regulations in the various countries in which it operates; ii) their impact in terms of timing differences and any tax benefits deriving from the use of prior tax losses in consideration of their falling due; iii) the estimated financial results for each individual company; iv) the economic and tax repercussions of the implementation of the reorganisations; and v) of 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.

Gross deferred tax assets are as follows:

In thousands of Euros

	Total ex VAT	*Tax effect*	*Recognised*	*Not recognised*
Temporary differences for allocations to provisions	*90,463*	*27,542*	*n/a*	*n/a*
Other differences	*44,334*	*9,785*	*n/a*	*n/a*
Total of reserves and other changes	***134,797***	***37,327***	***36,068***	***1,259***
Tax losses	*443,590*	*107,501*	*90,930*	*16,571*
Grand total at 31 December 2018	***578,387***	***144,828***	***126,998***	***17,830***

Deferred tax assets which are not recognised amounted to €17,830 thousand and refer to previous losses and other temporary differences mainly attributable to the Parent Company Immsi S.p.A. for €1,632 thousand and the Piaggio group for €14,640 thousand.

For comparability, the corresponding table at 31 December 2017 is shown below:

In thousands of Euros

	Total ex VAT	Tax effect	Recognised	Not recognised
Temporary differences for allocations to provisions	85,043	23,588	n/a	n/a
Other differences	59,459	13,542	n/a	n/a
Total of reserves and other changes	**144,502**	**37,130**	**36,542**	**588**
Tax losses	413,360	100,242	86,442	13,800
Grand total at 31 December 2017	**557,862**	**137,372**	**122,984**	**14,388**

- F8 - TRADE RECEIVABLES AND OTHER RECEIVABLES 158,687

- Non-current portion

Trade receivables and other receivables included under non-current assets total €18,460 thousand against €13,986 thousand at 31 December 2017. The item mainly includes deferred charges for €13,673 thousand, security deposits for €1,354 thousand, receivables to the Fondazione Piaggio for €94 thousand and a receivable of €1,684 thousand recognised by Is Molas and relative to the “Le Ginestre” proceedings.
The item in question includes trade receivables due after 12 months recognised by Intermarine S.p.A. and to this date entirely written down for €1,203 thousand.

- Current portion

Trade receivables and other current receivables are represented by the following:

In thousands of Euros

	Balance 31.12.2018	***Balance 31.12.2017***
Trade receivables	105,403	106,218
Receivables due from subsidiaries	0	2,578
Amounts due from affiliated companies	220	248
Amounts due from joint ventures	2,286	3,052
Other receivables	32,318	42,838
TOTAL	**140,227**	**154,934**

The item “Trade receivables” comprises amounts due from normal sales transactions, stated net of a provision for bad debts of €34,724 thousand, which at 31 December 2018 had increased by €4,287 thousand compared to 31 December 2017.
The following table shows the movements of the current and non-current provision in question during 2018:

In thousands of Euros

Balance at 31.12.2017	**31,640**
Increases for allocations	4,354
Decreases for use	(67)
Balance at 31.12.2018	**35,927**

The Piaggio group sells, on a rotating basis, a large part of its trade receivables with and without recourse. The group has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts were formalised for the substantial transfer of risks and benefits.
At 31 December 2018, trade receivables still due, sold without recourse, totalled €87,314 thousand: on such receivables, the Piaggio group received payment before the natural expiry of the receivable for €86,987 thousand. At 31 December 2018, the advances received – both from factoring firms and from banks – on disposals of trade receivables with recourse totalled €9,291 thousand and are offset in the corresponding item under current liabilities.

The balance of the item receivables from subsidiaries decreased due to the liquidation and cancellation of the subsidiary Rodriquez Cantieri Navali do Brasil Ltda. The balance of receivables from affiliated companies refers instead to amounts owing from the Consortium CTMI, while receivables from joint ventures refer to Zongshen Piaggio Foshan Motorcycle Co. Ltd..

“Other receivables” mainly include advances to suppliers for €14,605 thousand, essentially recognised by the subsidiary Intermarine S.p.A., accrued income and deferred charges for a total of €5,995 thousand, advances to employees for €2,140 thousand, security deposits for €263 thousand, receivables concerning ministerial contributions for €1,562 thousand and other sundry receivables.
Finally other receivables include the equivalent value of works in progress to order net of advances received, referring entirely to the subsidiary Intermarine S.p.A., whose composition is given below.

In thousands of Euros	*Balance 31.12.2017*	*Increases*	*Decreases*	*Balance 31.12.2018*
Contract work in progress gross of advances	**175,472**	45,836	(96,116)	**125,192**
Contractual advances received from customers	165,619			127,012
Contract work in progress net of advances	**9,853**			**(1,820)**
Costs sustained	115,512			96,638
Margins recognised (net of losses)	59,960			28,554

- F9 - ASSETS HELD FOR DISPOSAL 27,434

The net carrying amount of assets held for sale amounts to €27,434 thousand 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 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 2018.

- F10 - INVENTORIES 331,242

Inventories are measured at the lower of cost and market value and totalled €331,242 thousand at the end of the period, comprising:

In thousands of Euros	Balance at 31.12.2018			Balance at 31.12.2017		
	Cost	*Write-down*	*Net*	*Cost*	*Write-down*	*Net*
Consumables	54	0	54	55	0	55
Raw materials	116,699	(13,441)	103,258	112,105	(16,680)	95,425
Work in progress and semi-finished products	126,204	(21,005)	105,199	100,560	(1,913)	98,647
Finished products	144,625	(21,894)	122,731	140,709	(25,652)	115,057
TOTAL	**387,582**	**(56,340)**	**331,242**	**353,429**	**(44,245)**	**309,184**

The above write-downs were necessary due to stocks of raw materials no longer usable in the production process and obsolete or slow-moving finished products and goods.
At 31 December 2018, the Piaggio group recognised, net of write-downs, inventories for €224,108 thousand referred to components, accessories, 2-wheeler, 3-wheeler and 4-wheeler vehicles. Intermarine S.p.A. contributed €45,303 thousand, mainly concerning raw materials and products in progress for prototypes, own construction and repairs. Finally, Is Molas S.p.A. records €61,831 thousand of inventories at the end of the reporting period relating to the hotel business, as well as work in progress and semi-finished products comprising land, volumes, costs for services and consultancy for the property development project relating to the allotment located in Is Molas - Cagliari.

- F11 - CASH AND CASH EQUIVALENTS 200,450

Cash and cash equivalents at the end of the reporting period totalled €200,450 thousand against €138,949 thousand at 31 December 2017, as detailed in the table below:

In thousands of Euros	*Balance 31.12.2018*	*Balance 31.12.2017*
Cheques	5	5
Cash and cash equivalents	117	124
Securities	57,396	39,324
Receivable due from banks within 90 days	142,932	99,496
TOTAL	**200,450**	**138,949**

The aggregate in question refers to cash, current bank accounts, deposits refundable on demand and other short-term high-liquidity financial investments readily convertible into cash and subject to an insignificant risk of change in value.
The item Securities refers to deposit agreements entered into by the Indian subsidiary of the Piaggio group to effectively use temporary liquidity, while the item receivables due from banks within 90 days (attributable to the Piaggio group for €131,282 thousand), mainly refers to bank and postal deposits.

The table below reconciles the amount of cash and cash equivalents above with cash and cash equivalents recognised in the Statement of Cash Flows.

In thousands of Euros	*Balance 31.12.2018*	*Balance 31.12.2017*
Cash and cash equivalents	200,450	138,949
Current account overdrafts	(4,482)	(3,691)
TOTAL	**195,968**	**135,258**

- F12 - ALLOCATION OF RECEIVABLES BASED ON THE MEASUREMENT METHOD

Information on the carrying amount of financial assets and operating receivables at 31 December 2018 and 31 December 2017, with particular reference to the accounting standards adopted, is given below.

- Operating assets

In thousands of Euros

Values at 31 December 2018	Assets at FVPL	Assets at FVOCI	Financial instruments derivatives	Assets at cost amortised	Total
Non-current					
Tax receivables				17,399	17,399
Other receivables				18,460	18,460
Total non-current operating receivables	**0**	**0**	**0**	**35,859**	**35,859**
Current					
Trade receivables				107,909	107,909
Tax receivables				9,946	9,946
Other receivables			4	34,134	34,138
Total current operating receivables	**0**	**0**	**4**	**151,989**	**151,993**

Values at 31 December 2017	Assets at FVPL	Assets at FVOCI	Financial instruments derivatives	Assets at cost amortised	Total
Non-current					
Tax receivables				19,913	19,913
Other receivables				13,986	13,986
Total non-current operating receivables	**0**	**0**	**0**	**33,899**	**33,899**
Current					
Trade receivables				112,096	112,096
Tax receivables				13,656	13,656
Other receivables			102	32,883	32,985
Total current operating receivables	**0**	**0**	**102**	**158,635**	**158,737**

- Financial asset

In thousands of Euros

Values at 31 December 2018	Assets at FVPL	Assets at FVOCI	Financial instruments derivatives	Assets at cost amortised	Total
Non-current					
Other financial assets	37		5,992		6,029
Total non-current financial assets	**37**	**0**	**5,992**	**0**	**6,029**
Current					
Other financial assets		2,767	2,805		5,572
Cash and cash equivalents				143,054	143,054
Securities				57,396	57,396
Total current financial assets	**0**	**2,767**	**2,805**	**200,450**	**206,022**

Values at 31 December 2017	Assets at FVPL	Assets at FVOCI	Financial instruments derivatives	Assets at cost amortised	Total
Non-current					
Other financial assets	36		7,328		7,364
Total non-current financial assets	**36**	**0**	**7,328**	**0**	**7,364**
Current					
Other financial assets		4,344	2,321		6,665
Cash and cash equivalents				99,625	99,625
Securities				39,324	39,324
Total current financial assets	**0**	**4,344**	**2,321**	**138,949**	**145,614**

- G - INFORMATION ON THE MAIN LIABILITY ITEMS

Amounts are stated in thousands of euro unless otherwise indicated.

- G1 - SHAREHOLDERS' EQUITY 379,375

Shareholders' equity at 31 December 2018 amounted to €379,375 thousand, of which €234,986 thousand referred to consolidated shareholders' equity attributable to the Group and €144,389 thousand referring to capital and reserves of non-controlling interests.

Share capital
At 31 December 2018, the share capital of Immsi S.p.A., fully subscribed and paid up, comprised 340,530,000 ordinary shares with no nominal value, for a total of €178,464,000.00.
As already stated, at 31 December 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 unlimited voting rights.

Legal reserve
The legal reserve comprises reserves allocated following the distribution of profits of Immsi S.p.A. from the year 2000 to the year 2017, in accordance with provisions of law and totalled €8,191 thousand at the end of 2018.

Other reserves
The item Other reserves, amounting to €159,185 thousand at the end of 2018, is detailed in the next table.

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***
Other changes									401	401
Overall earnings for the period					(1,576)		(493)	(1,349)		(3,417)
Balances at 31 December 2018	***94,874***	***5,300***	***4,602***	***1,153***	***(14,578)***	***6,742***	***(4,615)***	***(29,162)***	***94,869***	***159,185***

The share premium reserve includes the consideration of shares underwritten following the increase in share capital of Immsi S.p.A. in 2005 and 2006, net of uses to cover losses for €342 thousand, for a total amount of €94,874 thousand. Other reserves also include the reserve generated from the Group's transition to international accounting standards at 1 January 2004, equal to €5,300 thousand, details of which are in the Report to the Financial Statements at 31 December 2005, also available on the website www.immsi.it. The stock option reserve amounts to €6,742 thousand while the reserve allocated to the measurement of financial instruments is negative amounting to €29,162 thousand, mainly due to: the inclusion in the statement of comprehensive income of the revision of the fair value of financial instruments representing the capital held by the Parent Company including the investment in UniCredit, revised to €1,591 thousand, and in Alitalia – CAI, revised to €14,778 thousand, as well as the inclusion of the component attributable to the recalculation by Piaggio of financial liabilities renegotiated in compliance with IFRS 9 amounting to €3,764 thousand. Other changes primarily include the effects of redistributing reserves between the Group and non-controlling interest, due to changes in the consolidation portions of shareholders' equity.

Retained earnings
Retained earnings amount to €144,979 thousand negative and refer to cumulative Group earnings.

Capital and reserves of non-controlling interests
At 31 December 2018 the balance of share capital and reserves attributable to third party shareholders totalled €144,389 thousand, down by €4,677 thousand compared to 31 December 2017.

Statement of Comprehensive Income
At 31 December 2018 the overall Group result for the period showed a profit of €20,058 thousand, with the inclusion of negative components which cannot be reclassified in the future in profit or loss, amounting to €2,574 thousand, mainly due to the revision of the fair value of the instruments representing the capital held by the Parent Company and negative components which can be reclassified in future in profit or loss, amounting to €2,780 thousand, chiefly relating to conversion losses recognised by the Piaggio group.

- G2 - FINANCIAL LIABILITIES 1,064,787

Financial liabilities at 31 December 2018 amounted to €1,064,787 thousand: the portion recognised as non-current liabilities amounted to €525,858 thousand, compared to 578,462 thousand at 31 December 2017, while the portion recognised as current liabilities amounted to €538,929 thousand, compared to €432,032 thousand at 31 December 2017.

Financial liabilities also include the fair value measurement of financial derivatives used to hedge exchange and interest rate risks and the adjustment of relative items hedged - underwritten by the Piaggio group – for a total of €8,038 thousand, of which €5,475 thousand recognised as non-current liabilities and €2,563 thousand as current liabilities.
At 31 December 2018, total interest expense was recognised by the Group, amounting to €4,270 thousand due to non-controlling interests of Group companies accrued on loans received.
As already stated, net financial debt does not include financial assets and liabilities arising from the fair value measurement of financial derivatives used for hedging, the fair value adjustment of relative hedged items and related accruals, and payables for interest expense accrued on loans received.

All financial liabilities are measured in accordance with accounting standards and based on the amortised cost method (except for liabilities with hedging derivatives measured at Fair Value Through Profit & Loss, for which the same measurement criteria used for the derivative are applied). According to this criterion, the nominal amount of the liability is decreased by the amount of relative costs of issue and/or stipulation, in addition to any costs relating to refinancing of 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.

The following tables summarise the composition by type of the gross financial debt.

- Non-current portion

In thousands of Euros	Balance 31.12.2018	Balance 31.12.2017
Bonds	291,694	309,880
Payables due to banks	220,599	251,950
Amounts due under finance leases	7,930	9,168
Amounts due to other lenders	160	344
TOTAL	**520,383**	**571,342**

- Current portion

In thousands of Euros	Balance 31.12.2018	Balance 31.12.2017
Bonds	10,325	9,625
Payables due to banks	465,000	357,917
Amounts due under finance leases	1,237	1,144
Amounts due to subsidiaries *)	9	9
Amounts due to other lenders	55,525	57,832
TOTAL	**532,096**	**426,527**

*) not consolidated on a global integration basis

The composition of gross financial debt is as follows:

In thousands of Euros	Balance at 31.12.2018	Balance at 31.12.2017	Nominal value at 31.12.2018	Nominal value at 31.12.2017
Bonds	302,019	319,505	312,461	322,130
Payables due to banks	685,599	609,867	688,656	612,299
Amounts due under finance leases	9,167	10,312	9,178	10,325
Amounts due to subsidiaries *)	9	9	9	9
Amounts due to other lenders	55,685	58,176	55,684	58,176
TOTAL	**1,052,479**	**997,869**	**1,065,988**	**1,002,939**

*) not consolidated on a global integration basis

The following table shows the reimbursement plan for gross financial debt at 31 December 2018 of the Group:

In thousands of Euros	Nominal value at 31.12.2018	Portions falling due within 12 months	Portions falling due within 31.12.2020	Portions falling due within 31.12.2021	Portions falling due within 31.12.2022	Portions falling due within 31.12.2023	Portions falling due Beyond
Bonds	312,461	10,360	11,050	11,051	30,000	250,000	0
Payables due to banks	688,656	466,222	32,949	48,566	94,805	46,114	0
Amounts due under finance leases	9,178	1,237	1,273	1,273	1,273	1,273	2,848
Amounts due to subsidiaries *)	9	9	0	0	0	0	0
Amounts due to other lenders	55,684	55,525	32	23	23	23	58
TOTAL	**1,065,988**	**533,353**	**45,304**	**60,913**	**126,101**	**297,410**	**2,906**

*) not consolidated on a global integration basis

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

In thousands of Euros	Balance at 31.12.2017	Balance at 31.12.2018	Nominal value at 31.12.2018	Interest rate at 31.12.2018
Euro	936,603	996,026	1,009,535	3.46%
Vietnamese Dong	36,623	39,286	39,286	6.28%
Japanese Yen	2,548	2,733	2,733	2.65%
Indian Rupee	39	24	24	9.25%
Indonesian Rupiah	2,459	0	0	n/a
US Dollar	19,597	14,410	14,410	4.80%
TOTAL	**997,869**	**1,052,479**	**1,065,988**	**3.58%**

Amounts due to banks mainly include the following loans:

Immsi S.p.A.

- a loan undersigned in June 2010 by the Company and renegotiated in December 2015 with Banco BPM for a total of €45 million maturing at the end of 2025, with repayment in six-monthly instalments at a rate equal to the Euribor increased by a spread. The loan has been recognised in the financial statements on an amortised cost basis for €31,100 thousand, 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, 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, which had been complied with at the end of 2018. To cover the risk of interest rate fluctuation for cash flows, Immsi S.p.A. kept on the existing interest rate swap hedging contract, which changes the variable rate into a fixed rate for the entire duration of the contract on 75% of the nominal value of the loan taken out in 2010;
- a loan from Banca Popolare dell'Emilia Romagna for nominal value of €15 million maturing on 31 March 2021 and with a benchmark rate equal to the three-month Euribor increased by a spread. The loan provides for six-monthly increasing repayments and is recognised on an amortised cost basis for a value of €13,166 thousand, of which 3.5 million in instalments repayable within 12 months. This loan has two covenants, to verify at 31 December of each year, and which were met at the end of 2018, as well as a Value to Loan, for which the Company obtained an exemption in February 2019 from controls at 31 December 2018;
- a revolving credit line granted until June 2019 by Banca Nazionale del Lavoro for €25 million, recognised at amortised cost for €24,922 thousand. This loan has a benchmark rate equal to the variable Euribor increased by a spread. Besides a minimum threshold for the listing of the Piaggio share, this facility has two covenants, to meet by the 31 December of each year, and which were complied with at the end of 2018, as well as a Value to Loan, for which the Company obtained an exemption in December 2018 from controls in the last quarter of 2018;
- an amortised credit line with Istituto Monte dei Paschi di Siena for a total of €30 million maturing in June 2022. The agreements have a benchmark rate equal to the Euribor increased by a spread, two covenants and a Value to Loan to verify at 31 December of each year, and met at the end of 2018. The loan is recognised on an amortised cost basis and is equal to €24,166 thousand, of which €7 million in instalments repayable in 12 months;
- a loan from Banca Ifis for nominal value of €10 million maturing on 31 December 2021 and with a benchmark rate equal to the Euribor increased by a spread. The loan provides for three-monthly repayments and is recognised on an amortised cost basis for a value of €9,201 thousand, of which 3,080 thousand in instalments repayable within 12 months. This loan has two covenants, to verify at 31 December of each year, and which were met at the

end of 2018, as well as a Value to Loan, for which the Company obtained a temporary exemption in November 2018 from controls in the last quarter of 2018;

- credit lines maturing in January 2020, granted at the end of 2018 by Intesa Sanpaolo for a total of €15 and 25 million, besides a Bullet-Multi Borrower loan from Intesa Sanpaolo, for €130 million, of which €87.7 million granted to Immsi S.p.A., 30 million granted to ISM Investimenti S.p.A. and 12.3 million to Intermarine S.p.A.. These loans have a benchmark rate equal to the Euribor increased by a spread, as well as compliance with a Value to Loan, for which the Company obtained a temporary exemption in November 2018 from controls in the last quarter of 2018;
- a revolving credit line, equal to €18 million, disbursed in September 2018 by Unicredit at a benchmark rate equal to the Euribor increased by a spread, maturing at the end of 2019. The credit lines require the verification of a covenant, on a quarterly basis. In this regard, this parameter was not met at 31 December 2018, but it was possible, under contractual terms to remedy this situation at the next control on 31 March 2019;
- a revolving credit line granted by Banco BPM for €4.5 million at the end of 2018 and maturing at the end of 2021, with a benchmark rate equal to the Euribor increased by a spread. The line was recognised at the end of 2018 for €4,478 thousand, of which 1.5 million for instalments repayable in 2019. To hedge the risk of fluctuating interest rates for cash flows, Immsi S.p.A. has signed an interest rate swap type hedging contract, which changes the variable rate into a fixed rate for the entire contract duration for 50% of the nominal value of the loan;
- a 12-month bullet loan from ING Bank in July 2018, for €10 million, with a benchmark rate equal to the Euribor increased by a spread;
- the opening of a credit line in advance from UBI Banca in June 2018 for €5 million maturing in June 2019, with a benchmark rate equal to the Euribor 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 from the bank of approximately €6,547 thousand and €4,284 thousand, represented by the market value of the share at the date of subscription net of a spread, which takes into account any downward fluctuations in the share. The contract, which expires on withdrawal, envisages a fee equal to 0.05% and interest payable equal to the EONIA increased by a spread, calculated on the cash collateral disbursed by Banca Akros. Immsi received a loan without cash collateral from Omniaholding S.p.A. of 4,850,000 and 300,852 Piaggio and Unicredit shares respectively. The latter and the 2,850,000 Piaggio shares were used in loan transactions with cash collateral undertaken with Banca Akros.

A further €4.6 million relative to a revolving line of credit granted by Intesa Sanpaolo, of which €4,128 thousand used at the end of the year.

With reference to the end of 2018, a financial governance and values to loan were not met by Immsi S.p.A., that had to reclassify medium/long-term credit lines in this statement of financial position as short-term, on a temporary basis. This reclassification will be changed returning the above loans to the original contractual maturities in subsequent end of reporting periods, in view of contractual conditions being restored. For this reason as well, these payables were recognised at amortised cost calculated based on original estimates of repayments of flows.

To guarantee the above debt, the Company deposited Piaggio shares for approximately 3.6 million and a further 162.7 million as a lien.

Piaggio group

- a medium-term loan for €10,909 thousand from the European Investment Bank to finance research & development investments planned for the 2013-2015 period. The loan will mature in December 2019 and has a repayment plan of 11 six-monthly instalments. The contractual terms envisage loan covenants;
- a medium-term loan for €49,924 thousand (nominal value of €50,000 thousand) from the European Investment Bank to finance Research & Development investments planned for the 2016-2018 period. The loan will mature in December 2023 and has a repayment schedule of 7 fixed-rate annual instalments. The contractual terms envisage loan covenants;
- a syndicated loan of €115,860 thousand (nominal value of €117,500 thousand), totalling €250,000 thousand, taken out in June 2018 and consisting of a four-year tranche (with a year's extension at the discretion of the borrower) of €187,500 thousand as a revolving credit line (nominal value of €55,000 thousand used at 31 December 2018) and a tranche of €62,500 thousand as a five-year loan with amortisation. The contractual terms envisage loan covenants;
- a €13,581 thousand medium-term loan (nominal value of €13,600 thousand) granted by UBI Banca. The loan will fall due at the end of June 2021 and has a repayment plan of quarterly instalments;
- a €4,164 thousand medium-term loan (nominal value of €4,175 thousand) granted by Banca Popolare Emilia Romagna. The loan will fall due at the end of June 2019 and has a repayment plan of six-monthly instalments;
- a €19,955 thousand medium-term loan (nominal value of €20,000 thousand) granted by Banca Popolare Emilia Romagna. The loan will fall due in December 2023 and has a repayment plan of six-monthly instalments;
- a €9,092 thousand loan granted by Banco BPM and comprising a tranche of €12,500 thousand, granted as a revolving credit line (wholly undrawn at 31 December 2018) maturing in January 2021 and a tranche granted as a loan with amortisation of €12,500 thousand (€9,092 thousand remaining at 31 December 2018), maturing in July 2022;
- a €7,461 thousand medium-term loan (nominal value of €7,500 thousand) granted by Interbanca-Banca IFIS. The loan will fall due at the end of September 2022 and has a quarterly repayment plan. The contractual terms envisage loan covenants;
- a €9,015 thousand medium term loan (nominal value of €9,022 thousand) granted by Banca del Mezzogiorno comprising a €20,000 thousand tranche granted as a revolving credit line (wholly unused at 31 December 2018), maturing in July 2022 and a €10,000 thousand tranche granted as a loan maturing in January 2023 and with a repayment plan of six-monthly instalments. The contractual terms envisage loan covenants;
- a €9,752 thousand medium-term loan for VND 255,789,109 thousand granted by VietinBank to the subsidiary Piaggio Vietnam (for a total amount of VND 414,000,000 thousand) to fund the Research & Development investment plan. The loan matures in June 2021, with a repayment schedule in 7 six-monthly instalments, starting from June 2018, with a fixed rate for the first year, followed by a variable rate;
- €234 thousand – loans from various banks pursuant to Italian Law No. 346/88 on subsidised applied research.

