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 registration number 07918540019

Half-Yearly Financial Report of the Immsi Group at 30 June 2019

Contents:

This document was approved by the Board of Directors of Immsi S.p.A. on 2 September 2019 and is available for the public to consult at the Registered Office of the Company, in the centralised storage system www.emarketstorage.com and on the Issuer's website www.immsi.it (section: "Investors/Financial statements and reports/2019") according to legislation.

COMPANY BOARDS

The Board of Directors and the Board of Statutory Auditors of Immsi S.p.A. were appointed by shareholders' resolution of 10 May 2018 and will remain in office until the date the Shareholders' Meeting is convened to approve the financial statements for the year ending 31 December 2020.

BOARD OF DIRECTORS

Roberto Colaninno	***Chairman***
Daniele Discepolo	***Deputy Chairman***
Michele Colaninno	***Chief Executive Officer***
Matteo Colaninno	***Director***
Ruggero Magnoni	***Director***
Livio Corghi	***Director***
Rita Ciccone	***Director***
Gianpiero Succi	***Director***
Patrizia De Pasquale	***Director***
Paola Mignani	***Director***
Devis Bono	***Director***

BOARD OF STATUTORY AUDITORS

Alessandro Lai	***Chairman***
Giovanni Barbara	***Statutory Auditor***
Maria Luisa Castellini	***Statutory Auditor***
Gianmarco Losi	***Alternate Auditor***
Elena Fornara	***Alternate Auditor***

INDEPENDENT AUDITORS

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

GENERAL DIRECTOR

Michele Colaninno

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

REMUNERATION COMMITTEE

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

CONTROL AND RISKS COMMITTEE

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

RELATED-PARTIES COMMITTEE

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

COMPLIANCE COMMITTEE

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

APPOINTMENT PROPOSAL COMMITTEE

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

LEAD INDEPENDENT DIRECTOR

Daniele Discepolo

CEO AND GENERAL MANAGER

Michele Colaninno

INTERNAL AUDIT MANAGER

Maurizio Strozzi

FINANCIAL REPORTING OFFICER

Andrea Paroli

INVESTOR RELATIONS

Andrea Paroli

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

Half-Yearly Financial Report of the Immsi Group

The Half-Yearly Financial Report for the six months to 30 June 2019 was prepared in accordance with Legislative Decree No. 58/1998 as amended, and the Consob Regulation on Issuers.

This Report was prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the *International Accounting Standards Board* (IASB), as adopted by the European Union, and according to IAS 34 – *Interim Financial Reporting*, applying the same accounting standards as those adopted when preparing the Consolidated Financial Statements at 31 December 2018 of the Immsi Group (to which reference is made for further details), excluding adoption as from 1 January 2019 of IFRS 16 - *Leases*. The Group opted to use the simplified transition approach and did not therefore modify the comparative amounts of the previous year, for first-time adoption. For analysis of the effects of the first-time adoption of this standard, reference is made to the Notes.

The Group also considered IASB amendments and interpretations applicable as from 1 January 2019 (for more details, reference is made to the Notes to this document), and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

Information on operations

During the first half of 2019, the Immsi Group confirmed the improvement of recent years, in economic and financial terms. All ratios increased compared to 2018: turnover went up by 9.9%, EBIT by 11.3% and net profit including the portion attributable to non-controlling interests by 15.1%. Financial debt at 30 June 2019 also improved considerably compared to the same period in 2018, equal to approximately €27.6 million on a uniform comparative basis, considering that at 30 June 2019, the net debt included €22.5 million due to the effects of IFRS 16.

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

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

Some of the main summary data of the Immsi Group, divided by segment of activity, are reported below.

Immsi Group at 30 June 2019

in thousands of euros	*Property and holding sector*	*as a %*	*Industrial sector*	*as a %*	*Marine sector*	*as a %*	*Immsi Group*	*as a %*
Net revenues	2,121		816,957		31,916		850,994	
Operating income before depreciation and amortisation (EBITDA)	-1,243	n/m	134,283	16.4%	3,554	11.1%	136,594	16.1%
Operating income (EBIT)	-1,735	n/m	75,068	9.2%	1,844	5.8%	75,177	8.8%
Profit before tax	-9,676	n/m	62,837	7.7%	964	3.0%	54,125	6.4%
Earnings for the period including non-controlling interests	-9,373	n/m	34,561	4.2%	481	1.5%	25,669	3.0%
Group earnings for the period (which may be consolidated)	-4,925	n/m	17,347	2.1%	349	1.1%	12,771	1.5%
Net debt	-372,968		-418,032		-47,163		-838,163	
Net debt (ex IFRS 16)	-371,467		-397,991		-46,167		-815,625	
Personnel (number)	108		6,468		266		6,842	

As already stated, the new accounting standard IFRS 16 – Leases has been adopted since 1 January 2019; the effects are discussed in the section "Accounting standards and measurement criteria". The Group opted to use the simplified transition approach and did not therefore modify the comparative amounts of the previous year, for first-time adoption.

The same table referring to the first half of the previous year is presented below. A comparison between the two periods is made in the specific comment presented below regarding each business sector:

Immsi Group at 30 June 2018

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

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

Alternative non-GAAP performance measures

This Report contains some measures that, although not indicated by IFRS ("Non-GAAP Measures"), derive from IFRS financial measures (Consob Communication DEM/6064293 of 28 July 2006 as amended, including Consob Communication 0092543 of 3 December 2015 which enacts ESMA/2015/1415 guidelines on alternative performance measures.

These measures – which are presented to allow a better assessment of the Group's operating performance – should not be considered as an alternative to IFRS measures. They are identical to those contained in the Annual Report and Financial Statements at 31 December 2018 and in the periodical quarterly reports of the Immsi Group.

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

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

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

- **Net financial debt (or net debt)**: represented by (current and non-current) financial liabilities, minus cash on hand and other cash and cash equivalents, as well as other (current and non-current) financial receivables. The other financial assets and liabilities arising from the fair value measurement of derivative financial instruments designated as hedges, the fair value adjustment of related hedged items, relative accruals, interest accrued on loans and financial liabilities related to assets held for disposal are not, however, included in the calculation of net financial debt. The tables in this Report include a table showing times used to determine the indicator. In this respect, in compliance with CESR recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", the indicator, thus formulated, represents aspects monitored by the Group's management and differs from recommendations in Consob Communication no. 6064293 of 28 July 2006, as it also includes the non-current portion of financial receivables.

Property and holding sector

in thousands of euros	*30.06.2019*	*as a %*	*30.06.2018*	*as a %*	*Change*	*as a %*
Net revenues	2,121		2,039		82	4.0%
Operating income before depreciation and amortisation (EBITDA)	-1,243	n/m	-1,549	n/m	306	19.8%
Operating income (EBIT)	-1,735	n/m	-1,781	n/m	46	2.6%
Profit before tax	-9,676	n/m	-9,337	n/m	-339	-3.6%
Earnings for the period including non-controlling interests	-9,373	n/m	-8,961	n/m	-412	-4.6%
Group earnings for the period (which may be consolidated)	-4,925	n/m	-5,282	n/m	357	6.8%
Net debt	-372,968		-364,451		-8,517	-2.3%
Net debt (ex IFRS 16)	-371,467		-364,451		-7,016	-1.9%
Personnel (number)	108		98		10	10.2%

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

Overall, the **property and holding sector** reported a net loss for consolidation purposes in the first half of 2019 of approximately €4.9 million, improving on the loss of €5.3 million recorded in the same period of the previous year.
Net debt of the sector was negative at €373 million, compared to €-364.5 million at 30 June 2018.

The **Parent Company Immsi S.p.A.** recorded a net profit for the period of approximately €16 million, compared to approximately €9.6 million at 30 June 2018. This was mainly due to the increase in financial income in the first half of 2019 compared to the same period of 2018. In particular, the dividends collected by the Company increased by €6.3 million compared to the amount distributed by the subsidiary Piaggio & C. S.p.A. in 2018.
With reference to non-financial income components, net revenues realised in the first half of 2019 from real-estate operations and services amounted to €2.3 million, basically unchanged compared to the same period of the previous year.
Net financial debt amounted to €55.5 million, down by approximately €9.5 million compared to 31 December 2018, due mainly to the cash flows generated from operations including financial flows as described above.
Shareholders' equity of the Parent Company Immsi S.p.A. at 30 June 2019 was equal to €377.5 million, up compared to the balance at the end of 2018, equal to €361.3 million, due to earnings for the period.

In preparing this Half-Yearly Financial Report at 30 June 2019, the Parent Company did not carry out any specific impairment testing on the carrying amount of investments held in companies consolidated on a line-by-line basis, as these investments and any changes resulting from relative impairment tests would have been eliminated in full during consolidation.

As regards the subsidiary **Is Molas S.p.A.**, work site activities for the construction of the first 15 holiday villas and the first section of primary services was completed, and the company handed over four finished mock-up villas and the remaining 11 villas in an advanced basic construction stage, in order to enable potential clients to choose the flooring and interior finishings. Commercial activities are continuing to identify possible buyers, also at international level.
Revenues relating to tourist/hotel and golf activities for the first half of 2019 were slightly up on the same period of 2018, while in terms of margins, the company recorded an operating loss of €1 million, up compared to the figure of €-1.3 million in the first half of 2018, and a net loss for consolidation purposes of €0.8 million, also slightly down on the figure for the first six months of the previous year.
The company's net financial debt amounted to €68.4 million, down on the figure at the end of 2018 (€69 million). The change in the six month period is due to the payment for a future capital increase made by the partner ISM Investimenti S.p.A. for €6 million, nearly entirely offset by net cash flow used in operations.

With reference to the Pietra Ligure project, activities aimed at identifying potential parties interested in development of the Project continued.
Net profit for consolidation purposes of **Pietra S.r.l.** in the first half of 2019 was substantially in line with the same period of the previous year, while net financial debt remained unchanged from 31 December 2018 amounting to €2.7 million. **Pietra Ligure S.r.l.**, a subsidiary of Pietra S.r.l. and which incorporates the property complex of Pietra Ligure with related Planning Permissions and Agreements, recorded an operating loss of €0.3 million (slightly worse than the first half of 2018), and net financial debt amounted to €1.9 million (€1.3 million at 31 December 2018), in addition to financial debt relative to the discounting of cash flows related to the above concession (as provided for in IFRS 16) amounting to approximately €5.9 million.

With reference to the subsidiary **Apuliae S.r.l.**, there are no further updates since the Report of Directors and Financial Statements of the Immsi Group at 31 December 2018, to which reference is made. At 30 June 2019, the company posted a substantial break-even position and net debt that was unchanged compared to 31 December 2018 at a negative value of €0.7 million.

The other major companies falling within the property and holding sector also include RCN Finanziaria S.p.A. and ISM Investimenti S.p.A.. With reference to main financial data of the company:

- **RCN Finanziaria S.p.A.**, in which Immsi S.p.A. holds 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 €1.9 million (€1.8 million in the first half of 2018) and net financial debt at 30 June 2019 amounting to €123.4 million, up slightly on the figure of €123 million at 31 December 2018;

- **ISM Investimenti S.p.A.** recorded a net loss for consolidation purposes for the Immsi Group of approximately €1.7 million (down by approximately €0.3 million compared to the first half of 2018), and net financial debt at 30 June 2019 equal to €120.4 million, up by approximately €6.7 million compared to the figure at 31 December 2018. This increases refers nearly entirely to the recapitalisation of the subsidiary Is Molas S.p.A., through the conversion of financial receivables previously sold by Immsi S.p.A. to ISM Investimenti S.p.A. due from the subsidiary, into Shareholders' equity reserves.

The company, which is the parent of Is Molas S.p.A., with a 92.59% stake at the end of June, is an investee of Immsi S.p.A. which holds a 72.64% share and of IMI Investimenti S.p.A. that holds 27.36% in terms of voting rights. In this regard, considering the analysis of impairment testing conducted at the end of 2018 and 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 compared to the figure of 51.55% at 30 June 2018.

Industrial sector: Piaggio group

in thousands of euros	*30.06.2019*	*as a %*	*30.06.2018*	*as a %*	*Change*	*as a %*
Net revenues	816,957		729,592		87,365	12.0%
Operating income before depreciation and amortisation (EBITDA)	134,283	16.4%	116,608	16.0%	17,675	15.2%
Operating income (EBIT)	75,068	9.2%	61,885	8.5%	13,183	21.3%
Profit before tax	62,837	7.7%	48,506	6.6%	14,331	29.5%
Earnings for the period including non-controlling interests	34,561	4.2%	26,678	3.7%	7,883	29.5%
Group earnings for the period (which may be consolidated)	17,347	2.1%	13,358	1.8%	3,989	29.9%
Net debt	-418,032		-431,362		13,330	3.1%
Net debt (ex IFRS 16)	-397,991		-431,362		33,371	7.7%
Personnel (number)	6,468		6,976		-508	-7.3%

In terms of consolidated turnover, the group ended the first half of 2019 with net revenues up compared to the same period of 2018 (+12%).
At a geographic level, all areas reported a positive performance: EMEA and Americas +10.3%; India +8.7 (+7.5% with constant exchange rates); Asia Pacific +28.8% (+23.1% with constant exchange rates).
As regards product type, the increase in turnover referred to both two-wheeler vehicles (+12.1%) and commercial vehicles (+11.7%). Consequently, the percentage for the two-wheeler segment accounting for total turnover was stable at 71.4%, while the percentage for the commercial vehicles segment stood at 28.6%.

In the first half of 2019, the Piaggio group sold 321,500 vehicles around the world, recording an increase of 5.7% compared to the first half of the previous year, when 304,000 vehicles were sold. All geographic areas reported a good performance: (EMEA and Americas +6.7%; India +0.5%; Asia Pacific +20.2%. As regards product type, this growth trend is distributed between two-wheeler vehicles (+5.9%) and commercial vehicles (+5.5%).

EBITDA of the Piaggio group rose to €134.3 million (from €116.6 million in the first half of 2018). In relation to turnover, EBITDA was equal to 16.4% (16% in the first half of 2018). Operating income (EBIT) came to €75.1 million, up considerably on the first half of 2018; in relation to turnover, EBIT was equal to 9.2% (8.5% in the first half of 2018).

The result of financing activities improved compared to the first six months of the previous year, thanks to a lower debt exposure and reduction in the cost of debt, registering net charges for €12.2 million (€13.4 million at 30 June 2018). This improvement would be greater, considering that the result included non-recurring net income in the first half of 2018 amounting to €0.9 million generated from the liability management operation on the "Eur 250 million Piaggio 4.625% due 2021" debenture loan.

Net profit stood at €34.6 million (4.2% of turnover), up on the figure for the same period of the previous year (which was equal to €26.7 million, 3.7% of turnover).

Net financial debt at 30 June 2019 of the Piaggio group was equal to €418 million, compared to €429.2 million at 31 December 2018. The reduction of approximately €11.2 million (€31.2 million excluding the effect of the new accounting standard IFRS 16) is due to the good operating performance, enabling the payment of dividends (€32.2 million) and the funding of the investments programme. Compared to 30 June 2018, debt was reduced by approximately €13.3 million (€33.4 million excluding the effect of the new accounting standard IFRS 16).

The market

Two-wheeler business

During the first half of 2019, the Piaggio group sold a total of 215,900 two-wheeler vehicles, accounting for a net turnover equal to approximately €583.4 million, including spare parts and accessories (€67.5 million, +5.0%).
The overall growth in both volumes (+5.9%) and turnover (+12.1%) is mainly due to the good performance of the Asia Pacific area (+20.2% volumes; +28.8% turnover). In India, a slight drop in volumes (-4.7%) was recorded, along with an increase in turnover of 2.3%, due to a better mix of sold products (+1.7% with constant exchange rates). In EMEA and the Americas, volumes (+4.6%) and turnover (+9.4%) increased.

India, the most important two-wheeler market, reported a decrease in the first six months of 2019, closing with sales of nearly 9.7 million vehicles, down by 10.4% compared to the first half of 2018.

The People's Republic of China recorded a considerable drop in the first half of 2019 (-18.4%), closing at just over 2.9 million vehicles sold.

Figures available at present for the Asian area, known as Asean 5, reported growth of over 3%, closing with more than 6.7 million units sold. Indonesia, the main market in this area, reported growth of approximately 7.5% in the first half of 2019, accounting for more than 3.2 million vehicles. Registered vehicles decreased slightly in Vietnam (1,503,450 units sold; -5.3% compared to the first half of 2018). Other countries in the Asian area (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) overall recorded a decrease compared to the first half of 2018, closing with sales of approximately 650 thousand units (-6.5%). In the first six months of the year, the Japanese market was basically stable, falling by 0.7%, with just under 182 thousand units sold.

The North American market recorded a downturn compared to the first half of 2018 (-1.7%), selling 275,413 thousand vehicles.

Brazil, South America's leading market, reported a 17.1% growth in the first six months of 2019, closing with nearly 529 thousand vehicles sold.

Europe, which is the reference area for the Piaggio group's operations, reported an increase in sales on the two-wheeler market (+9.8%) compared to the first half of 2018 (+7.8% for the motorcycle segment and +12.2% for the scooter segment). On the scooter market, the over 50cc segment recorded a positive trend in the first half of 2019 (+8.2%), as did the 50cc segment (+20.6%). Both motorcycle segments also reported a positive trend, with an increase of 18.3% in the 50cc segment and of 7.4% in the over 50cc segment.

Commercial Vehicles business

During the first half of 2019 the Commercial Vehicles business generated a turnover of approximately €233.5 million including around €26.1 million relating to spare parts and accessories, a 11.7% increase compared to the same period of the previous year. During the period, 105,700 units were sold, up by 5.5% compared to the first six months of 2018.
In percentage terms, the most significant increase was recorded in EMEA and the Americas (18.6%), thanks to a strong boost from the European market (+19.1).
In India, the group recorded an increase in sales. The Indian subsidiary Piaggio Vehicles Private Limited sold 81,723 vehicles on the Indian three-wheeler market (81,550 in the first half of 2018). This subsidiary also exported 13,586 three-wheeler vehicles (10,810 at 30 June 2018) and 35, four-wheeler vehicles.
On the domestic four-wheeler market, sales of Piaggio Vehicles Private Limited in the first half of 2019 fell by 55.7% compared to the first six months of 2018, amounting to 415 units.
In overall terms, the Indian subsidiary Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A., invoiced €180.6 million in the first half of 2019, compared to €164.5 million for the same period of the previous year (+ 9.8%; + 8.6% with constant exchange rates).

Europe
In the first six months of 2019, the European market for light commercial vehicles (vehicles with a gross vehicle weight of up to 3.5 tonnes) – in which the Piaggio group is present – accounted for 1,107,787 units sold, an increase of 3.8% over the first six months of 2018 (source: ACEA data). In detail, the trends of main European reference markets are as follows: Germany (+11.7%), Great Britain (+8.7%), Italy (+5.9%), France (+5.6%) and Spain (+2.3%).

India
The Indian three-wheeler market, where Piaggio Vehicles Private Limited operates, went down from 359,144 units in the first six months of 2018 to 329,995 units in the same period in 2019, decreasing by 8.1%.
On this market, volumes in the passenger vehicle segment decreased (-10.5%), closing at 263,321 units. Conversely, the cargo segment increased slightly (+2.7%), from 64,946 units in the first six months of 2018 to 66,674 units in the first half of 2019. Piaggio Vehicles Private Limited also operates on the four-wheeler light commercial vehicles (LCV) market for goods' transport (cargo). The size of the LCV cargo market with a mass of less than 2 tons reached 111,506 units in the first six months of 2019, an increase of 3.5% over the first half of 2018.

The Marine sector: Intermarine

in thousands of euros	30.06.2019	as a %	30.06.2018	as a %	Change	as a %
Net revenues	31,916		42,440		-10,524	-24.8%
Operating income before depreciation and amortisation (EBITDA)	3,554	11.1%	9,038	21.3%	-5,484	-60.7%
Operating income (EBIT)	1,844	5.8%	7,424	17.5%	-5,580	-75.2%
Profit before tax	964	3.0%	6,730	15.9%	-5,766	-85.7%
Earnings for the period including non-controlling interests	481	1.5%	4,584	10.8%	-4,103	-89.5%
Group earnings for the period (which may be consolidated)	349	1.1%	3,324	7.8%	-2,975	-89.5%
Net debt	-47,163		-47,418		255	0.5%
Net debt (ex IFRS 16)	-46,167		-47,418		1,251	2.6%
Personnel (number)	266		270		-4	-1.5%

With reference to economic data for the marine sector, the first half of 2019 saw a decrease of 24.8% in net sales revenues (consisting of turnover and changes in contract work in progress) compared to the same period of the previous year, with the figure standing at €31.9 million, compared to €42.4 million in the first half of 2018, with a consequent decrease in other economic indicators. This downturn is greater due to the recognition in the first half of the previous year of non-recurring income for approximately €4 million, referring to higher sums received for production process, related to the termination of contracts in place at the time with an Asian shipyard.
Production progress, including research and development, and the completion of constructions and deliveries, concerned in particular:

- the Defence division, with €26 million (€34.2 million in the first half of 2018), mainly for progress relative to job orders with the Italian financial police, refurbishment of the Gaeta class minesweeper and of multi-functional, high-speed vessels for the Italian Navy, and for the second and third integrated minesweeper platform with the Italian sector operator;
- the Fast Ferries and Yachts divisions, with a total of €5.9 million (8.2 million during the first half of 2018), mainly for activities at the Messina shipyard and for revenues from the Marine Systems division.

This led to a positive EBIT in the first half of 2019 for €1.8 million (€7.4 million in the same period in 2018), accounting for 5.8% of revenues, and earnings before taxes of €1 million compared to profit before taxes of €6.7 million in the first half of 2018. Net profit for consolidation purposes for the Immsi Group at 30 June 2019 amounted to €0.3 million, compared to a profit of €3.3 million during the first half of 2018.

The total value of the orders portfolio of the company amounted to €145 million at 30 June 2019 (mainly relative to the Defence division), referring to the remaining part of existing contracts still to be developed in terms of revenues.

In terms of capital, net financial debt, equal to €47.2 million at 30 June 2019, was down slightly compared to the balance at 31 December 2018 and 30 June 2018, equal to €47.5 and 47.4 million respectively.

Financial situation and financial performance

As already mentioned, during the first half of 2019, the Immsi Group reported an improvement in all growth ratios compared to the same period of the previous year. Net financial debt at 30 June 2019 decreased compared to 31 December 2018 and 30 June 2018.
At 30 June 2019 the structure of the Immsi Group was that attached to this Half-Yearly Financial Report, to which reference is made. The scope of consolidation compared to the Consolidated Financial Statements at 31 December 2018 was unchanged, while the scope changed compared to 30 June 2018 but without affecting to any considerable extent the comparability of business results between the two reporting periods. For further details of changes, see section B of the Notes.
The Group prepares reclassified figures as well as the financial statement schedules required by law. A short description of the main balance sheet and income statement items is provided below the reclassified schedules. Further information on these items may be found in the Notes to the consolidated financial statements. Specific notes referring to the mandatory schedule items are omitted since the main aggregates coincide.

Financial performance of the Group

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

in thousands of euros	*30.06.2019*		*30.06.2018*		*Change*	
Net revenues	**850,994**	**100%**	**774,071**	**100%**	**76,923**	**9.9%**
Costs for materials	499,373	58.7%	439,103	56.7%	60,270	13.7%
Costs for services, leases and rentals	138,987	16.3%	132,699	17.1%	6,288	4.7%
Employee costs	128,245	15.1%	122,468	15.8%	5,777	4.7%
Other operating income	65,604	7.7%	56,474	7.3%	9,130	16.2%
Net reversals (write-downs) of trade and other receivables	-796	-0.1%	-844	-0.1%	48	5.7%
Other operating costs	12,603	1.5%	11,334	1.5%	1,269	11.2%
OPERATING EARNINGS BEFORE AMORTISATION AND DEPRECIATION (EBITDA)	**136,594**	**16.1%**	**124,097**	**16.0%**	**12,497**	**10.1%**
Depreciation and impairment costs of property, plant and equipment	24,757	2.9%	21,431	2.8%	3,326	15.5%
Impairment of goodwill	0	-	0	-	0	-
Amortisation and impairment costs of intangible assets with a finite life	36,660	4.3%	35,138	4.5%	1,522	4.3%
OPERATING INCOME	**75,177**	**8.8%**	**67,528**	**8.7%**	**7,649**	**11.3%**
Income/(loss) from investments	385	0.0%	404	0.1%	-19	-
Financial income	7,872	0.9%	15,202	2.0%	-7,330	-48.2%
Borrowing costs	29,309	3.4%	37,235	4.8%	-7,926	-21.3%
PROFIT BEFORE TAX	**54,125**	**6.4%**	**45,899**	**5.9%**	**8,226**	**17.9%**
Taxes	28,456	3.3%	23,598	3.0%	4,858	20.6%
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS	**25,669**	**3.0%**	**22,301**	**2.9%**	**3,368**	**15.1%**
Gain (loss) from assets held for disposal or sale	0	-	0	-	0	-
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	**25,669**	**3.0%**	**22,301**	**2.9%**	**3,368**	**15.1%**
Earnings for the period attributable to non-controlling interests	12,898	1.5%	10,901	1.4%	1,997	18.3%
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	**12,771**	**1.5%**	**11,400**	**1.5%**	**1,371**	**12.0%**

As already stated, the Group has adopted the accounting standard IFRS 16 - Leases since 1 January 2019. The standard mainly has an impact on the recognition of the Group's operating leases in the accounts. The Group opted to use the simplified transition approach and did not therefore modify the comparative amounts of the previous year, for first-time adoption. For analysis of the effects of the first-time adoption of this standard, reference is made to the Notes.

The consolidated net revenues of the Immsi Group have increased by approximately €76.9 million (+9.9%) to around €851 million, mainly due to the industrial sector, which contributed about €817 million, and the marine sector, which contributed around €31.9 million. Net revenues of the property and holding sector, amounting to approximately €2.1 million, were basically unchanged compared to the same period of the previous year. With uniform exchange rates, turnover was equal to approximately €841.7 million (+8.7% for the same period in 2018).

Operating costs and other consolidated Group net costs in the first half of 2019 totalled €714.4 million (equal to 83.9% of net revenues), of which €682.7 million relative to the Piaggio group (83.6% of group net revenues).
Costs for materials totalled €499.4 million, equal to 58.7% of net revenues. The cost relating to the industrial sector amounted to €494.2 million, equal to 60.5% of net revenues of the sector.

Employee costs totalled €128.2 million, equal to 15.1% of net revenues. The largest part, €118.3 million (14.5% of net revenues of the sector), is attributable to the Piaggio group. The average paid workforce amounted to 6,849 units compared to 7,043 units in the first half of 2018, mainly referring to the industrial sector, with this figure down in all geographic areas, with the exception of Asia Pacific, where temporary manpower was used to a greater extent, following the growth in demand for two-wheelers. Average employee numbers were affected by seasonal workers in the summer (on fixed-term employment contracts). The Group effectively hires temporary staff to cover peaks in demand typical of the summer months.

EBITDA during the first half of 2019 came to around €136.6 million, or 16.1% of net revenues, compared to 124.1 million in the first half of 2018 (16% of net revenues for the period), an increase of €12.5 million (+10.1%).
Depreciation and amortisation for the period stood at €61.4 million (of which €59.2 million relative to the industrial sector), representing 7.2 % of turnover, slightly down on the figure of 7.3% for the first half of 2018. Depreciation of property, plant and equipment amounted to €24.8 million (€+3.3 million compared to the first six months of 2018), while amortised intangibles excluding goodwill totalled €36.7 million (€35.1 million in the first half of 2018).

EBIT amounted to €75.2 million (€+7.6 million, or +11.3%, over the first half of 2018), equal to 8.8% of net revenues, up on the figure of 8.7% for the same period of 2018.
Moreover, EBIT does not include impairment of goodwill in the first six months of 2019 or in the same period of the previous year, as i) based on the results forecast in long-term development plans prepared by Group companies and used for impairment tests performed at 31 December 2018 and ii) based on analyses carried out by Group management when preparing this Half-Yearly Financial Report at 30 June 2019, no write-downs were deemed necessary, as goodwill was considered to be recoverable with future cash flows.
Considering that the analyses conducted to determine the recoverable value of Immsi Group cash-generating units has also been determined based on estimates, the Group cannot guarantee that there will be no goodwill impairment losses in future periods. Owing to the current climate of uncertainty on core and financial markets, the various factors – both inside and outside the cash-generating units identified – used in preparing estimates could be revised in the future: the Group will constantly monitor these factors and the possible existence of future impairment losses.

Net financial income amounted to €21.1 million negative, equal to 2.5% of the Group's net revenues (compared to €21.6 million negative in the first half of 2018), and consists of negative balances of €12.2 million relative to the industrial sector (compared to €-13.4 million in the first half of 2018), €0.9 million relative to the marine sector (compared to €0.7 million in the first half of 2018) and €7.9 million relative to the property and holding sector (a decrease compared to the first half of 2018, which reported €7.6 million negative).
Profit before tax stood at €54.1 million at 30 June 2019, or 6.4% of net revenues, compared to €45.9 million (5.9% of net revenues) at 30 June 2018, with the industrial sector contributing €62.8 million, the marine sector €1 million and the property and holding sector with €9.7 million negative.
Taxes for the period totalled approximately €28.5 million, compared to 23.6 million at 30 June 2018. The tax rate amounted to 52.6% at 30 June 2019 and 51.4% at 30 June 2018 respectively.

Net profit for the period, after taxation and net of non-controlling interests, totalled €12.8 million (1.5% of net revenues), up compared to the figure of €11.4 million at 30 June 2018 (1.5% of net revenues).

Reclassified financial situation of the Group

in thousands of euros	***30.06.2019***	***as a %***	***31.12.2018***	***as a %***	***30.06.2018***	***as a %***
Current assets:						
Cash and cash equivalents	173,978	7.9%	200,450	9.5%	201,495	9.1%
Financial assets	0	0.0%	0	0.0%	0	0.0%
Operating activities	586,982	26.5%	486,987	23.1%	605,057	27.3%
Total current assets	**760,960**	**34.3%**	**687,437**	**32.6%**	**806,552**	**36.4%**
Non-current assets:						
Financial assets	0	0.0%	0	0.0%	0	0.0%
Intangible assets	838,615	37.9%	833,805	39.5%	825,356	37.3%
Property, plant and equipment	329,677	14.9%	300,860	14.2%	296,557	13.4%
Other assets	286,290	12.9%	289,201	13.7%	284,411	12.9%
Total non-current assets	**1,454,582**	**65.7%**	**1,423,866**	**67.4%**	**1,406,324**	**63.6%**
TOTAL ASSETS	**2,215,542**	**100.0%**	**2,111,303**	**100.0%**	**2,212,876**	**100.0%**
Current liabilities:						
Financial liabilities	442,370	20.0%	532,096	25.2%	467,914	21.1%
Operating liabilities	707,260	31.9%	585,098	27.7%	692,541	31.3%
Total current liabilities	**1,149,630**	**51.9%**	**1,117,194**	**52.9%**	**1,160,455**	**52.4%**
Non-current liabilities:						
Financial liabilities	569,771	25.7%	520,383	24.6%	576,812	26.1%
Other non-current liabilities	107,596	4.9%	94,351	4.5%	96,455	4.4%
Total non-current liabilities	**677,367**	**30.6%**	**614,734**	**29.1%**	**673,267**	**30.4%**
TOTAL LIABILITIES	**1,826,997**	**82.5%**	**1,731,928**	**82.0%**	**1,833,722**	**82.9%**
TOTAL SHAREHOLDERS' EQUITY	**388,545**	**17.5%**	**379,375**	**18.0%**	**379,154**	**17.1%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,215,542**	**100.0%**	**2,111,303**	**100.0%**	**2,212,876**	**100.0%**

Current assets at 30 June 2019 amounted to €761 million, an increase of €73.5 million from 31 December 2018 and a decrease of €45.6 million from 30 June 2018. The increase compared to the end of 2018 is due to the growth in trade and other receivables (€+62.1 million) and inventories (€+22.7 million), mainly referred to the Piaggio group due to the seasonal nature of activities.

Non-current assets at 30 June 2019 stood at €1,454.6 million, against €1,423.9 million at 31 December 2018, an increase equal to €30.7 million.
Specifically, among non-current assets, intangible assets totalled €838.6 million, an increase of €4.8 million compared to 31 December 2018, while property, plant and equipment stood at €329.7 million (up by around €28.8 million compared to the end of 2018). Other assets amounted to €286.3

million (against €289.2 million at the end of 2018).

Current liabilities at 30 June 2019 amounted to €1,149.6 million, up by €32.4 million compared to 31 December 2018, with an increase in operating liabilities (€+122.2 million, of which €+120.8 million in the Piaggio group), related primarily to the seasonality of purchases, partially offset by the decrease in current financial liabilities, from €532.1 million to €442.4 million, due to less bank debt posted in the short-term.
Non-current liabilities at 30 June 2019 stood at €677.4 million, up by approximately €62.6 million from €614.7 million at 31 December 2018. Consolidated shareholders' equity attributable to the Group and non-controlling interests totalled €388.5 million at 30 June 2019, of which €141.1 million attributable to non-controlling interests.

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

in thousands of euros	***30.06.2019***	***as a %***	***31.12.2018***	***as a %***	***30.06.2018***	***as a %***
Current operating assets	586,982	44.0%	486,987	36.7%	605,057	45.9%
Current operating liabilities	-707,260	-53.0%	-585,098	-44.1%	-692,541	-52.5%
Net operating working capital	**-120,278**	**-9.0%**	**-98,111**	**-7.4%**	**-87,484**	**-6.6%**
Intangible assets	838,615	62.9%	833,805	62.9%	825,356	62.6%
Property, plant and equipment	329,677	24.7%	300,860	22.7%	296,557	22.5%
Other assets	286,290	21.5%	289,201	21.8%	284,411	21.6%
Capital employed	**1,334,304**	**100.0%**	**1,325,755**	**100.0%**	**1,318,840**	**100.0%**
Non-current non-financial liabilities	107,596	8.1%	94,351	7.1%	96,455	7.3%
Capital and reserves of non-controlling interests	141,089	10.6%	144,389	10.9%	148,288	11.2%
Consolidated shareholders' equity attributable to the Group	247,456	18.5%	234,986	17.7%	230,866	17.5%
Total non-financial sources	**496,141**	**37.2%**	**473,726**	**35.7%**	**475,609**	**36.1%**
Net financial debt	**838,163**	**62.8%**	**852,029**	**64.3%**	**843,231**	**63.9%**

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

in thousands of euros	*30.06.2019*	*30.06.2018*
Cash generated internally	111,793	100,106
Change in net working capital	1,934	-25,997
Net cash flow generated from operations	**113,727**	**74,109**
Payment of dividends to non-controlling interests by Group companies	-16,015	-9,835
Purchase of intangible assets	-41,094	-34,625
Purchase of property, plant and equipment	-20,523	-14,397
Net decrease from property disposals	33	797
Acquisition of non-controlling investments, net of disposal	0	-13
Other net movements	277	-347
Change in net debt	**36,405**	**15,689**
Initial net debt	**-852,029**	**-858,920**
Change in financial position due to IFRS 16	-22,539	0
Closing net debt	**-838,163**	**-843,231**

Net financial debt fell from €852 million at 31 December 2018 to 838.2 million at 30 June 2019, mainly due to cash generated internally (€+111.8 million) and working capital dynamics (€+1.9 million), net investments in property, plant and equipment and intangible assets for the period, almost entirely relating to the Piaggio group (€-61.6 million), and dividends paid to non-controlling interests (€-16 million).
Net financial debt at 30 June includes the effects arising from the adoption of the new standard IFRS 16, with the recognition of new financial payables for approximately €22.5 million. On a uniform comparative basis, the reduction in net financial debt amounted to approximately €36.4 million in the first half of 2019.