All the above financial liabilities are unsecured.
Based on results at 31 December 2018, all covenants on the above loans had been met.

Intermarine S.p.A.

- a loan granted by Intesa Sanpaolo for €12,300 thousand as part of the multi-line credit facility obtained by Immsi S.p.A., guaranteed by a lien on Piaggio shares; this loan was renewed, and will mature in January 2020;
- payables for €18,000 relative to a revolving credit line with Intesa Sanpaolo, maturing at the end of January 2020; the line is secured by a lien on Piaggio shares;
- a mortgage loan of €10,000 thousand, with Banca BPER at the end of 2018, maturing in 5 years, with 18 months' pre-amortisation in six-monthly instalments starting from June 2020, secured by a first mortgage on the Sarzana shipyard for €18,000 thousand, with an insurance constraint and a comfort letter from Immsi of €13,000 thousand;
- financial payables relative to an unsecured loan from Banca Carige for €1,268 thousand maturing in December 2019. This line is assisted by a comfort letter issued by Immsi S.p.A.;
- financial payables to Banca IFIS for advance transactions concerning the Gaeta contract for €4,824 thousand, and advances on the contract relative to the minesweeping platform for €1,603 thousand, to repay before the end of 2021 and the second before the end of 2019. The contract advance lines are assisted by a comfort letter from RCN Finanziaria and Immsi;
- financial payables to Banco BPM for €1,300 thousand, for an advance on a contract for two special units, secured by a guarantee from Immsi;
- a loan from Banca Nazionale del Lavoro for €2,500 thousand, maturing at the end of September 2019. This loan is assisted by a letter of comfort from Immsi;
- a loan of €5,000 thousand from Banca Nazionale del Lavoro, revolving for assistance in managing working capital, wholly undrawn at 31 December 2018, maturing in single tranches at 180 days, secured by a comfort letter from Immsi.

Is Molas S.p.A.

- a loan at a variable rate granted by Monte dei Paschi di Siena in December 2017 maturing at the end of December 2022, for €18.7 million at 31 December 2018, with pre-amortisation and subsequent repayment in six-monthly instalments. This loan is assisted by a guarantee issued by Immsi S.p.A.. With reference to 31 December 2018, relative financial covenants had not been met, making it necessary to temporarily reclassify the credit line as short-term. This reclassification will be changed returning the loan to the original contractual maturities in subsequent end of reporting periods, in view of contractual conditions being restored. For this reason as well, this payable was recognised at amortised cost calculated based on original estimates of repayments of flows.

The item Bonds for €302,019 thousand (nominal value of €312,461 thousand) refers to:

- €32,385 thousand (nominal value of €32,461 thousand) for the private bond (US Private Placement) issued in July 2011 for USD 75,000 thousand, fully subscribed by an American institutional investor repayable in five annual instalments starting from July 2017, with semi-annual coupon. At 31 December 2018 the fair value measurement of the debenture loan was equal to €40,499 thousand (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;
- €29,880 thousand (nominal value of €30,000 thousand) for a five-year private debenture loan issued in June 2017 and wholly subscribed by Fondo Sviluppo Export, the fund set up by SACE and managed by Amundi SGR. The issue has no specific rating or listing on a regulated market;
- €239,754 thousand (nominal value of €250,000 thousand) refers to the liability management operation completed by Piaggio & C. S.p.A. during the second quarter of 2018. This operation was for the refinancing of a debenture loan issued by the company at the end of April 2014 for a total of €250,000 thousand maturing at the end of April 2021. Favourable market conditions have made it possible to benefit from improved economic

conditions, optimising the cost of debt and extending its average life. For further information on this liability management operation, see the Notes published by Piaggio & C. S.p.A..
As provided for by IFRS 9, the operation was recognised in the income statement with a net, non-recurrent financial income of €901 thousand from income for €4,431 thousand originating from the change in fair value of the exchanged bonds (IFRS 9 paragraph b.3.3.6) net of the premium paid for the exchange of outstanding securities, as well as costs for €3,530 thousand mainly relative to premiums recognised for the pre-repayment of unexchanged bonds, and for alignment of the amortised cost due to the effects of exercising the call option.
The company may repay in advance:

- all or part of the amount of the high yield debenture loan issued at the end of 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 IAS 9 b4.3.5;
- all or part of the amount of the private placement issued at the end of 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 IAS 9 b4.3.5.

The amounts due for finance leases of €9,167 thousand related to the finance lease for €9,056 thousand (nominal value of €9,068 thousand) granted by Albaleasing in the form of a Sale&Lease back on a Piaggio & C. S.p.A. production plant. The contract has a duration of ten years and provides for quarterly repayments (non-current part of €7,930 thousand) and a lease granted for €111 thousand by VFS Servizi Finanziari for the use of vehicles.

Payables to other lenders totalled €55,685 thousand, of which €55,525 thousand due after the year, and are broken down as follows:

- two shareholder loans of €6,000 and €8,959 thousand respectively granted to RCN Finanziaria S.p.A. by Intesa Sanpaolo (shareholder of the company), expired in 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;
- a shareholder loan for €30,929 thousand from Intesa Sanpaolo S.p.A. (formerly IMI Investimenti S.p.A.), shareholder of the company, to ISM Investimenti S.p.A. This loan had expired, as of the contract, at the end of 2018, but could no longer be collected as it was subject, as of the clause included in the respective contract, to repayment of the bank loan to ISM Investimenti from Intesa Sanpaolo S.p.A. of €30 million;
- a loan for €24 thousand granted by BMW Finance for the purchase of cars;
- funding for a total of € 481 thousand from the Ministry of Economic Development and from the Region of Tuscany pursuant to legislation on incentives for investments in research and development (non-current portion equal to €150 thousand).
- financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, equal to €9,291 thousand.

Covenants
In line with market practices for borrowers with a similar credit rating, main loan contracts entered into with Group companies require compliance with:

- financial covenants, on the basis of which the financed company undertakes to comply with certain levels of contractually defined financial indices, with the most significant - in particular for the Piaggio group - comprising the ratio of net financial debt/gross operating margin (EBITDA), measured on the consolidated perimeter of the Group, according to definitions agreed on with lenders;

- negative pledges according to which the company may not establish collaterals or other constraints on company assets;
- *"pari passu"* clauses, on the basis of which the loans will have the same repayment priority as other financial liabilities;
- change of control clauses, which are effective if the majority shareholder loses control of the company;
- the cross default clauses, based on which, in the event of default on a loan, the default automatically extends to the other lines;
- limitations on the extraordinary operations the company may carry out.

The high yield debenture loan issued by Piaggio & C. S.p.A. in April 2018 requires compliance with covenants which are typical of international practices 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:

- pay dividends or distribute capital;
- make some payments;
- grant collaterals for loans;
- merge with or establish some companies;
- sell or transfer own assets.

The measurement of financial covenants and other contract commitments is monitored by the Group companies on an ongoing basis. Any failure to comply with these covenants and other contractual commitments applied to the loans mentioned above - if not adequately remedied within the agreed time - could result in the requirement of early repayment of the related outstanding debt.

- G3 - TRADE PAYABLES AND OTHER PAYABLES 549,036

Trade payables to other lenders totalled €549,036 thousand, of which €541,935 thousand due after the year.
Trade payables and other current payables are detailed below:

In thousands of Euros	*Balance 31.12.2018*	*Balance 31.12.2017*
Trade payables	485,358	481,341
Amounts due to affiliated companies	52	0
Amounts due to parent companies	472	331
Amounts due to joint ventures	6,671	8,811
Other payables	49,382	47,928
TOTAL	**541,935**	**538,411**

With particular reference to the Piaggio group, to facilitate credit conditions for its suppliers, the group has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements.
These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.
At 31 December 2018, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €181,578 thousand (€183,758 thousand at 31 December 2017).

Payables to joint ventures at 31 December 2018, equal to €6,671 thousand, mainly refer to purchases made by Piaggio Foshan Motorcycles of the Piaggio group.

The “Other current payables” item is detailed below:

In thousands of Euros		
	Balance 31.12.2018	***Balance 31.12.2017***
Amounts due to employees	19,430	16,519
Liabilities connected to hedging instruments	40	6
Advances from customers	20	45
Amounts due to company boards	512	159
Amounts due to social security institutions	9,767	9,373
Other amounts due to third parties	299	443
Other amounts due to affiliated companies	5	24
Other amounts due to joint ventures	31	190
Accrued expenses	4,442	6,455
Deferred income	4,362	4,537
Other payables	10,474	10,176
TOTAL	**49,382**	**47,928**

Amounts due to employees include holidays accrued and not taken and other remuneration to pay, as at 31 December 2018, while amounts to social security institutes basically refer to amounts owing for items payable by companies and employees relative to salaries and wages as well as sums accrued and not paid.
Payables due to affiliated companies refer to various amounts due to the Fondazione Piaggio (Foundation).

- G4 - RETIREMENT FUNDS AND SIMILAR OBLIGATIONS 45,147

The reserve for pensions and similar obligations at 31 December 2018 amounted to €45,147 thousand, down by €3,481 thousand compared to the figure at 31 December 2017.
Below is the breakdown of its composition and movements:

In thousands of Euros						
	Balance 31.12.2017	***Service cost***	***Actuarial (gain) loss***	***Interest cost***	***Uses and other movements***	***Balance 31.12.2018***
Termination benefits	47,901	8,897	984	510	(13,914)	44,378
Other funds	727	0	0	0	42	769
TOTAL	**48,628**	**8,897**	**984**	**510**	**(13,872)**	**45,147**

The item Other funds is mainly attributable to the Piaggio group and includes i) funds for personnel set aside by foreign companies of the group; and ii) the supplementary indemnity fund for customers, that represents the indemnities owing to the agents of the Piaggio group in case of the agency contract winding up due to events not ascribable to them.
Uses refer to the payment of benefits already accrued in previous years and transfers of pension funds, while allocations refer to benefits accrued in the period.
The item Provision for termination benefits comprises termination benefits for employees of Italian companies belonging to the Immsi Group and includes post-employment benefits identified as defined benefit plans.
The economic/technical assumptions used to discount the value by the companies of the Immsi Group operating in Italy are described below:

- Technical annual discount rate 1.13% - 1.97%;
- Annual rate of inflation 1.50% as from 2019;
- Annual rate of increase in termination benefits 2.625% as from 2019.

As regards the discount rate, the iBoxx Corporates AA rating (Piaggio group and Intermarine) and iBoxx Corporates A rating (other Group companies) with a duration from 7 to 10+ were used for the evaluation.

The table below shows the effects, in absolute terms, at 31 December 2018, which would have occurred following changes in reasonably possible actuarial assumptions:

	Provision for termination benefits
In thousands of Euros	
Turnover rate +2%	43,745
Turnover rate -2%	44,834
Inflation rate + 0.25%	44,837
Inflation rate - 0.25%	43,639
Discount rate + 0.50%	42,371
Discount rate - 0.50%	46,236

The average duration of the bond ranges from 6.8 to 27 years, while future payments estimated in the Group are equal to:

Year	Future amounts
In thousands of Euros	
1	3,536
2	3,073
3	4,390
4	4,315
5	3,549

Being an actuarial valuation, the results depend on the technical bases adopted such as - among others - the interest rate, the inflation rate and the expected turnover. A variation of these parameters could lead to a significant change in the liability estimated to date: similar impacts may be caused by unexpected changes in other technical bases.

The German and Indonesian subsidiaries of the Piaggio group have provisions for employees identified as defined benefit plans. At 31 December 2018, these provisions amounted to €117 and 115 thousand respectively.

- G5 - OTHER LONG-TERM PROVISIONS 34,200

The balance of other long-term reserves, including the portion due within 12 months, totalled €34,200 thousand at the end of December 2018, registering an increase of €2,658 thousand compared to 31 December 2017.
The other reserves recognised in the financial statements are detailed below:

In thousands of Euro

	Balance 31.12.2017	***Allocations***	***Applications***	***Other movements***	***Balance 31.12.2018***	***Of which current portion***
Provision for product warranties	18,293	11,355	(9,283)	(678)	19,687	14,326
Provisions for risk on investments	3,487	0	(2,566)	(895)	26	0
Provision for contractual risks	2,832	72	(540)	661	3,025	715
Other provisions for risks and charges	6,930	5,369	(1,453)	616	11,462	5,129
TOTAL	**31,542**	**16,796**	**(13,842)**	**(296)**	**34,200**	**20,170**

The product warranty provision refers to allocations recognised at 31 December 2018 by the Piaggio group for €16,594 thousand and by Intermarine S.p.A. for €3,093 thousand 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. The adoption of the new version of IFRS 15 resulted in a different accounting treatment for provisions to the fund allocated by Piaggio for potential repurchases of stock from dealers no longer working with the distributor in the US (approximately €0.6 million).
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 the liquidation of the investee Rodriquez Cantieri Navali do Brasil Ltda, for which provisions equal to the hedging of negative shareholders' equity had been made.

- G6 - DEFERRED TAX LIABILITIES 22,598

The item deferred tax liabilities, in line with figures for 2017, equal to €22,677 thousand, refers to provisions made by individual companies based on applicable national laws. The balance was offset by €330 thousand of deferred tax assets, of a uniform maturity and type.
Deferred tax assets were recognised by the Piaggio group for €2,806 thousand, by the Parent Company Immsi S.p.A. for €19,446 thousand (mainly concerning the fair value measurement of the investment property in Rome) and by Intermarine S.p.A. for €346 thousand.

- G7 - CURRENT TAXES 16,160

The item Current taxes - which includes tax payables recognised in the financial statements of individual consolidated companies, allocated as regards taxes based on applicable national legislation - increased by €3,851 thousand compared to the end of 2017, and is broken down as follows:

In thousands of Euros	*Balance 31.12.2018*	*Balance 31.12.2017*
Amounts due for income tax	9,175	4,676
VAT payables	2,023	1,549
Amounts due for withholding tax	4,650	5,355
Amounts due for local taxes	50	31
Other payables	262	698
TOTAL	**16,160**	**12,309**

Payables for withheld taxes made refer mainly to withheld taxes on employees' earnings, on employment termination payments and on self-employed earnings.

- G8 - ALLOCATION OF PAYABLES BASED ON THE MEASUREMENT METHOD

Information on the carrying amount of financial liabilities and operating payables at 31 December 2018 and 31 December 2017, with particular reference to the accounting standards adopted, is given below.

- Operating payables

In thousands of Euros

Values at 31 December 2018	Liabilities at FVPL	Financial instruments derivatives	Liabilities at cost amortised	Total
Non-current				
Tax payables				0
Other payables			7,101	7,101
Total non-current operating payables	**0**	**0**	**7,101**	**7,101**
Current				
Trade payables			492,553	492,553
Tax payables			16,160	16,160
Other payables		40	49,342	49,382
Total current operating payables	**0**	**40**	**558,055**	**558,095**

Values at 31 December 2017	Assets at FVPL	Financial instruments derivatives	Liabilities at cost amortised	Total
Non-current				
Tax payables				0
Other payables			6,829	6,829
Total non-current operating payables	**0**	**0**	**6,829**	**6,829**
Current				
Trade payables			490,483	490,483
Tax payables			12,309	12,309
Other payables		6	47,922	47,928
Total current operating payables	**0**	**6**	**550,714**	**550,720**

- Financial liabilities

In thousands of Euros

Values at 31 December 2018	Liabilities at FVPL	Adjustment at FV	Financial instruments derivatives	Liabilities at cost amortised	Total
Non-current					
Bank financing				220,599	220,599
Bonds		5,475		291,694	297,169
Other loans				160	160
Leases				7,930	7,930
Hedging derivatives					0
Total non-current financial liabilities	**0**	**5,475**	**0**	**520,383**	**525,858**
Current					
Bank financing				465,000	465,000
Bonds		2,563		10,325	12,888
Other loans				59,804	59,804
Leases				1,237	1,237
Total current financial liabilities	**0**	**2,563**	**0**	**536,366**	**538,929**

Values at 31 December 2017	Liabilities at FVPL	Adjustment at FV	Financial instruments derivatives	Liabilities at cost amortised	Total
Non-current					
Bank financing				251,950	251,950
Bonds		7,120		309,880	317,000
Other loans				344	344
Leases				9,168	9,168
Hedging derivatives					0
Total non-current financial liabilities	**0**	**7,120**	**0**	**571,342**	**578,462**
Current					
Bank financing	3,410	260		354,247	357,917
Bonds		2,120		9,625	11,745
Other loans				61,226	61,226
Leases				1,144	1,144
Total current financial liabilities	**3,410**	**2,380**	**0**	**426,242**	**432,032**

- H - INFORMATION ON THE MAIN INCOME STATEMENT ITEMS

Amounts are stated in thousands of euro unless otherwise indicated.

Before analysing the individual item, it is pointed out that the general information on costs and revenues is contained in the Report on Operations, in accordance with Article 2428 of the Civil Code.

- H1 - NET REVENUES 1,464,533

Revenues from sales and services at 31 December 2018 amounted to €1,464,533 thousand, up by 0.7% (€+9,594 thousand) compared to the previous year. The increase is mainly due to the industrial sector (€+47,096 thousand, +3.5%) and to the property and holding sector (€+0.5 million), while the marine sector recorded a downturn for €37,929 thousand.
This item is stated net of premiums given to the customers of the Piaggio group (dealer) and it does not include transport costs recharged to customers and the recovery of advertising costs invoiced, which are shown under other operating income. Moreover, revenues do not include recharges for building service fees, offset with the related costs incurred by the Parent Company Immsi S.p.A..

Below is a division of net revenues by business sectors and by geographic segment of destination, that is, referring to the nationality of the customer:

By business segment

In thousands of Euros	*Year 2018*		*Year 2017*	
	Amount	*%*	*Amount*	*%*
Property and holding sector	5,178	0.4%	4,751	0.3%
Industrial sector	1,389,546	94.9%	1,342,450	92.3%
of which Two-Wheeler business	957,900	65.4%	950,600	65.3%
of which Commercial Vehicle business	431,646	29.5%	391,850	26.9%
Shipyard sector	69,809	4.8%	107,738	7.4%
TOTAL	**1,464,533**	**100.0%**	**1,454,939**	**100.0%**

By geographic segment

In thousands of Euros	*Year 2018*		*Year 2017*	
	Amount	*%*	*Amount*	*%*
Italy	180,260	12.3%	320,032	22.0%
Other European countries	545,209	37.2%	530,517	36.5%
Rest of the World	739,064	50.5%	604,390	41.5%
TOTAL	**1,464,533**	**100.0%**	**1,454,939**	**100.0%**

- H2 - COSTS FOR MATERIALS 843,470

Costs for materials totalled €843,470 thousand, compared to €825,168 thousand for the previous year. The percentage of costs accounting for net revenues went up compared to the previous year, from 56.7% in 2017 to 57.6% in the current period.
The item includes €20,026 thousand (€23,508 thousand in 2017) for purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan, that are sold on European and Asian markets.
The item in question does not include costs recharged to customers and tenants, for an equal amount, and costs related to assets held for disposal, which are recognised separately in a specific item in the Income Statement. The following table details the content of this item:

In thousands of Euros	*Year 2018*	*Year 2017*
Change in inventories of finished products, work in progress and semi-finished products	(9,021)	(13,897)
Change in capitalised piecework	(586)	(742)
Purchase of raw materials and consumables	865,714	846,628
Change in raw materials and consumables	(12,637)	(6,821)
TOTAL	**843,470**	**825,168**

- H3 - COSTS FOR SERVICES, LEASES AND RENTALS 257,116

Costs for services, leases and rentals totalled €257,116 thousand, down by €7,953 thousand over the previous year. Below is a breakdown of this item:

In thousands of Euros	*Year 2018*	*Year 2017*
Transport costs	36,145	35,137
Product warranty costs	2,352	8,674
Advertising and promotion	40,546	35,206
Outsourced manufacturing	28,287	34,092
External maintenance and cleaning costs	9,857	9,819
Employee costs	16,336	16,301
Technical, legal, tax, administrative consultancy, etc.	20,660	19,307
Sundry commercial expenses	7,937	10,132
Energy, telephone, postage costs, etc.	16,600	16,014
Services provided	723	5,573
Insurance	4,658	4,711
Cost of company boards	5,001	4,908
Sales commissions	916	1,210
Part-time staff and staff of other companies	3,055	3,406
Bank charges and commission	6,224	5,516
Quality-related events	3,663	3,165
Other expenses	36,002	33,767
TOTAL COSTS FOR SERVICES	**238,962**	**246,938**
Rental instalments of business property	7,165	7,583
Other instalments	10,989	10,548
TOTAL COSTS FOR LEASES AND RENTALS	**18,154**	**18,131**
TOTAL COSTS FOR SERVICES, LEASES AND RENTALS	**257,116**	**265,069**

The item under review includes Related Party Transactions for €908 thousand, which are detailed in a paragraph contained within this Report.

- H4 - EMPLOYEE COSTS 237,496

Employee costs are broken down as follows:

In thousands of Euros	Year 2018	Year 2017
Salaries and wages	175,136	171,563
Social security contributions	47,551	47,540
Termination benefits	8,897	8,925
Personnel restructuring costs	4,302	4,916
Other costs	1,610	1,549
TOTAL	**237,496**	**234,493**

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

	Year 2018	Year 2017
Senior management	110	108
Middle managers and white collars	2,527	2,507
Manual workers	4,422	4,413
TOTAL	**7,059**	**7,028**

Employee costs increased in absolute terms by €3,003 thousand compared to figures for the previous year (+1.3%).
Employee costs include €4,302 thousand relating to costs for mobility plans mainly for the Pontedera and Noale production sites, while in 2017 these costs, relative to the same production sites, were equal to €4,916 thousand.
The average number of employees was affected by seasonal workers in the summer months (with fixed-term contracts and fixed-term service contracts) used to deal with typical peaks in demand in the summer months.
The Group's average number of employees in 2018 was 7,059, up overall by 31 (+0.4%) compared to 31 December 2017.
As required by international accounting standards, no costs for stock options were recognised under employee costs in 2018, as in 2017.

- H5 - DEPRECIATION OF PLANT, PROPERTY AND EQUIPMENT 42,379

Depreciation recognised at 31 December 2018 for plant, property and equipment is listed below, with depreciation rates indicated in the section on accounting standards adopted by the Group:

In thousands of Euros	Year 2018	Year 2017
Depreciation of buildings	5,670	5,678
Depreciation of plant and machinery	21,926	24,255
Depreciation of industrial and commercial equipment	9,587	11,220
Depreciation of assets to be given free of charge	60	59
Depreciation of other assets	4,514	4,980
DEPRECIATION OF PLANT, PROPERTY AND EQUIPMENT	**41,757**	**46,192**

Impairment testing led to the recognition of costs for €622 thousand under the item buildings in 2018, while in 2017 costs for €345 thousand were recognised under the item plant and machinery.

- H6 - AMORTISATION OF FINITE LIFE INTANGIBLE ASSETS 70,329

The amortisation of finite life tangible assets is broken down as follows:

In thousands of Euros	Year 2018	Year 2017
Amortisation of development costs	32,332	35,816
Amortisation of concessions, patents, industrial and similar rights	30,522	31,492
Amortisation of trademarks and licences	4,827	4,828
Amortisation software	116	116
Amortisation of other intangible assets with a finite life	101	175
AMORTISATION OF INTANGIBLE ASSETS	**67,898**	**72,427**

As set out in more detail in the paragraph on intangible assets, as from 1 January 2004, goodwill is no longer amortised, but tested annually for impairment. For further details, readers are referred to Explanatory and Additional Note F1 – Intangible Assets.

Amortisation of intangible assets does not include impairment of goodwill during 2018 or in the previous year, as – based on tests carried out – it was not necessary to carry out impairment because goodwill was considered recoverable through future financial flows relative to the cash generating units the goodwill was allocated to.
This item includes the outcome of impairment testing relative to expenditure costs in development, concessions, patents and similar rights, resulting in the recognition of costs for €2,431 thousand (€4,225 thousand in 2017).

- H7 - OTHER OPERATING INCOME 117,678

The "Other operating income" item comprises:

In thousands of Euros	Year 2018	Year 2017
Gains on the disposal of plant, property and equipment	204	957
Sponsorships	2,683	3,949
Grants	6,052	5,464
Recovery of sundry costs	31,027	32,419
Licence rights	2,571	2,534
Sale of materials and sundry equipment	1,368	1,227
Insurance settlements	4,961	2,674
Increases in fixed assets from internal work	47,501	41,884
Reversals of provisions for risks and other provisions	890	0
Rents received	4,671	4,599
Other operating income	15,750	14,222
TOTAL	**117,678**	**109,929**

The item Gains on the disposal of plant, property and equipment includes the proceeds from the sale of moulds and projects for vehicles released for production in the Piaggio group.