Net financial debt at 30 June 2019 is analysed below and compared to the figures at 31 December 2018 and 30 June 2018.

in thousands of euros	*30.06.2019*	*31.12.2018*	*30.06.2018*
Short-term financial assets			
Cash and cash equivalents	-173,978	-200,450	-201,495
Financial assets	0	0	0
Total short-term financial assets	**-173,978**	**-200,450**	**-201,495**
Short-term financial payables			
Convertible	10,333	10,325	9,632
Payables due to banks	359,448	465,000	393,566
Leasing payables	8,742	1,237	1,247
Amounts due to other lenders	63,847	55,534	63,469
Total short-term financial payables	**442,370**	**532,096**	**467,914**
Total short-term financial debt	**268,392**	**331,646**	**266,419**
Medium/long-term financial assets			
Receivables for loans	0	0	0
Other financial assets	0	0	0
Total medium/long-term financial assets	**0**	**0**	**0**
Medium/long-term financial payables			
Convertible	292,375	291,694	303,491
Payables due to banks	254,867	220,599	264,649
Leasing payables	22,388	7,930	8,494
Amounts due to other lenders	141	160	178
Total medium/long-term financial payables	**569,771**	**520,383**	**576,812**
Total medium-/long-term financial debt	**569,771**	**520,383**	**576,812**
Net financial debt *)	**838,163**	**852,029**	**843,231**

*) The indicator does not include financial assets and liabilities arising from the fair value measurement of derivative financial instruments designated as hedges, the fair value adjustment of related hedged items and relative accruals, wholly referred to the Piaggio group, interest expense accrued on loans, as well as financial assets and liabilities related to assets held for sale (see note G2 – "Financial liabilities" in the Notes).

With reference to the breakdown of debt, compared to 31 December 2018, short-term financial debt decreased from a balance of €331.6 million to a balance of €268.4 million (i.e. € -63.2 million), with a corresponding increase in medium-long term financial debt from €520.4 million to €569.8 million (€+49.4 million). This trend was mainly due to the change in bank debt, of which details are given in the relative notes to the Condensed Interim Financial Statements.

Research & development

The Immsi Group carries out research and development activities through the Piaggio group and the subsidiary Intermarine S.p.A.. For further details on the activities and resources of research projects, reference is made to the section Products and Services in the Consolidated non-financial report pursuant to Legislative Decree 254/2016 included in the Report and Financial Statements of the Immsi Group at 31 December 2018.

Risk factors

With reference to the risk factors characterising the business of the Immsi Group, no significant variations occurred during the first half of 2019 in relation to the contents of the Report of the Directors and the Financial Statements of the Immsi Group at 31 December 2018, to which reference is made for further details.

Human resources

At 30 June 2019, the Immsi Group employed 6,842 staff, of which 108 in the property and holding sector, 6,468 in the industrial sector (Piaggio group) and 266 in the marine sector (Intermarine S.p.A.). The following tables divide resources by category and geographic segment:

Human resources by category

numbers	30.06.2019			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Senior management	5	103	6	114
Middle managers and white collars	39	2,412	149	2,600
Manual workers	64	3,953	111	4,128
TOTAL	**108**	**6,468**	**266**	**6,842**

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	Changes			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Senior management	0	3	-1	2
Middle managers and white collars	4	34	2	40
Manual workers	35	-84	-2	-51
TOTAL	**39**	**-47**	**-1**	**-9**

Human resources by geographic segment

numbers	30.06.2019			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Italy	108	3,401	266	3,775
Rest of Europe	0	278	0	278
Rest of the World	0	2,789	0	2,789
TOTAL	**108**	**6,468**	**266**	**6,842**

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	Changes			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Italy	39	77	-1	115
Rest of Europe	0	99	0	99
Rest of the World	0	-223	0	-223
TOTAL	**39**	**-47**	**-1**	**-9**

The decrease in staff at 30 June 2019 is mainly attributable to the industrial sector, with figures down in all geographic areas apart from Asia Pacific, following an increase in demand for two-wheelers, with a greater use of temporary manpower.

Employee numbers were affected by seasonal workers in the summer (on fixed-term employment contracts). The Group effectively hires temporary staff to cover peaks in demand typical of the summer months.

For further information on Group employees (including salary and training policies, diversity and equal opportunities, safety, etc.), reference is made to the section Social Dimension of the Consolidated non-financial report at 31 December 2018, prepared pursuant to Legislative Decree 254/2016.

Stock options

At 30 June 2019, Immsi S.p.A. had no existing stock option plan.

With reference also to the subsidiary Piaggio & C. S.p.A., at 30 June 2019 there were no incentive plans based on the allocation of financial instruments.

Treasury shares

At 30 June 2019, 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.

Furthermore, the Ordinary Shareholders' Meeting of Immsi S.p.A. of 14 May 2019 approved a plan for the purchase and disposal of ordinary shares of the Company, revoking the previous authorisation of the Ordinary Shareholders' Meeting of Immsi S.p.A. of 10 May 2018.
On 14 May 2019, the Board of Directors of Immsi S.p.A. - further to the aforesaid approval of the Shareholders' Meeting, resolved to start a programme to purchase treasury shares, which is a useful strategic investment opportunity for all purposes allowed by applicable laws, including the purposes contemplated in article 5 of Regulation (EU) 596/2014 (Market Abuse Regulation, "MAR"), which contemplate the purchase of treasury shares based on their subsequent annulment, and the practices permitted by Consob in accordance with article 13 of the MAR.

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

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

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

- treasury shares will be purchased on regulated markets with appropriate procedures that ensure equal treatment for all shareholders pursuant to article 132 of the Consolidated Law on Finance, with a gradual approach that is considered suitable for the interests of the Company and as permitted by applicable laws, according to the procedures established in article 144-bis, paragraph 1, letter b) of Consob Regulation on Issuers, and considering trading conditions as of article 3 of Commission Delegated Regulation (EU) 2016/1052 ("Regulation 1052") implementing the MAR (i) at a price higher than the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out, save for the unit amount not being less than 20% and being greater than 10% the arithmetic mean of official prices registered for the Immsi share in the ten trading days prior to each single purchase transaction; (ii) for volumes of more than 25% the average daily volume of Immsi S.p.A. shares traded on a regulated market on which the purchase is carried out, calculated according to the parameters as of article 3 of Regulation 1052;

- the purchase programme may also take place in several tranches, ending by 14 November 2020.

With reference to the subsidiary Piaggio & C. S.p.A., at 30 June 2019, the subsidiary had purchased 873,818 treasury shares, equal to 0.244% of shares issued.

Related Party Transactions

Revenues, costs, receivables and payables at 30 June 2019 with parent companies, subsidiaries and associates, refer to the sale of goods or services that part of normal Group operations.
Transactions are carried out at normal market values, based on the characteristics of the goods and services provided.
Information on related party transactions, including the information requested from Consob communication no. DEM/6064293 of 28 July 2006, is presented in the notes to the Condensed consolidated interim financial statements at 30 June 2019.

Disputes in progress

For information on disputes taking place at a Group level, reference is made to the Directors' Report on Operations of the Immsi Group at 31 December 2018, in the section entitled "Disputes in progress", with the exception of more important aspects, which are reported below.

As far as the **property sector** is concerned, below is a summary of events during the first half of 2019 concerning the company Is Molas S.p.A.:

- as regards the dispute with Italiana Costruzioni S.p.A., for the claim for compensation due to breach of contract, the new judge set the hearing for swearing in the court-appointed expert for 19 March 2020;

- at 30 June 2019, the company had allocated provisions of €38,000 for disputes in progress.

Regarding the industrial sector (Piaggio group):

- in a ruling of 31 May 2019 (published on 3 June 2019), the Court of Rome rejected the claim made by Elma S.r.l., ordering it to pay the expenses of the court-appointed expert and legal fees;

- in a ruling of 8 April 2019 (published on 12 June 2019), the Court of Appeal of Venice rejected the appeal made by Gammamoto S.r.l. in liquidation, as there were no grounds, confirming the ruling in the first instance and ordering it to pay legal fees;

- in a ruling published on 16 April 2019, the Court of Appeal of Turin rejected the claim made by Zhongneng;

- the Court of Pisa, at the end of case brought in 2009 by the supplier Da Lio S.p.A., in a first instance ruling notified on 27 August 2019, ordered Piaggio & C. S.p.A. to pay a total amount of approximately €7.6 million, and to publish the ruling in two national newspapers and two specialist journals.
  The company, considering the decision as flawed for numerous reasons, has appointed its legal advisors to appeal against the ruling;

- as regards tax claim rulings involving the Parent Company Piaggio & C. S.p.A., two appeals were made against two tax assessments notified to the company and relative to the 2002 and 2003 tax years respectively. A first instance and second instance ruling in favour of the company was made regarding the assessments. The Revenue Agency filed an appeal with the Court of Cassation and the company promptly filed its own appeal. On 22 May 2019, the company filed an application for the settlement of both cases, pursuant to article 6 of Law Decree 119/2018, concurrently paying the sums required by this Decree and on 10 June 2019 presented relative applications for suspension:

- Piaggio & C. S.p.A. received a VAT assessment order from the Indian tax authorities relative to the 2010-2011 tax period, concerning the failure to apply VAT for intergroup transactions with Piaggio Vehicles Private Limited concerning royalties. The amount of the claim including interest amounts to approximately €700 thousand and the company decided to appeal against it, before the High Court with a case filed on 17 June 2019.

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

- as regards the appeal before the Court of Cassation of the Customs' Agency of La Spezia for a value of €38 thousand, in the hearing of 11 June 2019, the General attorney rejected the appeal, correcting the reason for the appeal sentence. The ruling is now being filed with the Court of Cassation;

- Intermarine S.p.A. received a summons to appear in court from the heirs of a former employee of the Sarzana shipyard, who died in 2013, for the compensation of all non-patrimonial damages of a moral and/or welfare nature, and/or harm to the integrity of the family, for a total of €600 thousand, or other greater or lesser sums resulting from the ruling. In the first hearing, the dates for filing briefs were set for 15 July, 12 September and 2 October 2019.

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

- On 20 February 2019, the Court of Rome published the ruling upholding the appeals of Intermarine S.p.A. and Banco BPM against Como S.r.l. opposing the injunction, ordering Como S.r.l. to pay legal fees, with the ruling becoming final. On 4 June 2019, Como S.r.l. was declared insolvent; possible action is being assessed.

Events occurring after 30 June 2019 and operating outlook

As regards **Intermarine**, the first multi-functional, high-speed naval unit was handed over to the Italian navy in July 2019.

As regards major events after 30 June 2019 regarding the industrial sector, the European Investment Bank (EIB) and the **Piaggio group** signed a 7-year loan agreement for €70 million, supporting the Research and Development projects in the investments plan, that will be developed at Piaggio group Italian sites in the 2019-2021 period. The loan agreement signed with the EIB will support the development of innovative technological, product and process solutions, regarding active and passive safety and sustainability (including electric engines and reducing the consumption of combustion engines) in order to consolidate the scooter, motorcycle and commercial vehicles product range. The loan will further consolidate the group's financial structure, contributing to increasing the average duration and reducing the average cost of debt.
In July, the Piaggio group signed a preliminary agreement with the Italian Revenue Agency to access the special tax rates provided for by regulations that introduced the Patent Box scheme.
In August, Piaggio & C. S.p.A. was notified of the first instance ruling relative to a case brought by its supplier in 2009, ordering it to pay a total of €7.6 million. The company, considering the decision as flawed for numerous reasons, has appointed its legal advisors to appeal against the ruling.

No additional significant events occurred after 30 June 2019.

As regards the operating outlook of the Immsi Group, and with reference to the subsidiary **Is Molas S.p.A.**, the company is continuing with commercial activities in order to identify possible buyers, also at international level.

As regards the **industrial sector**, in a context of the Piaggio group's consolidation on global markets, the group is committed to:

- confirming its leadership position on the European two-wheeler market, optimally levering expected recovery by further consolidating the scooter and motorcycle product ranges;
- maintaining current positions on the European commercial vehicles market, consolidating the sales network;
- consolidating a presence in the Asia Pacific area, exploring new opportunities in countries in the area, with a particular focus on the market premium segment;
- 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.

As regards the **marine sector**, progress will be made on production relative to job orders acquired, and commercial activities in all operating segments of the company will continue, seeking favourable business opportunities, with the aim of consolidating the increase in capital of recent years. Management will continue to carry out all actions to keep direct and indirect costs down.

Immsi Group

Condensed Interim Financial Statements

at

30 June 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

in thousands of euros

ASSETS		30 June 2019	31 December 2018
NON-CURRENT ASSETS			
Intangible assets	F1	838,615	833,805
Property, plant and equipment	F2	329,677	300,860
Investment property	F3	83,932	84,919
Investments	F4	8,412	7,962
Other financial assets	F5	6,498	6,029
Tax receivables	F6	17,035	17,399
Deferred tax assets	F7	123,011	126,998
Trade receivables and other receivables	F8	14,127	18,460
- of which with Related Parties		94	94
TOTAL NON-CURRENT ASSETS		1,421,307	1,396,432
ASSETS HELD FOR DISPOSAL	F9	33,275	27,434
CURRENT ASSETS			
Trade receivables and other receivables	F8	202,359	140,227
- of which with Related Parties		*2,335*	*2,507*
Tax receivables	F6	24,649	9,946
Inventories	F10	353,922	331,242
Other financial assets	F5	6,052	5,572
Cash and cash equivalents	F11	173,978	200,450
TOTAL CURRENT ASSETS		760,960	687,437
TOTAL ASSETS		2,215,542	2,111,303

LIABILITIES		30 June 2019	31 December 2018
SHAREHOLDERS' EQUITY			
Consolidated shareholders' equity attributable to the Group		247,456	234,986
Capital and reserves of non-controlling interests		141,089	144,389
TOTAL SHAREHOLDERS' EQUITY	G1	388,545	379,375
NON-CURRENT LIABILITIES			
Financial liabilities	G2	575,530	525,858
- of which with Related Parties		*462*	*0*
Trade payables and other payables	G3	7,273	7,101
Retirement fund and similar obligations	G4	47,165	45,147
Other long-term provisions	G5	15,424	14,030
Deferred tax liabilities	G6	26,107	22,598
TOTAL NON-CURRENT LIABILITIES		671,499	614,734
LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL	F9	5,868	0
CURRENT LIABILITIES			
Financial liabilities	G2	449,552	538,929
- of which with Related Parties		*583*	*9*
Trade payables	G3	604,592	492,553
- of which with Related Parties		*10,272*	*7,424*
Current taxes	G7	19,176	16,160
Other payables	G3	57,150	49,382
- of which with Related Parties		*20*	*36*
Current portion of other long-term provisions	G5	19,160	20,170
TOTAL CURRENT LIABILITIES		1,149,630	1,117,194
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,215,542	2,111,303

CONSOLIDATED INCOME STATEMENT AT 30 JUNE 2019

in thousands of euros

		1st half of 2019	1st half of 2018
Net revenues	H1	850,994	774,071
- of which with Related Parties		*39*	*2,219*
Costs for materials	H2	499,373	439,103
- of which with Related Parties		*9,681*	*14,069*
Costs for services, leases and rentals	H3	138,987	132,699
- of which with Related Parties		*142*	*554*
Employee costs	H4	128,245	122,468
Depreciation and impairment costs of property, plant and equipment	H5	24,757	21,431
Impairment of goodwill		0	0
Amortisation and impairment costs of intangible assets with a finite life	H6	36,660	35,138
Other operating income	H7	65,604	56,474
- of which with Related Parties		*126*	*79*
Net reversals (write-downs) of trade and other receivables	H8	(796)	(844)
Other operating costs	H9	12,603	11,334
- of which with Related Parties		*1*	*79*
OPERATING INCOME		75,177	67,528
Income/(loss) from investments	H10	385	404
Financial income	H11	7,872	15,202
Borrowing costs	H12	29,309	37,235
- of which with Related Parties		*31*	*93*
PROFIT BEFORE TAX		54,125	45,899
Taxes	H13	28,456	23,598
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS		25,669	22,301
Gain (loss) from assets held for disposal or sale	H14	0	0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS		25,669	22,301
Earnings for the period attributable to non-controlling interests		12,898	10,901
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	H15	12,771	11,400

EARNINGS PER SHARE

In euros

From continuing and discontinued operations:	*1st half of 2019*	*1st half of 2018*
Basic	0.038	0.033
Diluted	0.038	0.033

From continuing operations:	*1st half of 2019*	*1st half of 2018*
Basic	0.038	0.033
Diluted	0.038	0.033

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 30 JUNE 2019

in thousands of euros

	1st half 2019	1st half 2018
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	25,669	22,301
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	228	(356)
Actuarial gains (losses) on defined benefit plans	(2,285)	(1,203)
Total	(2,057)	(1,559)
Items that may be reclassified to profit or loss		
Gains/(losses) on cash flow hedges	135	649
Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	1,586	(3,091)
Total	1,721	(2,442)
Other Consolidated Comprehensive Income (Expense)	(336)	(4,001)
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD	25,333	18,300
Comprehensive earnings for the period attributable to non-controlling interests	12,648	9,058
COMPREHENSIVE EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	12,685	9,242

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

STATEMENT OF CONSOLIDATED CASH FLOWS AT 30 JUNE 2019

in thousands of euros

		30.06.2019	30.06.2018
Operating activities			
Profit before tax		54,125	45,899
Depreciation of property, plant and equipment (including investment property)	*H5*	24,757	21,431
Amortisation of intangible assets	*H6*	36,377	34,630
Provisions for risks and for severance indemnity and similar obligations	*H4 - H9*	10,438	10,562
Write-downs (reversals of fair value measurements)	*H7 - H8 - H9*	2,068	1,508
Losses / (Gains) on the disposal of property, plant and equipment (including investment property)	*H7 - H9*	17	(66)
Financial income	*H11*	(2,499)	(1,421)
Dividend income	*H11*	(18)	0
Borrowing costs	*H12*	23,636	27,110
Amortisation of grants	*H7*	(2,753)	(2,809)
Portion of earnings before taxes of affiliated companies (and companies valued using the equity method)	*H10*	(385)	(404)
Change in working capital:			
(Increase) / Decrease in trade receivables	*F8*	(51,908)	(51,401)
(Increase)/Decrease in inventories	*F10*	(22,680)	(55,617)
Increase / (Decrease) in trade payables	*G3*	120,612	94,207
(Increase) / Decrease in contract work in progress	*F8*	(6,682)	(3,744)
Increase / (Decrease) in provisions for risks	*G5*	(6,020)	(7,194)
Increase / (Decrease) in reserves for severance indemnity and similar obligations	*G4*	(2,077)	(3,653)
Other changes		(25,860)	(4,010)
Cash generated from operating activities		151,148	105,028
Interest paid		(20,987)	(23,679)
Taxes paid		(14,758)	(13,056)
Cash flow from operations		115,403	68,293
Investing activities			
Acquisition of subsidiaries, net of cash and cash equivalents	*F4*	(148)	0
Investment in property, plant and equipment (including investment property)	*F2*	(20,523)	(14,397)
Sale price, or repayment value, of property, plant and equipment (including investment property)	*F2*	19	863
Investments in intangible assets	*F1*	(41,094)	(34,625)
Sale price, or repayment value, of intangible assets	*F1*	11	38
Purchase of financial assets	*F5*	0	(13)
Collected interests		361	335
Sale price from assets held for disposal or sale		(3)	0
Grants received		1,413	0
Dividends from investments	*H10 - H11*	18	0
Cash flow from investing activities		(59,946)	(47,799)
Financing activities			
Loans received	*G2*	43,967	314,791
Outflow for repayment of loans	*G2*	(111,635)	(260,867)
Repayment of finance leases	*G2*	(1,323)	(570)
Reimbursement of rights of use	*G2*	(2,280)	0
Outflow for dividends paid to non-controlling interests		(16,015)	(9,835)
Cash flow from financing activities		(87,286)	43,519
Increase / (Decrease) in cash and cash equivalents		(31,829)	64,013
Opening balance		195,968	135,258
Exchange differences		999	(1,408)
Closing balance		165,138	197,863

Changes in working capital include an increase in trade payables and other payables towards Related Parties for €2,832 thousand and a decrease in trade receivables and other receivables from Related Parties for €172 thousand. For greater details on the relations between Related Parties taking place during the first half of 2019, reference is made to the tables at the end of this Report.

This schedule illustrates the changes in cash and cash equivalents totalling €174 million at 30 June 2019, gross of short-term bank overdrafts of €8.8 million.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 30 JUNE 2019

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

	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 2018	***178,464***	***26,684***	***29,838***	***234,986***	***144,389***	***379,375***
Allocation of Group earnings to the Legal Reserve		337	(337)	0		0
Allocation of Group earnings to Dividends				0	(16,015)	(16,015)
Allocation of Group earnings to Retained Earnings/Losses		29,501	(29,501)	0		0
Purchase of treasury shares by Piaggio & C. S.p.A.		(74)		(74)	(74)	(148)
Other changes		(141)		(141)	141	0
Overall earnings for the period		(86)	12,771	12,685	12,648	25,333
Balances at 30 June 2019	***178,464***	***56,221***	***12,771***	***247,456***	***141,089***	***388,545***

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019

- A - GENERAL ASPECTS

Immsi S.p.A. (the “Company”) is a limited company established under Italian law with its registered office at P.zza Vilfredo Pareto, 3, Centro Direzionale Boma, Mantova. The main activities of the Company and its subsidiaries (the “Immsi Group”), and information on significant events after 30 June 2019 and operating outlook are described in the Half-Yearly Financial Report. At 30 June 2019, Immsi S.p.A. was directly and indirectly controlled, pursuant to article 93 of the Consolidated Law on Finance by Omniaholding S.p.A., a company wholly owned by the Colaninno family, through the subsidiary Omniainvest S.p.A..

The condensed interim financial statements of the Immsi Group include the financial statements of the Parent Company Immsi S.p.A. and the Italian and international companies directly and indirectly controlled by it, approved by the relevant corporate functions of the respective companies, suitably reclassified and adjusted where necessary to adapt them to the Group’s accounting principles.
The financial statements are expressed in Euro since that is the currency in which most of the Group’s transactions take place.
The amounts in the above schedules and in the Notes on the consolidated financial statements are stated in thousands of euros (if not otherwise indicated).

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

These condensed interim financial statements are subject to limited review by the independent auditors PricewaterhouseCoopers S.p.A. pursuant to the mandate granted by the Shareholders’ Meeting on 11 May 2012 for the period 2012-2020.

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

These Condensed Interim Financial Statements have been drafted in compliance with International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in article 9 of Legislative Decree no. 38/2005 (Consob Resolution no. 15519 of 27 July 2006 containing “Provisions for the presentation of financial statements", Consob Resolution no. 15520 of 27 July 2006 containing “Changes and additions to the Consob Regulation on Issuers adopted by Resolution no. 11971/99”, Consob communication no. 6064293 of 28 July 2006 on “Corporate reporting required in accordance with article 114, paragraph 5 of Legislative Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), previously the Standing Interpretations Committee (“SIC”), were also taken into account.

The information provided in the Half-Yearly Report should be read together with the Consolidated Financial Statements at 31 December 2018, prepared according to IFRS.

The financial statements have been prepared assuming the company is a going concern. The Directors considered, despite the difficult economic and financial context, that the currently available funds, in addition to those that will be generated from operating and financing activities, will enable the Group to meet its own needs arising from investments, management of working capital and repayment of debts when they become due, and will ensure an adequate level of operational and strategic flexibility.
The above is based on the fundamental premise that:

- the main assumptions used in forecasts, in particular with reference to the disposal of assets and services, and consequent inflows, will occur and that

- the various lines that will become due in the next 12 months, and in particular for the Parent Company Immsi S.p.A., will be fully renewed by the banks, or new lines already agreed or to search on the market may be activated thanks to the availability of guarantees that these contracts usually require.

A further fundamental requirement is that values of guarantees and/or financial covenants are met, or if not met, banks are willing to exonerate non-compliance.
With reference to the above, at 31 December 2018, as regards the short-term reclassification of the entire debt of Immsi S.p.A. and some subsidiaries following some financial covenants not being met, the situation has been remedied and the settlement dates restored in the financial statements.

The preparation of the interim financial statements requires the company Management to make estimates and assumptions that affect, among other things, the reported amounts of revenues, expenses, assets and liabilities recorded and disclosure of contingent assets and liabilities at the date of the end of the period. If in the future such estimates and assumptions, carried out by the management, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances may occur to change.
For a more detailed description of the most significant measurement methods of the Group, reference is made to the section "*Accounting standards and measurement criteria – Use of estimates*" in the Consolidated Financial Statements of the Immsi Group at 31 December 2018.

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

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group has chosen to highlight all changes generated by transactions with non-shareholders within two statements reporting trends of the period, respectively named the "Consolidated Income Statement" and "Consolidated Statement of Comprehensive Income". These Condensed Interim Financial Statements are therefore composed of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and these Notes to the consolidated financial statements.

With reference to Consob Resolution no. 15519 of 27 July 2006 it is pointed out that, as regards the financial schedules, specific Income statement and Statement of financial position schedules have been inserted with the evidence of significant Related Party transactions.

In the first half of 2019, no significant non-recurring transactions took place, while in the second half of 2018 the values arising from the following events were recorded:

- 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 the effects recognised in the income statement, 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 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 the finalisation of the exchange offer launched on 9 April. As a result the following were recognised in the income statement, for the first half of 2018:

- financial charges related to premiums paid to bondholders that did not take up the exchange offer and the exchange of outstanding securities and costs not yet amortised for the reimbursed loan (€3,521 thousand);
- financial income from the operation to change the original liability for a new bond issued at more favourable conditions for the issuer (€4,431 thousand).

- as regards the marine sector and in view of the serious breaches at the Asian shipyard, Intermarine decided to terminate the contracts in question. The company therefore recognised gross income for approximately €4 million relative to the higher value of inflows compared to production progress.

These operations come under significant non-recurrent transactions, as defined by Consob Communication no. DEM/6064293 of 28 July 2006.

Moreover, there were no significant atypical transactions during the first half of 2019 and of the corresponding period of the previous year*,* as defined in Consob Communication no. DEM/6037577 of 28 April 2006 and no. DEM/6064293 of 28 July 2006.

Consolidated income statement (reclassified)

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

Consolidated Statement of Comprehensive Income

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

Consolidated statement of financial position

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

Consolidated Statement of Cash Flows

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

Statement of changes in consolidated shareholders' equity

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

Other information

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

	Exchange rate at 28 June 2019	Average exchange rate 1st half of 2019	Exchange rate at 31 December 2018	Average exchange rate 1st half of 2018
US Dollar	1.1380	1.12978	1.1450	1.21035
Pounds Sterling	0.89655	0.873632	0.89453	0.879767
Indian Rupee	78.5240	79.12400	79.7298	79.49031
Singapore Dollars	1.5395	1.53560	1.5591	1.60544
Chinese Renminbi	7.8185	7.66778	7.8751	7.70859
Croatian Kuna	7.3973	7.41999	7.4125	7.41782
Japanese Yen	122.60	124.28360	125.85	131.60571
Vietnamese Dong	26,302.19	26,065.46833	26,230.56	27,356.23031
Canadian Dollars	1.4893	1.50688	1.5605	1.54575
Indonesian Rupiah	16,079.94	16,046.66230	16,565.86	16,652.05159
Brazilian Real	4.3511	4.34174	4.4440	4.14146

- B - SCOPE OF CONSOLIDATION

At 30 June 2019, the Immsi Group structure was that attached at the end of these Notes. The scope of consolidation at 30 June 2019 compared to the Consolidated Financial Statements at 31 December 2018 has not changed, while compared to 30 June 2018, it has changed as follows:

- as regards the portion held by the Parent Company Immsi S.p.A. in ISM Investimenti S.p.A., considering the different equity rights of the two shareholders and analysis of impairment testing, the portion of consolidated shareholders' equity of ISM Investimenti S.p.A. was estimated to be equal to 41.81% at 31 December 2018, down on the figure of 51.55% at 30 June 2018;
- the consolidated portion of shareholders' equity of the Piaggio group, which amounted to 50.19% at 30 June 2019, was equal to 50.18% at 31 December 2018 and 50.07% at 30 June 2018. The changes are due to the purchase of treasury shares by the subsidiary;
- the liquidation of the First Atlantic property fund;
- the liquidation of the company Rodriquez Cantieri Navali do Brasil Ltda.

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

- C - CONSOLIDATION PRINCIPLES

In preparing these Condensed Interim Financial Statements of the Immsi Group, drawn up in compliance with IAS 34 – Interim Financial Reporting, the accounting standards used to prepare the Consolidated Financial Statements at 31 December 2018, to which reference is made for more details, were adopted, save for information in the next section on Accounting standards and measurement criteria.

- D - ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The accounting standards adopted in these condensed interim financial statements are the same as those used in preparing the consolidated financial statements at 31 December 2018, apart from the adoption of IFRS 16 – Leases as from 1 January 2019, reported in detail below.

New accounting standards, amendments and interpretations adopted as from 1 January 2019

In the month of January 2016, the IASB published IFRS 16 - Leases. This new standard replaced 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 (recognised on balance sheet) and an operating leases (off balance sheet). With IFRS 16, operating leases have been treated for accounting purposes as finance leases. According to the new standard, an asset is recognised (and the right to use the leased item is entered as an asset under the items property, plant and equipment), and a financial liability is recognised for the future lease payments. As permitted by the IASB, the Group has provided for the optional exemption of some low-value and short-term lease agreements.
The standard mainly has an impact on the recognition of the Group's operating leases in the accounts.
The Group opted to use the simplified transition approach and did not therefore modify the comparative amounts of the previous year, for first-time adoption. Assets recognised for the right of use are measured by the amount of the lease liability on adoption.
The table below summarises the effects of the adoption of IFRS 16 on the financial statements at 30 June 2019.

in thousands of euros	**1st half 2019 published**	**Impact IFRS 16**	**1st half of 2019 without the adoption of IFRS 16**
Property, plant and equipment	329,677	28,727	300,950
Assets held for disposal	33,275	5,840	27,435
Lease liabilities	31,130	22,539	8,592
Lease liabilities related to assets held for disposal	5,868	5,868	0
Trade receivables and other non-current receivables	14,127	(7,316)	21,443
Current trade receivables and other receivables	202,359	(168)	202,527
Depreciation and impairment costs of property, plant and equipment	(24,757)	(3,757)	(21,000)
Costs for services, leases and rentals	(138,987)	3,971	(142,958)
Other operating costs	(12,603)	176	(12,779)
Net borrowing costs	(29,309)	(617)	(28,692)
Impact on the income statement before taxes	54,125	(227)	54,352

Please note that:

- the change in the item Other receivables refers to the reclassification of lease payments made in advance by the Asian companies of the Piaggio group for concessions of land where the production sites are located;
- the change in the item Other current receivables refers to the reclassification of leases paid in advance by the company PT Piaggio Indonesia for a lease agreement that will start in September 2019 under rights of use;
- consolidated financial debt does not include the lease liabilities related to assets held for disposal, referred solely to the company Pietra Ligure S.r.l..

IFRS 9 - In October 2017, the IASB published an amendment to IFRS 9 concerning “Prepayment

Features with Negative Compensation". The amendment confirms that when a financial liability recognised at amortised cost is modified without leading to de-recognition, the relative gain or loss must be immediately recognised in the income statement. The gain or loss is measured as the difference between the previous cash flow and flow determined based on the modification. This amendment, applicable as from 1 January 2019, did not have a significant impact on the financial statements or on disclosure.

IAS 28 - The amendments issued in October 2017 clarify that the company must adopt the provisions of IFRS 9 - Financial instruments, to non-current investments in associates and joint ventures to whom the equity method is not applied. The amendments are applicable starting from 1 January 2019 and do not have a significant impact on the financial statements or on disclosure.

Annual amendments to IFRS 2015–2017 (IFRS 3, IFRS 11, IAS 12 and IAS 23) - In December 2017, the IASB published a series of annual amendments to IFRS 2015–2017 (IFRS 3, IFRS 11, IAS 12 and IAS 23). The amendments are applicable starting from 1 January 2019 and do not have a significant impact on the financial statements or on disclosure.

IAS 19 - 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. The amendments are applicable starting from 1 January 2019 and do not have a significant impact on the financial statements or on disclosure.

IFRIC 23 - 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 came into force on 1 January 2019 and did not have a significant impact on the financial statements or on disclosure.

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 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 information for operating segments presented below reflects the internal reporting system used by management for making strategic decisions, as provided for by IFRS 8. In this respect, as regards individual business areas, wherever possible information is provided relating to the property and holding, industrial and marine sectors.

Information by business areas

Income statement

in thousands of euros	*Property and holding sector*	*Industrial sector*	*Marine sector*	*Immsi Group*
Net revenues to non-controlling interests	2,121	816,957	31,916	850,994
Intercompany net revenues				0
NET REVENUES	**2,121**	**816,957**	**31,916**	**850,994**
OPERATING INCOME	**-1,735**	**75,068**	**1,844**	**75,177**
Income/(loss) from investments	0	385	0	385
Financial income				7,872
Borrowing costs				29,309
PROFIT BEFORE TAX				**54,125**
Taxes				28,456
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS				**25,669**
Gain (loss) from assets held for disposal or sale				0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS				**25,669**
Earnings for the period attributable to non-controlling interests				12,898
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP				**12,771**

Statement of Financial Position

in thousands of euros	*Property and holding sector*	*Industrial sector*	*Marine sector*	*Immsi Group*
Segment assets	371,950	1,683,411	160,011	2,215,372
Investments in affiliated companies	0	152	18	170
TOTAL ASSETS	**371,950**	**1,683,563**	**160,029**	**2,215,542**
TOTAL LIABILITIES	**401,961**	**1,289,878**	**135,158**	**1,826,997**

Other information

in thousands of euros	*Property and holding sector*	*Industrial sector*	*Marine sector*	*Immsi Group*
Investments in property, plant and equipment and intangible assets	**980**	**60,426**	**211**	**61,617**
Depreciation, amortisation and write-downs	**492**	**61,000**	**1,710**	**63,202**
Cash flow from operating activities	**-6,407**	**120,219**	**1,591**	**115,403**
Cash flow from investing activities	**983**	**-58,604**	**-211**	**-59,798**
Cash flow from financing activities	**8,031**	**-90,466**	**-4,999**	**-87,434**

Information by geographic segments

The following table presents the Group income statement and balance sheet figures or the first half of 2019 in relation to the geographic segments "of origin", that is, with reference to the country of the company which received the revenues or which owns the assets.

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

Income statement

in thousands of euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Immsi Group*
Net revenues to non-controlling interests	488,848	16,205	210,429	29,000	106,512	850,994
Intercompany net revenues						0
NET REVENUES	**488,848**	**16,205**	**210,429**	**29,000**	**106,512**	**850,994**

Statement of Financial Position

in thousands of euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Immsi Group*
Segment assets	1,729,896	30,899	243,741	53,480	157,356	2,215,372
Investments in affiliated companies	140	30	0	0	0	170
TOTAL ASSETS	**1,730,036**	**30,929**	**243,741**	**53,480**	**157,356**	**2,215,542**

in thousands of euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Immsi Group*
Total receivables *	**117,231**	**17,143**	**59,503**	**8,852**	**8,895**	**211,624**
Total payables **	**451,275**	**25,936**	**122,673**	**4,192**	**64,939**	**669,015**

* Contract works in progress and tax receivables are not included.
** Financial liabilities and current tax payables are not included.