The item contributions includes €625 thousand for state and EU contributions for research projects. The grants are recognised in profit or loss, with reference to the amortisation and depreciation of capitalised costs for which the grants were received. This item also includes contributions for exports (€2,117 thousand) received from the Indian subsidiary of the Piaggio group and contributions received from Intermarine for €1,487 thousand for research projects.

In compliance with paragraph 125 of Law no. 124/2017 of 4 August 2017, details per project of funds received during 2018 are given at the end of this Note.

“Recovery of sundry costs” (less the amount in reduction of costs incurred) are related to transport costs recharged to customers, the charges for which are classified under “Costs for services and use of third party assets”.

The item under review includes Related Party Transactions for €343 thousand, which are detailed in a paragraph contained within this Report.

- H8 - NET REVERSALS (IMPAIRMENT) OF TRADE AND OTHER RECEIVABLES (2,301)

The item amounted to €2,301 thousand at 31 December 2018 for net impairment, and is broken down as follows:

In thousands of Euros	*Year 2018*	*Year 2017*
Release of provisions	7	49
Losses on receivables	23	71
Write-down of receivables in working capital	2,285	3,448
TOTAL	**(2,301)**	**(3,470)**

- H9 - OTHER OPERATING COSTS 28,519

The item Other operating costs at 31 December 2018 amounted to €28,519 thousand and is broken down as follows:

In thousands of Euros	*Year 2018*	*Year 2017*
Losses on the disposal of plant, property and equipment	318	399
Duties and taxes not on income	5,872	6,054
Provisions for product warranty	5,640	11,641
Provisions for litigation	0	545
Provisions for future and other risks	11,156	3,998
Other operating costs	5,533	4,409
TOTAL	**28,519**	**27,046**

-H10- EARNINGS ON INVESTMENTS 474

The item recorded a positive balance at 31 December 2018 of €474 thousand and mainly refers to the equity measurement of the investment held by the Piaggio group in the joint venture Zongshen Piaggio Foshan Motorcycle Co. Ltd..

- H11 - FINANCIAL INCOME 23,402

Financial income recognised by the Group in 2018 is detailed below:

In thousands of Euros		
	Year 2018	*Year 2017*
Interest income	7,383	1,808
Capital gains on the disposal of shares	0	3,350
Exchange gains	15,295	15,601
Income from fair value hedging and interest rates	0	81
Dividends	8	109
Other income	716	144
TOTAL	**23,402**	**21,093**

During 2018, financial income was higher by €2,309 thousand compared to the figure recorded for the previous year. This improvement is mainly due to non-recurrent income for €4,431 thousand from the liability management operation on the "Eur 250 million Piaggio 4.625% due 2021" debenture loan recognised as financial income, partially offset by income of €3.35 million recorded by Immsi in 2017 for the sale of option rights on the capital increase of Unicredit, which the Company did not take part in.

- H12 - BORROWING COSTS 65,919

Borrowing costs at 31 December 2018 are broken down as follows:

In thousands of Euros		
	Year 2018	*Year 2017*
Interest payable on bank loans	21,533	23,831
Interest payable on loans from third parties	7,595	7,303
Interest payable on debenture loans	17,530	16,738
Other interest payable	1,136	2,330
Commissions payable	2,173	2,082
Exchange losses	15,107	14,933
Fair value and interest rate hedging charges	0	359
Financial component of retirement funds and termination benefits	473	661
Other charges	372	989
TOTAL	**65,919**	**69,226**

Borrowing costs in 2018 went down by €3,307 thousand compared to the previous year, mainly due to the reduction in the average cost of debt resulting from refinancing operations in 2018.

- H13 - TAXES 33,146

Taxation on the income of companies consolidated on a line-by-line basis recognised in the Financial Statements at 31 December 2018 amounted to €33,146 thousand, and is broken down as follows:

In thousands of Euros		
	Year 2018	*Year 2017*
Current taxes	32,873	21,379
Deferred tax liabilities	273	2,753
TOTAL	**33,146**	**24,132**

Taxes for the period increased by €9,014 thousand compared to 31 December 2017. The tax rate was 56.6% compared to 61.85% in 2017.

The Parent Company Immsi S.p.A., Piaggio & C. S.p.A., Piaggio Concept Store Mantova S.r.l., Intermarine S.p.A., Apuliae S.p.A., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l., Pietra Ligure S.r.l. and Aprilia Racing S.r.l. are party to the National Consolidated Tax Convention, and were therefore able to offset approximately 20 million of losses for the year with equal amounts of taxable income and offset losses relative to previous years for approximately €5.4 million.

Below is a reconciliation between the theoretical tax burden and the actual tax burden:

	TOTAL
Profit before tax	*58,558*
Theoretical rate (24%)	
Theoretical income taxes	***14,054***
Effect arising from tax differences and the difference between foreign tax rates and the theoretical rate	*7,107*
Tax effect arising from losses for the year not offset	*4,767*
Tax effect arising from deferred tax liabilities	*-444*
Taxes on income generated abroad	*2,528*
Indian tax on the distribution of dividends	*2,007*
Other differences	*1,106*
Income tax recognised in the financial statements (IRES)	***31,125***
Regional production tax (IRAP)	*2,021*
Income taxes recognised in the financial statements	***33,146***

The effect arising from regional production tax was determined separately, as this tax is calculated based on earnings before tax.

- H14 - GAIN/LOSS ON THE DISPOSAL OF ASSETS 0

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

- H15 - EARNINGS FOR THE PERIOD 12,863

At 31 December 2018, the Immsi Group posted a profit for the period of €12,863 thousand, after allocation profit to non-controlling interests of €12,549 thousand.

- I - COMMITMENTS, RISKS AND GUARANTEES

The main guarantees issued by banks on behalf of **Piaggio & C. S.p.A** in favour of third parties are listed below:

Type	In thousands of Euros
Guarantee of BCC-Fornacette issued to Pisa Customs Authorities for handling Piaggio goods at the Pisana docks and at Livorno Port	200
Guarantee of BCC-Fornacette issued for Piaggio & C. S.p.A. in favour of Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	1,321
Guarantee of BCC-Fornacette issued in favour of Motoride Spa to reimburse VAT following the deductible tax surplus	298
Guarantee of Banco di Brescia issued in favour of the Municipality of Scorzè, to guarantee the urbanisation and construction of the plant in Scorzè	166
Guarantee of Banca Intesa Sanpaolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	140
Guarantee of Banca Intesa Sanpaolo issued to the Ministry of the Defence National Algeria, to guarantee contract obligations for the supply of vehicles	158

The main guarantees given to third parties recorded by **Intermarine** are detailed below:

Subject	In thousands of Euros
Italian public entities for minesweepers and lookouts	15,690
Italian operator for the supply of integrated minesweeper platforms	28,537
Ministries for research projects	3,383
Foreign public entity of Arab countries	3,319
Como S.r.l.	2,700
Various minor items	1,153

The above guarantees to third parties mainly refer to guarantees issued for contracts ongoing with the following customers.
A guarantee of the amount owing to Bper of €10 million was secured by a first mortgage on the Sarzana shipyard for €18 million.

With reference to the company **Is Molas S.p.A.,** €7.4 million were recognised relative to the value of the commitment undertaken with the Municipality of Pula on 26 March 2015, following the stipulation of the New Additional Planning Act.

With reference to the subsidiaries **Pietra S.r.l.** and **Pietra Ligure S.r.l.** , two guarantees were issued on their behalf, the first by Intesa Sanpaolo in favour of the Municipality of Pietra Ligure and the State Property Agency of Genoa for €302 thousand, and the second by Unicredit in favour of the State Property Agency of Genoa for €288 thousand..

With reference to the **Parent Company Immsi S.p.A.**, and the guarantees issued in favour of Group companies, see the section “Commitments, risks and guarantees” in the "Notes to the Financial Statements at 31 December 2018” of the separate financial statements of Immsi S.p.A..

- L - TRANSACTIONS WITH RELATED PARTIES

Reference should be made to the relevant paragraph as regards the main business relations of Group companies
with related parties.

- M - FINANCIAL POSITION

Net financial debt of the Immsi Group at 31 December 2018 is shown below. Further details of the main components are provided in the tables in the Report on Operations and the related information below them:

(in thousands of euros)	***31.12.2018***	***31.12.2017***
Cash and cash equivalents	-200,450	-138,949
Other short-term financial assets	0	0
Medium/long-term financial assets	0	0
Short-term financial payables	532,096	426,527
Medium/long-term financial payables	520,383	571,342
Net financial debt *)	**852,029**	**858,920**

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

- N - DIVIDENDS PAID

The Parent Company did not distribute dividends during 2018 or 2017.

- O - EARNINGS PER SHARE

Earnings per share

The earnings per share is calculated by dividing the net income/loss for the year attributable to Parent company shareholders by the average weighted number of ordinary shares in issue during the period, from which any own shares held are excluded.

The average number of shares in circulation is calculated by using the principle of retrospectively applying the changes in the number of shares in circulation.

	Year 2018	***Year 2017***
Net profit attributable to ordinary shareholders (in thousands of euro)	12,863	8,189
Average weighted number of shares in circulation during the year	340,530,000	340,530,000
Basic earnings per share	**0.038**	**0.024**

Diluted earnings per share

Diluted earnings per share are calculated by dividing the net income/loss for the year attributable to Parent company Ordinary Shareholders by the average weighted number of shares in issue during the year, taking account of the diluting effect of potential shares. Any treasury shares held are excluded from this calculation.

The Company had no category of potential ordinary shares at 31 December 2018, therefore the diluted income per share coincides with the basic earnings per share indicated above.

- P - ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

Information on financial instruments, the risks connected with them, as well as "sensitivity analysis" in accordance with requirements of IFRS 7 that came into force on 1 January 2007, is given below.

Financial and operational assets and liabilities are described in full in sections F and G of the Notes, to which reference is made.

Lines of credit

At 31 December 2018 the Immsi Group had irrevocable credit lines available until maturity amounting to €867.3 million. For further details reference is made to the Note G2 on Financial liabilities.

Management of financial risks

The financial risks to which the Immsi Group believes 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. A cash pooling zero

balance system is used between Piaggio & C. S.p.A. and European subsidiaries to reset the receivable and payable balances of subsidiaries on a daily basis, for a more effective and efficient management of liquidity in the Eurozone.
For greater coverage of the risk of liquidity, at 31 December 2018 the Immsi Group had unused credit lines available for €326.2 million (€388.4 million at 31 December 2017) of which €151.2 million maturing within 12 months and €175 million maturing at a later date.

As regards financial requirements for the next 12 months, considering credit lines that are due to mature over the year and the Group's financial commitments to support the development of its initiatives, the Directors have taken and will take in the next few months, actions to find solutions that guarantee a financial balance, while considering the possible risk of future trends in weak equity markets, that represent an element of uncertainty as to the scale of credit lines granted, at present, to the Group.

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 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 euros of the financial statements of subsidiaries prepared in currencies other than the euro during consolidation: the policy adopted by the group does not impose the hedging of such a kind 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 related to the Piaggio group

At 31 December 2018, the Group had undertaken the following futures transactions (recognised based on the regulation date) relative to payables and receivables already recognised to hedge the transaction exchange risk:

In thousands

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
Piaggio & C.	Purchase	CNY	53,500	6,743	11/02/2019
Piaggio & C.	Purchase	JPY	270,000	2,090	03/02/2019
Piaggio & C.	Purchase	SEK	1,300	126	31/01/2019
Piaggio & C.	Purchase	USD	3,750	3,249	21/01/2019
Piaggio & C.	Sale	CAD	300	198	28/02/2019
Piaggio & C.	Sale	GBP	600	665	07/01/2019
Piaggio & C.	Sale	INR	155,000	1,881	24/01/2019
Piaggio & C.	Sale	USD	23,300	20,295	23/02/2019
Piaggio Vietnam	Sale	USD	25,000	586,697,000	18/02/2019
Piaggio Indonesia	Purchase	USD	2,786	42,818,643	20/01/2019
Piaggio Vehicles Private Limited	Sale	USD	1,985	139,443	31/01/2019
Piaggio Vehicles Private Limited	Sale	EUR	4,527	380,127	20/02/2019

At 31 December 2018, the group had the following transactions to hedge the business risk:

In thousands

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
Piaggio & C.	Purchase	CNY	118,000	14,789	14/06/2019
Piaggio & C.	Sale	GBP	2,900	3,222	22/06/2019

To hedge the business risk, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders. At 31 December 2018, the overall fair value of hedging instruments on the exchange risk recognised on a hedge accounting basis was negative by €12 thousand. During 2018, losses recognised in other comprehensive income amounted to €12 thousand and losses of €96 thousand were reclassified from other comprehensive income to profit/loss for the period.

The net balance of cash flows during 2018 is shown below, divided by main currency:

	Amounts in millions of euro **Cash-flow 2018**
Pound Sterling	21.1
Indian Rupee	25.0
Croatian Kuna	0.0
US Dollar	74.4
Canadian Dollar	4.7
Indonesian Rupiah	19.7
Vietnamese Dong	(41.6)
Chinese Yuan*)	(40.7)
Japanese Yen	3.1
Total cash flow in foreign currency	**65.7**

**) flow partially settled in euro*

The subsidiary **Intermarine** also hedges risks arising from fluctuating exchange rates through specific operations related to single orders that require invoicing in currencies other than the euro. In particular, the policy concerning the exchange risk adopted by the group totally eliminates any risk by defining a fixed forward exchange rate to hedge fluctuating exchange rates. At 31 December 2018 there was no hedging on interest or exchange rates.

In view of the above, a hypothetical 3% appreciation/depreciation of the Euro would generate, respectively, potential profits of €2,200 thousand and losses of €2,072 thousand.

Management of the interest rate risk

The exposure to interest rate risk arises from the necessity to fund operating activities, both industrial and financial, of Group companies and to use available liquidity. Changes in interest rates may affect the costs and returns of investment and financing operations: this risk arises from fluctuations in interest rates and the impact this may have on future cash flows arising from floating rate financial assets and liabilities. Therefore, the Group regularly measures and controls its exposure to interest rates changes with the aim of reducing the fluctuation of borrowing costs limiting the risk of a potential rise in interest rates: this objective is 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 31 December 2018, the following hedging derivative instruments were recognised:

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 47,000 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 31 December 2018, the fair value of the instrument was equal to €8,797 thousand. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €-488 thousand; 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 €27 thousand and €-5 thousand 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 €13 thousand and €-13 thousand respectively.

In thousands of Euros	***FAIR VALUE***
Piaggio & C. S.p.A.	
Cross Currency Swap	8,797

Moreover, the Parent Company **Immsi S.p.A.** has an Interest Rate Swap to change 75% of flows for interest relative to the loan, for residual nominal amounts of €3.8 million with Banco BPM (formerly Banco Popolare) from a variable to a fixed rate. At 31 December 2018, the fair value of the instrument amounted to €24 thousand. In 2018, profit amounting to €130 thousand was recognised in other components of the statement of comprehensive income.

<u>Management of the credit risk</u>

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

In thousands of Euros	*31 December 2018*	*31 December 2017*
Bank funds and securities	200,333	138,825
Financial assets	11,601	14,029
Tax receivables	27,345	33,569
Trade receivables and other receivables	158,687	168,920
Total	***397,966***	***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**, whose business typically means that receivables are concentrated with a few customers, the most significant customers in quantitative terms are public organisations: moreover, in general production to order requires substantial advance payments by the customer as works progress, thereby reducing the credit risk.

With reference to 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:

- <u>level 1</u>: quoted prices in active markets for assets or liabilities measured;
- <u>level 2</u>: directly (prices) or indirectly (price-derived) observable market inputs other than level 1 inputs;
- <u>level 3</u>: inputs not based on observable market data.

The valuation techniques that refer to levels 2 and 3 must take into account adjustment factors that measure the risk of failure of both parties: to this end, the principle introduces the concepts of *Credit Value Adjustment* (CVA) and *Debit Value Adjustment* (DVA). The CVA allows the inclusion, in the determination of the fair value, of the credit risk of the counterparty, while the DVA reflects the insolvency risk of companies.

IFRS 7 also requires the fair value of debts recognised on a amortised cost basis to be measured, for disclosure purposes only.

The table below shows the figures regarding the financial debt of the Piaggio group:

In thousands of Euros	Nominal value	Carrying amount	Fair Value *
High yield debenture loan	250,000	239,754	248,473
Private debenture loan 2021	32,461	32,385	40,499
Private debenture loan 2022	30,000	29,880	29,587
EIB (R&D loan 2013-2015)	10,909	10,909	11,056
EIB (R&D loan 2016-2018)	50,000	49,925	48,878
Credit line from B. Pop. Emilia Romagna	4,175	4,168	4,208
Loan from B. Pop. Emilia Romagna	20,000	19,951	19,241
Loan from Banco BPM	9,092	9,092	9,499
Revolving syndicated loan	55,000	53,830	51,922
Loan from the Syndicate maturing in 2023	62,500	62,029	60,873
Loan from UBI	13,600	13,581	13,493
Loan from MCC	9,022	9,015	8,859
Loan from Banca Ifis	7,500	7,461	7,699
VietinBank medium-term loan	9,715	9,715	10,197

*the value deducts DVA related to Piaggio, i.e. it includes the risk of insolvency of Piaggio.

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

The table below shows the assets and liabilities measured at fair value at 31 December 2018, by fair value measurement hierarchical level.

In thousands of Euros	*Level 1*	*Level 2*	*Level 3*
Assets measured at fair value	2,767		
Hedging derivatives		8,797	
Investment property			84,919
Other assets		4	37
Total assets	***2,767***	***8,801***	***84,956***
Liabilities measured at fair value		(40,499)	
Hedging derivatives		(24)	
Other liabilities		(16)	
Total liabilities	***0***	***(40,539)***	***0***

Hierarchical level 1 includes the carrying amount of the investment held by Immsi S.p.A. in Unicredit S.p.A., down by €1,577 thousand compared to 31 December 2017 following a decrease in the share price recorded during the year.

Hierarchical level 2 includes among the assets the positive value of the derivative hedging financial instruments attributable to the Piaggio group, while the liabilities include the negative value of the derivative financial instruments (Interest Rate Swap) attributable to the Parent company Immsi S.p.A..

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

The following table highlights changes that occurred within various levels during 2018:

In thousands of Euros	*Level 1*	*Level 2*	*Level 3*
Balance at 31 December 2017	4,344	(45,587)	85,811
Gain and (loss) recognised in profit or loss	0	749	(1,392)
Gain and (loss) recognised in other comprehensive income	(1,577)	(108)	138
Increases/(Decreases)	0	13,208	399
Balance at 31 December 2018	**2,767**	**(31,738)**	**84,956**

- Q - INFORMATION PURSUANT TO LAW 124/2017

Law 124 of 4 August 2017 requires disclosure to be provided on funding, contributions, paid appointments and financial benefits of any kind received at national level from the public administration. In this regard, the next table shows the funding received by the Immsi Group during 2018:

Beneficiary	Project	Funding entity	Funds (in thousands of euros)
Piaggio group	MADE IN ITALY (DE.TECH)	Ministry for Economic Development in the Industry 2015-Made in Italy award	18.5
Piaggio group	RESOLVE	European Commission - Horizon 2020 prizes	372.9
Piaggio group	PIONEERS	European Commission - Horizon 2020 prizes	215.5
Piaggio group	CENTAURO	Tuscany Region in the FAR-FAS 2014 call	121
Intermarine S.p.A.	AMICO - Automation and Smart Monitoring of Consumption	Ministry for Economic Development	18
Total			**745.9**

For the purposes of Law 124/2017, considering the specific transparency obligations that already exist as regards public contracts, the provisions in paragraph 125 on disclosure to include in the notes, only refer to positions that do not entail remuneration for business services, but which instead entail financial benefits / donations.

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND INVESTMENTS AT 31 DECEMBER 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 - Italy Parent Company	Euro	€178,464,000.00		
Apuliae S.r.l. Lecce – Italy Immsi S.p.A. investment: 85.69%		€500,000.00	85.69%	
ISM Investimenti S.p.A. Mantova – Italy Immsi S.p.A. investment: 72.64%		€6,654,902.00	72.64%	
Is Molas S.p.A. Pula (Cagliari) – Italy ISM Investimenti S.p.A. investment: 92.59%		€10,398,437.00	92.59%	
Pietra S.r.l. Milan – Italy Immsi S.p.A. investment: 77.78%		€40,000.00	77.78%	
Pietra Ligure S.r.l. Mantova – Italy Investment of Pietra S.r.l. 100.00%		€10,000.00	100.00%	
Immsi Audit S.c.a r.l. Mantova – Italy Immsi S.p.A. investment: 25.00% Is Molas S.p.A. investment: 25.00% Piaggio & C. S.p.A. investment: 25.00% Intermarine S.p.A. investment: 25.00%		€40,000.00	100.00%	
RCN Finanziaria S.p.A. Mantova – Italy Immsi S.p.A. investment: 63.18%		€1,000,000.00	63.18%	
Intermarine S.p.A. Sarzana (La Spezia) – Italy RCN Finanziaria S.p.A. investment: 100.00%		€2,060,214.00	100.00%	
Piaggio & C. S.p.A. Pontedera (Pisa) – Italy Immsi S.p.A. investment: 50.07%		€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 (Pisa) – Italy Piaggio & C. S.p.A. investment: 100.00%		€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%	
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%		€60,000.00	100.00%	

Company name	Currency	Share Capital (subscribed and paid-up)	% of Share Capital owned	% votes (if different)
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: 100%	USD	12,120,000.00	100%	
Piaggio Concept Store Mantova S.r.l. Mantova – Italy Piaggio & C. S.p.A. investment: 100%		€100,000.00	100.00%	
Piaggio Deutschland GmbH Düsseldorf – Germany Piaggio Vespa B.V. investment: 100.00%		€250,000.00	100.00%	
Piaggio España S.L.U. Alcobendas – Spain Piaggio & C. S.p.A. investment: 100.00%		€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%		€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%		€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	340,000,000.00	100.00%	
Piaggio Vespa B.V. Breda – Holland Piaggio & C. S.p.A. investment: 100%		€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 ACCOUNTED FOR USING THE EQUITY METHOD				
Zongshen Piaggio Foshan Motorcycle Co. Ltd. Foshan City – China Piaggio & C. S.p.A. investment: 32.50% Piaggio China Co. Ltd. investment: 12.50%	RMB	255,942,515.00	45.00%	
Rodriquez Pietra Ligure S.r.l. Milan – Italy Intermarine S.p.A. investment: 100.00%		€20,000.00	100.00%	
Depuradora d'Aigües de Martorelles S.C.C.L. Barcelona – Spain Nacional Motor S.A. investment: 22.00%		€60,101.21	22.00%	
Pont – Tech, Pontedera & Tecnologia S.c.r.l. Pontedera (Pisa) – Italy Piaggio & C. S.p.A. investment: 20.45%		€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 ACCOUNTED FOR USING THE COST METHOD				
Consorzio CTMI – Messina Messina – Italy Intermarine S.p.A. investment: 33.33%		€53,040.00	33.33%	
Fondazione Piaggio Pontedera (Pisa) – Italy Piaggio & C. S.p.A. investment: 66.67%		€103,291.38	66.67%	

*) Non-operating company or company in liquidation.

* * *

This document was published on 9 April 2019 by authorisation of the Chairman of the Company, Roberto Colaninno.

Certification of the Consolidated Financial Statements pursuant to Article 154-bis of Italian Legislative Decree no. 58/98

The undersigned Roberto Colaninno, as Chairman of the Board of Directors, Michele Colaninno, as Chief Executive Officer and Andrea Paroli, as Executive in charge of financial reporting of Immsi S.p.A., certify, also taking into account provisions of Article 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998:

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

of the administrative and accounting procedures for preparing the consolidated financial statements at 31 December 2018.

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

In addition, it is certified that the consolidated financial statements at 31 December 2018:

- were drawn up in compliance with applicable international accounting standards recognised by the European Union in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to accounting records;
- are adequate for giving a true and fair view of the financial position, performance and cash flows of the Issuer and of companies included in the scope of consolidation.

The Report on Operations includes reliable analysis of operations, as well as the situation of the Issuer and of companies included in the scope of consolidation, along with a description of the main risks and uncertainties to which they are exposed.