Other information

in thousands of euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Immsi Group*
Investments in property, plant and equipment and intangible assets	**49,536**	**290**	**7,777**	**788**	**3,226**	**61,617**
Depreciation, amortisation and write-downs	**49,113**	**1,663**	**6,399**	**1,009**	**5,018**	**63,202**

For comparability, the corresponding tables referring to 30 June 2018 are shown below:

Information by business areas

Income statement

in thousands of euros	*Property and holding sector*	*Industrial sector*	*Marine sector*	*Immsi Group*
Net revenues to non-controlling interests	2,039	729,592	42,440	774,071
Intercompany net revenues				0
NET REVENUES	**2,039**	**729,592**	**42,440**	**774,071**
OPERATING INCOME	**-1,781**	**61,885**	**7,424**	**67,528**
Income/(loss) from investments	0	404	0	404
Financial income				15,202
Borrowing costs				37,235
PROFIT BEFORE TAX				**45,899**
Taxes				23,598
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS				**22,301**
Gain (loss) from assets held for disposal or sale				0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS				**22,301**
Earnings for the period attributable to non-controlling interests				10,901
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP				**11,400**

Statement of Financial Position

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

Other information

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

Information by geographic segments

Income statement

in thousands of euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Immsi Group*
Net revenues to non-controlling interests	452,175	16,538	193,671	28,737	82,950	774,071
Intercompany net revenues						0
NET REVENUES	**452,175**	**16,538**	**193,671**	**28,737**	**82,950**	**774,071**

Statement of Financial Position

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

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

* Contract works in progress and tax receivables are not included.
** Financial liabilities and current tax payables are not included.

Other information

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

- F - INFORMATION ON THE MAIN ASSET ITEMS

Amounts are stated in thousands of euro unless otherwise indicated.

- F1 - INTANGIBLE ASSETS 838,615

Net intangible assets at 30 June 2019 amounted to €838,615 thousand, an increase of €4.8 million compared to 31 December 2018; the increase in the half year is almost entirely attributable to the intangible assets of the Piaggio group, mainly due to investments in the period, only partially offset by amortisation.
Changes in this item are presented below:

in thousands of euros	*Development costs*	*Concessions, patents, industrial and similar rights*	*Trademarks and licences*	*Goodwill*	*Other intangible assets*	*TOTAL*
Gross amounts at 31 December 2017	**281,825**	**376,883**	**155,200**	**625,421**	**9,188**	**1,448,517**
Increases	32,505	2,098	0	0	22	34,625
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	(7,884)	(1,683)	27,664	0	(1,690)	16,407
Gross amounts at 30 June 2018	**306,446**	**377,298**	**182,864**	**625,421**	**7,520**	**1,499,549**
Accumulated amortisation at 31 December 2017	**191,809**	**298,242**	**111,798**	**11,439**	**9,031**	**622,319**
Depreciation	17,587	14,579	2,415	0	49	34,630
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	(7,106)	(1,630)	27,664	0	(1,684)	17,244
Accumulated amortisation at 30 June 2018	**202,290**	**311,191**	**141,877**	**11,439**	**7,396**	**674,193**
Net amounts at 30 June 2018	**104,156**	**66,107**	**40,987**	**613,982**	**124**	**825,356**
Gross amounts at 31 December 2018	**318,493**	**420,141**	**128,147**	**625,421**	**9,894**	**1,502,096**
Increases	18,090	22,649	0	0	355	41,094
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	6,068	(220)	(1)	0	297	6,144
Gross amounts at 30 June 2019	**342,651**	**442,570**	**128,146**	**625,421**	**10,546**	**1,549,334**
Accumulated amortisation at 31 December 2018	**229,712**	**328,368**	**88,961**	**11,439**	**9,811**	**668,291**
Depreciation	16,699	17,190	2,411	0	77	36,377
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	6,212	(239)	0	0	78	6,051
Accumulated amortisation at 30 June 2019	**252,623**	**345,319**	**91,372**	**11,439**	**9,966**	**710,719**
Net amounts at 30 June 2019	**90,028**	**97,251**	**36,774**	**613,982**	**580**	**838,615**

NB: The “Other changes” item includes the reductions for fully amortised intangible assets, translation differences relating to financial statements in foreign currencies, reclassifications and write-downs.

Development costs

Development costs mainly include costs for products and engines in projects for which there is an expectation for the period of the useful life of the asset to see net sales at such a level as to allow the recovery of the costs incurred. This item includes assets under construction for €26,855 thousand which instead represent costs for which the conditions for capitalisation exist, but refer to products that will go into production in future years.
With regard to the Piaggio group, during the first half of 2019, development costs of approximately €8.7 million were charged directly to the income statement. Borrowing costs related to loans for the development of long-term products are capitalised as a part of the cost of the actual assets. Development costs included under this item are amortised on a straight line basis over 5 years (founding products) or 3 years, in consideration of their remaining useful life.

With reference to the marine sector, at 30 June 2019 Intermarine S.p.A. had included investments in research projects, under intangible assets, net of amortisation, for €6.5 million.

Concessions, patents, industrial and similar rights

The net balance of this item, equal to €97,251 thousand at 30 June 2019, including assets under construction for €33,604 thousand, is mainly related to the Piaggio group (€96,978 thousand) and comprises software, patents and know-how, referring in particular to the Vespa, Piaggio MP3, Piaggio Medley, Piaggio New Porter and Moto Guzzi V85 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 2019-2020 range. Industrial patent and intellectual property rights costs are amortised over a period from three to five years.

Trademarks and licences

Trademarks and licences with a finite life, totalling €36,774 thousand, are broken down as follows:

in thousands of euros	**At 30 June 2019**	**At 31 December 2018**	**Change**
Guzzi trademark	12,187	13,000	(813)
Aprilia trademark	23,947	25,544	(1,597)
Foton licence	611	611	(0)
Minor trademarks	29	30	(1)
Total Trademark	**36,774**	**39,185**	**(2,411)**

Goodwill

The goodwill registered by the Group is unchanged compared to 31 December 2018 and is broken down in the following table:

in thousands of euros	***Net Balance at 30.06.2019***
Acquisition of 100% of Piaggio & C. S.p.A. by Piaggio Holding N. BV (in 2003)	405,985
Acquisition of 2.81% of Piaggio & C. S.p.A. by Piaggio Holding N. BV (in 2006)	14,620
Acquisition of 31.25% of Piaggio Holding N. BV by Immsi S.p.A. (in 2003)	3,480
Acquisition of 5.23% of Piaggio & C. S.p.A. by Immsi S.p.A. (in 2004) / Sale of 2.32% of Piaggio & C. S.p.A. by Immsi S.p.A. in 2008	3,643
Acquisition of 17.7% of Piaggio Holding N. BV by Immsi S.p.A. (in 2004 and 2006)	64,756
Acquisition of 2.22% of Piaggio & C. S.p.A. by Immsi S.p.A. (in 2007 and 2008)	7,143
Acquisition of 100% of Aprilia S.p.A. by Piaggio & C. S.p.A. (in 2004)	79,705
Acquisition of 66.49% of Rodriquez Cantieri Navali S.p.A. by RCN Finanziaria S.p.A. (in 2004)	30,337
Acquisition of 33.51% of Rodriquez Cantieri Navali S.p.A. by RCN Finanziaria S.p.A. (in 2005)	2,001
Acquisition of 2.37% of RCN Finanziaria S.p.A. by Immsi S.p.A. (in 2007)	1,286
Other acquisitions / changes	1,026
TOTAL	**613,982**

- *of which allocated to Piaggio group cash-generating unit*	*579,492*
- *of which allocated to Intermarine cash-generating unit*	*34,428*

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

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

- by the terminal value attributable to them (estimated according to the perpetual growth method), so as to reflect the residual value that each cash-generating unit is expected to generate beyond the planning timeframe and which is representative of the current value of future cash flows after the specific period of forecast financial data.

Lastly, it should be noted that the recoverability of goodwill is tested at least once a year (as of 31 December), even failing indicators of possible impairment.

When preparing the Financial Statements of the Immsi Group at 31 December 2018, with reference to Piaggio group cash-generating units, impairment testing was arranged in-house by Immsi S.p.A. company management, to produce an impairment report supporting the Parent Company's Board of Directors in application of the procedure required by IAS 36.
For the Piaggio group, it has been deemed reasonable to consider the Piaggio group cash-generating unit as coinciding with the Piaggio group as a whole (Piaggio & C. S.p.A. and its subsidiaries). Therefore, all considerations relating to the estimated value in use of the cash-generating unit and its use for impairment test purposes were developed by considering the Piaggio group at consolidated level. It should be noted that the book value of the goodwill allocated to such cash-generating unit is equal to around €579.5 million.
A s regards the Intermarine cash-generating unit, Intermarine S.p.A. coincides with the "marine sector" identified by the Immsi Group in its segment reporting in accordance with *IFRS 8 – Operating Segments*: the carrying amount of goodwill allocated to the cash-generating unit is equal to approximately €34.4 million.
Therefore, reference is made to the Notes on the Consolidated Financial Statements and Report at 31 December 2018 of the Immsi Group for more details on the principal assumptions used in determining the value in use of the cash-generating units Piaggio group and Intermarine. With reference to both cash-generating units, analyses carried out at 31 December 2018 did not indicate any impairment losses for the goodwill tested: therefore no write-down was made in the Consolidated Financial Statements of the Immsi Group at 31 December 2018.

As concerns the Piaggio group cash-generating unit, the management of the group verified, as for all cash-generating units internal to the Piaggio group, that the EBIT forecast in the approved budget and plan used for impairment testing at 31 December 2018 was basically achieved and that rates applied at the time were still valid. Therefore there are no indications of impairment of the goodwill and it was therefore unnecessary to conduct any impairment tests on the carrying amount of the goodwill recognised by the Immsi Group and allocated to the cash-generating unit Piaggio group.

With reference to the Intermarine cash-generating unit, there are no indications of goodwill impairment losses: EBIT for the first half of 2019 was basically in line with budget figures, and the rates applied at 31 December 2018 still seem valid. As observed during the analysis performed at 31 December 2018, impairment tests are based on forward-looking data that are uncertain and changeable by nature and that reflect changes in the company's order book and its future industrial and commercial strategies. This data, in particular, is essentially based on the acquisition of future contracts, in relation to which negotiations are currently under way with several foreign navies. In this regard, Intermarine's results in previous years showed significant changes with respect to figures forecast in the forward-looking financial data used, also due to several exceptional and unforeseeable events, such as flooding at the Intermarine site in Sarzana: given the intrinsically uncertain nature of the forward-looking data considered, it cannot be ruled out that these variances may continue to occur in the future.

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

- F2 - PLANT, PROPERTY AND EQUIPMENT 329,677

Net property, plant and equipment at 30 June 2019 totalled €329,677 thousand, including assets under construction for approximately €24 million, compared to €300,860 thousand at 31 December 2018, and comprise assets mainly recognised by the Piaggio group for €292,265 thousand, Intermarine S.p.A. for €17,768 thousand, and Is Molas S.p.A. for €18,069 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 2017	**44,422**	**189,986**	**518,466**	**519,234**	**16,256**	**62,711**	**1,351,075**
Increases	0	1,020	5,032	4,863	0	3,001	13,916
Decreases	0	(63)	(893)	(1)	(836)	(1,019)	(2,812)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	(664)	(4,284)	208	0	(28)	(4,768)
Gross amounts at 30 June 2018	**44,422**	**190,279**	**518,321**	**524,304**	**15,420**	**64,665**	**1,357,411**
Accumulated depreciation at 31 December at 31 December 2017	**0**	**81,900**	**394,120**	**498,656**	**15,082**	**53,974**	**1,043,732**
Depreciation	0	2,798	11,021	5,446	30	2,136	21,431
Applications	0	(6)	(885)	0	(721)	(22)	(1,634)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	(182)	(2,298)	208	0	(403)	(2,675)
Accumulated depreciation at 30 June 2018	**0**	**84,510**	**401,958**	**504,310**	**14,391**	**55,685**	**1,060,854**
Net amounts at 30 June 2018	**44,422**	**105,769**	**116,363**	**19,994**	**1,029**	**8,980**	**296,557**

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 2018	**44,708**	**191,567**	**524,553**	**522,681**	**15,493**	**59,911**	**1,358,913**
Increases	231	1,520	9,230	5,646	21	3,868	20,516
Decreases	0	0	(511)	(1)	0	(1,206)	(1,718)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	26,288	2,600	0	801	5,251	34,940
Gross amounts at 30 June 2019	**44,939**	**219,375**	**535,872**	**528,326**	**16,315**	**67,824**	**1,412,651**
Accumulated depreciation at 31 December at 31 December 2018	**0**	**87,958**	**407,151**	**497,563**	**14,475**	**50,906**	**1,058,053**
Depreciation	0	5,573	10,880	4,796	97	3,381	24,727
Applications	0	0	(510)	0	0	72	(438)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	90	1,829	0	(115)	(1,172)	632
Accumulated depreciation at 30 June 2019	**0**	**93,621**	**419,350**	**502,359**	**14,457**	**53,187**	**1,082,974**
Net amounts at 30 June 2019	**44,939**	**125,754**	**116,522**	**25,967**	**1,858**	**14,637**	**329,677**

NB: the item "Other changes" includes the translation differences relating to financial statements in foreign currencies, reclassifications and write-downs, as well as the effects of changes related to the first-time adoption of IFRS 16.

Property, plant and equipment primarily relate to the Intermarine S.p.A. industrial facility at Sarzana (La Spezia), the hotel and resort managed by Is Molas S.p.A. in Pula (Cagliari) and the Piaggio group's production plants located in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam). The increases mainly relate to the construction of moulds for new vehicles launched during the period. Borrowing costs relative to loans for the construction of assets that are long-term prior to being ready for use are capitalised as a part of the cost of the actual assets.

Property, plant and equipment at 30 June 2019 include €1,858 thousand relative to freely transferable assets wholly owned by Intermarine S.p.A., consisting of light constructions, property and related restructuring costs, built on State land in the Municipality of Messina. Buildings constructed on State land are depreciated according to the residual duration of the concession: following the renewal of the concession for that area, the company adjusted the depreciation calculation based on the new information available. These assets, held because of a concession agreement, at its expiry, must be freely and in a perfect state of operation transferred to the granting body.
Finally, the assets described below – lands excluded – are depreciated at rates considered appropriate to represent their useful life and in any case according to a straight-line depreciation plan, for details of which reference is made to the Annual Report of the Immsi Group at 31 December 2018, in the section on "Accounting standards and measurement criteria".

At 30 June 2019 the net value of assets held through lease agreements amounted to €39.1 million, of which €28.7 million for rights of use, broken down as follows: buildings for €23.2 million, concessions for €0.9 million and other assets for €4.6 million. The increase in the period refers entirely to rights of use recognised as from 1 January 2019, in accordance with IFRS 16, which led to the recognition of rights of rights of use related to operating leases equal to the discounted value of payments due. Future lease commitments are detailed in the section on financial liabilities. For further details, reference is made to section D - Accounting standards and measurement criteria.

The Group also uses fully depreciated property, plant and equipment for approximately €24.9 million, of which €22.3 million relative to plant and machinery, €1.2 million relative to industrial and commercial equipment, and €0.4 million relative to other assets.

Guarantees

At 30 June 2019, the Group had land and property encumbered by mortgages or pledges in favour of financial institutions to guarantee bank borrowings. For more information, reference is made to the Annual Report of the Immsi Group at 31 December 2018, in the section on "Commitments, risks and guarantees".

- F3 - INVESTMENT PROPERTY 83,932

At 30 June 2019, the Immsi Group recognised investment properties for €83,932 thousand, comprising the Immsi S.p.A. building in Via Abruzzi, Rome for €74,657 thousand and property, plant and equipment at the Piaggio group's Spanish site in Martorelles for €9,275 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. 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. During the first half of 2019, according to the Company's Directors, no events or circumstances occurred to suggest that the asset in question could have been significantly impaired.

Rental income referred to the building and recognised by Immsi S.p.A. during the first half of 2019 under Net revenues amounted to approximately €1.3 million. Connected costs mainly refer to ordinary maintenance and management of the building. Most of these costs are then charged to tenants as of building service regulations.

Mortgages are secured on the property in Rome, for a total of €90 million guaranteeing the loan obtained in 2010 and renegotiated at the end of 2015 with Banco BPM (the former Banco Popolare) for €45 million, which is expected to be settled in 2025. The building is not considered as a strategic asset by Management, therefore its valuation on the market in the near future cannot be ruled out.

As previously mentioned, investment property recognised by the **Piaggio group** refers to the Spanish site of Martorelles, where production was stopped in March 2013 and relocated to Italian sites.

The carrying value at 30 June 2019 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 €9,275 thousand.

The Group uses the “fair value model” as provided for in IAS 40. Therefore, the measurement updated in 2019 resulted in a charge of €994 thousand, adjusted to fair value, being recognised under other costs in the income statement for the period.
For further details on the method used by the Group to measure property investments, reference is made to the Consolidated Financial Statements and Notes at 31 December 2018.
The information required under IFRS 7 concerning the fair value measurement, as well as sensitivity to the variables used as a basis for the assessment, can be found in section P – Information on financial instruments.

- F4 - INVESTMENTS 8,412

Investments, at €8,412 thousand, went up slightly compared to the figure of €7,962 thousand at 31 December 2018.
The carrying amount of investments held by Immsi S.p.A. in wholly consolidated subsidiaries – equal to €307.3 million at 30 June 2019 – is fully eliminated on consolidation.
The item mainly refers to the measurement of the portion of shareholders' equity in the Zongshen Piaggio Foshan joint venture of the Piaggio group, which has a 45% stake.

Main financial data of the joint venture

in thousands of euros	Accounts at 30 June 2019		Accounts at 31 December 2018	
		45%		45%
Working capital	9,217	4,147	6,647	2,991
Consolidated debt	3,214	1,446	667	300
Total assets	10,065	4,529	14,507	6,528
Net capital employed	**22,495**	**10,122**	**21,821**	**9,819**
Provisions	211	95	209	94
Consolidated debt	0	0	0	0
Shareholders’ equity	22,284	10,027	21,611	9,725
Total sources of financing	**22,495**	**10,122**	**21,821**	**9,819**

Shareholders’ equity attributable to the Group	10,027	9,725
Elimination of margins on internal transactions	(1,805)	(1,939)
Value of the investment	**8,222**	**7,786**

Reconciliation of Shareholders' Equity

in thousands of euros	
Opening balance at 1 January 2019	7,786
Profit (Loss) for the period	237
Other comprehensive income	65
Elimination of margins on internal transactions	134
Closing balance at 30 June 2019	**8,222**

The item Investments includes other investments in subsidiaries and associates for €190 thousand. The increase of €14 thousand is due to the net effect arising from the adjustment of the value of investments in affiliated companies to the corresponding value of shareholders' equity.