25 March 2019

The Chairman
Roberto Colaninno

Executive in charge of
financial reporting
Andrea Paroli

Chief Executive Officer
Michele Colaninno

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of IMMSI SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of IMMSI Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2018, the consolidated income statement, statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and supplementary notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of IMMSI SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Assessment of the recoverability of deferred tax assets	
Note F7 to the consolidated financial statements "Deferred tax assets" Deferred tax assets in the consolidated financial statements of the IMMSI Group as of 31 December 2018 amounts to Euro 126,998 thousand (6% of total assets) and primarily relates to prior years tax losses as well as to temporary differences on provisions and other temporary differences. Management's main assumptions in the assessment of the recoverability of deferred tax assets relate to forecasts of future economic and market situation and of future taxable profits of the consolidated companies. Assessing the recoverability of deferred tax assets is a key audit matter given the significant of their amounts and the complexity of the valuation process.	We obtained an understanding and evaluated the procedures adopted by the Group in order to determine the recoverability of the carrying amount of deferred tax assets. Our audit procedures consisted of assessing the reasonableness of the estimates made by management in forecasting the future taxable profits of the IMMSI Group companies utilized to assess the recoverability of the carrying amount of deferred tax assets.
Assessment of the recoverability of goodwill	
Note F1 to the consolidated financial statements "Intangible assets" Goodwill, which amounts to Euro 613,982 thousand (29% of total assets) as of 31 December 2018 is allocated to cash generating units identified on a business segment basis and is primarily related to the "industrial" sector - Piaggio Group (Euro 579,492 thousand) and to the "marine" sector – Intermarine SpA (Euro 34,492 thousand). Impairment testing of goodwill is required at least once a year, even if there are no indicators suggesting that impairments might exist. As of 31 December 2018 the Group carried out specific impairment tests determined on the basis of discounted value of expected cash flows from use of the assets related to each single cash generating unit (Unlevered Discounted Cash Flow Method), compared to the carrying amount of assets and liabilities attributed to the respective	We obtained an understanding and evaluated the allocation process of goodwill to cash generating units on the basis of the current organizational structure, which did not change compared to previous years. We evaluated the estimates made by management with regard to the expected cash flows inferred from budget data for 2019 and supplemented by forecast data for 2020-2022 as regards goodwill allocated to cash generating unit related to "industrial" sector, and by forecast data for 2020-2023 as regards goodwill allocated to cash generating unit related to "marine" sector. Furthermore, with the support of PwC network experts, we retraced the methods used to calculate the discount rate and the steady growth rate of financial cash flows beyond the time period of the plan approved by management of Piaggio & C SpA for the "industrial" sector and by management of

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
cash generating unit. Management's main estimates relate to forecasts of future economic and market situation, especially in relation to expected future cash flows and to calculation of the discount rate applied. Assessment of the recoverability of goodwill is a key audit matter considering the complexity of the evaluation process that requires a significant level of estimation by management.	Intermarine SpA for the "marine" sector. The analysis was specifically focused on the cash generating units identified by management, verifying also the correct determination of the carrying amount of assets and liabilities attributed to each single cash generating unit. With the support of PwC network experts we also conducted sensitivity analyses in relation to the significant assumptions adopted by management in order to determine whether there was any impairment of goodwill. In addition, in order to assess the ability of management to make reliable forecasts, we compared the final figures as at 31 December 2018 with the related budget data. Finally, we verified the information included in the notes to the financial statements as of 31 December 2018.
Investments in development costs, industrial patent and intellectual property rights *Note F1 to the consolidated financial statements "Intangible assets"* With reference to the "industrial" sector, during the financial year 2018 the Group made investments amounting to Euro 77,5 million, mainly in relation to the study of new vehicles and new engines, which feature and will feature as the future products in the 2018-2020 range. The net book value as of 31 December 2018 of development costs and industrial patent rights amounts to Euro 180,6 million, equal to approximately 8,6% of total assets. Given the size of the annual investments and the high degree of professional judgement required to verify the compliance with the requirements of international accounting standard "IAS 38 – intangible assets" adopted by the European Union, we considered it necessary to focus on this specific financial statement area. Management's main estimates relate to the technical feasibility and the availability of adequate resources, including financial resources, to complete the product being developed, the intention to complete the product for sale, as well as the verification of the existence of future cash	We obtained an understanding and evaluated the procedure adopted by the IMMSI Group for capitalizing development costs, industrial patent and intellectual property rights. We then obtained details of the costs capitalized by project, and analyzed on a sample basis, the increases and decreases during the year with particular attention to compliance with the requirements of international accounting standard "IAS 38 – intangible assets" adopted by the European Union for the capitalization of internally generated intangible assets. Our procedures included discussion with management aimed at understanding the characteristics of the various projects. We also verified, on a sample basis, the estimated future cash flows and management's subsequent monitoring of the estimated future cash flows, which occurs at least once a year.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
flows from the sale of the product that are adequate to support the future recoverability of the costs capitalized and recorded in the consolidated financial statements.	
Short-term net financial debt of the Parent Company *Note A to the consolidated financial statements "General aspects" and note G2 to the consolidated financial statements "Financial liabilities"* Short term net financial debt of the Parent Company IMMSI SpA amounts to Euro 279,8 million, equals to 84% of the short-term net financial debt of the consolidated financial statements. The decline of the stock price of shares held in listed companies Piaggio & C SpA and Unicredit SpA in 2018 caused failure to comply with some financial covenants and loan to value ratios in relation to the facilities granted to the Parent Company and this led to classify as short-term all the loans received from banks. Due to the significant amount of the Parent Company's exposure toward the banking system and to the uncertainty related to the stock price of shares used to guarantee this exposure, as well as the importance of the information included by management in the notes to the financial statements regarding this aspect, the understanding and the analysis of management's forecasts regarding the financial needs of the Parent Company for the next twelve months and of the actions taken and to take by them in order to ensure the financial stability of the Parent Company is a key audit matter.	We obtained and analyzed the calculation of the net financial position of the Parent Company, the calculation of the financial covenants and the calculation of the loan to value ratios, and we verified the correct classification of the Group's financial exposure in the Consolidated Statement of Financial Position. We obtained management's forecasts regarding the financial needs of the Parent Company for the next twelve months and we analyzed the actions taken and to take by them in order to ensure the financial stability of the Parent Company also through specific discussions and critical analyses. We obtained audit evidence regarding the existing relationship of the Parent Company with the banking system, in particular obtaining and analyzing the documentation related to the facilities, the terms of the contracts, the existing guarantees, also through receiving specific data and information directly from the banks. We verified the information included by management in the supplementary notes to the consolidated financial statements, and the correspondence and adequacy with respect to the elements used by them to evaluate the financial stability of the Parent Company for the next twelve months.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the

European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate IMMSI SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 11 May 2012, the shareholders of IMMSI SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2012 to 31 December 2020.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of IMMSI SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the IMMSI Group as of 31 December 2018, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the IMMSI Group as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of IMMSI SpA as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of IMMSI SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Brescia, 9 April 2019

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

IMMSI S.p.A.

Financial statements to 31 December 2018

Immsi S.p.A. Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Shareholders' Equity, detailing amounts attributable to Related-Party and intergroup transactions:

Statement of Financial Position

In thousands of euro

ASSETS	Notes	31/12/2018	31/12/2017
NON-CURRENT ASSETS			
Intangible assets		0	0
Plant, property and equipment	C1	238	68
Investment property	C2	74,650	74,114
Investments in subsidiaries and associates	C3	307,331	310,331
Other financial assets	C4	260,580	0
- of which related parties and intergroup		*260,580*	*0*
Tax receivables	C5	0	0
Deferred tax assets	C6	0	0
Trade receivables and other receivables	C7	12,726	6
- of which related parties and intergroup		*12,720*	*0*
TOTAL NON-CURRENT ASSETS		**655,525**	**384,519**
ASSETS HELD FOR DISPOSAL		0	0
CURRENT ASSETS			
Trade receivables and other receivables	C7	8,647	26,770
- of which related parties and intergroup		*8,386*	*26,350*
Tax receivables	C5	268	191
Inventories		0	0
Works in progress to order		0	0
Other financial assets	C4	2,767	239,261
- of which related parties and intergroup		*0*	*234,916*
Cash and cash equivalents	C8	2,865	5,281
TOTAL CURRENT ASSETS		**14,547**	**271,503**
TOTAL ASSETS		**670,072**	**656,022**

LIABILITIES	Notes	31/12/2018	31/12/2017
SHAREHOLDERS' EQUITY			
Share capital		178,464	178,464
Reserves and retained earnings		176,073	174,481
Net profit for the period	E10	6,746	3,044
TOTAL SHAREHOLDERS' EQUITY	D1	**361,283**	**355,989**
NON-CURRENT LIABILITIES			
Financial liabilities	D2	0	102,017
Trade payables and other payables	D5	162	208
Retirement fund and similar obligations	D3	333	318
Other long-term provisions		0	0
Deferred tax liabilities	D4	19,447	19,375
TOTAL NON-CURRENT LIABILITIES		**19,942**	**121,918**
LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL		0	0
CURRENT LIABILITIES			
Financial liabilities	D2	282,689	175,101
Trade payables	D5	2,118	1,450
- of which related parties and intergroup		*605*	*442*
Current taxes	D6	576	522
Other payables	D5	3,463	1,042
- of which related parties and intergroup		*2,002*	*2*
Current portion of other long-term provisions		0	0
TOTAL CURRENT LIABILITIES		**288,847**	**178,115**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**670,072**	**656,022**

Income Statement

In thousands of Euros

	Notes	2018	2017
Financial income	E1	27,126	29,939
- of which related parties and intergroup		*27,030*	*25,017*
Borrowing costs	E2	(19,768)	(25,685)
- of which related parties and intergroup		*(9,540)*	*(15,040)*
Earnings on investments		0	0
Operating income	E3	4,516	4,452
- of which related parties and intergroup		*2,358*	*2,356*
Costs for materials		(29)	(37)
Costs for services, leases and rentals	E4	(3,521)	(3,615)
- of which related parties and intergroup		*(384)*	*(428)*
Employee costs	E5	(1,137)	(1,104)
Depreciation of plant, property and equipment	E6	(50)	(67)
Amortisation of goodwill		0	0
Amortisation of intangible assets with a definite life		0	0
Other operating income	E7	217	114
- of which related parties and intergroup		*85*	*83*
Net reversals (impairment) of trade and other receivables		0	0
Other operating costs	E8	(752)	(778)
PROFIT BEFORE TAX		**6,602**	**3,219**
Taxes	E9	143	(175)
- of which related parties and intergroup		*0*	*0*
EARNINGS AFTER TAX FROM OPERATING ACTIVITIES		**6,746**	**3,044**
Gain (loss) from assets held for disposal or sale		0	0
NET PROFIT FOR THE PERIOD	E10	**6,746**	**3,044**

Statement of Comprehensive Income

In thousands of Euros

	Notes	2018	2017
NET PROFIT FOR THE PERIOD	E10	**6,746**	**3,044**
Items that may be reclassified to profit or loss:			
Gains/(losses) on cash flow hedges		130	221
Items that cannot be reclassified in the Income statement:			
Gains (losses) from the fair value measurement of financial assets		(1,591)	(18,057)
Actuarial gains (losses) on defined benefit plans		9	9
TOTAL GAINS (LOSSES) OF THE PERIOD	D1	**5,294**	**(14,782)**

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

Statement of Cash Flows

In thousands of Euros

This table shows the changes in cash and cash equivalents, net of any short-term bank overdrafts (equal to €4,128 thousand at 31 December 2018 and €3,518 thousand at 31 December 2017.

	Notes	31/12/2018	31/12/2017
Operating activities			
Profit before tax	E10	6,602	3,219
Depreciation of plant, property and equipment	E6	50	67
Amortisation of intangible assets		-	-
Provisions for risks and for severance indemnity and similar obligations	D3	65	64
Write-downs / (Reversals)	C3-C4	3,000	10,000
Losses / (Gains) on the disposal of property, plant and equipment (including investment property)		(23)	-
Losses / (Gains) on the disposal of securities		-	(4,915)
Financial income (1)	E1	(10,762)	(9,140)
Dividend income (2)		(9,863)	(9,946)
Borrowing costs (6)	E2	10,268	9,290
Change in working capital			
(Increase) / Decrease in trade receivables (3)	C7	2,889	(1,483)
Increase / (Decrease) in trade payables (4)	D5	3,090	(470)
Increase / (Decrease) in retirement funds and similar obligations	D3	(46)	(47)
Other changes		9,251	8,641
Cash generated from operating activities		**14,521**	**5,280**
Borrowing costs paid	E2	(9,537)	(8,962)
Taxes paid		(74)	-
Cash flow from operations		**4,910**	**(3,682)**
Investing activities			
Sale price of subsidiaries, net of cash and cash equivalents	E1	-	3,567
Investments in property, plant and equipment (including investment property)	C1-C2	(780)	(75)
Sale price, or repayment value, of plant, property and equipment (including property investment)		37	0
Sale price, or repayment value, of financial assets	E1	-	3,350
Loans disbursed and interest accrued (5)	C4	(23,150)	(27,502)
Purchase of financial assets	C4	(13)	(781)
Financial income received		94	-
Dividends from investments (2)		9,863	9,946
Cash flow from investing activities		**(13,949)**	**(11,495)**
Financing activities			
Loans received	D2	47,500	113,873
Outflow for repayment of loans	D2	(43,089)	(93,332)
Outflow for dividends paid	H	-	-
Cash flow from financing activities		**4,411**	**20,541**
Increase / (Decrease) in cash and cash equivalents		(4,628)	5,364
Opening balance		1,763	(3,601)
Exchange differences		-	-
Closing balance		**(2,865)**	**1,763**

(1) entirely from loans granted to Group companies;

(2) dividends paid out by Piaggio & C. S.p.A.;

(3) of which €2,730 thousand decreased for receivables from Group companies;

(4) of which a €2,162 thousand increase related to payables to Group companies and other Related Parties;

(5) entirely referred to loans to subsidiaries;

(6) referred to transactions with subsidiaries and parent companies for €40 thousand.

Changes in Shareholders' Equity

Note D1

In thousands of Euros	Share capital	Share premium reserve A - B	Reserves for the fair value measurement of financial assets	Reserves for the fair value measurement of hedging instruments	Reserve for the measurement of entities under common control	Investment Property Revaluation reserve	Actuarial evaluation reserve on defined benefit plans	Revaluation reserve A - B - D	Legal reserve TO	Other legal reserves A - B - D	IAS transition reserve	Earnings reserve	Earnings for the period	Shareholders' equity
Balances at 31 December 2016	**178,464**	**94,874**	**(7,227)**	**(374)**	**65,087**	**42,838**	**(40)**	**4,602**	**7,764**	**1,153**	**(1,614)**	**(20,247)**	**5,492**	**370,771**
Allocation of profit to the Legal reserve									275				(275)	0
Allocation of profit to Dividends														0
Allocation of profit to Retained earnings (losses)												5,217	(5,217)	0
Total net profit for the period			(18,057)	221			9						3,044	(14,782)
Balances at 31 December 2017	**178,464**	**94,874**	**(25,284)**	**(153)**	**65,087**	**42,838**	**(31)**	**4,602**	**8,039**	**1,153**	**(1,614)**	**(15,030)**	**3,044**	**355,989**

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Balances at 31 December 2017	**178,464**	**94,874**	**(25,284)**	**(153)**	**65,087**	**42,838**	**(31)**	**4,602**	**8,039**	**1,153**	**(1,614)**	**(15,030)**	**3,044**	**355,989**
Allocation of profit to the Legal reserve									152				(152)	0
Allocation of profit to Dividends														0
Allocation of profit to Retained earnings (losses)												2,892	(2,892)	0
Total net profit for the period			(1,591)	130			9						6,746	5,294
Balances at 31 December 2018	**178,464**	**94,874**	**(26,875)**	**(23)**	**65,087**	**42,838**	**(21)**	**4,602**	**8,191**	**1,153**	**(1,614)**	**(12,138)**	**6,746**	**361,283**

Available for:
A: Cover losses B: Share capital increase
C: Distribution to shareholders D: Distribution to shareholders under tax suspension

Notes to the financial statements at 31 December 2018

Note	Description
A	**General aspects**
B	**Accounting standards and measurement criteria**
C	**Information on main assets**
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C3	Investments in subsidiaries and associates
C4	Other financial assets
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D	**Information on main liabilities**
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D2	Financial liabilities
D3	Retirement funds and similar obligations
D4	Deferred tax liabilities
D5	Trade payables and other payables
D6	Current taxes
E	**Information on main Income Statement items**
E1	Financial income
E2	Borrowing costs
E3	Operating income
E4	Costs for services, leases and rentals
E5	Employee costs
E6	Depreciation of plant, property and equipment
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E8	Other operating costs
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F	**Commitments, risks and guarantees**
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A – General aspects

Immsi S.p.A. (the Company) is a limited company established under Italian law and has registered offices in Mantova - P.zza Vilfredo Pareto, 3 and sub-offices in via Abruzzi, 25 – Rome and via Broletto, 13 – Milan. The main activities of the company and its subsidiaries (the Group) are described in the first section of the Directors' Report on operation.
At 31 December 2018, Immsi S.p.A. was directly and indirectly controlled, pursuant to Article 93 of the TUF, by Omniaholding S.p.A., a company wholly owned by the Colaninno family, through the subsidiary Omniainvest S.p.A..

Following the coming into force of European Regulation no. 1606 in July 2002, Immsi S.p.A. has adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission, the updates of pre-existing standards (IAS), as well as the documents of the International Financial Reporting Interpretations Committee (IFRIC) deemed applicable to the transactions carried out by the Company.
The financial statements of Immsi S.p.A. are drawn up in compliance with Legislative Decree no. 58/1998, as well as in compliance with provisions issued pursuant to Article 9 of Italian Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated 27/07/06 containing "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated 27/07/06 containing "Changes and additions to the Regulation on Issuers" adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28/07/06 containing "Corporate disclosure required in accordance with Article 114, paragraph 5 of Italian Legislative Decree no. 58/98"). The Company did not consider presentation of segment information, as established in IFRS 8, as significant.
The currency used in preparing these financial statements is the euro and amounts are expressed in thousands of euro (unless otherwise indicated).
For information on significant events and operating outlook, see the Report on Operations at 31 December 2018.
These Financial Statements are audited by PricewaterhouseCoopers S.p.A. pursuant to the appointment granted by the Shareholders' Meeting on 11 May 2012 for the period 2012-2020.

Presentation of the financial statements

The Consolidated Financial Statements consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Shareholders' Equity and the Notes.
As provided for by Consob Ruling no. 15519 of 27 July 2006, the financial statements include specific evidence of related-party and intergroup transactions.

In relation to options in IAS 1 "Presentation of Financial Statements", Immsi S.p.A. opted to present the following types of accounting statements:

- **Statement of Financial Position:** The Statement of Financial Position is presented in sections with Assets, Liabilities and Shareholders' Equity indicated separately. Assets and Liabilities are shown in the financial statements on the basis of their classification as current and non-current;
- **Income Statement:** The Income Statement is presented with the items classified by kind of costs. The

- **Statement of Comprehensive Income:** The Statement of Comprehensive Income is presented in accordance with the provisions of IAS 1 revised, net of a possible tax component. The items presented in Other comprehensive profits/(losses) are grouped according to whether or not they can be subsequently reclassified in the Income statement;
- **Cash Flow Statement:** The Cash Flow Statement is presented divided into areas generating cash flows, as indicated by international accounting standards. The Statement adopted by Immsi has been prepared using the indirect method;
- **Statement of Changes in Shareholders' Equity:** The Statement of Changes in Shareholders' Equity is presented as required by the IAS 1 revised. It includes the Statement of Comprehensive Income. Reconciliation between the opening and closing balance of each item for the period is presented.

B - Accounting standards and measurement criteria

The financial statements have been prepared by the Directors based on the historical cost principle, considering, where appropriate, value adjustments, with the exception of financial statement items that, according to IFRS, must be measured at fair value, as indicated in measurement criteria.
The financial statements have been prepared on a going concern basis with reference to a future period of 12 months from 31 December 2018.
The considerable downturn in financial markets characterising the last few months of 2018, in relation to the financial situation of the Company, with collateral on nearly all loans, led to a failure to meet some financial parameters and values to loan concerning the subsidiary Piaggio & C. S.p.A..
For most of the loans concerned, the Company requested and obtained exemption before 31 December 2018, but as a response was provided for one loan after the end of the reporting period, the entire exposure has been reclassified as short-term. As regards one credit line affected by non-compliance of a financial covenant at 31 December 2018, the Company is taking action to remedy the situation within the contractual terms established.
As regards financial requirements for the next 12 months, considering credit lines that are due to mature over the year and the Group's financial commitments to support the development of its initiatives, the Directors have taken and will take in the next few months, actions to find solutions that guarantee a financial balance, while considering the possible risk of future trends in weak equity markets, that represent an element of uncertainty as to the scale of credit lines granted, at present, to Immsi.

The accounting standards used to prepare these financial statements are the same as those adopted to prepare the financial statements at 31 December 2017, with the exception of the adoption of IFRS 15 "Revenues from contracts with customers" as indicated in the paragraph on new accounting standards applicable from 1 January 2018.

No atypical, unusual or non-recurrent operations were recorded during 2017 and 2018.
No exceptional circumstances occurred requiring departures from legal provisions concerning Financial Statements pursuant to Article 2423, section 4 of the Civil Code.

The international accounting standards adopted are listed and summarised below.

Intangible assets

An intangible asset is recorded only if it is identifiable, verifiable and it is likely to generate future economic benefits and its costs can be reliably determined.

These assets are recognised at acquisition or production cost and amortised on a straight line basis over their estimated useful life, if they have a finite useful life. Intangible assets with an indefinite useful life are not amortised but are subject to impairment testing.
The amortisation period for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period: if the expected useful life proves different from previous estimates, the amortisation period is changed accordingly.

Plant, property and equipment

Plant, property and equipment are recorded at purchase cost, including directly related charges, net of accumulated depreciation and impairment losses. For an asset that justifies capitalisation, the cost also includes any borrowing costs that are directly attributable to acquisition, construction or production of the asset.
The costs incurred following the purchase are capitalised only if they increase the future economic benefits inherent in the asset to which they refer. All other costs are recorded in the income statement when they are incurred.
Plant, property and equipment in progress are valued at cost and are depreciated from the period in which they come into operation.
Depreciation is determined on a straight-line basis over the estimated useful life of the assets or, in the case of disposal, until the end of the previous year.
Land is not depreciated.
Profits and losses arising from the sale or disposal of assets are measured as the difference between the sale revenue and net carrying amount of the asset and are recognised in profit or loss for the period.
At 31 December 2018, the Company did not hold any assets under finance lease agreements.
Other plant, property and equipment are depreciated applying the rates indicated below, reduced by half for fixed assets acquired during the year:

Plant and machinery	from 15% to 30%
Furniture and fittings, electrical machines	12%
Personal computers, hardware, EDP and telephone systems	20%
Vehicles	25%
Other equipment	15%

Investment property

As provided for by IAS 40, a non-instrumental property owned in order to obtain rent and/or for the appreciation of the property is measured at fair value.
Investment property is not amortised and is eliminated from the financial statements when sold or when the investment property is unusable in the longer term and no future economic benefits are expected from its sale.
The Company annually revises the carrying amount of investment property held or more frequently if required by facts or circumstances.

Investments

Investments in subsidiaries and affiliated companies are recorded at cost adjusted for any impairment.
Purchase and sale flows relative to investments are based on the FIFO criterion.

Impairment

Plant, property and equipment and investments in subsidiaries and affiliated companies are tested for impairment annually, or more frequently. If there is evidence that such assets have suffered a prolonged or significant loss in value, the asset's recoverable amount is estimated to determine the amount of the impairment and it is immediately observed in the Income Statement. Where it is not

possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the asset's cash generating unit. The recoverable amount is the higher of an asset's fair value less costs to sell (if available) and its value in use. In evaluating the value in use, estimated future cash flows are discounted to the present value, which reflects current market valuations of the actual value of money and specific risks of the asset.
If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset is land or buildings other than the property investments recognised at revalued amounts, in which case the loss is charged to the respective revaluation reserve.

As regards the measurement of investments, if any portion belonging to losses of the investee attributable to the Company exceeds the carrying amount of the investment and the Company is liable for them, the value of the investment is reset and the portion of any further losses is recorded as a provision in liabilities.
Should the recorded write-down no longer be valid, the book value of the asset is increased to the new value arising from the estimate made of its recoverable value, but not more than the net carrying amount that the asset would have had if the write-down for impairment losses had not been made. The restored value is posted to the Income statement.

Receivables

Trade receivables and other receivables are initially recognised at fair value and subsequently recognised based on the amortised cost method, net of the provisions for write-downs. The provisions of IFRS 9 introduce a new procedure for impairment, which takes account of expected credit losses.
For trade receivables, the Group adopts the simplified approach permitted by the new standard, measuring the provision to hedge losses for an amount equal to full lifetime expected credit losses.

Cash and cash equivalents

This item includes cash in hand, on demand deposit accounts and other highly-liquid short-term financial investments, which are readily convertible into cash and have an insignificant risk of losing value.

Financial assets

Financial assets are recognised in and deleted from the financial statements based on the settlement date.
IFRS 9 requires the entity to test the business model relative to financial management and contractual cash flows and classify financial assets accordingly. The standard defines three categories for classifying financial assets:

a) financial assets measured at amortised cost (AC);
b) financial assets measured at fair-value-through-other comprehensive income (FVTOCI);
c) financial assets measured at fair-value-through-profit-or-loss (FVTPL).

Under IFRS 9, the requirements for classifying a financial asset at AC or FVTOCI are tested; if a financial asset cannot be classified as either AC or FVTOCI, it is classified as FVTPL.

In this regard, Immsi S.p.A. adopts the following business models:
a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (the “hold to collect” business model), measured at amortised cost;
- a business model whose objective is to hold financial assets intended for collecting contractual cash flows (the “hold to collect and sell” business model"), measured at fair value and recognised in other comprehensive income.
As regards the procedure for the impairment of financial assets established by IFRS 9, the provision to recognise to hedge losses is determined considering full lifetime expected credit losses, using a method that considers whether, at the end of the reporting period, the credit risk relative to a financial instrument has increased considerably after initial recognition or otherwise.

Financial liabilities

Financial liabilities include loans that are recognised at the original sums received and are recognised and reversed from the financial statements on the basis of their trade date. Non-current financial liabilities which differ from financial liabilities measured at fair value and recognised in the Income statement, are entered net of the accessory acquisition fees and, subsequently, are measured with the amortised cost method, using the effective interest rate.
The Company's activities are exposed primarily to financial risks from changes in interest rates. The Company uses derivative instruments to hedge risks arising from changes in interest rates on certain irrevocable commitments and planned future transactions. Derivatives are initially measured at fair value represented by the initial amount.
Derivative financial instruments are used solely for hedging purposes, in order to hedge against fluctuations in interest rates. In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated.
Financial liabilities hedged with derivative instruments are booked according to the methods established for hedge accounting, applicable to the cash flow hedge: the profit and loss portion on the hedging instrument that is considered actual coverage is charged in the prospectus of the Statement of Comprehensive Income, the aggregate gain or loss is removed from Shareholders' equity and recognised in profit or loss in the same period during which the hedged transaction is recognised. The ineffective portion of the profits and losses on the hedging instrument is entered in the Comprehensive Income.
If a hedging instrument or hedge relationship is terminated, but the hedged transaction has not yet been completed, the aggregate gains and losses, up to that moment recorded in Shareholders' equity, are recognised in profit or loss at the moment when the related transaction takes place. If the hedged transaction is no longer expected to occur, the unrealised gains or losses suspended in Shareholders' equity are recognised immediately in the Income statement.

Payables

Payables are recognised at fair value and are subsequently measured using the amortised cost method, which coincides with the nominal amount for trade payables that fall due within normal business terms.

Employee benefits

With the adoption of the IFRS, termination benefits accrued up to 31 December 2006, that will now be held by the company, is considered a defined benefit obligation to be recorded in accordance with IAS 19 “Employee Benefits”, consequently, it must be recalculated using the projected unit credit method, by undertaking actuarial valuations at the end of each period.

Liabilities for employee termination benefits recognised in the financial statements represent the present value of liabilities for defined benefit plans adjusted to take account of actuarial gains and losses and unrecorded costs related to previous employment services.
The cost components of defined benefits are recognised as follows:

- costs relative to services are recognised in profit or loss under employee costs;
- net borrowing costs of liabilities or assets with defined benefits are recognised in profit or loss as financial income/(borrowing costs), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking account of the payment of contributions and benefits during the period;
- the remeasurement components of net liabilities, which include actuarial gains and losses, returns on assets (excluding interest income recognised in profit or loss) and any change in the limit of the assets, are immediately recognised as Other total profits (losses). These components must not be reclassified to the Income Statement in a subsequent period.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated on all temporary taxable differences between the carrying amount and their tax value.
Deferred tax assets on tax losses are recognised only to the extent that the existence of adequate future taxable income of the Group against which to use this positive balance is considered likely.
The value of deferred tax assets is revised annually and is reduced to the extent to which the existence of sufficient taxable income to allow the whole or partial recovery of such assets is no longer probable.
Deferred and the provision for deferred tax liabilities are offset when there is a legal right to offset them and when the taxes are due to the same tax authority.
Deferred taxation is determined on the basis of the tax rates which are expected to be applied in the periods in which such temporary differences will occur or be extinguished.
Deferred taxes may not be discounted and are classified as non-current assets and liabilities.

Financial income and expenses

Financial income and expenses are recorded on an accrual basis.
Financial income includes dividends, interest income on invested funds and income arising from financial instruments.
Interest income is charged to the Income statement as it accrues, considering the effective yield.
Interests due on financial payables are calculated using the effective interest rate method.
Dividends in the Income statement are recognised when, following the resolution by an investee company to distribute a dividend, the relative credit right arises.

Operating revenues and costs

Costs and revenues from the sale of assets are recognised in the financial statements only when the risks and related benefits of ownership of the assets are transferred while, as concerns services, costs and revenues, they are recognised in profit or loss with reference to their progress and the benefits achieved at the date of the financial statements.

The reporting criteria required by IAS 18 are applied to one or more operations as a whole when they are so closely connected that the commercial result cannot be valued without making reference to such operations as to a single whole, therefore the income from re-charging costs for materials and services sustained by Immsi S.p.A. on behalf of companies in the Group or third parties is not recognised in profit or loss as it is offset against the relative costs that generated it.

Current taxes

Income taxes for the year are calculated using the tax rates in force at end of the reporting period and are recognised in profit or loss, except for items directly charged or debited to Shareholders' equity, in which case the tax effect is recognised directly as a reduction or increase in the Shareholders' equity item.
Other taxation unrelated to income is included in other operating costs.
Income tax for regional production tax is recognised in the amounts due to the tax authorities net of advances. While as for Italian Tax on Corporate Income it is noted, that since 2007 the Company has undersigned with some companies of the Group a national fiscal consolidated contract, therefore the payables, advance payments and withholdings suffered were transferred at the end of the year to the fiscal consolidated company. Immsi, as the consolidating company, has recognised in its own financial statements the net effect of the amount due to companies transferring tax losses and tax receivables, and the receivable due from companies transferring a taxable amount with a counter entry of the cumulative receivable or payable vis-à-vis the tax authorities.

Use of estimates

The preparation of the financial statements and notes in compliance with IAS/IFRS requires Management to make estimates and assumptions that have an impact on the values of assets and liabilities in the financial statements and on disclosure relating to contingent assets and liabilities at the reporting date. Actual results could differ from estimates. Estimates are used, among others, to evaluate activities subject to impairment testing, and to identify provisions for bad debts, amortisation and depreciation, impairment losses of assets, employee benefits, taxes and other provisions and reserves. Estimates and assumptions are periodically revised and the effects of any change are recognised in profit or loss.
It should be pointed out that, in particular, considering the current global economic and financial crisis, assumptions about future trends reflect a significant degree of uncertainty. Consequently, the Group cannot rule out the possibility that next year's results will differ from estimates and may require adjustments that are even considerable and which are not foreseeable and cannot be estimated at present.

New accounting standards applicable as from 1 January 2018

At the date of these financial statements, competent bodies of the European Union had completed the approval process necessary for the application of new accounting standards and amendments as from 1 January 2018. In this regard, IFRS 15 "Revenues from contracts with customers" published in May 2014 by the IASB and FASB, has been adopted. 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. There have been no significant effects arising from the adoption of the new standard, as the most significant revenue components are still recognised according to a method that is consistent with previous accounting guidelines.

Amendments applicable as from 1 January 2018, which did not, however, have significant effects on the Group, are as follows: i) amendment to IFRS 2 “Shared-based payments” (the amendments clarify how to recognise all transactions with 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 IFRS 2014-2016: the significant amendment concerns IAS 28 “Investments in associates and joint ventures" (the amendments clarify, correct or delete redundant wording in the related IFRS); iv) IFRIC 22 (the amendment concerns methods to establish the date of the transaction for the purposes of determining exchange rates in transactions and advances paid or received in 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 will be applicable for years commencing on or after 1 January 2018, but the Group adopted IFRS 9 in advance as from 1 January 2017, as permitted by the standard and resolved by the Board of Directors of Immsi S.p.A. on 12 May 2017, also in order to eliminate a lack of uniformity, with a view to measuring financial assets on initial recognition and their subsequent measurement. The Group has adopted IFRS 9 and all amendments, applying the modified, retrospective method, without however redetermining balances relative to previous years. The Group has opted for a policy choice which allows it to adopt the provisions in IAS 39 for hedge accounting. The new requirements of IFRS 9 have therefore been deferred to a time when the macro-hedging project will be complete.

New accounting standards not yet adopted

At the date of these financial statements, competent bodies of the European Union had completed the approval process necessary for the application of new accounting standards and amendments as from 1 January 2019.
In particular, in January 2016, the IASB published IFRS 16 - Leases. This new standard will replace the current IAS 17. The main change concerns the accounting of lease agreements by lessees that, according to IAS 17, were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). With IFRS 16, operating leases will be treated for accounting purposes as finance leases. According to the new standard, an asset (the right to use the leased item) and a financial liability to pay for rent are recognised. 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 was possible if IFRS 15 "Revenue from contracts with customers" was jointly adopted.
The Company has carried out in-depth analysis on all lease agreements in effect at 31 December 2018, in view of new accounting arrangements for leases established in IFRS 16. The standard will mainly have an effect on the recognition of the Company's operating leases.
At the end of the reporting period, the Company had operating lease commitments which could not cancelled, for which IFRs 16 applies and for which assets for the right of use will be recognised as from 1 January 2019 for approximately €1.5 million, other financial assets for €4.8 million and liabilities for leases for €6.2 million.
Based on ongoing agreements, the Group expects net profit after taxes to decrease by approximately €21 thousand for 2019, following the adoption of the new versions of the standards, which require costs to be recognised no longer on a straight line basis as lease and rental costs, but instead as (constant) amortisation and as borrowing costs (which are variable depending on the debt).
The company will adopt the standard from the mandatory date of 1 January 2019, using the simplified transition approach and will not amend comparative figures of the year prior to first-time adoption. Assets recognised for lease and rental costs will be measured for the amount of the lease debt at the time of adoption.

For a brief description of the main amendments to international accounting standards applied and/or applicable as from 1 January 2018, as well as standards for which at the date of these financial statements, the competent bodies of the European Union have not yet completed the approval process necessary for adoption, reference is made to the Notes to the Consolidated Financial Statements of the Immsi Group at 31 December 2018.

C – Information on main asset items

C1	Plant, property and equipment	238

Changes in plant, property and equipment are broken down as follows:

Assets at 31.12.17	**68**
- Capital amount	1,389
- Accumulated depreciation	-1,321
Increases for investments	**234**
Decreases for depreciation	**-50**
Decreases for disposals	**-14**
- (Capital amount)	-118
- Accumulated depreciation	104
Assets at 31.12.18	**238**
- Capital amount	1,505
- Accumulated depreciation	-1,267

The item includes plant, furniture and fittings, office and electronic machinery, cars and various equipment.

C2	Investment property	74,650

The Company classified the property located in Rome – via Abruzzi as investment property, as defined by IAS 40, revaluing the carrying amount based on the market value at the date of change of destination as equal to €72.1 million, since it was no longer instrumental to business operations, but an asset usable to finance other ongoing investment activities. The greater value was entered in a specific reserve of shareholders' equity, net of the related tax effect. Subsequent investments have led to an increase of the property.
The investment is no longer subject to depreciation starting from the year 2009, as required by international accounting standards. The value recognised in the financial statement includes €4 thousand of works in progress that will be completed and will generate profit starting from 2019.

The valuation of the real estate investment is based on an appraisal of an external consultant that estimated the fair value at the end of 2018. The valuation criteria used in this appraisal refer to generally accepted valuation methodologies and principles, using discounted cash flow analysis.
The valuation is therefore based on discounting cash flows generated during the period at the estimate date. Revenues and costs were considered at present value, at the time when they arose and were discounted bank using a suitable rate.
The market value of the property complex therefore comprises the discounting of operating costs, revenues from the property according to various uses and revenues from the sale of the property assumed for capitalisation of the rental payment of the last period considered.
In order to determine the rental payment of the property, the comparative synthetic method was used which makes it possible to determine the value corresponding to the sum of money for which the property could be rented, at the time of the estimate, between an owner and lessee both interested in the transaction, in the absence of particular interests and after an adequate sale, assuming that both parties act freely, cautiously and are informed. This comparative procedure estimates the rental value by comparing recent or present transactions, relative to similar assets as regards the type, building and location. The rental payment for the asset may, therefore, be determined taking into account rental prices and making adjustments considered adequate as regards the morphological aspects of the asset, its maintenance, profitability, the qualities of any lessee and any other factor considered relevant.

The continued uncertainty on the real estate market makes it possible for prices and values to be extremely volatile at times, until the market regains stability.

Rental income referred to the building and was recognised under operating income, amounting to €2,501 thousand. 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 guaranteeing the loan obtained in 2010 and renegotiated at the end of 2015 with Banco BPM (the former Banco Popolare) for a nominal amount of €31.5 million, which is expected to be settled in 2025.
Management does not consider the property to be a strategic asset, so its sale on the market in the future is not excluded.

C3	Investments in subsidiaries and associates	307,331

The total value of investments in subsidiaries and affiliated companies amounted to €307,331 thousand, down compared to the figure at 31 December 2017, due to the net balance of measurements assessments equal to €3 million negative.

The main data from the last financial statements approved by the Boards of subsidiaries are given below. The data have been calculated based on the adoption of international accounting standards.

Company Name and Head office	Share capital	Shareholders' equity	Net profit	% of Share Capital owned	Pro rata shareholders' equity	Difference between pro rata shareholders' equity and carrying amount	No. of shares	Carrying amount
Apuliae S.r.l. Lecce	500	316	-70	85.69%	271	-1,068	n/a	1,339
ISM Investimenti S.p.A. Mantova	6,655	6,690	-7,718	72.64%	4,860	-7,100	6,654,902	11,960
Piaggio & C. S.p.A. Pontedera (Pisa) *)	207,614	317,385	35,578	50.18%	159,269	-83,986	358,153,644	243,255
RCN Finanziaria S.p.A. Mantova *)	1,000	5,542	-5,129	72.51%	4,019	-27,987	2,000,000	32,006
Pietra S.r.l. Milan	40	24,696	-136	77.78%	19,209	448	n/a	18,761
Immsi Audit S.C. a R.L. Mantova	40	40	7	25.00%	10	0	n/a	10

*) percentage net of treasury shares.

APULIAE S.r.l.
The investment in Apuliae S.p.A, is recognised in the financial statements for the amount underwritten upon establishing the company in December 2003, increased by the amount paid for a future increase in share capital in January 2004 for €2 million and in December 2012 for €92 thousand. As a consequence of the extended suspension of the restructuring activities relating to the "ex Colonia Scarciglia" building in Santa Maria di Leuca (Lecce), during 2006 Immsi wrote down its shareholding by €2,453 thousand. The Extraordinary Shareholders' Meeting of Apuliae held in 2008 resolved partial coverage of the losses accumulated at 31 December 2007 equal to €2,490 thousand by writing down the shareholders' equity and zeroing the reserve of €2 million paid by Immsi. The General Meeting in late 2012 resolved to partially cover the accumulated losses at 30 September 2012 amounting to €620 thousand through a reduction of the share capital. In light of the losses due to the continuing suspension of activities, the Extraordinary

Shareholders Meeting of Apuliae S.p.A. held in February 2017 decided on a further reduction in share capital by a sum corresponding to the losses at 31 December 2016 of €497 thousand and simultaneously to transform the company into a Private Limited Company pending the potentially positive outcome of ongoing disputes and resumption of business.

For an update on the progress of the assessment ordered by the Judicial Authorities leading to the suspension of restructuring activities in March 2005, see the sections on the Property and holding sector and Disputes in progress in the Directors' Report at 31 December 2018.

ISM INVESTIMENTI S.p.A.

The company ISM Investimenti S.p.A. with IMI Investimenti S.p.A. as its minority shareholder, after a capitalisation operation, acquired from Immsi S.p.A. shares, equal to 60% of the capital, relative to the investment in Is Molas S.p.A., previously held directly by Immsi S.p.A., paying an amount equal to €84 million. The operation was in line with Immsi's strategy to concentrate some of the Group's tourist-real estate development activities in a specific company, with the objective of associating partners with these initiatives to strengthen the asset base. On the basis of agreements between the shareholders, Immsi S.p.A. has maintained control of Is Molas S.p.A..

After the conversion into shares in 2013 of the convertible financial instruments issued and subscribed by partners in 2010, Immsi S.p.A. holds 4,834,175 category A shares, while IMI Investimenti S.p.A. holds 1,820,727 category B shares, with investments (in terms of voting rights) equal to 72.64% and 27.36% respectively. In this regard, considering the impairment testing at the end of 2018 and the different equity rights of the two shareholders established by the co-investment and shareholders agreement signed at the time of the initial investment as supplemented and amended in 2013 - the portion of shareholders' equity of ISM Investimenti S.p.A. consolidated by Immsi S.p.A. was estimated to be 41.81% at 31 December 2018, down on the figure of 51.55% at the end of 2017.

The value of the investment is €7.1 million greater than pro-rata shareholders' equity. The recoverable amount of the equity investment in ISM Investimenti S.p.A. was determined by impairment testing conducted on 31 December 2018 as the value in use, through the Unlevered Discounted Cash Flows Method by discounting the expected cash flows of Is Molas S.p.A..

As regards the discount rate for the present value discounting of the estimated expected cash flows of Is Molas, a discount rate was used that reflects current market evaluations of the cost of money and takes account of the specific risks of the business segment in which the company operates. In particular, the cost of equity ("Ke") was determined according to the CAPM ("Capital Asset Pricing Model"). For this purpose, we considered a) a long-term risk-free rate; b) a market risk premium in an unconditional form (normal long-term premium); c) a Beta coefficient calculated by taking into account also the Beta coefficient of a sample of companies comparable to the company. For the purpose of estimating the aforementioned rate, a specific risk premium considered suitable to reflect the elements of risk included windy in the forecasts assumptions used in the 2019-2026 was also considered. The cost of debt ("Kd") was estimated taking account of the expected financial structure of a panel of listed companies comparable to Is Molas as well as – prudentially in order to mitigate the positive impact of the current expansive monetary policy - a long-term risk-free rate. The discount rate ("WACC") used for the purposes of the impairment test before tax was therefore estimated as being equal to approximately 9.98%.

The terminal value was determined by calculating the present residual value of the existing resort facilities at the end of the plan period, determined by valuing the resort facilities solely construction cost and the villas at a list price discounted by 5% that are expected to still be unsold by the end of 2026.
The impairment testing also considered the shareholder agreements between the two shareholders of ISM Investimenti S.p.A. (Immsi S.p.A. and IMI Investimenti S.p.A.) in force since 2008, and subsequently modified, which include the provision of a precise hierarchy in the repayment of the company's sources of financing, both with regard to capital and to loans.
This analysis showed that the value used for the investment is lower than the value shown as at 31 December 2018 by approximately €9.5 million, hence the carrying amount was reduced by the same amount.
In addition, also on the basis of the indications contained in the Banca d'Italia/Consob/Isvap joint document no. 2 of 6 February 2009 and in the Document Banca d'Italia/Consob/Isvap no. 4 of March 2010, sensitivity analysis has been carried out on the results of the test in relation to the change in basic assumptions such as the discount rate net of tax and the discount rate with respect to this price to be used in the valuation of the properties unsold at the end of the plan period, which condition the estimate of the value in use of the investment tested. Sensitivity analyses with reference to both parameters used indicated an impairment loss in addition to findings from the assessment carried out.
The forecast data considered – uncertain and variable by nature – reflect the future real estate and commercial strategies. Updates, revisions or negative developments relative to the aforesaid assumptions and forecasts occurring after the reporting period of this evaluation could influence, even significantly, the results of impairment testing. Given the intrinsically uncertain nature of the forward looking data considered, we cannot exclude that these variances may continue to take place even in the future with respect to the forward looking data used with reference to the assessments carried out at 31 December 2018.
Given that the analyses conducted to determine the recoverable amount were also carried out on the basis of estimates, the existence of adequate cash flows to allow the recovery of the carrying amount of the equity investment and the period within which those flows will be produced, is dependent on the outcome of initiatives provided within the forecast data of Is Molas S.p.A.. Given the current crisis in the reference markets and the financial markets, the Company can not guarantee that there will be no impairment loss of the equity investment in future periods: in view also of the fact that a number of factors - both internal and external to Is Molas - considered in the calculation of the estimates could be revised in the future, the company will constantly monitor these factors and the possible existence of future impairment losses.

Reference is made to the sections on the Property and holding sector and Disputes in progress in the Report on Operations and the Financial Statements of the Immsi Group at 31 December 2018 for an update on the Is Molas real estate project.

PIAGGIO & C. S.p.A.
Immsi S.p.A.'s investment in Piaggio & C. S.p.A. was recognised under assets at 31 December 2018 for €243,255 thousand, and remained unchanged compared to 31 December of the previous year. As a result of the purchase of 793,818 treasury shares by Piaggio & C. S.p.A. that took place in 2018, Immsi's stake went from 50.07% at 31 December 2017 to 50.18% at 31 December 2018.
The value of the investment calculated based on the specific listing at December 2018 amounted to €327,544 thousand.

The portion of share capital at 31 December 2018 was €83,986 thousand more than the pro-rata shareholders' equity. This difference is considered by the Directors to be recoverable in relation to the development plans of the Piaggio group as backed up by the impairment test carried out on 31 December 2018. Analyses conducted did not highlight any impairment loss as regards the carrying amount of the investment held by Immsi S.p.A. in Piaggio & C. S.p.A..
In particular, with the values considered for the main basic assumptions adopted for impairment testing (i.e. weighted average “g rate” for the Piaggio group equal to approximately 1.4% and average weighted WACC for the Piaggio group estimated to be approximately 7.79%), the test concerning the value in use of the investment held in the Piaggio group was passed with a broad margin. In addition, also on the basis of the indications contained in the Document Banca d’Italia/Consob/Isvap no. 2 of 6 February 2009 and in the document Banca d’Italia/Consob/Isvap no. 4 of March 2010, sensitivity analysis was carried out on the test results compared to the basic assumptions used such as the perpetual growth rate used to process the final value (“g rate”) and the discount rate (“WACC”), that affect the estimate of the value of use of the cash-generating unit Piaggio group: the impairment test was passed in all reasonably considered cases. In this regard, changes in values assigned to basic assumption considered reached the worst case scenario of a reduction in the perpetual growth rate (“g rate”) of one percent, and an increase in the WACC of one percent. For more details on impairment testing and the relative underlying assumptions, see the Notes to the consolidated financial statements of the Immsi Group.

Lastly, of the 179,328,621 Piaggio shares held by Immsi S.p.A. at 31 December 2018, 177,727,621 thousand Piaggio shares were filed to guarantee loans granted by banks to Group companies.

RCN Finanziaria S.p.A.
The investment in RCN Finanziaria S.p.A. was recognised in the financial statements at the end of the reporting period for €32,006, up by €6.5 million compared to the figure at 31 December 2017, following the reversal as described above.
Following the purchase by RCN Finanziaria of all ordinary shares of the company held by the minority partner GE Capital Equity Holdings LLC in 2016, Immsi S.p.A.'s stake was equal to 72.51%.

The portion of share capital at 31 December 2018 was €27,987 thousand more than the pro-rata shareholders' equity. This difference is considered by the Directors to be recoverable in relation to development plans of the indirect subsidiary Intermarine S.p.A. as backed up by the impairment test carried out on 31 December 2018.
The main hypotheses and assumptions used in determining the recoverable value of the stake, based on the Unlevered Discounted Cash Flows Method, related to i) the use of forecast economic and asset data of Intermarine S.p.A., a 100% subsidiary of RCN Finanziaria S.p.A.; ii) the discount rate used for discounting estimated expected cash flows; and iii) the expected growth rate for calculating the terminal value, consistently with the approach of discounting back the “perpetual growth”. The discount rate (“WACC”) used for impairment testing net of taxes was therefore estimated to be equal to approximately 8.67% (7.96% at 31 December 2017). For further details regarding the assumptions underlying the determination of the WACC, readers are referred to the comments made in the Notes on the Immsi Group’s consolidated financial statements. Analysis shows that the value in use of the investment in question was higher than the relative carrying amount at 31 December 2018, allowing for the reversal reinstatement of the stake held by Immsi S.p.A. in RCN Finanziaria S.p.A., which Directors estimated to be equal to €6.5 million. In addition, also on the basis of the indications contained in the Banca d'Italia/Consob/Isvap joint document no. 2 of 6 February 2009 and in the Document Banca d'Italia/Consob/Isvap no. 4 of March 2010, sensitivity analysis has been carried out on the results of the test in relation to the change in basic assumptions such as the WACC and the forecast perpetual growth rate (“g rate”), which condition the estimate of the value in use of the investment tested. Under improved scenarios, sensitivity analysis indicates further reinstatement opportunities and under worsening scenarios the risk of recovering less value i.e. of a write-down of the investment held in RCN Finanziaria S.p.A.. In light of

the above, it seems prudent to limit the write-up according to the scenario with g-rate of 0.5% compared to the base assumption used, i.e. 0.75%.