- F5 - OTHER FINANCIAL ASSETS 12,550

- Non-current portion

Other non-current financial assets amounted to €6,498 thousand, and refer nearly entirely to the fair value of hedging derivatives of the Piaggio group, and in particular to the fair value of the cross currency swap on a private debenture loan.
The remaining part is attributable to the carrying amount of investments held in other smaller companies by the Piaggio group for an overall amount of approximately €37 thousand.

Non-current financial assets also include the investment held in Alitalia – CAI by Immsi S.p.A., which has remained unchanged compared to the previous year, at 2.18%. Considering events relative to the airline company and in particular the compulsory administration ordered in May 2017 and the full write-down of the investment in Alitalia – SAI by Alitalia – CAI, Company management decided to reset the carrying amount.

- Current portion

Other current financial assets totalled €6,052 thousand at 30 June 2019, an increase of €480 thousand compared to 31 December 2018.
The item includes the investment of 279,639 shares held by Immsi S.p.A. in Unicredit S.p.A.. As provided for by IFRS 9, the Company measured at fair value the equity package at 30 June 2019, equal to €3,028 thousand, recognising the adjustment, up by €261 thousand compared to the end of 2018, in other comprehensive income. These adjustments will not be subsequently transferred to operating profit (loss), but the Company may transfer the accumulated loss or profit to shareholders' equity, when the investment is sold.

Current financial assets also include €3,024 thousand relative to the short-term portion of the fair value of cross currency swaps on a private debenture loan.

- F6 - TAX RECEIVABLES 41,684

Current and non-current tax receivables total €41,684 thousand, up by €14,339 thousand compared to the end of 2018, due mainly to higher VAT receivables, recognised as current in particular by the Piaggio group.

- Non-current portion

in thousands of euros	*Balance 30.06.2019*	*Balance 31.12.2018*
VAT receivables	4,744	5,138
Income tax receivables	12,265	12,235
Other tax receivables	26	26
TOTAL	**17,035**	**17,399**

- Current portion

in thousands of euros	Balance 30.06.2019	Balance 31.12.2018
VAT receivables	19,461	5,630
Income tax receivables	2,940	2,672
Other tax receivables	2,248	1,644
TOTAL	**24,649**	**9,946**

- F7 - DEFERRED TAX ASSETS 123,011

Deferred tax assets at 30 June 2019 amounted to €123,011 thousand, a decrease of €3,987 thousand compared to 31 December 2018. The portion due in 12 months totals €6,689 thousand, while the portion due after 12 months amounts to €116,322 thousand.
The Piaggio group recorded deferred tax assets of €54,876 thousand, with €48,323 thousand from the subsidiary Intermarine S.p.A. and €15,850 thousand from the subsidiary Is Molas S.p.A., while the remaining portion of €3,962 thousand refers to other companies of the property and holding sector, net of eliminations and consolidation adjustments.

As regards the measurements to define the deferred tax assets, the Group mainly took account of i) the tax regulations in the various countries in which it operates; ii) their impact in terms of timing differences and any tax benefits deriving from the use of prior tax losses; iii) the estimated financial results over the medium/long term, for each individual company; iv) the tax rate in effect in the year when temporary differences occur; and v) the agreements and plans of national tax consolidation over a period of five years. In view of the above considerations and also for the sake of prudence, the tax benefits deriving from the losses carried forward and from temporary differences were not fully recognised.

- F8 - TRADE RECEIVABLES AND OTHER RECEIVABLES 216,486

Trade receivables and other receivables included under non-current assets total €14,127 thousand (net of the corresponding provisions for write-down of €1,203 thousand), against €18,460 thousand at 31 December 2018.

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

in thousands of euros	Balance 30.06.2019	Balance 31.12.2018
Trade receivables	163,507	105,403
Amounts due from affiliated companies	204	220
Amounts due from joint ventures	2,131	2,286
Other receivables	36,517	32,318
TOTAL	**202,359**	**140,227**

Current third party trade receivables amounted to €163,507 thousand at 30 June 2019, an increase of around €58,104 thousand compared to the value recorded at 31 December 2018: as already mentioned, the growth in this value is mainly linked to the seasonality of Piaggio group sales, which are mainly concentrated in the spring and summer months.

The item Trade receivables comprises amounts due from normal sales transactions, stated net of a provision for bad debts of €26,945 thousand, down by €7,779 thousand compared to 31 December 2018.

The balance of receivables with affiliated companies refers entirely to amounts due from Fondazione Piaggio and Consorzio CTMI, while receivables with joint ventures (equal to €2,131 at 30 June 2019) refers to amounts due from Zongshen Piaggio Foshan Motorcycle Co. Ltd., as indicated in the information on intergroup transactions and related party transactions, presented at the end of this document.

It should also be remembered that the Piaggio group transfers on a regular basis a large part of its trade receivables mainly with “without recourse” and “with recourse" clauses. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. At 30 June 2019, trade receivables not yet due and assigned without recourse totalled €169,892 thousand. Of these receivables, Piaggio received payment before natural settlement for €144,479 thousand. At 30 June 2019, advances received – both from factoring firms and from banks – on “with recourse” disposals of trade receivables totalled €17,834 thousand and are offset in current liabilities.
In June 2019, the subsidiary Intermarine sold receivables without recourse to Banca Ifis, with inflows of €12,200 thousand.

Other receivables mainly include advances to suppliers of €12,807 thousand, chiefly recognised by the subsidiary Intermarine S.p.A. and accrued income and prepaid expenses totalling €10,454 thousand.

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

in thousands of euros	*Balance 31.12.2018*	*Increases*	*Decreases*	*Balance 30.06.2019*
Contract work in progress gross of advances	**125,192**	31,478	(1,774)	**154,896**
Contractual advances received from customers	127,012			150,034
Contract work in progress net of advances	**(1,820)**			**4,862**
Costs sustained	96,638			118,980
Margins recognised (net of losses)	28,554			35,916

- F9 - ASSETS/LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL 27,407

The net carrying amount of assets held for disposal amounts to €27,407 thousand, basically unchanged compared to 31 December 2018, 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.

Gross assets held for disposal in the half year amount to €33.3 million, increasing by €5.8 million compared to the end of 2018, due to the adoption of IFRS 16 which led to the recognition of the right of use of an area equal to the current value of state concession payments for the concession in favour of Pietra Ligure S.r.l.. The adoption of the new standard required the financial liability related to the present value of future payments to be recognised as a contra entry under liabilities related to assets held for disposal. Net financial debt does not include these lease liabilities related to assets held for disposal. 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 353,922

Inventories are measured at the lower of cost and market value and totalled €353,922 thousand at the end of the period, comprising:

in thousands of euros	Balance at 30.06.2019			Balance at 31.12.2018		
	Cost	*Write-down*	*Net*	*Cost*	*Write-down*	*Net*
Merchandise	0	0	0	0	0	0
Consumables	66	0	66	54	0	54
Raw materials	137,466	(14,647)	122,819	116,699	(13,441)	103,258
Work in progress and semi-finished products	128,199	(21,356)	106,843	126,204	(21,005)	105,199
Finished products	147,150	(22,956)	124,194	144,625	(21,894)	122,731
TOTAL	**412,881**	**(58,959)**	**353,922**	**387,582**	**(56,340)**	**331,242**

The increase compared to the figure recorded at 31 December 2018 (€+22,680 thousand) is mainly attributable to the Piaggio group and refers to the production peak typical of the summer months, resulting from the aforementioned seasonal nature of the group's business. The above write-downs were necessary due to stocks of raw materials no longer usable in the production process and obsolete or slow-moving finished products and goods.

At 30 June 2019, the Piaggio group recognised, net of write-downs, inventories for €243,473 thousand referred to components, accessories, two-wheeler, three-wheeler and four-wheeler vehicles. Intermarine S.p.A. contributed €45,174 thousand, mainly concerning raw materials and products in progress for prototypes, own construction and repairs. Finally, Is Molas S.p.A. recorded €65,275 thousand of inventories at the half-year end relating to the hotel business, as well as work in progress and semi-finished products represented by land, volumes, costs for services and consultancy for the property development project relating to the allotment located in Is Molas - Cagliari.

- F11 - CASH AND CASH EQUIVALENTS 173,978

Cash and cash equivalents at the end of the period totalled €173,978 thousand against €200,450 thousand at 31 December 2018, as detailed in the table below:

in thousands of euros	*Balance 30.06.2019*	*Balance 31.12.2018*
Cheques	4	5
Cash and cash equivalents	149	117
Securities	48,426	57,396
Receivable due from banks within 90 days	125,399	142,932
TOTAL	**173,978**	**200,450**

This item covers cash, current bank accounts, deposits refundable on demand and other short-term high-liquidity financial investments readily convertible into cash and subject to an insignificant risk of variation in value. For details of changes during the first half of 2019 in the item in question, reference is made to the Statement of Consolidated Cash Flows at 30 June 2019.

The item Securities mainly refers to contracts of deposit made by the Indian subsidiary of the Piaggio group to effectively utilise its temporary liquidity.

- F12 - BREAKDOWN OF RECEIVABLES BY VALUATION METHOD

Information on the carrying amount of financial assets and operating receivables relative to balances at 30 June 2019 and 31 December 2018, with particular reference to accounting policies adopted, is presented below.

- Operating assets

in thousands of euros

Values at 30 June 2019	Assets at FVPL	Assets at FVOCI	Financial derivatives	Assets at cost depreciated/amortised	Total
Non-current					
Tax receivables				17,035	17,035
Other receivables				14,127	14,127
Total non-current operating receivables	**0**	**0**	**0**	**31,162**	**31,162**
Current					
Trade receivables				165,842	165,842
Tax receivables				24,649	24,649
Other receivables			151	31,504	31,655
Total current operating receivables	**0**	**0**	**151**	**221,995**	**222,146**

Values at 31 December 2018	Assets at FVPL	Assets at FVOCI	Financial derivatives	Assets at cost depreciated/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**

- Financial assets

in thousands of euros

Values at 30 June 2019	Assets at FVPL	Assets at FVOCI	Financial instruments derivatives	Assets at cost depreciated/amortised	Total
Non-current					
Other financial assets	37		6,461		6,498
Total non-current financial assets	**37**	**0**	**6,461**	**0**	**6,498**
Current					
Other financial assets		3,028	3,024		6,052
Cash and cash equivalents				125,552	125,552
Securities				48,426	48,426
Total current financial assets	**0**	**3,028**	**3,024**	**173,978**	**180,030**

Values at 31 December 2018	Assets at FVPL	Assets at FVOCI	Financial instruments derivatives	Assets at cost depreciated/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**

- G - INFORMATION ON THE MAIN LIABILITY ITEMS

Amounts are stated in thousands of euro unless otherwise indicated.

- G1 - SHAREHOLDERS' EQUITY 388,545

Shareholders' equity at 30 June 2019 amounted to €388,545 thousand, of which €247,456 thousand relative to consolidated shareholders' equity attributable to the Group and €141,089 thousand to capital and reserves of non-controlling interests.

Share capital

At 30 June 2019, the share capital of Immsi S.p.A., fully subscribed and paid up, comprised 340,530,000 ordinary shares without par value, for a total of €178,464,000.00. At 30 June 2019, Immsi S.p.A. held no treasury shares.

Each ordinary share entitles the holder to a proportionate part of distributable profits and of the shareholders' equity resulting from any liquidation, as well as to unlimited voting rights.

Legal reserve

The legal reserve comprises reserves allocated following the distribution of profits from the year 2000 to the year 2018, in accordance with provisions of law and totalled €8,528 thousand at the end of June 2019, an increase compared to 31 December 2018 of €337 thousand.

Other reserves

This item totalled €163,246 thousand, down by €227 thousand compared to the figure at 31 December 2018.
The details of the item "Other reserves" are shown below:

in thousands of euros

	Share premium reserve / share capital increase	*IAS transition reserve*	*Reserves as per Law no. 413/91*	*Legal reserves*	*Translation reserves*	*Stock option reserve*	*Reserve for actuarial gains (losses) relative to defined benefit plan*	*Financial instrument measurement reserve*	*Other changes in other reserves*	*Total other reserves*
Balances at 31 December 2018	***94,874***	***5,300***	***4,602***	***1,153***	***(14,578)***	***6,742***	***(4,615)***	***(29,162)***	***99,158***	***163,473***
Other changes									(141)	(141)
Overall earnings for the period					798		(1,186)	302	0	(86)
Balances at 30 June 2019	***94,874***	***5,300***	***4,602***	***1,153***	***(13,780)***	***6,742***	***(5,801)***	***(28,861)***	***99,016***	***163,246***

The share premium reserve includes the consideration of the shares underwritten following the increase in share capital of Immsi S.p.A. in 2005 and 2006 for an overall amount of €95,216 thousand, net of uses of €342 thousand.

Other reserves included the reserve created by the transition to international accounting standards made by the Group on 1 January 2004, totalling €5,300 thousand at the end of June 2019 and unchanged since 31 December 2018. For more details, reference is made to the Financial Statements at 31 December 2005, available on the website www.immsi.it.
The stock option reserve amounts to €6,742 thousand (unchanged compared to 31 December 2018), while the reserve allocated to the measurement of financial instruments is €28,861 thousand negative, mainly due to: the recognition of the fair value adjustment of financial instruments representing capital not available for sale, held by the Parent Company as an investment in UniCredit, in other comprehensive income, equal to €11,836 thousand, as well as the investment in Alitalia – CAI, equal to €14,778 thousand, and the recognition of the component attributable to Piaggio reclassifying renegotiated financial liabilities, as provided for by IFRS 9, for €3,764 thousand.

Retained earnings

Retained earnings total €115,553 thousand and represent the accumulated losses of the Group.

Capital and reserves of non-controlling interests

At 30 June 2019 the balance of share capital and reserves attributable to non-controlling interests totalled €141,089 thousand, a €3,300 thousand decrease compared to 31 December 2018.

- G2 - FINANCIAL LIABILITIES 1,025,082

Financial liabilities totalled €1,025,082 thousand at 30 June 2019, down by €39,705 thousand compared to the value recorded at 31 December 2018. The portion recorded under non-current liabilities amounts to €575,530 thousand, against 525,858 at 31 December 2018, while the portion included among current liabilities totals €449,552 thousand, compared to €538,929 thousand at the end of 2018.
Financial liabilities also include the fair value measurement of financial derivatives to hedge exchange risk and interest rate risk and the adjustment of related hedged items – underwritten by the Piaggio group – for a total of €8,454 thousand (of which 5,759 in the current portion), an increase of €416 thousand compared to 31 December 2018. As already mentioned, according to the Consob Communication of 28 July 2006 and in compliance with the CESR Recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", net financial debt does not include financial assets and liabilities arising from the fair value measurement of derivative financial instruments designated as hedges, the fair value adjustment of relative hedged items, relative accruals, interest expense accrued on loans received (equal to 4,487 at the end of June 2019) and financial liabilities related to assets held for disposal.
The attached tables summarise the financial liabilities by type of financial debt:

- Non-current portion

in thousands of euros	***Balance 30.06.2019***	***Balance 31.12.2018***
Convertible	292,375	291,694
Payables due to banks	254,867	220,599
Leasing payables *)	22,388	7,930
Amounts due to other lenders	141	160
TOTAL	**569,771**	**520,383**

*) of which financial liabilities for rights of use equal to €14,942 thousand at 30 June 2019

The item Payables due to banks and the item Non-current bonds include loans treated, in accounting terms, according to the criterion of amortised cost. According to this criterion the nominal amount of the liability is deceased by the amount of the relative issuing and/or stipulation costs in addition to any costs linked to refinancing previous liabilities. The amortisation of these costs is determined on an effective interest rate basis, and namely the rate which discounts the future flows of interest expense and repayments of principle at the net carrying amount of the financial liability. Furthermore, some financial liabilities attributable to the Piaggio group are entered at fair value with recognition of the relative effects in the Income Statement.

- Current portion

in thousands of euros	*Balance 30.06.2019*	*Balance 31.12.2018*
Convertible	10,333	10,325
Payables due to banks	359,448	465,000
Leasing payables *)	8,742	1,237
Amounts due to subsidiaries **)	8	9
Amounts due to other lenders	63,839	55,525
TOTAL	**442,370**	**532,096**

*) of which financial liabilities for rights of use equal to €7,594 thousand at 30 June 2019
*) not consolidated on a global integration basis

The composition of the gross Financial debt is the following:

in thousands of euros	*Balance at 30.06.2019*	*Balance at 31.12.2018*	*Nominal value at 30.06.2019*	*Nominal value at 31.12.2018*
Convertible	302,708	302,019	312,461	312,461
Payables due to banks	614,315	685,599	620,209	688,656
Leasing payables	31,130	9,167	30,145	9,178
Amounts due to subsidiaries *)	8	9	8	9
Amounts due to other lenders	63,980	55,685	63,980	55,684
TOTAL	**1,012,141**	**1,052,479**	**1,026,803**	**1,065,988**

*) not consolidated on a global integration basis

The following schedule shows the repayment plan for the gross financial debt of the Immsi Group at 30 June 2019:

in thousands of euros	*Nominal value at 30.06.2019*	*Portions falling due within 12 months*	*Portions falling due within 30.06.2021*	*Portions falling due within 30.06.2022*	*Portions falling due within 30.06.2023*	*Portions falling due within 30.06.2024*	*Portions falling due after*
Convertible	312,461	10,360	11,050	11,051	30,000	0	250,000
Payables due to banks	619,213	359,495	88,709	71,332	54,788	38,139	6,750
Leasing payables	31,141	8,742	5,215	5,404	4,797	3,414	3,569
Amounts due to subsidiaries *)	8	8	0	0	0	0	0
Amounts due to other lenders	63,980	63,840	24	23	23	23	47
TOTAL	**1,026,803**	**442,445**	**104,998**	**87,810**	**89,608**	**41,576**	**260,366**

*) not consolidated on a global integration basis

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

in thousands of euros	Balance at 31.12.2018	Balance at 30.06.2019	Nominal value at 30.06.2019	Interest rate at 30.06.2019
Euro	996,026	958,574	973,236	3.24%
Vietnamese Dong	39,286	33,905	33,905	6.47%
Japanese Yen	2,733	2,773	2,773	2.60%
Swiss franc	0	0	0	n/a
Indian Rupee	24	17	17	n/a
Indonesian Rupiah	0	0	0	n/a
US Dollar	14,410	16,872	16,872	3.96%
TOTAL	**1,052,479**	**1,012,141**	**1,026,803**	**3.36%**

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 (former Banco Popolare) 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 €28,900 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. 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, which was settled in mid June 2019;
- a loan from Banca Popolare dell'Emilia Romagna for a nominal amount of €15 million maturing on 31 December 2021 and with a benchmark rate equal to the Euribor increased by a spread. The agreement provides for the repayment of increasing six-monthly instalments, and is recognised according to the amortised cost method, equal to €11,438 thousand, of which 4 million for instalments repayable within 12 months. This line has two covenants, to be assessed at 31 December of each year;
- a revolving credit line extended up to December 2020 by Banca Nazionale del Lavoro for €25 million, used in full at 30 June 2019. This loan has a benchmark rate equal to the variable Euribor increased by a spread. Moreover, it provides for a minimum listing of the Piaggio share and compliance with two covenants, to be assessed at 31 December of each year;
- a credit line amortised with Istituto Monte dei Paschi di Siena for a total of €30 million, maturing in June 2022. The agreements establish a benchmark rate equal to the Euribor increased by a spread and two covenants, to be assessed at 31 December of each year. The loan is recognised according to the amortised cost equal to €20,747 thousand, of which €7 million for instalments repayable within 12 months;
- a loan from Banca Ifis for a nominal amount of €10 million maturing on 31 December 2021 and with a benchmark rate equal to the Euribor increased by a spread. The agreement provides for the repayment of constant quarterly instalments, and is recognised according to the amortised cost method, equal to €7,671 thousand, of which €3,080 thousand for

instalments repayable within 12 months. This loan has two covenants, to be assessed at 31 December of each year;
- credit lines, maturing in January 2020, granted at the end of 2018 by Intesa Sanpaolo for €15 and 25 million, besides a Bullet – Multi Borrower line with Intesa Sanpaolo, granted for €130 million, of which €87.7 million to Immsi S.p.A., €30 million 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;
- a revolving credit line equal to €18 million granted in September 2018 by Unicredit at a rate equal to the variable Euribor increased by a spread, maturing at the end of 2019. The agreements require a covenant to be met quarterly, which was complied with at 30 June 2019;
- three amortised credit lines granted by Banco BPM for a total of €13.5 million, maturing at 3 years, with a benchmark rate equal to the Euribor increased by a spread. The lines were recognised at the end of June 2019 for €12,359 thousand, of which 4.5 million for payments to make within 12 months. To cover the risk of interest rate fluctuation for cash flows, Immsi S.p.A. signed three interest rate swap hedging contract, which change the variable rate into a fixed rate for the entire duration of the contract on 50% of respective loans;
- a 12-month, €10 million bullet loan granted by ING Bank in July 2018, with a benchmark rate equal to the Euribor increased by a spread. This loan was renewed before maturity, in July 2019, for a further 18 months;
- the opening of credit for an advance granted by UBI Banca in June 2018, maturing in December 2019 for €5 million, 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 of approximately €6,547 thousand and €4,284 thousand respectively, represented by the market value of the shares at the date of subscription net of a spread, which takes into account any downward fluctuations in the share. The contract, which expires on withdrawal, envisages a fee equal to 0.05% and interest payable equal to the EONIA increased by a spread, calculated on the cash collateral disbursed by Banca Akros. As at the end of June, Immsi has a cash loan without collateral from Omniaholding S.p.A. of 2,850,000 and 300,852 Piaggio and Unicredit shares respectively. These shares were used in loan operations 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 €910 thousand used at 30 June 2019.

To guarantee the above bank debt, the Company filed Piaggio shares for approximately 3.4 million and a further 163.6 million were filed as security.

Piaggio group

- a medium-term loan, amortised in six-monthly instalments, for €5,455 thousand, from the European Investment Bank to finance Research & Development investments planned for the 2013-2015 period. The loan matures in December 2019 and has a fixed rate. The contractual terms envisage loan covenants;
- a medium-term loan, amortised in annual instalments, for a total of €45,645 thousand, and a nominal amount of €45,714 thousand, from the European Investment Bank to finance Research & Development investments planned for the 2016-2018 period. The loan matures in December 2023 and has a fixed rate. The contractual terms envisage loan covenants;
- a financial payable of €66,091 thousand (nominal value of €67,500 thousand) relative to syndicated loan totalling €250,000 thousand undersigned in June 2018 comprising a four-year tranche (with a year's extension at the discretion of the borrower) of €187,500

thousand, granted in the form of a revolving credit line of which a nominal value of €5,000 thousand had been used at 30 June 2019), and a tranche of €62,500 thousand amortised over five years. The contractual terms envisage loan covenants;

- a medium-term loan granted by UBI Banca for €10,865 thousand (nominal value of €10,880 thousand), maturing in June 2021 and with a repayment schedule of quarterly payments;
- a €19,956 thousand medium-term loan (nominal value of €20,000 thousand) granted by Banca Popolare Emilia Romagna. the loan is amortised in six-monthly instalments and matures in December 2023;
- a loan granted by Banco BPM comprising a tranche of €12,500 thousand granted as a revolving credit line (undrawn at 30 June 2019), and a tranche granted as a loan with amortisation of €7,956 thousand, maturing in July 2022. The contractual terms envisage loan covenants;
- a medium term loan of €8,039 thousand granted by Banca del Mezzogiorno comprising a tranche of the same amount maturing in January 2023 and a repayment schedule with six-monthly instalments and a tranche of €20,000 thousand as a revolving credit line, undrawn at 30 June 2019. The contractual terms envisage loan covenants;
- a medium-term loan for €6,467 thousand (nominal value of €6,500 thousand), granted by Interbanca-Banca Ifis maturing in September 2022 and with a repayment schedule of quarterly payments. The contractual terms envisage loan covenants;
- a medium-term loan for 204,631,287 thousand VND, of which €7,780 thousand recognised, granted by VietinBank to the Piaggio Vietnam subsidiary (for a total amount of 414,000,000 thousand VND) to finance the R&D investments plan. The loan matures in June 2021, with a repayment schedule in six-monthly instalments, a fixed rate for the first year, followed by a variable rate;
- loans from Intesa Sanpaolo pursuant to Italian Law No. 346/88 on subsidised applied research amounting to €187 thousand.

All the above financial liabilities referred to the Piaggio group are unsecured.

Intermarine S.p.A.

- a Bullet – Multi Borrower loan from Intesa Sanpaolo granted to Immsi S.p.A. for a total of €130 million, guaranteed by Piaggio shares, of which €12,300 thousand granted to Intermarine S.p.A., maturing in January 2020;
- a revolving credit line from Intesa Sanpaolo for €18,000 thousand, of which €13,000 used at 30 June 2019, guaranteed by Piaggio & C. S.p.A. shares, held by Immsi S.p.A. and maturing in January 2020;
- a mortgage loan for €10,000 thousand, signed with Banca Bper maturing in 5 years, with 18 months' pre-amortisation, six-monthly repayments starting from June 2020, secured by a mortgage on the Sarzana shipyard for €18,000 thousand, an insurance constraint and comfort letter issued by Immsi for €13,000 thousand;
- a credit line granted by Banca Ifis for a contract advance used at 30 June 2019 for €800 thousand, with a comfort letter issued by RCN Finanziaria and Immsi, with repayment in annual instalments by December 2019, based on works' progress invoiced to the customer;
- a credit line granted by Banca Ifis for the remaining €6,500 thousand for a contract advance used at 30 June 2019 for €3,500 thousand, with a comfort letter issued by RCN Finanziaria and Immsi, with repayment in annual instalments by December 2021, based on works' progress invoiced to the customer;
- a credit line granted by Banca Ifis for a contract advance used at 30 June 2019 for €4,400 thousand, with a comfort letter issued by RCN Finanziaria and Immsi, with repayment in annual instalments by December 2021, based on works' progress invoiced to the customer;

- a credit line granted by Banco BPM for advances on contracts used at 30 June 2019 for €1,300 thousand, maturing in December 2019, based on works' progress invoiced to the customer and with a guarantee issued by Immsi;
- a credit line granted by Banco BPM for advances on invoices for a maximum of €10,000 thousand and undrawn at 30 June 2019;
- a credit line from Banca Carige with a maximum limit of €7 million for advances on invoices fully available at 30 June 2019. This line is secured by a comfort letter issued by Immsi S.p.A.;
- a mortgage loan for €600 thousand (originally €2,500 thousand) granted by Banca Carige maturing at the end of December 2019, with pre-amortisation and subsequent repayment in quarterly instalments. This line is secured by a comfort letter issued by Immsi S.p.A.;
- a loan granted by Banca Nazionale del Lavoro for a residual amount of €800 thousand, maturing at the end of September 2019. This loan is secured by a comfort letter issued by Immsi;
- a €5,000 thousand loan granted by Banca Nazionale del Lavoro, for working capital management, used in full at 30 June 2019, with individual repayments maturing at 180 days, secured by a comfort letter issued by Immsi;
- the short-term account overdrafts with various banks for a total amount of approximately €2,000 thousand, undrawn at the end of June 2019.

Is Molas S.p.A.

- a variable rate loan granted by Monte dei Paschi di Siena to Is Molas S.p.A., maturing in December 2022, for €16,411, with pre-amortisation and subsequent repayment in six-monthly instalments. This loan is secured by a guarantee furnished by Immsi and requires covenants to be met.

The item Bonds, recognised by the Piaggio group for €302,708 thousand (nominal value of €312,461 thousand) refers to:

- €32,411 thousand (nominal value of €32,461 thousand) for the debenture loan (US Private Placement) issued on 25 July 2011 for $75,000 thousand, fully subscribed by an American institutional investor repayable in five annual instalments starting from July 2017, with semi-annual coupon. At 30 June 2019 the fair value measurement of the debenture loan was equal to €40,915 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;
- €29,897 thousand (nominal value of €30,000 thousand) for a five-year private debenture loan issued on 28 June 2017 and wholly subscribed by Fondo Sviluppo Export, the fund set up by SACE and managed by Amundi SGR. The issue has no specific rating or listing on a regulated market;
- €240,400 thousand (nominal value equal to €250,000 thousand) refers to the high yield debenture loan issued on,30 April 2018 for €250,000 thousand maturing in April 2025 and with semi-annual coupon at a fixed annual nominal rate.
  Piaggio & C. S.p.A. may repay in advance:
  - all or part of the amount of the high yield debenture loan issued on 30 April 2018, according to the conditions indicated in the indenture. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IFRS 9 b4.3.5;
  - all or part of the amount of the private placement issued on 28 June 2017, according to the conditions indicated in the contract. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IFRS 9 b4.3.5.

Amounts due for leases refer to:

- finance leases for €8,495 thousand (of a nominal value of €8,506 thousand) granted by Albaleasing as a Sale&Lease back on a production site of Piaggio & C. S.p.A.. The agreement is for ten years, with quarterly repayments (non-current portion equal to €7,359 thousand);
- a finance lease for €99 thousand granted by VFS Servizi Finanziari for the use of vehicles (non-current portion equal to €87 thousand);
- financial liabilities related to future payments of operating lease agreements, recognised according to the new standard IFRS 16, for €22.5 million. Lease liabilities related to assets held for disposal, referred solely to the company Pietra Ligure S.r.l., are recognised under item F9 – assets/liabilities related to assets held for disposal.

Overall, amounts due to other lenders are equal to €63,980 thousand, nearly entirely falling due within the year. The components are as follows:

- two shareholder loans for €6,000 and €9,037 thousand euros respectively granted to RCN Finanziaria S.p.A. by Intesa Sanpaolo (shareholder of the company) renewed on June 2019 and repayable within 3 years based on agreements signed between shareholders;
- a shareholders' loan for €30,930 thousand granted by Intesa Sanpaolo S.p.A. (formerly IMI Investimenti S.p.A.), a shareholder of the company, to ISM Investimenti S.p.A. This line expired as per the contract at the end of 2018, but is not yet collectible, as it is subject to the repayment of the multi-line bank loan paid to ISM Investimenti by Intesa Sanpaolo for €30 million, pursuant to the clause indicated in the contract;
- financial advances from factoring companies and banks for trade receivables assigned with recourse, totalled €17,834 thousand and refer to the Piaggio group;
- a subsidised loan for a total of €162 thousand granted by the Region of Tuscany for investments in research and development (non-current portion equal to €139 thousand);
- a loan of €16 thousand from BMW finance for the purchase of cars (non-current portion equal to €2 thousand).

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

- G3 - TRADE PAYABLES AND OTHER PAYABLES 669,015

Trade payables and other payables amounted to €669,015 thousand (compared to €549,036 thousand at 31 December 2018), of which €661,742 thousand (€541,935 thousand at 31 December 2018) is due within a year: the increase in this item during the first half of 2019 is mainly due to the seasonality of the Piaggio group's business.
The following is a breakdown of the trade payables and other current payables:

in thousands of euros	*Balance 30.06.2019*	*Balance 31.12.2018*
Trade payables	594,370	485,358
Amounts due to affiliated companies	54	52
Amounts due to parent companies	547	472
Amounts due to *joint ventures*	9,621	6,671
Other payables	57,150	49,382
TOTAL	**661,742**	**541,935**

To facilitate access to credit for its suppliers, the Group has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements. These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.
At 30 June 2019, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €226,385 thousand (€181,578 thousand at 31 December 2018).
Amounts due to joint ventures at 30 June 2019 primarily refer to the purchase of vehicles by the Piaggio group from the Chinese joint venture Zongshen Piaggio Foshan Motorcycle Co. Ltd..

The "Other current payables" item is detailed below:

in thousands of euros	*Balance 30.06.2019*	*Balance 31.12.2018*
Amounts due to employees	31,107	19,430
Liabilities connected to hedging instruments	12	40
Advances from customers	154	20
Amounts due to company boards	381	512
Amounts due to social security institutions	6,632	9,767
Other amounts due to third parties	456	299
Other amounts due to affiliated companies	5	5
Other amounts due to *joint ventures*	15	31
Accrued expenses	6,620	4,442
Deferred income	4,158	4,362
Other payables	7,610	10,474
TOTAL	**57,150**	**49,382**

Amounts due to employees mainly include holidays accrued and not used, and other amounts to be paid, while amounts due to affiliated companies are made of other payables due to Fondazione Piaggio.
Liabilities related to hedging derivatives mainly refer to the fair value of hedging derivatives relative to the exchange risk on forecast transactions recognised on an cash flow hedge basis.

Other non-current payables, equal to €7,273 thousand, mainly include guarantee deposits received for €3,117 thousand, deferred income for €3,073 thousand and a confirmation deposit collected by the subsidiary Is Molas for €1 million.

- G4 - RESERVES FOR SEVERANCE INDEMNITY AND SIMILAR OBLIGATIONS 47,165

The reserve for pension and similar obligations amounted to €47,165 thousand at 30 June 2019, an increase of €2,018 thousand compared to the figure at 31 December 2018.

The reserve is detailed below:

in thousands of euros	*Balance 31.12.2018*	*Service cost*	*Actuarial (gain) loss*	*Interest cost*	*Uses and other changes*	*Balance 30.06.2019*
Termination benefits	44,378	4,095	3,252	190	(5,539)	46,376
Other provisions	769	0	0	0	20	789
TOTAL	**45,147**	**4,095**	**3,252**	**190**	**(5,519)**	**47,165**

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

The item "Other provisions" is mainly attributable to the Piaggio group and includes i) provisions for personnel made by international companies of the group and ii) additional customer indemnity provisions, which represent the compensation due to agents in the case of the agency contract being terminated for reasons beyond their control. Uses refer to the payment of benefits already accrued in previous years, while allocations refer to benefits accrued in the period.
The economic / technical assumptions used to discount the value by the companies of the Immsi Group operating in Italy are described below:

- Technical annual discount rate 0.35% - 1.00%;
- Annual rate of inflation 1.50%
- Annual rate of increase in termination benefits 2.625%

As regards the discount rate, the iBoxx Corporates AA or iBoxx Corporates A with a duration from 7 a 10+ were considered.

The table below shows the effects, in absolute terms, at 30 June 2019, which would have occurred following changes in reasonably possible actuarial assumptions:

in thousands of euros	Provision for termination benefits
Turnover rate +2%	45,744
Turnover rate -2%	46,775
Inflation rate + 0.25%	46,857
Inflation rate - 0.25%	45,616
Discount rate + 0.50%	45,184
Discount rate - 0.50%	47,322

The average duration of the bond ranges from 6.1 to 25 years, while future payments estimated in the Group are equal to:

Year	Future amounts
	in thousands of euros
1	7,587
2	3,656
3	2,660
4	3,018
5	1,722

Being an actuarial valuation, the results depend on the technical bases adopted such as - among others - the interest rate, the inflation rate and the expected turnover. A variation of these parameters could lead to a significant change in the liability estimated to date: similar impacts may be caused by unexpected changes in other technical bases.