The forecast data considered – uncertain and variable by nature – reflect the evolution of the company's order portfolio as well as its future industrial and commercial strategies. Updates, revisions or negative developments relative to the assumptions and forecasts occurring after the reporting period of this evaluation, could influence, even significantly, the results of impairment testing.
In previous years, final results for Intermarine S.p.A. showed deviations compared to financial data estimates used, also following some exceptional and unforeseeable events. Given the intrinsically uncertain nature of the forward looking data considered, we cannot exclude that these variances may continue to take place even in the future with respect to the forward looking data used with reference to the assessments carried out at 31 December 2018. Final data for 2018 confirm estimates in the 2018 budget and indicate that in 2018 an economic and financial balance was maintained, chiefly due to the orders acquired by the Defence business and reductions in indirect costs and overheads.

Lastly, an impairment loss for the investment was recorded amounting to €22,607 thousand, based on the results of impairment testing carried out in 2010, 2011, 2012 and 2013, reinstated in 2017 and 2018 for a total of €11.5 million.
Given that the analyses conducted to determine the recoverable amount were also carried out on the basis of estimates, the existence of adequate cash flows to allow the recovery of the carrying amount of the equity investment and the period within which those flows will be produced, is dependent on the outcome of initiatives provided within the forecast data of Intermarine S.p.A.. Given the current difficulties in the reference markets and the financial markets, the management of the Company can not guarantee that there will be no impairment loss of the equity investment in future periods: as a number of factors - both internal and external to Intermarine S.p.A. - considered in the calculation of the estimates could also be revised in the future, the Company will constantly monitor these factors and the possible existence of future impairment losses.

PIETRA S.r.l.
At the end of 2006, Immsi S.p.A. acquired a 77.78% investment in Rodriquez Pietra Ligure S.r.l., which was then transformed into Pietra S.r.l., recognised in the financial statements for a total of €18,761 thousand, corresponding to the amount paid on the initial underwriting and at subsequent capital increases.
This company, originally established by Rodriquez Cantieri Navali S.p.A. (now Intermarine S.p.A.), was then sold to the two current shareholders (Immsi S.p.A. and Intesa San Paolo S.p.A.), in order to sign an agreement to sell the future receivable relating to the Pietra Ligure shipyard project with Rodriquez Cantieri Navali S.p.A..
At the same time as the sale of the receivable, Rodriquez Cantieri Navali S.p.A. granted Pietra S.r.l. subscription rights for the acquisition of the entire stake in the Pietra Ligure S.r.l, the newco assigned the industrial complex along with the area transferred from the State, at the price of €300 thousand. The option was exercised at the end of May 2015.
This project refers to the shipyard area located in Pietra Ligure (Savona) that – in the intentions of the subsidiary – would be turned into a property complex with apartments, a hotel, mooring places, shops and other services. The area concerned was acquired during a public auction in 2007. Reference is made to the sections on the Property and holding sector and Disputes in progress in the Directors' Report and the Financial Statements at 31 December 2018 for an update on the situation.

Lastly, in 2008, a company was established called IMMSI Audit Società Consortile di Internal Auditing del Gruppo Immsi a R.L. (IMMSI Audit S.c. a r.l.), with Immsi S.p.A. subscribing 25% of the share capital, equal to €10 thousand.

C4	Other financial assets	263,347

Below is a breakdown of other financial assets held by Immsi S.p.A.:

In thousands of euro	2018	2017
Other non-current financial assets:	**260,580**	**-**
Financial assets measured at fair value in OCI	-	-
Financial receivables due from Group companies	260,580	-
Other current financial assets:	**2,767**	**239,261**
Financial assets measured at fair value in OCI	2,767	4,344
Financial receivables due from Group companies	-	234,916
Total other financial assets	**263,347**	**239,261**

Non-current financial assets include the reclassification of loans granted by Immsi S.p.A. to Group companies, as well as relative interest accrued, disbursed in view of budget forecasts made by the subsidiaries which do not reasonably expect repayment in 2019. These financial receivables amounted to €260,580 thousand and include €45,718 thousand represented by interest accrued at the end of 2018.

In detail, the Company has receivables amounting to €136,072 thousand due from RCN Finanziaria S.p.A. (of which €29,178 thousand for interest accrued on agreed loans) which include, among others, two convertible shareholder loans subscribed by the Parent Company, of €28.4 million and €12 million respectively, which have now expired. The renewal of these loans was extensively discussed by shareholders with a view to restoring agreements. The times of these negotiations, with the above-mentioned loans connected to them, meant that the renewal of the loans was deferred.
The Company has receivables with ISM of €56,891 thousand, including €28.9 million granted to enable the subsidiary to participate in the increase in share capital of Is Molas S.p.A., including €4,089 thousand for interest accrued on disbursed loans. The latter shareholder loan (for an original €18 million) had expired, as of the contract, at the end of 2018, but could no longer be collected as it was subject, along with the loan from the other minority partner Intesa Sanpaolo S.p.A. (formerly IMI Investimenti S.p.A.), as of the clause included in respective contracts, to repayment of the bank loan to ISM Investimenti from Intesa Sanpaolo S.p.A. of €30 million.
Lastly receivables were recognised referring to Is Molas S.p.A. amounted to €59,359 thousand (of which €50,441 thousand for loans and €8,918 thousand for interest accrued on disbursed loans); receivables referring to Pietra S.r.l. and Pietra Ligure S.r.l. amounted to €4,978 thousand (of which €4,024 thousand for loans and €954 thousand for interest accrued) and to Apuliae S.r.l. for €766 thousand (of which €700 thousand for loans and €66 thousand for interest).

Receivables for interest accrued at the end of 2018 on loans granted to Group companies, did not contribute to the determination of net debt, despite their financial nature.

Moreover, other non-current financial assets included the investment held in Alitalia – CAI by Immsi S.p.A., which has remained unchanged since 31 December 2017 and is equal to 2.18%. Considering events relating to the airline and in particular the temporary receivership in May 2017 and consequent write-off of the investment in Alitalia – SAI by Alitalia – CAI, company management decided to reset the carrying amount to zero.

Other current financial assets amounted to €2,767 thousand at 31 December 2018 and only refer to the investment in Unicredit.

As regards the investment in Unicredit, following the offering of ordinary shares to shareholders at the start of 2018, the stake held went up from 278,847 to 279,639 shares, and the Company adjusted the carrying amount of the investment held at 31 December 2018, equal to €2,767 thousand, recognising the adjustment in other comprehensive income for €1,590 thousand. As provided for by IFRS 9, these adjustments will not be subsequently transferred to profit (loss) for the year, but the Company may transfer the accumulated profit or loss to shareholders' equity in the case of disposal.
Lastly, it should be pointed out that Unicredit shares referred to above are bound up to 31 December 2018 as a result of a security loan contract guaranteed by cash collateral that the Company undersigned with Banca Akros as from December 2007 and periodically renewed. Contractually the agreements between the parties only transfer the rights and duties deriving from their possession for the duration of the contract, therefore the shareholding is registered in the assets of Immsi for a liability equal to the liquidity disbursed by the Bank as collateral.

C5	Tax receivables	268

The Company opted to be a part of the Group taxation system, as provided for by Articles 117 and following of the Consolidated Income Tax Act (National Consolidated Tax Convention) along with the subsidiaries Piaggio & C.. S.p.A., Aprilia Racing S.r.l., Apuliae S.p.A., Intermarine S.p.A., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l., Pietra Ligure S.r.l. and Piaggio Concept Store Mantova S.r.l.. As regards contracts signed with these companies, Immsi S.p.A., as the consolidating party, recognised current tax receivables in its financial statements for €74 thousand, relative to withheld taxes transferred to companies belonging to the taxation system. The residual portion was recognised as tax credits for regional tax on production activities.

C6	Deferred tax assets	0

The Company recorded assets for gross advance taxes of €330 thousand, exclusively relating to temporary differences for costs deductible in future periods. The Company did not prudently record advance taxation against tax losses given the uncertainty of its recovery in coming years under the national consolidated tax convention.
Deferred tax assets were offset by deferred tax liabilities as they refer to the same income tax owing to the tax authorities and may be recovered in similar times.

C7	Trade receivables and other receivables	21,373

Current trade receivables and other receivables are represented by trade receivables from third parties and from companies of the Group for lease contracts, remuneration paid for appointments made to employees of the Parent Company, interests, guarantee fees and expenses charged for activities managed by Immsi S.p.A. on behalf of subsidiaries. This item includes receivables due from companies belonging to the Immsi Group for €17,087 thousand and namely Is Molas for €6,192 thousand, RCN Finanziaria for €8,138 thousand, Piaggio for €1,628 thousand, ISM Investimenti for €863 thousand, Intermarine for €225 thousand and the remainder from other Group companies.

The Company prudently recognised trade receivables and other receivables for €12,720 thousand from other Group companies, whose budget estimates did not reasonably expect repayment during 2019, in the non-current portion.

Other current receivables of Immsi S.p.A., as the consolidating company, defined in the national consolidated tax convention, include the net receivable from companies party to the convention, for a total amount of €6,533 thousand.
Trade receivables are recorded net of a bad debt reserve prudently allocated for €784 thousand against the uncertain recoverability of approximately €690 thousand receivables due from Volare Group relative to the rental of a portion of the property of Via Pirelli – Milan sold by Immsi during 2005. In this respect, the Volare Group has been in receivership since the end of 2004 and Immsi, proving its debts, has been admitted to the benefit. The filing of the plan to distribute assets relative to privileged creditors pursuant to Article 2764 of the Civil Code (receivables of lessors of property) is pending.

Immsi S.p.A. received guarantees and security deposits for a total of €582 thousand for lease agreements stipulated for the property in Rome.

The Company has not recorded any receivables from foreign companies of a residual duration due after 5 years.

C8	Cash and cash equivalents	2,865

This item covers cash and current bank accounts. The decrease compared to the balance at the end of 2017 is due to the Company receiving a €5 million euro loan from BNL at the end of December 2017, after the loan was renegotiated.
As regards the loan for the original sum of €46 million from a pool of banks now merged into Banco BPM, Immsi S.p.A. is required to channel income from leasing into a deposit account, for the entire duration of the contract, and to keep a minimum amount there equal to the interest instalment nearest maturity. This sum, equal to €123 thousand at 31 December 2018 is, to all effects, unavailable up to the minimum amount for payment of the interest instalment due in June 2019.

D - Information on main liabilities

D1	Shareholders' equity	361,283

Share capital

At 31 December 2018, the share capital of Immsi S.p.A. totalled €178,464,000.00, fully subscribed and paid up, and represented by 340,530,000 ordinary shares with no nominal value.

Each ordinary share entitles the holder to a proportionate part of distributable profits and of the shareholders' equity resulting from any liquidation, as well as unlimited voting rights.

As regards proxies to increase share capital and authorisations to purchase treasury shares, see the 2018 Report on Corporate Governance and Ownership.

Other reserves and retained earnings

The item Other reserves at 31 December 2018 is broken down as follows:

- legal reserve comprising provisions approved following the distribution of the profit for the year for €8,191 thousand;
- legal reserves for a total of €1,153 thousand;
- revaluation reserve for plant, property and equipment, established in accordance with Law no. 413/91 by Sirti and transferred to Immsi following the demerger for €4,602 thousand;
- fair value valuation reserve of the property investments for €42,838 thousand. For details of this operation generating this reserve, see the item Investment Property;
- share premium reserve that includes the increases in share capital of €44,880 thousand in early 2005, as well as €50,336 thousand in 2006, net of uses of €342 thousand to cover losses in 2014;
- evaluation reserve under common control equal to €65,087 thousand, in compliance with guidelines as of OPI (Assirevi preliminary guidelines on IFRS) no. 1, whose underlying operation, concerning the subsidiaries Is Molas S.p.A. and ISM Investimenti S.p.A., is commented on in the Investments item.

The item Other reserve includes the negative component arising from the retrospective measurement of the actuarial gain/loss referred to defined benefit obligations for €21 thousand, the fair value adjustment of assets available for sale for €26,875 thousand, the reserve for transition to international accounting standards for €1,614 thousand and the reserve relative to the fair value of the hedging instrument - an interest rate swap - for €23 thousand.

With regard to use in the 3 previous years of reserves to cover losses, capital increases or distributions to shareholders, the reinstatement during 2015 of the loss for 2014, equal to €65,628 thousand , through the full use of retained earnings and the extraordinary reserve, and the partial use of the share premium reserve referred to above, is reported.

As a result, the Shareholders' Equity of the Company includes earnings carried forward for €12,138 thousand, representing the part of the loss accrued in 2012 not yet covered.

Statement of Comprehensive Income

In 2018, the Statement of Comprehensive Income reported a profit for the period equal to €5,294 thousand, with a positive change in the fair value of the interest swap hedging instrument of €130 thousand, the adjustment of €9 thousand for the measurement of defined benefit plans concerning the actuarial profit loss in 2018, and the lower fair value of the investment in Unicredit compared to the value at the end of 2017 for €1,591 thousand.

D2	Financial liabilities	282,689

As regards financial liabilities, due mainly to the considerable downturn in share prices, which also affected the assets of listed companies held by Immsi S.p.A., i.e. Piaggio S.p.A. and Unicredit S.p.A., considerable depreciation was recorded in 2018.
Since these securities are used by the Company to secure several credit lines, at the end of 2018 a financial covenant and the Values to loan had not been met. In the first case, the Company, as described below, is taking all actions necessary to meet the covenant in the terms established by the loan agreement, which is equal to €18 million, while in the second case the Company promptly sent requests for exemption as provided for in the contract, however the technical time necessary to manage the application resulted in a reply received on 31 December 2018 referred in particular to a loan for a nominal amount of €13.25 million.
This necessitated the temporary reclassification of medium-long term credit lines to short-term in this statement of financial position, due to the various clauses protecting the creditor generally provided for in loan agreements, including the acceleration clause. This reclassification justifies the decrease in the item Non-current financial liabilities compared to the balance at the end of 2017, equal to €102,017 thousand, and will be changed returning the above loans to the contractual maturities in subsequent end of reporting periods, in the light of obtaining the necessary waivers from the banks or restoring the covenant as provided for in the contract. For this reason as well, these payables were recognised at amortised cost calculated based on original estimates of repayments of flows.

Below is the detail of the breakdown of bank debt:

- a loan undersigned in June 2010 by the Company and renegotiated in December 2015 with Banco BPM for a total of €45 million maturing at the end of 2025, with repayment in six-monthly instalments at a rate equal to the Euribor increased by a spread. The loan has been recognised in the financial statements on an amortised cost basis for €31,100 thousand, 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, 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, which had been met at the end of 2018. To cover the risk of interest rate fluctuation for cash flows, Immsi S.p.A. kept on the existing interest rate swap hedging contract, which changes the variable rate into a fixed rate for the entire duration of the contract on 75% of the nominal value of the loan taken out in 2010;
- a loan from Banca Popolare dell'Emilia Romagna for nominal value of €15 million maturing on 31 March 2021 and with a benchmark rate equal to the three-month Euribor increased by a spread. The loan provides for six-monthly increasing repayments and is recognised on an amortised cost basis for a value of €13,166 thousand, of which 3.5 million in instalments repayable within 12 months. This loan has two covenants, to verify at 31 December of each year, and which were met at the end of 2018, as well as a Value to Loan, for which the Company obtained an exemption in February 2019 from controls at 31 December 2018;

- a revolving credit line granted until June 2019 by Banca Nazionale del Lavoro for €25 million, recognised at amortised cost for €24,922 thousand. This loan has a benchmark rate equal to the variable Euribor increased by a spread. Besides a minimum threshold for the listing of the Piaggio share, this facility has two covenants, to meet by the 31 December of each year, and which were complied with at the end of 2018, as well as a Value to Loan, for which the Company obtained an exemption in December 2018 from controls in the last quarter of 2018;
- an amortised credit line with Istituto Monte dei Paschi di Siena for a total of €30 million maturing in June 2022. The agreements have a benchmark rate equal to the Euribor increased by a spread, two covenants and a Value to Loan to verify at 31 December of each year, and met at the end of 2018. The loan is recognised on an amortised cost basis and is equal to €24,166 thousand, of which €7 million in instalments repayable in 12 months;
- a loan from Banca Ifis for nominal value of €10 million maturing on 31 December 2021 and with a benchmark rate equal to the Euribor increased by a spread. The loan provides for three-monthly repayments and is recognised on an amortised cost basis for a value of €9,201 thousand, of which 3,077 thousand in instalments repayable within 12 months. This loan has two covenants, to verify at 31 December of each year, and which were met at the end of 2018, as well as a Value to Loan, for which the Company obtained a temporary exemption in November 2018 from controls in the last quarter of 2018;
- credit lines maturing in January 2020, granted at the end of 2018 by Intesa Sanpaolo for a total of €15 and 25 million, besides a Bullet-Multi Borrower loan from Intesa Sanpaolo, for €130 million, of which €87.7 million granted to Immsi S.p.A., 30 million granted to ISM Investimenti S.p.A. and 12.3 million to Intermarine S.p.A.. These loans have a benchmark rate equal to the Euribor increased by a spread, as well as compliance with a Value to Loan, for which the Company obtained a temporary exemption in November 2018 from controls in the last quarter of 2018;
- a revolving credit line, equal to €18 million, disbursed in September 2018 by Unicredit at a benchmark rate equal to the Euribor increased by a spread, maturing at the end of 2019. The credit lines require the verification of a covenant, on a quarterly basis. In this regard, this parameter was not met at 31 December 2018, but it was possible, under contractual terms to remedy this situation at the next control on 31 March 2019;
- a revolving credit line granted by Banco BPM for €4.5 million at the end of 2018 and maturing at the end of 2021, with a benchmark rate equal to the Euribor increased by a spread. The line was recognised at the end of 2018 for €4,478 thousand, of which 1.5 million for instalments repayable in 2019. To hedge the risk of fluctuating interest rates for cash flows, Immsi S.p.A. has signed an interest rate swap type hedging contract, which changes the variable rate into a fixed rate for the entire contract duration for 50% of the nominal value of the loan
- a 12-month bullet loan from ING Bank in July 2018, for €10 million, with a benchmark rate equal to the Euribor increased by a spread;
- the opening of a credit line in advance from UBI Banca in June 2018 for €5 million maturing in June 2019, with a benchmark rate equal to the Euribor 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 from the bank of approximately €6,547 thousand and €4,284 thousand, represented by the market value of the share at the date of subscription net of a spread, which takes into account any downward fluctuations in the share. The contract, which expires on withdrawal, envisages a fee equal to 0.05% and interest payable equal to the EONIA increased by a spread, calculated on the cash collateral disbursed by Banca Akros. Immsi received a loan without cash collateral from Omniaholding S.p.A. of 4,850,000 and 300,852 Piaggio and Unicredit shares respectively. The latter and the 2,850,000 Piaggio shares were used in loan transactions with cash collateral undertaken with Banca Akros.

A further €4.6 million relative to a revolving line of credit granted by Intesa Sanpaolo, of which €4,128 thousand used at the end of the year.

To guarantee the above debt, the Company deposited Piaggio shares for approximately 3.6 million and a further 162.7 million as a lien.

Nominal financial payables, by contractual due date, are shown below:

In thousands of Euros	Within 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
Payables to banks	92,537	148,530	21,070	8,000	4,500	9,000	283,637

D3	Retirement funds and similar obligations	333

Liabilities only include the reserve for termination benefits totalling €333 thousand at the end of 2018. As provided for by Italian Legislative Decree no. 252/2005 and by Italian Law no. 296 of 27 December 2006, since Immsi has fewer than 50 employees, the termination benefit of employees that did not opt to assign the benefit to other types of supplementary welfare schemes, continued to be managed by the company, unless otherwise indicated by personnel.

New IFRS identify the liability relating to termination benefits using the actuarial measurement method. An estimate is made of the probable employment period in the company for each employee. For this period, annual salaries were revised based on an expected rate of inflation of 1.50% and a portion (legal rate) was allocated as termination benefit.
The portion of termination benefit already accrued, and which will accrue at the foreseeable date of termination of employment, is revised as required by law and discounted by a rate equal to 1.97%. As regards the discount rate, the iBoxx Corporates A rating with a 10+ duration at 31 December 2018 was used as the valuation reference.
The annual rate of the increase in termination benefit used was equal to 2.625%, while the rate for the salary increase was equal to 1.50%.
The table below shows the effects, at 31 December 2018, which would have occurred following changes in reasonably possible actuarial assumptions:

In thousands of Euros	Provision for termination benefits
Turnover rate +2%	330
Turnover rate -2%	337
Inflation rate + 0.25%	339
Inflation rate - 0.25%	328
Discount rate + 0.50%	319
Discount rate - 0.50%	349

Estimated future payments are shown below:

In thousands of Euros	Future amounts
1	59
2	19
3	19
4	19
5	19

The average duration of the bond is 12.5 years.

Being an actuarial valuation, the results depend on the technical bases adopted such as, among others, the interest rate, the inflation rate and the expected turnover. A variation of these parameters could lead to a significant change in the liability estimated to date; similar impacts may be caused by unexpected changes in other technical bases.

Movements in the fund during the year are shown below:

In thousands of Euros	
Balance at 31.12.2017	**318**
Service cost	19
Interest cost	6
Actuarial (gain)/loss	-10
Balance at 31.12.2018	**333**

As foreseen by the amendment to IAS 19, the cost components relating to the provision of work and net borrowing costs, equal to €25 thousand, were directly recognised in profit or loss, whereas the recognition of actuarial gains arising from the remeasurement each year of liabilities, equal to €10 thousand, was recorded in the Statement of Comprehensive Income.

D4	Deferred tax liabilities	19,447

Deferred tax liabilities at 31 December 2018 totalled €19,777 thousand, net of the portion of deferred tax assets allocated for temporary differences in that they are consistent by nature and tax authority.
Gross deferred tax liabilities are recognised above all for the fair value measurement of the investment property in Rome, for €17,986 thousand against lower depreciation recognised during the transition to accounting standards, relative to buildings and plant depreciated net of the value of land and the recoverable value at the end of their useful life, amounting to €1,087 thousand.

D5	Trade payables and other payables	5,743

Other non-current payables, equal to €162 thousand include security deposits paid by tenants of the property in Rome, for rental contracts.

Current trade payables refer to invoices received and not yet paid and to invoices to be received recognised on an accrual basis and total €2,118 thousand, of which €605 thousand to Related Parties and other companies of the Group.

Other current payables mainly include payables to social security institutes for €77 thousand, payables to employees and company bodies for €644 thousand, accrued liabilities and deferred income for €2,718 thousand, of which €2,002 thousand intercompany. Other payables, equal to €24 thousand, refer to the mark to market value at the end of 2018 of the hedging instrument for the interest rate variation risk (IRS) with reference to 75% of the 2010-2019 mortgage loan contract of an original €46 million, renegotiated with Banco BPM (formerly Banco Popolare) at the end of 2015. The change compared to 2017, amounts to €130 thousand and is recognised in the Statement of Comprehensive Income.

At the end of 2018, no trade payables or other payables due to foreign companies or payables due after 5 years were recognised.

D6	Current taxes	576

Current taxes at 31 December 2018 refer to withheld taxes on income of employees and external staff amounting to €238 thousand, tax payables for VAT of €13 thousand and for corporate income tax of €324 thousand, in relation to the taxable income of the Group reported in 2018 in the national consolidated tax convention.

E - Information on the main Income Statement items

E1	Financial income	27,126

Details of financial income for 2018 and a relative comparison with the previous year are given below:

	2018	2017
Dividends from subsidiaries	9,863	9,946
Gains from the sale of subsidiaries' shares	-	1,565
Interests and commission from subsidiaries	10,667	10,071
Reversal of the value of subsidiaries	6,500	5,000
Other financial income	96	3,357
Total	**27,126**	**29,939**

The decrease compared to 2017 is mainly due to the capital gain of €1,565 thousand realised in 2017 from the sale of 1.5 million Piaggio shares and income of €3.35 million realised from the sale of option rights assigned to Immsi with the capital increase of Unicredit, which the Company did not take part in. During 2018, the reinstatement of €6.5 million for the investment in RCN Finanziaria S.p.A. was recognised, compared to 5 million reinstated in the previous year.

E2	Borrowing costs	19,768

Borrowing costs, down on the balance reported in 2017, amounted to €19,768 thousand and mainly include interest and charges accrued on bank loans, of which €576 thousand relative to the amortised cost of medium/long-term loans, and the recognition of the write-down of €9.5 million on the investment in ISM Investimenti S.p.A. compared to €15 million recognised at the end of 2017.

E3	Operating income	4,516

Operating income, equal to €4,516 thousand, includes €2,015 thousand referred to service contracts with Group companies and revenues for approximately €2,501 thousand from the lease on the property situated in Rome, of which €343 thousand to Group companies.

Revenues from recharging costs for materials and services sustained by Immsi S.p.A. on behalf of Group companies and tenants are not recognised in profit or loss as they are offset by relative costs generating them, as provided for by IAS 18, according to which the commercial result of operations that in their entirety are strictly related, may not be measured without referring to such operations as a whole.

E4	Costs for services, leases and rentals	3,521

Costs for services, leases and rentals, net of costs recharged in accordance with IAS 18 as described above, total €3,521 thousand, of which approximately €384 thousand deriving from intergroup transactions and with related parties, the details of which are provided at the end of these Notes.

Costs for services, leases and rentals are broken down as follows:

	2018	2017
External maintenance and cleaning expenses	214	123
Employee costs	102	97
Technical, legal, tax, administrative consultancy, etc.	656	848
Energy, telephone, postal costs, etc.	73	113
Insurance	37	38
Board of Directors operating costs	1,523	1,516
Board of Statutory Auditors operating costs	155	144
Communication and publication costs	9	9
Certification fees	100	84
Listing rights and Securities Centralised Administration	102	82
Building service fees, security and porter costs	49	58
Bank charges	11	10
Expenses for website handling and maintenance	13	10
Charges for property rentals	402	410
Charges for rents and other rentals	59	63
Miscellaneous expenses	16	10
Total	**3,521**	**3,615**

E5	Employee costs	1,137

Employee costs recognised in 2018 refer to salaries for approximately €849 thousand, social security contributions for €222 thousand and provisions as termination benefit for €65 thousand. For more details on the latter item, see the item Retirement funds and similar obligations.

Immsi S.p.A. currently has no employee stock option plan.
As required by paragraph 1-bis of Article 78 of the Consob Regulation on Issuers, the Company did not carry out operations for the purchase or subscription of shares by employees pursuant to Article 2358 of the Civil Code.

The average workforce paid in the year is 11 employees, of which 2 senior managers.

E6	Depreciation of plant, property and equipment	50

Depreciation of plant, property and equipment recognised in 2018 amounted to €50 thousand and refers to electronic machines, hardware, vehicles, furniture and fittings and miscellaneous equipment. Since 2009, buildings and plants relating to the property owned in Via Abruzzi 25 – Rome have not been depreciated. For further details, reference is made to the comment in the item Investment Property.

As regards investments during the year, it was deemed appropriate to apply the depreciation rates reduced by 50% due to their limited use. The Company also fully depreciated those assets of minor value whose use had essentially ended during the year.

E7	Other operating income	217

This item amounted to €217 thousand, net of income generated from recharged costs as provided for by IAS 18, and basically refers to income for fees repaid by Company employees for company positions held within the Group, capital gains on the sale of capital goods, contingent items and the recovery of insurance costs and compensation.

E8	Other operating costs	752

Details of other operating costs are indicated below:

In thousands of Euros	2018	2017
Municipal property tax	541	572
other taxes and duties	191	171
other operating charges	20	35
Total	**752**	**778**

E9	Taxes	(143)

Income taxes for the year recognised in 2018 refer to income for €143 thousand.
The item Taxes mainly refers to the tax payable for regional tax on production activities recognised when filing tax returns and the deferred taxes from temporary differences, only partially offset by the cost estimated for 2018 for regional tax on production activities.
The item profit before tax accounted for a minimum part of taxable income as regards income tax, because most components comprise financial items, which are tax-neutral; these are commented on under the item Financial Income.

The Company prudentially recognised deferred tax assets calculated on tax losses accrued up to 2017, as their recovery was uncertain in the framework of the national consolidated tax convention which Immsi has been party to since 2007. Whereas deferred tax assets calculated on the 2018 tax loss have been recognised, as they are fully offset against the taxable income of other companies which are party to the national consolidated tax convention.

The reconciliation between the theoretical tax burden and actual tax burden is shown below:

ITALIAN TAX ON CORPORATE INCOME	**Income**		**Taxes**	
	Earnings	**Temporary components**	**Current**	**Deferred**
Profit before tax	6,602			
Theoretical tax charge (benefit)			1,584	
Temporary differences taxable in subsequent years	-695	-695	-167	167
Temporary differences deductible in subsequent years	651	-651	156	-156
Reversal of temporary differences arising in previous years	-254	254	-61	61
Permanent differences that will not be annulled in subsequent years	-6,365	0	-1,528	0
Total differences	-6,663	-1,092	-1,599	72
Taxable income	-61			
Total tax expense (benefit) on income for the period			-15	72
Other amendments			-186	
Total tax expense (benefit) on income recognised in the financial statements			**-201**	**72**

Regional production tax (IRAP)	Income		Taxes	
	Earnings	Temporary components	Current	Deferred
Value of gross production	-755			
Theoretical tax charge (benefit)			-42	
Borrowing costs/income	428	0	24	0
Timing differences taxable/deductible in later years	0	0	0	0
Reversal of temporary differences arising in previous years	0	0	0	0
Permanent differences that will not be annulled in subsequent years	2,699	0	150	0
Total differences	3,127	0	174	0
Taxable income/Value of net production	2,372			
Total tax expense (benefit) on income for the period			**132**	**0**
Other amendments			-146	0
Total tax expense (benefit) on income recognised in the financial statements			**-14**	**0**

E10	Net profit for the period	6,746

Immsi S.p.A. realised a net profit equal to €6,746 thousand, in particular due to positive financial components recognised in 2018, up by 3,044 over the previous year.

F – Commitments, risks and guarantees

The Company has a first mortgage and a second mortgage on property in Rome recognised for a total of €90 million, guaranteeing the long-term loan obtained in June 2010 and renegotiated at the end of 2015 with Banco BPM for a total of €45 million.
With this financing, Immsi must for the entire duration of the contract channel the revenues from leasing into a deposit account and keep a minimum amount there equal to the interest instalment nearest maturity.

Intesa Sanpaolo has issued a revocable signed credit line equal to €400 thousand, of which Immsi used €350 thousand for the Cassa di Previdenza Integrativa (supplementary social security fund) of personnel of Istituto San Paolo di Torino, with which Immsi stipulated a lease contract in December 2008 for the property located in Milan – via Broletto 13.

To guarantee the lease contracts of the property in Rome in effect at 31 December 2018 Immsi S.p.A. received guarantees for a total of €420 thousand and security deposits for €162 thousand.

As regards the credit lines and bank loans received, the Company deposited 3.6 million Piaggio shares as a guarantee, and approximately 162.7 million Piaggio shares as a lien (for further details, see the item Financial liabilities), in addition to 11.45 million Piaggio shares to guarantee the loan given to a Group company.

As part of the supply contract for five catamarans to the Sultanate of Oman, for which Intermarine stipulated a signature line of agreement with a pool of banks for an amount of 84.5 million US dollars to guarantee payment of the consideration envisaged in the contract signed with the Sultanate of Oman for 90 million US dollars, Immsi counter-guaranteed the "pre-delivery performance bond", "advanced payment bond" and "post-delivery bond" issued by the above banks for a maximum amount of 60 million US dollars by issuing a bank guarantee, and a letter of patronage for any part exceeding such amount in relation to Intermarine S.p.A.'s obligations to channel payments.
At the end of 2018, with all vessels completed, the actual exposure of Intermarine S.p.A. to banks for the post-delivery bond was equal to USD 3.8 million. The guarantor banks granted an extension of the relative guarantees up to September 2020.

Immsi issued guarantees in favour of Banco BPM for the advance on the contract and counter-guarantee of the securities furnished by the bank to the Italian Navy for advances paid to Intermarine. The amount guaranteed at the end of 2018 was equal to €2.3 million

The subsidiary pays remuneration to Immsi for the issue of these guarantees, in proportion to the amounts disbursed.

Immsi S.p.A. issued a comfort letter for the guarantee issued by Banco BPM (formerly Efibanca) in favour of the company Como for the deposit of €2.7 million it paid to Intermarine S.p.A..
Another letter of comfort was issued by Immsi in favour of Banca Carige regarding loans and a guarantee on the loan granted to Intermarine S.p.A., drawn at the end of 2018, for €1.3 million. An equivalent guarantee was issued in favour of Banca Bper for the loan disbursed to Intermarine, amounting to €10 million at the end of 2018.

Immsi S.p.A. also issued a comfort letter to guarantee loans from BNL to Intermarine for a total of €7.5 million.

In relation to the line of credit in place between Intermarine S.p.A. and Banca IFIS S.p.A., in the form of an advance on contract and factoring for the sale of receivables from the Italian Navy arising from the refitting contract of the Gaeta Minesweeper, and in regard to the advance on the contract for the sale of receivables due from an Italian group operating in the sector for the construction of integrated platforms, Banca IFIS was issued letter of patronages by the direct parent company RCN Finanziaria S.p.A. confirmed by Immsi S.p.A.. The value of the guarantees at the end of 2018 was €6.4 million in total.

In December 2017, Immsi issued a guarantee for €10 million in favour of MPS to guarantee the loan it furnished to Is Molas for €20 million, for which the subsidiary paid remuneration to Immsi in proportion to the guaranteed amount. The covenants established and not met by the subsidiary at the end of 2018 were remedied within the terms granted by the bank.

Immsi, in relation to the €30 million loan granted to ISM Investimenti S.p.A. by Intesa Sanpaolo, undertook, in the interests of IMI Investimenti S.p.A., to grant a shareholder loan for the amount necessary to enable ISM to repay its debt in full, if it fails to refinance this amount due to Intesa Sanpaolo on the market.

G – Net debt

The net financial debt at 31 December 2018 of Immsi S.p.A. is shown below.
Net financial debt is represented by (current and non-current) financial liabilities, minus cash on hand and other cash and cash equivalents, as well as other (current and non-current) financial receivables. The other financial assets and liabilities arising from the fair value measurement of financial derivatives designated as hedges and interest accrued on loans were not considered in the determination of net financial debt. Tables of items used to determine the indicator are shown below. In this respect, pursuant to the CESR recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", the indicator thus formulated represents aspects monitored by Company Management and differs from that suggested by Consob Communication No. 6064293 of 28 July 2006 as it also includes the non-current portion of financial receivables.

	31/12/2018	31/12/2017
Cash and cash equivalents	(2,865)	(5,281)
Other short-term financial assets	0	(198,353)
Medium/long-term financial assets	(214,862)	0
Short-term financial payables	282,689	175,101
Medium/long-term financial payables	0	102,017
Net financial debt	**64,962**	**73,484**

Net financial debt at 31 December 2018 amounted to €64,962 thousand, down by €8,522 thousand compared to 31 December 2017.

In thousands of Euros	31/12/2018	31/12/2017
Cash generated internally	(5,883)	(378)
Change in net working capital	15,184	440
Net cash flow generated from operations	**9,301**	**62**
Acquisition of plant, property and equipment and investment property	(780)	(75)
Net decrease from property disposals	14	0
Acquisition of non-controlling investments, net of disposal	(13)	2,569
Acquisition of controlling investments, net of disposal	0	3,567
Change in net debt	**8,522**	**6,123**
Initial net debt	**(73,484)**	**(79,607)**
Closing net debt	**(64,962)**	**(73,484)**

H - Dividends paid

Immsi S.p.A. did not distribute dividends in 2018 or 2017.

I – Proposal to allocate profit

The Financial Statements at 31 December 2018 record a profit for the year equal to €6,745,721.
The Board of Directors of the Company proposed allocating profit, minus 5% equal to €337,286 to allocate to the Legal Reserve, to partially cover previous losses.

L - Group and Related-Party Transactions

As regards disclosure on related-party transactions as of IAS 24 undertaken by Immsi S.p.A., the transactions undertaken with these entities were carried out in normal market conditions or according to specific regulatory provisions.

In compliance with Regulation no. 17221 on transactions with Related Parties issued by Consob on 12 March 2010 as amended, the Company adopted a new procedure to regulate procedures to approve related-party transactions, available on the website of the Issuer www.immsi.it, in the section Governance.

The main economic effects (excluding revenues to deduct from subsidiaries and parent companies in compliance with IAS 18) and financial effects of Related-Party transactions and their impact on financial statement items of Immsi S.p.A. at 31 December 2018, compared to the amount recognised for the same related parties in 2017, are shown below:

Main economic and financial items	2018 amounts in thousands of euros	% accounting for financial statement items	Description of the nature of transactions	2017 amounts in thousands of euros
Transactions with Related Parties:				
Current trade payables	*33*	*1.56%*	*Tax advisory services provided by Studio Girelli e Associati*	*32*
Costs for services, leases and rentals	*55*	*1.5%*	*Tax advisory services provided by Studio Girelli e Associati*	*53*
Transactions with Parent companies:				
Current trade payables	*187*	*8.8%*	*Rental of offices in Mantova provided by Omniaholding S.p.A. and charges on the Securities Loan*	*135*
Costs for services, leases and rentals	*206*	*5.8%*	*Rental of offices in Mantova provided by Omniaholding S.p.A.*	*235*
Borrowing costs	*22*	*0.2%*	*Charges on the Omniaholding Securities Loan*	*18*
Transactions with Subsidiaries:				
Trade receivables and other receivables non-current	*8,138*	*34.1%*	*Amounts due from RCN Finanziaria S.p.A. for recharged costs and interest*	*7,437*
	6,192	*25.9%*	*Amounts due from Is Molas S.p.A. for recharged costs and a consultancy contract*	*6,184*
	863	*3.6%*	*Amounts due from ISM Investimenti S.p.A. for recharged costs and interest*	*820*
	36	*0.2%*	*Amounts due from Pietra S.r.l. and Pietra Ligure S.r.l. for recharged costs*	*30*
Current trade receivables and other receivables	*225*	*0.9%*	*Amounts due from Intermarine S.p.A. for recharged costs, rental of offices in Rome, interest, fees and a consultancy contract*	*332*
	1,628	*6.8%*	*Receivables due from Piaggio & C. S.p.A. for recharged expenses, advisory services and the repayment of fees*	*486*
	6,533	*27.4%*	*Amounts due from the national consolidated tax convention*	*11,057*
Other non-current financial assets	*136,072*	*52.2%*	*Loans granted to RCN Finanziaria S.p.A. and interest*	*132,209*
	59,359	*22.8%*	*Loans granted to Is Molas S.p.A. and interest*	*45,484*
	56,892	*21.8%*	*Loans granted to ISM Investimenti S.p.A. and interest*	*52,067*
	4,978	*1.9%*	*Loans granted to Pietra S.r.l. and Pietra Ligure S.r.l. and interest*	*4,461*
	766	*0.3%*	*Loans granted to Apuliae S.r.l.and interest*	*696*
Current trade payables	*356*	*15.3%*	*Payables due to Piaggio & C. S.p.A. for expenses charged*	
	30	*1.4%*	*Amount due to Immsi Audit S.c.a.r.l. for internal auditing*	*274*
Other current payables	*1000*	*28.9%*	*Deferred income from Piaggio & C. S.p.A.*	*0*
	1002	*28.9%*	*Deferred income from Intermarine*	*0*
Financial income	*9,863*	*47.8%*	*Dividends from Piaggio & C. S.p.A.*	*9,946*
	4,489	*21.8%*	*Interest income from RCN Finanziaria S.p.A.*	*4,707*
	164	*0.8%*	*Guarantee fees from Intermarine S.p.A.*	*246*
	2,099	*10.2%*	*Interest income and guarantee fees from Is Molas S.p.A.*	*1,442*
	3,719	*18.0%*	*Interest income from ISM Investimenti S.p.A.*	*3,489*
	167	*0.8%*	*Interest income from Pietra S.r.l.*	*162*
	30	*0.1%*	*Interest income from Apuliae S.r.l.*	*25*

Main economic and financial items	2018 amounts in thousands of euros	% accounting for financial statement items	Description of the nature of transactions	2017 amounts in thousands of euros
Operating income	*1,328*	*29.4%*	*Consultancy and assistance contract and rental of offices in Rome rented to Piaggio & C. S.p.A.*	*1,326*
	1,015	*22.5%*	*Consultancy and assistance contract and rental of offices in Rome rented to Intermarine S.p.A.*	*1,015*
	15	*0.3%*	*Services contract with Immsi Audit S.c.a.r l.*	*15*
Costs for services, leases and rentals	*64*	*1.8%*	*Internal auditing services by Immsi Audit S.c.a.r.l.*	*47*
	59	*1.7%*	*Amounts recharged to receive from Piaggio & C. S.p.A.*	*94*
Borrowing costs	*17*	*0.2%*	*Interest expense to Piaggio & C. S.p.A.*	*21*
Other operating income	*80*	*38.9%*	*Repayment of fees by Piaggio & C. S.p.A.*	*80*

Figures including non-deductible VAT.

As regards relations, guarantees and commitments ongoing with Group companies, see item F - Commitments, Risks and Guarantees.

M - Risks and uncertainties

Financial instruments

With reference to financial instruments, already commented on in the Notes, the Parent Company did not recognise any differences between the fair value and the carrying amount for all items in question, excluding investments in Unicredit, the details of which are included in the section on financial assets. At 31 December 2018, the Company had no long-term fixed rate assets and/or liabilities for which it is necessary to recalculate the relative value according to current market rates.

In thousands of Euros	31.12.2018	31.12.2017
ASSETS		
NON-CURRENT ASSETS		
Other financial assets	**260,580**	**0**
Financial receivables	260,580	0
Financial assets	0	0
CURRENT ASSETS		
Other financial assets	**2,767**	**239,261**
Financial receivables	0	234,916
Financial assets	2,767	4,344
LIABILITIES		
NON-CURRENT LIABILITIES		
Financial liabilities	**0**	**102,017**
Payables due to banks	0	102,017
CURRENT LIABILITIES		
Financial liabilities	**282,689**	**175,101**
Payables due to banks	282,689	175,101

Interest Rate Risk

Variations in interest rates on the market can impact the fair value of a financial asset or liability.
Exposure to market risk arising from the variation in interest rates is mainly connected to medium and long-term loans.
The following table shows the nominal value of the Company's financial assets and liabilities, that are shown at the interest rate risk, divided depending on whether they are contractually subject to fixed or variable rates (net of any specific hedging instruments for interest rate changes).

In thousands of Euros	Total
Total fixed rate	**-1,917**
Total variable rate	**-63,993**

An increase or decrease of 1% of the Euribor with reference to the net specific exposure of Immsi S.p.A. would have produced greater or lesser interest for approximately €640 thousand per year.

Price Risk

Concerning the price risk on investments held by the Company and classified as other financial assets available for sale, see the comments in this Note.

Credit risk

The following table analyse by maturity the item of Trade receivables, including written-down or guaranteed payables, with comments in the Notes to the financial statements.

In thousands of Euros	31.12.2018	31.12.2017
Receivables past due:		
0-30 days	1,685	699
30-60 days	22	59
60-90 days	115	78
> 90 days	906	13,468
Total receivables past due	**2,728**	**14,304**
Total receivables maturing	28	4
Total	2,756	14,308

The decrease compared to 2017 is due to the reclassification of some trade receivables and other receivables, as commented in the notes.
Tax receivables were used in the first few months of 2019 for €52 thousand, while other receivables basically refer to accruals and deferrals.

Liquidity Risk
The Company could be affected by critical situations concerning subsidiaries, in particular that have been given loans. Immsi S.p.A. in fact provides loans and issues guarantees in favour the Group's to facilitate their funding; these operations are regulated under normal market conditions.
As regards debt, the Company basically renewed expired credit lines in 2018 with new loans.
The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial obligations.

At the end of 2018, the Company had undrawn credit lines amounting to €0.5 million relative to the revocable revolving credit line, from Intesa Sanpaolo.

As regards financial requirements for the next 12 months, considering credit lines that are due to mature over the year and Immsi S.p.A.'s financial commitments to support the development of its initiatives, the Directors have taken and will take in the next few months, actions to find solutions that guarantee a financial balance, while considering the possible risk of future trends in weak equity markets, that represent an element of uncertainty as to the scale of credit lines granted, at present.

In the light on information given in the item Financial liabilities, it was necessary to temporarily reclassify medium/long-term credit lines as short term in this statement of financial position. However, based on contractual maturities, in 2019, credit lines for a total of €92.5 million will mature.

Hierarchical fair value valuation levels
As regards financial instruments recognised at fair value in the Statement of Financial Position, IFRS 7 requires these values to be classified on the basis of hierarchical levels which reflect the significance of the inputs used in determining fair value. These levels are as follows:
- level 1 – quoted prices in active markets for assets or liabilities measured;
- level 2 – inputs other than quoted prices included within Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;
- level 3 – inputs not based on observable market data.

With reference to assets measured at fair value that have quotations on an active market held by Immsi S.p.A. (level 1) Unicredit shares in the portfolio at 31 December 2018 were equal to 279,639 shares, for a total value at that date of €2,767 thousand. The fair value of the investment, represented by the share price at the end of 2018, was down compared to the end of 2017, by approximately €1,578 thousand.

At 31 December 2018, non-current liabilities included the hedging instrument (IRS) underwritten to hedge 75% of the 2010-2019 loan, renegotiated at the end of 2015, for a total of €45 million with Banco BPM (formerly Banco Popolare), with a fair value at the end of the year which was €24 thousand (level 2 financial instruments).

Financial assets measured at fair value for which there are no observable market data (level 3) amounted to €74,650 thousand and refer to the investment property in Via Abruzzi, Roma.
This category also includes the investment held in Alitalia – Compagnia Aerea Italiana S.p.A., of which the value was wholly written down, as described above.

As required by IFRS 7, which requires the fair value of payables to be recognised according to the amortised cost basis only for disclosure purposes, this fair value is considered to be basically equal to the carrying amount of the liability.

N - Auditing costs

As regards disclosure obligations pursuant to Article 149-*duodecies* of the Regulation on Issuers, concerning remuneration pertaining to the year for appointments assigned by Immsi S.p.A. to the independent auditors, remuneration paid in 2018 to PricewaterhouseCoopers S.p.A. amounted to € 76,020 for auditing and the limited auditing (limited assurance engagement) of the Consolidated Non-Financial Statement (in addition to costs, additional fees and regulatory fees).
In this respect, the Shareholders' Meeting of 11 May 2012 appointed PricewaterhouseCoopers S.p.A. as independent auditors for the 2012-2020 period.

* * *

This document was published on 9 April 2019 by authorisation of the Chairman of the Company, Roberto Colaninno.

Certification of the financial statements pursuant to Article 154-bis of the Legislative Decree no. 58/98

The undersigned Roberto Colaninno, as Chairman of the Board of Directors, Michele Colaninno, as Chief Executive Officer and Andrea Paroli, Executive in charge of financial reporting of Immsi S.p.A., certify, also taking account of provisions of Article 154-bis, paragraphs 3 and 4 of 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 preparing the financial statements during 2018.

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

In addition, it is certified that the Financial Statements at 31 December 2018:

- were drawn up in compliance with applicable international accounting standards recognised by the European Union in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;

- correspond to accounting records;

- are adequate for giving a true and fair view of the financial position, performance and cash flows of the Issuer.

The Report on Operations includes reliable analysis of operations, as well as the situation of the Issuer, along with a description of the main risks and uncertainties to which they are exposed.

25 March 2019

The Chairman
Roberto Colaninno

Executive in charge of
financial reporting
Andrea Paroli

Chief Executive Officer
Michele Colaninno

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of IMMSI SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of IMMSI SpA (the Company), which comprise the statement of financial position as of 31 December 2018, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Recoverability of investments in subsidiaries	
Note C3 to the financial statements "Investments in subsidiaries and associates" The carrying amount of investments in subsidiaries and associates as at 31 December 2018 is Euro 307,331 thousand (45,9% of total assets). The amount is composed mainly of: a) Investment in Piaggio & C SpA for Euro 243,255 thousand (50,18% of the share capital); b) Investment in ISM Investimenti SpA (the Company which controls IS Molas SpA) for Euro 11,960 thousand (72,64% of the share capital); c) Investment in RCN Finanziaria SpA (the Company which controls Intermarine SpA) for Euro 32,006 thousand (72,51% of the share capital). Investments in subsidiaries are accounted for using the cost method adjusted for any impairment. Their carrying amount is tested for impairment at least once a year. As at 31 December 2018, the Company prepared specific impairment test reports based on the discounted future cash flows that are expected to flow from the investments. The valuation of the recoverable amount of Investments in subsidiaries and associates is a key audit matter considering that it depends on estimates based on inputs not always based on observable market data.	We obtained an understanding and evaluated the procedures adopted by the Company in order to determine the recoverability of the carrying amount of investments in subsidiaries. We evaluated the estimates made by management with regard to the expected cash flows inferred from budget data for 2019 and supplemented by forecast data for 2020-2022 as regards Investment in Piaggio & C SpA, by forecast data for 2020-2026 as regards Investment in ISM Investimenti SpA, and by forecast data for 2020-2023 as regards Investment in RCN Finanziaria SpA. Furthermore, with the support of PwC network experts, we retraced the methods used to calculate the discount rate and the steady growth rate of financial cash flows beyond the time period of the plan approved by management of the subsidiaries. With the support of PwC network experts we also conducted sensitivity analyses in relation to the significant assumptions adopted by management in order to determine whether there was any impairment of investments in subsidiaries and in order to evaluate the effects of changes in significant assumptions on the results of the impairment test. In addition, in order to assess the ability of management to make reliable forecasts, we compared the final figures as at 31 December 2018 with the related budget data. Finally, we verified the information included in the notes to the financial statements as of 31 December 2018.
Short-term net financial debt	
Note B to the financial statements "Accounting standards and measurement criteria" and note D2 to the financial statements "Financial liabilities"	We obtained and analyzed the calculation of the net financial position of the Company, the calculation of the financial covenants and the calculation of the loan to value ratios, and we

Key Audit Matters	Auditing procedures performed in response to key audit matters
Short term net financial debt of IMMSI SpA amounts to Euro 279,8 million. The decline in 2018 of the stock price of shares held in the listed companies Piaggio & C SpA and Unicredit SpA caused failure to comply with some financial covenants and loan to value ratios in relation to the facilities granted to the Company and this led to classify as short-term all the loans received from banks. Due to the significant amount of the Company's exposure toward the banking system and to the uncertainty related to the stock price of shares used to guarantee this exposure, as well as the importance of the information included by management in the notes to the financial statements regarding this aspect, the understanding and the analysis of management's forecasts regarding the financial needs of the Company for the next twelve months and of the actions taken and to take by them in order to ensure the financial stability of the Company is a key audit matter.	verified the correct classification of the Company's financial exposure in the Statement of Financial Position. We obtained management's forecasts regarding the financial needs of the Company for the next twelve months and we analyzed the actions taken and to take by them in order to ensure the financial stability of the Company also through specific discussions and critical analyses. We obtained audit evidence regarding the existing relationship with the banking system, in particular obtaining and analyzing the documentation related to the facilities, the terms of the contracts, the existing guarantees, also through receiving specific data and information directly from the banks. We verified the information included by management in the notes to the financial statements, and the correspondence and adequacy with respect to the elements used by them to evaluate the financial stability of the Company for the next twelve months.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 11 May 2012, the shareholders of IMMSI SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2012 to 31 December 2020.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of IMMSI SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of IMMSI SpA as of 31 December 2018, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of IMMSI SpA as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of IMMSI SpA as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Brescia, 9 April 2019

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

Report of the Board of Statutory Auditors

to the General Meeting of IMMSI S.p.A.

pursuant to Art. 153 of Legislative Decree 58/98

and Art. 2429 of the Italian Civil Code.

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Dear Shareholders

Submitted for your approval are the financial statements of IMMSI S.p.A., for the year ended 31 December 2018, prepared in accordance with IAS/IFRS international accounting standards, which present a net profit of 6,745,721 euros, compared to 3,044,256 euros in the previous year.

Also submitted are the consolidated financial statements for year 2018, showing a profit of 25,412,000 euros (compared to 14,884,000 euros in the previous year), divided into profit attributable to non-controlling interests of 12,549,000 euros and profit attributable to the Group of 12,863,000 euros. The Company has also prepared the "Consolidated non-financial statement", prepared pursuant to Legislative Decree 254/2016.

The financial statements of the Company and consolidated financial statements of the Group, as well as the consolidated non-financial statement, prepared by the Directors pursuant to legislation, were duly notified to the Board of Statutory Auditors together with the Directors' Report on Operations and the Corporate Governance and Share Ownership Report, as well as the Remuneration Report. The Board has also acquired the Independent Auditors' reports.

To the best of our knowledge, the Directors did not depart from legislation relating to the formation of the financial statements and took into account, in preparing the financial reports, the measures issued implementing Art. 9 of Italian Legislative Decree 38/2005, the

IFRIC (formerly "SIC") interpretations, as well as the Bank of Italy/Consob/ISVAP Documents No. 2 of 6 February 2009 and No. 4 of 3 March 2010. With reference to the consolidated non-financial report as a section of the Report on Operations, this Board of Statutory Auditors, based on provisions of art. 3, paragraph 4, of Legislative Decree 254/2016, verified – consistent with what the independent auditors said in their report pursuant to Art. 3, paragraph 10, of Legislative Decree 254/2016 and Art.5 of CONSOB Regulation No. 20267/2018 issued on 9 April 2019 – its completeness and compliance with what is set forth in laws and drafting criteria, including with reference to the methodological note to the aforesaid non-financial report, without finding anything that needs to be mentioned in our report.

The Board of Statutory Auditors, during 2018, carried out the supervisory activities required by law, also taking into account the Consob communications on corporate controls and related to Board of Statutory Auditors' activities. It therefore monitored: (i) compliance with the law and the memorandum of association, (ii) compliance with the principles of proper management, (iii) adequacy of the organisational structure of the company for the aspects under its responsibility, the internal control system and the administrative accounting system, as well as the reliability of the latter in correctly representing operations, (iv) procedures for effective implementation of the corporate governance rules provided for by the Corporate Governance Code of the Corporate Governance Committee of listed companies, which the company has adhered to, and (v) adequacy of the instructions given to the subsidiaries pursuant to Art. 114, paragraph 2 of the Consolidated Finance Act. In addition, the Board of Statutory Auditors, as the “Internal Control Committee” pursuant to Art. 19 of Legislative Decree 39 of 27 January 2010, carried out supervision as required by the first paragraph of that article – under letters a), b), c), d), e), f) – as amended by Legislative Decree 135/2016.

The Board, in accordance with Art. 2429 of the Italian Civil Code and Art. 153 of Italian Legislative Decree 58/98 and having regard to the information provided in Consob communication no. DEM/1025564 of 06/04/2001, as amended by communication no. 6031329 of 07.04.2006, therefore reports as follows.

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1. The most significant economic, financial and equity transactions put in place by the Company in 2018 have been comprehensively described by the Directors in the Report on Operations. The Board of Statutory Auditors became aware of the same by attending Board of Directors' meetings, as well as by meetings with the Company's management. The Board was able to ascertain that the transactions put in place were not imprudent, risky, in conflict of interest, contrary to shareholders' resolutions and the Articles of Association or otherwise prejudicial to the integrity of corporate assets.

2. In 2018 there were no atypical and/or unusual transactions, neither with third parties nor with Group companies or with related parties, as also attested by the Directors in the section "Form and content of the consolidated financial statements" of the Notes to the consolidated financial statements; for the list of ordinary transactions between the Group or the Parent Company IMMSI and related parties or other Group companies, please refer to the Directors' Report under "Group and Related arty Transactions", with regard to the Group, and in the Notes in the section "L - Group and Related Party Transactions", as regards IMMSI alone. These transactions mainly concern trade and financial receivables/payables, the supply of materials and financial, tax, contractual and advisory services, leasing, financial charges. Only for the Parent Company - in addition to other miscellaneous income and charges as well as miscellaneous receivables and payables - receivables and income from subsidiaries, both as dividends and interest or other income are significant.

The same documents also illustrate in detail the related economic effects, with the clarification that the transactions are governed by normal market conditions or specific regulatory provisions. The Board of Statutory Auditors believes that such transactions are appropriate and that they are in the corporate interest. The report also illustrates that, in accordance with Regulation No. 17221 on related party transactions issued by Consob on 12 March 2010, as amended, the Company has adopted the procedure aimed at regulating the procedures for approval of related party transactions. Within the Group, the companies Piaggio & C. S.p.A. and Intermarine S.p.A. carried out non-recurring transactions, described and motivated in the paragraph "A - General aspects" of the Notes to the consolidated financial statements. The Board agrees with this representation and believes that the transactions were performed in the interest of the Group.

3. The Board deems the disclosure provided by the Directors in the Report on Operations and in the explanatory notes to the separate financial statements, concerning inter-company and related party transactions, to be adequate.

4. The independent auditors, PricewaterhouseCoopers S.p.A., have audited the financial statements and issued - on 9 April 2019 - the related reports that have no findings or requests for disclosures. They declare that the separate financial statements and the consolidated financial statements provide a truthful, correct presentation of the financial position of the Company and the Group as at 31 December 2018, of the earnings and cash flows for the year closed at that date in compliance with the International Financial Reporting Standards adopted by the European Union and provisions issued in implementation of Article 9 of Legislative Decree 38/05. Lastly, the Board of Statutory Auditors examined the report by PricewaterhouseCoopers S.p.A. on the non-financial report issued pursuant to Art. 3, paragraph 10, of Legislative Decree 254/2016 and Art.5 of CONSOB Regulation No.

20267/2018 issued on 9 April 2019, that does non contain any findings or requests for information.

5. During 2018, no complaints pursuant to Art. 2408 of the Italian Civil Code were received by the Board of Statutory Auditors.

6. During 2018, no petitions were received by the Board of Statutory Auditors.

7. The independent auditors PricewaterhouseCoopers S.p.A. issued a report pursuant to Art. 6 paragraph 2) letter a) of European Regulation 537/2014 in compliance with paragraph 17 of ISA Italia 260. The Board of Statutory Auditors carried out checks - also at a group level - which showed that PricewaterhouseCoopers was paid 63,020 euros for "statutory auditing services" only for IMMSI and 564,768 euros for the rest of the Group (of which 367,225 Euro referred to the subsidiary Piaggio & C. S.p.A. and 110,043 euros referred to Piaggio subsidiaries). Analysis shows that the Independent auditors performed – for the Group's subsidiaries – "certification services" for 352,000 euros (wholly attributable to the subsidiary Piaggio & C. S.p.A.) and "other services" for 253,500 euros (of which 64,000 related to the "limited assurance engagement" of the consolidated Non-Financial Report of Immsi S.p.A. and of Piaggio & C. S.p.A. and the Corporate Social Responsibility Report of Piaggio & C. S.p.A.). In this statement, the Independent Auditors certified that from 1 January 2018 to the date of the report the ethical principles set forth in Art. 9 and 9 bis of Legislative Decree 39/2010 were respected and there were no situations compromising independence pursuant to Arts 10 and 17 of Legislative Decree 39/2010 and Arts. 4 and 5 of European Regulation 537/2014.

Moreover the Board of Statutory Auditors acknowledged the Transparency Report prepared by the Independent Auditors published on their website pursuant to Art. 18 of Legislative Decree 39/2010.

8. Investigations also showed that the PricewaterhouseCoopers Network received payments related to "auditing services" entirely from Piaggio & C. S.p.A. subsidiaries for the amount of 323,424 euros. Moreover, the Network received fees of 117,658 euros from Piaggio & C. S.p.A. subsidiaries for “certification services”, as well as 5,000 euros for “other services” in favour of Immsi S.p.A. and 13,400 euros in favour of subsidiaries.

Also in the light of the above comments and those contained in point 7 above, and given the international dimension of the Group, the Board deems that no critical aspects emerged concerning the independence of the Independent Auditors.

9. During 2018, the Board of Statutory Auditors provided, when necessary, opinions and comments provided for by law. The content of these opinions did not conflict with the subsequent resolutions adopted by the Board of Directors.

10. The Board of Directors met 6 times in 2018, meetings which the Board of Statutory Auditors always attended; the Control and Risks Committee met 8 times; the Remuneration Committee met 2 times; the Appointments Committee met 2 times, while the Board held 10 meetings in which it also held meetings with the Independent Auditors Pricewaterhouse-Coopers S.p.A.. Control and Risks Committee meetings are normally extended to the entire Board of Statutory Auditors, in order to ensure the sharing of information flows within the company.

11. It is deemed that the Company complied with the principles of proper administration and that the decisions of the Board of Directors were taken in the corporate interest.

12. The Board of Statutory Auditors, for matters under its responsibility, believes that the company's organisational structure can be considered adequate, also with regard to actual business operations, primarily as a holding company of a group which includes approx. 40 companies in diversified sectors, (including 33 consolidated in the group financial statements) in particular industrial (especially in the “two-wheeler" and "commercial vehicles" businesses), marine and real estate/holding companies. Operations are mainly directed to financing subsidiaries, as well as managing and developing these investments. With regard to this activity, the direct presence of the directors of IMMSI on the boards of Group companies strengthens the control of the same. The Board of Statutory Auditors monitored the organisational structure of the Company as part of its periodic verifications, and also monitored the organisational chart of the Group, with particular regard to the administrative area. The Board of Statutory Auditors – together with the Control and Risks Committee – receives periodic, systematic information from the Group Internal Audit also in relation to subsidiaries. The Board of Statutory Auditors has links with the Boards of Statutory Auditors of subsidiaries, for Piaggio & C. and Intermarine, also facilitated by the presence of a member of the Board of Statutory Auditors of the Parent Company: this facilitated the exchange of information useful for verifying issues of common interest. The Board received information on the financial position and performance of sub-groups, some of which (marine and property sub-groups) received financial support from IMMSI and necessary guarantees to carry out their business activities, as explained in the section “The marine sector: Intermarine”, and in the section “The property and holding sector” of the Directors' Report on Operations. The net debt trend and the financial situation as a whole – summed up in the paragraph “Financial position and performance of the Group” (in the Directors’ Report) – were systematically overseen by the Board of Statutory Auditors in its meetings, also in relation to coverage guaranteed to financial institutions with securities owned by IMMSI. The Board was regularly updated during the year on the evolution of this situation and had specific meetings to that effect with the CFO of IMMSI, in order to ascertain the Group's financial strategy, as well as the outcome of net debt monitoring and the liquidity situation, also by business segment The Chairman of the Control and Risks Committee, and Deputy Chairman of the Company and/or entire Control and Risks Committee, generally attended these meetings. As regards these aspects, the Board of Statutory Auditors also met with the Chairman and CEO, in order to have information on the continual engagement with banks of the latter. The Board confirms the attention of the Directors on this matter and the adequacy of the organisational and administrative structure with regard to the monitoring process. The notes in section G2 Financial Liabilities and the notes to the Separate Financial Statements, in section D2 Financial Liabilities, indicate the composition of bank debt, by bank and credit line, and relative maturities. Those paragraphs analyse the situation, conditions of compliance with covenants applicable and – for the Parent Company – the amount of debts payable to banks separated by contractual due date (within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years, over 5 years), highlighting the composition of Parent Company bank payables as at 31 December 2018. In this regard, the Board highlights the "short-term reclassification" of the credit lines previously classified as medium-long term in the balance sheet of the Parent Company at 31 December 2018 and of other credit lines of subsidiaries in the consolidated balance sheet, as illustrated and motivated in said paragraph D2 of the notes to the financial statements of IMMSI and paragraph G2 of the notes to the consolidated financial statements.

13. The Board of Statutory Auditors supervised the adequacy of the internal control system, gathering information, inter alia, from the Directors, the independent auditors and the manager of the internal audit function and Chief Executive Officer of IMMSI Audit S.C. a r.l. IMMSI likewise made recourse to IMMSI Audit S.C. a r.l. for the outsourcing of internal auditing services, as did the other Group companies and, in particular, also the main subsidiary Piaggio & C. S.p.A.. IMMSI Audit S.C. a r.l. also monitored the organisational and management model in support of the Supervisory Board pursuant to Legislative Decree 231/01 and the controls in outsourcing instrumental to the verifications required by Law 262/05 and to the activity of the Manager in charge of preparing the company accounts and documents. The Board of Statutory Auditors systematically interacted with the internal audit officer, in charge of the audit function, with regard to which it obtained very positive feedback (as already emerging in previous years) on the activities carried out and the effectiveness of the same, from which - with regard to the corporate cycles and functions controlled during 2018 - no shortcomings of the Company emerged worthy of mention here. The Board of Statutory Auditors continually monitored the risks control system, which the head of Internal Audit reports on in its report for 2018.

The Board also points out that IMMSI Audit S.C. a r.l., for the period 2018-2020, submitted an audit plan for IMMSI S.p.A. with a view to verifying, over such three-year period, all significant corporate activities and processes at least once. This plan was approved by the Board of Directors of IMMSI on 1 March 2018, also in the light of the activities actually carried out in the previous three years and of adoption of the comments of the Director in charge of the internal control and risk management system, in the person of the Chief Executive Officer, or of the corporate governance bodies, for the in-depth investigation of new topics to be analysed, or for a different assignment of priorities in the conduct of the audits, also in the light of the comments shared with the management.

The activities actually performed in 2018 - the subject of a detailed report examined by the Control and Risks Committee and the Board of Statutory Auditors - were positively evaluated by the Board, which had summary feedback on the audit work carried out for both the parent company and subsidiaries, also with the expression of an opinion on the issues highlighted and on their removal or mitigation. It should be noted that, at the Group level, for the listed subsidiary Piaggio & C. S.p.A. the time horizon is represented by the 2019-2020 plan which, together with the 2018 plan, constitutes a three-year audit plan to take into account the results of the Enterprise Risk Management project carried out by Piaggio's

Risk Manager. The Board reached an opinion of adequacy with regard to the control system. The Board of Statutory Auditors, in its capacity as "Internal Control Committee", liaised with a continuous flow of information with the Control and Risks Committee, constituted by Directors, also extending the meetings to all members of the Board of Statutory Auditors.

Finally, the Board of Statutory Auditors interfaced with the Supervisory Board - which includes a member of the Board of Statutory Auditors - also interacting with regard to updating of the Organisational, Management and Control Model pursuant to Legislative Decree 231/2001.

During Control and Risks Committee meetings no aspects emerged worthy of further mention here.

In view of the above, the Board of Statutory Auditors deems that the internal control system is, at present, on the whole adequate.

14. The Board of Statutory Auditors, for the aspects under its responsibility, deems the administrative/accounting system to be adequate and deems it appropriate to correctly represent operations. On this point, the Board of Statutory Auditors was informed periodically of activities supporting the Manager in charge of preparing company accounts (for which the Company also availed itself - as was said above – of IMMSI Audit S.c. a r.l. related to assessments to be performed in compliance with Law 262/2005), which implied analysing company areas considered important and assessing related risks, also considering the process to mitigate those risks. From the exchange of information with the CFO and from meetings with the Independent Auditors, the Board ascertained the validity of the functioning of such system. The Chairman of the Company, the CEO and the Manager in charge of preparing the company accounts and documents issued the certifications provided for by Art. 154-*bis*, paragraph 5, of Legislative Decree 58/1998. The Control and Risks Committee, in advance with respect to the Board of Directors which approved the financial statements, examined the results of the impairment procedures and discussed them with the Independent Auditors, in the presence of the Board of Statutory Auditors.

15. Pursuant to Art. 114 of Legislative Decree 58/98, the Company issues adequate instruction to its subsidiaries in order to obtain the information necessary to fulfil the disclosure requirements provided for by law. The aforementioned presence of Directors of the Company on the Boards of the main subsidiaries is also recalled here.

16. The Board of Statutory Auditors, during 2018 and beyond up to the date of this report, regularly held meetings with the Independent Auditors, PricewaterhouseCoopers, to exchange data and information of significance for the performance of their duties, as required by point 3 of Art. 150 of Italian Legislative Decree 58/98; no findings emerged from these meetings. The Board of Statutory Auditors acknowledges that it had the opportunity to analyse aspects (identified as "key aspects" in the report to the "Internal Control and Audit Committee", which will be discussed below) with the independent auditors concerning, inter alia: i) the recoverability of the carrying value of investments in subsidiaries and the recoverability of goodwill, ii) the recoverability of deferred tax assets, iii) investments in development costs, industrial patents and intellectual property rights, iv) the Parent Company's net short-term financial indebtedness, also within the framework of that of the Group. Moreover, also to further analyse issues pursuant to Art. 19, paragraph 1, point *c)* of Legislative Decree 39/2010 (as renewed by Legislative Decree 135/2016), the Board of Statutory Auditors examined the important aspects of the audit plan, including an examination of significant risks and related audit responses. This examination also included a discussion – with the Independent Auditors – of the main types of risk. In addition to the foregoing, the Board of Statutory Auditors considered the "areas of emphasis" highlighted by the Independent Auditors and represented by: (a) Adoption of IFRS 15; (b) accounting of the so-called Taiwan Contract and (c) classification and valuation of the property in Rome, Via Abruzzi. The Board of Statutory Auditors also examined the report produced by the Independent Auditors in accordance with Article 11 of European Regulation 537/204 - also discussing it with the Independent Auditors themselves - in which PricewaterhouseCoopers declares that: a) no material deficiencies had been identified in the internal control system in relation to the financial disclosure process which, according to the professional opinion of this Company - are sufficiently important to be brought to the attention of the Internal Control and Audit Committee. b) as part of the audit, it did not identify any significant uncertainty as to the business continuity of the Company or the Group; c) no cases of fraud or suspected cases of fraud were identified; d) no matters deemed significant were identified related to non conformities, effective or presumed, with laws and regulations or statutory provisions, to be submitted to the attention of the Internal Control and Audit Committee. The Board of Statutory Auditors, in carefully examining this report - including the "key aspects" of the auditing of the separate and consolidated financial statements mentioned above - took note of its structure which includes: 1) the contents of the audit report, 2) the auditor’s approach, 3) the results of auditing activities and 4) the auditing team and independence. That report is transmitted to Directors by the Board of Statutory Auditors with its comments.

17. The Directors, in the "Report on Corporate Governance and Corporate Ownership" pursuant to Art. 123-*bis* Consolidated Law on Finance, in support of the financial statement dossier, provide detailed information regarding the corporate governance system, highlighting the degree of alignment with the indications provided by the Corporate Governance Code. In particular, the Company established the Directors’ Remuneration Committee, the Control and Risks Committee, the Appointments Committee, the Lead independent director, the Manager appointed to the internal control and risk management system. The Company has a “Procedure for Communicating Privileged Information to the General Public”, a “Procedure for the management of the Register of persons with access to Privileged Information” and a “Procedure for the fulfilment of internal dealing obligations”. The Company adopted the procedure aimed at regulating the approval and management of transactions with Related Parties, pursuant to Art. 4 of Consob Regulation No. 17221 of 12 March 2010, carried out by IMMSI also through its subsidiaries. The permanence of the related parties committee is linked to the existence of at least three independent directors: this circumstance occurred on a continual basis during 2018. Independence requirements, as of Article 3 of the Corporate Governance Code and Article 148, paragraph 3, letters b) and c) of Italian Legislative Decree no. 58/98 of independent directors were verified by the Board of Directors on 21 March 2018 and subsequently updated on 10 May 2018, at the first opportunity following their appointment, as well as in approving the governance report on 25 March 2019. The Board of Statutory Auditors certifies that the criteria and review procedures used by the Board of Directors to evaluate independence requirements had been correctly adopted. The Board of Statutory Auditors also verified the independence requirements of its members based on the same criteria and communicated such verification to the Board of Directors. On this point, it is acknowledged that the Board of Directors’ meetings of 16 March 2015, 13 May 2015, 23 March 2016, 23 March 2017, 21 March 2018, 10 May 2018 - most recently reiterated on 25 March 2019 - referred to members of control bodies, resolved, with no prejudice to assessment of Board of Statutory Auditors competence related to its own composition: (i) to consider it appropriate, in the interest of the Company, not to apply criterion 3.C.1 point e) of the Corporate Governance Code with regard to the Statutory Auditor Alessandro Lai; (ii) to recognise the fulfilment of the requirements of independence pursuant to Article 148, paragraph 3, of the Consolidated Law on

Finance and Article 3 of the Corporate Governance Code by all the members of the Board of Statutory Auditors. The individual members of the Board also certify compliance with the limits on the number of offices pursuant to Art. 148-*bis*, paragraph 1 of Italian Legislative Decree 58/98. The members of the Board of Statutory Auditors shared the need, in the case of transactions for which they have an interest on their own behalf or on that of others, to report this situation to the Board of Directors and the other members of the Board itself.

The Company has for some time now adopted a Code of Ethics, an Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 and a Supervisory Board, which during 2018 also included the Chairman of the Board of Statutory Auditors and, since the renewal of corporate offices which took place in the Shareholders' Meeting of 2018, a Statutory Auditor. The Company updates those documents, especially adapting those related to Legislative Decree 231/2001 with regard new offences added to the law.

The Company submits to the General Meeting a Remuneration Report pursuant to Art. 123-*ter* of Italian Legislative Decree 58/1998 and Art. 84-*quater* of Consob Regulation 11971/1999 and in accordance with Annex 3, schemes 7-*bis* and 7-*ter* of said Regulation.

18. The Board of Statutory Auditors, in the course of the verification carried out during the year, did not find omissions, misconduct or serious irregularities and, therefore, does not deem it necessary to make any report to the Controlling Bodies or to the General Meeting as provided for by paragraph 1 of Art. 153 of Legislative Decree 58/98.

19. The Board of Statutory Auditors has no proposal to submit to the General Meeting, pursuant to Art. 153 par. 2 of Legislative Decree 58/98, except as indicated below concerning approval of the financial statements.

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The Board of Statutory Auditors, in light of the considerations made and the aspects under its responsibility, has no reason to object to the approval of the financial statements at 31

December 2018 and adheres to the proposal of the Board of Directors regarding allocation of the operating profit.

Mantova, 9 April 2019.

For the Board of Statutory Auditors– The Chairman

(Alessandro Lai)

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