- G5 - OTHER LONG-TERM PROVISIONS 34,584

The balance of other long-term provisions, including the portion falling due within 12 months, totalled €34,584 thousand at the end of June 2019, a €384 thousand increase compared to 31 December 2018. The other provisions recognised in the financial statements are detailed below:

in thousands of euros	***Balance 31.12.2018***	***Allocations***	***Applications***	***Others changes***	***Balance 30.06.2019***	***Of which the current portion***
Provision for product warranties	19,687	6,301	(3,737)	(338)	21,913	15,493
Provisions for risk on investments	26	0	0	0	26	0
Provision for contractual risks	3,025	4	(647)	711	3,093	782
Other provisions for risks and charges	11,462	38	(929)	(1,019)	9,552	2,885
TOTAL	**34,200**	**6,343**	**(5,313)**	**(646)**	**34,584**	**19,160**

The Provision for product warranties refers to allocations recognised at 30 June 2019 by the Piaggio group for €19,456 thousand and by Intermarine S.p.A. for €2,457 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. 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.

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

Other provisions for risks and charges include the provision for labour disputes and other legal and tax disputes for €2,817 thousand, and the provision for marine sector job orders for €1,784 thousand, which includes the estimates of costs and contractual expenses for job orders being completed.

- G6 - DEFERRED TAX LIABILITIES 26,107

The “Deferred tax liabilities” item refers to tax payables provisioned by the individual companies on the basis of applicable national laws. The balance was offset by €228 thousand by deferred tax assets, of a uniform maturity and type.
Deferred taxes have mainly been recognised by the Parent Company Immsi S.p.A., for €19,631 thousand, chiefly regarding the fair value measurement of the investment property in Rome.

- G7 - CURRENT TAXES 19,176

The item Current taxes, which includes tax payables allocated in relation to tax charges for individual companies under applicable national laws, increased by €3,016 thousand compared to the end of 2018. A breakdown of this item is given below:

in thousands of euros	*Balance 30.06.2019*	*Balance 31.12.2018*
Amounts due for income tax	10,785	9,175
VAT payables	3,842	2,023
Amounts due for withholding tax	4,070	4,650
Amounts due for local taxes	78	50
Other payables	401	262
TOTAL	**19,176**	**16,160**

The item in question, which refers for €17,535 thousand to the Piaggio group, includes tax payables recorded in the financial statements of each consolidated company, allocated in relation to tax charges referring to individual companies on the basis of applicable national laws, whereas amounts due for withholding tax are mainly recorded against withholdings on employee salaries, termination payments and self-employed income.
Payables for tax withholdings made refer mainly to withholdings on employees' earnings, on employment termination payments and on self-employed earnings.

- G8 - BREAKDOWN OF PAYABLES BY VALUATION METHOD

Information on the carrying amount of financial liabilities and operating payables relative to balances at 30 June 2019 and 31 December 2018, with particular reference to accounting policies adopted, is presented below.

- Operating liability

in thousands of euros

Values at 30 June 2019	**Liabilities at FVPL**	**Financial instruments derivatives**	**Liabilities at cost depreciated/amortised**	**Total**
Non-current				
Tax payables				0
Other payables			7,273	7,273
Total non-current operating payables	**0**	**0**	**7,273**	**7,273**
Current				
Trade payables			604,592	604,592
Tax payables			19,176	19,176
Other payables		12	57,138	57,150
Total current operating payables	**0**	**12**	**680,906**	**680,918**

Values at 31 December 2018	**Liabilities at FVPL**	**Financial instruments derivatives**	**Liabilities at cost depreciated/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**

- Financial liability

in thousands of euros

Values at 30 June 2019	Liabilities at FVPL	Adjustment at FV	Financial instruments derivatives	Liabilities at cost depreciated/amortised	Total
Non-current					
Bank borrowings				254,867	254,867
Convertible		27,872		270,262	298,134
Other loans				141	141
Leases				28,256	28,256
Hedging derivatives					0
Total non-current financial liabilities	**0**	**27,872**	**0**	**553,526**	**581,398**
Current					
Bank borrowings				359,448	359,448
Convertible		13,028		0	13,028
Other loans				68,334	68,334
Leases				8,742	8,742
Total current financial liabilities	**0**	**13,028**	**0**	**436,524**	**449,552**

Values at 31 December 2018	Liabilities at FVPL	Adjustment at FV	Financial instruments derivatives	Liabilities at cost depreciated/amortised	Total
Non-current					
Bank borrowings				220,599	220,599
Convertible		27,611		269,558	297,169
Other loans				160	160
Leases				7,930	7,930
Hedging derivatives					0
Total non-current financial liabilities	**0**	**27,611**	**0**	**498,247**	**525,858**
Current					
Bank borrowings				465,000	465,000
Convertible		12,888		0	12,888
Other loans				59,804	59,804
Leases				1,237	1,237
Total current financial liabilities	**0**	**12,888**	**0**	**526,041**	**538,929**

- H - INFORMATION ON THE MAIN INCOME STATEMENT ITEMS

Amounts are stated in thousands of euro unless otherwise indicated.

Before analysing individual items, it should be noted that comments on the general trend of costs and net revenues are presented, in accordance with article 2428 of the Italian Civil Code, in the Half-Yearly Financial Report.

- H1 - NET REVENUES 850,994

Revenues from sales and services of the Immsi Group at 30 June 2019 totalled €850,994 thousand (an increase of €76,923 thousand compared to the same period of the previous year, i.e. +9.9%), of which €816,957 thousand attributable to the industrial sector (+87,365 thousand, +12%), €31,916 thousand to the marine sector (€-10,524 thousand, -24.8%) and the balance to the property and holding sector (€2,121 thousand, up slightly from 30 June 2018).
This item is stated net of premiums given to the customers of the Piaggio group (dealers) and it does not include transport costs recharged to customers and the recovery of advertising costs invoiced, which are shown under Other operating income. Moreover, revenues do not include recharges for building service fees, offset with the related costs incurred by the Parent Company Immsi S.p.A..
Below is a division of the revenues by business sectors and by geographical area of destination, that is, referring to the nationality of the customer.

By business segment

in thousands of euros	*First half of 2019*		*First half of 2018*	
	Amount	***%***	***Amount***	***%***
Property and holding sector	2,121	0.2%	2,039	0.3%
Industrial sector	816,957	96.0%	729,592	94.3%
of which the two-wheeler segment	583,400	68.6%	520,500	67.2%
of which the commercial vehicles segment	233,557	27.4%	209,092	27.0%
Shipyard segment	31,916	3.8%	42,440	5.5%
TOTAL	**850,994**	**100.0%**	**774,071**	**100.0%**

By geographic segment

in thousands of euros	*First half of 2019*		*First half of 2018*	
	Amount	***%***	***Amount***	***%***
Italy	488,830	57.4%	71,709	9.3%
Other European countries	16,212	1.9%	304,209	39.3%
Rest of the World	345,952	40.7%	398,153	51.4%
TOTAL	**850,994**	**100.0%**	**774,071**	**100.0%**

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

- H2 - COSTS FOR MATERIALS 499,373

Costs for materials total €499,373 thousand, compared to €439,103 thousand in the same period of the previous year: this item does not include the costs recharged to customers and tenants, for the same amount, or costs relating to assets held for disposal, recorded separately in the specific income statement item.
The percentage accounting for net revenues at 30 June 2019 is slightly higher than the same period of the previous year, accounting for 58.7%.
The item costs for materials increased in the Piaggio group, from 430,024 in the first half of 2018 to 494,214 in the same period of 2019, going up by 64,190 thousand (+14.9%).
The item includes €9,681 thousand (€14,069 thousand in the first half of 2018) for purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan, which are sold on European and Asian markets.
The table below details the contents of the item under examination:

in thousands of euros	*First half of 2019*	*First half of 2018*
Change in inventories of finished products, work in progress and semi-finished products	(7,329)	(43,329)
Change in capitalised piecework	0	(91)
Purchase of raw materials and consumables	521,466	494,584
Change in raw materials and consumables	(14,764)	(12,061)
TOTAL	**499,373**	**439,103**

- H3 - COSTS FOR SERVICES, LEASES AND RENTALS 138,987

Costs for services, leases and rentals total €138,987 thousand. Below is a breakdown of this item:

in thousands of euros	*First half of 2019*	*First half of 2018*
Transport costs	19,695	18,259
Product warranty costs	1,120	1,236
Advertising and promotion	22,703	19,498
Outsourced manufacturing	21,391	16,760
External maintenance and cleaning costs	5,034	4,852
Employee costs	8,646	8,092
Technical, legal, tax, administrative consultancy, etc.	10,067	9,586
Sundry commercial expenses	5,053	4,860
Energy, telephone, postage costs, etc.	9,561	8,695
Services provided	255	2,559
Insurance	2,562	2,469
Cost of company boards	2,428	2,063
Sales commissions	251	706
Part-time staff and staff of other companies	2,343	1,806
Bank charges and commission	5,163	5,516
Quality-related events	3,663	3,165
Other expenses	13,514	13,393
TOTAL COSTS FOR SERVICES	**133,449**	**123,515**
TOTAL COSTS FOR LEASES AND RENTALS	**5,538**	**9,184**
TOTAL COSTS FOR SERVICES, LEASES AND RENTALS	**138,987**	**132,699**

- H4 - EMPLOYEE COSTS 128,245

Employee costs are broken down as follows:

in thousands of euros		
	First half of 2019	***First half of 2018***
Salaries and wages	97,241	91,741
Social security contributions	25,175	24,662
Termination benefits	4,095	4,070
Personnel restructuring costs	699	1,005
Other costs	1,035	990
TOTAL	**128,245**	**122,468**

In the first half of 2019, employee costs went up by €5.8 million (4.7%) compared to the same period of the previous year.
Under employee costs, €699 thousand was recorded for charges related to mobility plans applied to the Piaggio group production sites in Pontedera and Noale.
Average employee numbers were affected by seasonal workers in the summer (on fixed-term employment contracts). The Group effectively hires temporary staff to cover peaks in demand typical of the summer months.

The table below shows the average number of employees by category. For more details on personnel, refer to the specific paragraph in the Half-Yearly Financial Report:

	First half of 2019	***First half of 2018***
Senior management	115	109
Middle managers and white collars	2,580	2,518
Manual workers	4,154	4,416
TOTAL	**6,849**	**7,043**

- H5 - DEPRECIATION AND IMPAIRMENT COSTS OF PROPERTY, PLANT AND EQUIPMENT 24,757

The depreciation of property, plant and equipment at 30 June 2019 is summarised below:

in thousands of euros		
	First half of 2019	***First half of 2018***
Depreciation of buildings	5,573	2,798
Depreciation of plant and machinery	10,880	11,021
Depreciation of industrial and commercial equipment	4,796	5,446
Depreciation of assets to be given free of charge	127	30
Depreciation of other assets	3,381	2,136
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	**24,757**	**21,431**

The above item includes depreciation for rights of use in the first half of 2019 equal to €3,757 thousand.

- H6 - AMORTISATION AND IMPAIRMENT COSTS OF FINITE LIFE INTANGIBLE ASSETS 36,660

During the first half of 2019, amortisation of intangible assets with a finite life amounted to €36,660 thousand.

in thousands of euros		
	First half of 2019	***First half of 2018***
Amortisation of development costs	16,982	18,095
Amortisation of concessions, patents, industrial and similar rights	17,134	14,522
Amortisation of trademarks and licences	2,411	2,415
Amortisation software	56	57
Amortisation of other intangible assets with a finite life	77	49
AMORTISATION OF INTANGIBLE ASSETS	**36,660**	**35,138**

Since 1 January 2004, goodwill has no longer been amortised but has been subjected to impairment tests at least annually: see the note on intangible assets for details of the activities carried out. The amortisation of intangible assets does not include goodwill impairment either in the first six months of 2019 or in the corresponding period of the previous year, as i) based on the results projected in long-term development plans prepared by Group companies and used in impairment tests carried out at 31 December 2018, and ii) based on analyses conducted by Group Management during the preparation of this Half-Yearly Financial Report at 30 June 2019, no need arose for any write-downs as goodwill was deemed to be recoverable through future cash flows.
This item includes the outcome of impairment testing relative to development costs, concessions, patents and similar rights, leading to the recognition of costs for €283 thousand (€508 thousand in the same period of 2018).
Considering that the analyses conducted to estimate the recoverable value for the Immsi Group cash-generating unit were also determined based on estimates, the Group cannot guarantee that there will be no goodwill impairment losses in future periods. Owing to the current climate of uncertainty on core and financial markets, the various factors – both inside and outside the cash-generating units identified – used in preparing estimates could be revised in the future: the Group will constantly monitor these factors and the possible existence of future impairment losses.

- H7 - OTHER OPERATING INCOME 65,604

The “Other operating income” item comprises:

in thousands of euros		
	First half of 2019	***First half of 2018***
Gains on the disposal of property, plant and equipment	14	66
Sponsorships	1,484	1,177
Grants	2,753	2,809
Recovery of sundry costs	19,782	17,349
Licence rights	1,122	880
Sale of materials and sundry equipment	574	587
Insurance settlements	800	627
Increases in fixed assets from internal work	27,107	22,470
Reversal of provisions for risks and other provisions	1,784	890
Rents received	2,230	2,159
Other operating income	7,954	7,460
TOTAL	**65,604**	**56,474**

Other operating income increased by €9,130 thousand (+16.2%) compared to the same period of the previous year.

- H8 - NET REVERSALS (WRITE-DOWNS) OF TRADE AND OTHER RECEIVABLES (796)

At 30 June 2019 this item amounted to €796 thousand for net write-downs and is broken down as follows:

in thousands of euros	First half of 2019	First half of 2018
Release of provisions	91	32
Losses on receivables	96	9
Write-down of receivables in working capital	791	844
TOTAL	**(796)**	**(844)**

- H9 - OTHER OPERATING COSTS 12,603

The item Other operating costs totalled €12,603 thousand at 30 June 2019 and comprises the following:

in thousands of euros	First half of 2019	First half of 2018
Losses on the disposal of property, plant and equipment	31	0
Duties and taxes not on income	2,947	2,891
Provisions for future and other risks	6,343	6,648
Other operating costs	3,282	1,795
TOTAL	**12,603**	**11,334**

At 30 June 2019, the item Other operating costs included a loss of €994 thousand from the change in fair value of investment property due to the lower value recognised by the expert valuation of the Spanish site of Martorelles.

- H10 - INCOME/(LOSS) FROM INVESTMENTS 385

Income from the investment arising from the portion attributable to the Group of the Zongshen Piaggio Foshan Motorcycle Co. Ltd joint venture (€371 thousand) and the affiliated company Pontech (€14 thousand) measured at equity.

- H11 - FINANCIAL INCOME 7,872

Financial income recognised by the Group at 30 June 2019 is detailed below:

in thousands of euros	First half of 2019	First half of 2018
Interest income	2,137	1,421
Exchange gains	5,355	8,861
Income from fair value hedging and interest rates	271	299
Other income	109	4,621
TOTAL	**7,872**	**15,202**

The decrease of €7,330 thousand is due to non-recurrent financial income equal to €4,431 thousand from the liability management operation on the "Eur 250 million Piaggio 4.625% due 2021" debenture loan, recognised in the income statement in the first half of 2018 and to lower exchange gains offset by fewer exchange losses.

- H12 - BORROWING COSTS 29,309

Borrowing costs at 30 June 2019 are detailed below:

in thousands of euros	First half of 2019	First half of 2018
Interest payable on bank loans	10,577	11,045
Interest payable on loans from third parties	4,168	4,100
Interest payable on debenture loans	6,392	11,019
Other interest expense	543	946
Commissions payable	1,134	783
Exchange losses	5,673	8,918
Financial component of retirement funds and termination benefits	172	249
Other charges	650	175
TOTAL	**29,309**	**37,235**

Borrowing Costs at 30 June 2019 decreased by €7,926 thousand compared to the same period of the previous year. This change is due to lower exchange losses offset by fewer exchange gains, the reduction in borrowing costs on the Piaggio debenture loan and the recognition of non-recurrent borrowing costs in June 2018 for €3,521 thousand arising from the liability management operation on the Piaggio debenture loan.

- H13 - TAXES 28,456

The expected tax expense on the income of companies consolidated with the line by line consolidation method in the financial statements at 30 June 2019 amounted to €28,456 thousand, with a percentage of income before taxes of 52.6% (51.4% in the first half of 2018).

- H14 - GAIN/(LOSS) FROM ASSETS HELD FOR DISPOSAL OR SALE 0

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

- H15 - EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP 12,771

Earnings for the period of the Immsi Group amounted to €12,771 thousand, after allocating earnings of €12,898 thousand to non-controlling interests.

- I - COMMITMENTS, RISKS AND GUARANTEES

For main commitments, risks and guarantees, where not specifically updated in these Notes, reference is made to the Notes to the Consolidated Financial Statements at 31 December 2018 for a general overview of the Group.

- L - TRANSACTIONS WITH RELATED PARTIES

As regards information to be provided on related party transactions of the Group, in accordance with *IAS 24 – Related Parties Disclosures*, related party transactions took place in normal market conditions or as laid down by specific laws. No atypical or unusual transactions were carried out during the period to 30 June 2019. It should be noted that, 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 following table shows the main financial effects of related party transactions and their impact on each financial statement item as of consolidated data of the Immsi Group at 30 June 2019: the financial effects arising from consolidated intergroup operations were eliminated during consolidation.
For comparative purposes, the following table shows income statement data at 30 June 2018 and balance sheet data at 31 December 2018.

Main economic and financial items	Amounts in thousands of euro 30.06.2019 (IFRS)	% accounting for financial statement items	Description of the nature of transactions	Comparable amounts in thousands of euros (IFRS)
Transactions with Related Parties:				
Current trade payables	*88*	*0.0%*	*Tax advisory services provided by St. Girelli & Ass. to the Group*	*219*
Costs for services, leases and rentals	*82*	*0.1%*	*Tax advisory services provided by St. Girelli & Ass. to the Group*	*130*
Transactions with Parent companies:				
Non-current financial liabilities	*462*	*0.1%*	*Rental of offices provided by Omniaholding S.p.A. to the Group*	*0*
Current financial liabilities	*576*	*0.1%*	*Rental of offices provided by Omniaholding S.p.A. to the Group*	*0*
Current trade payables	*509*	*0.0%*	*Costs related to the equity loan from Omniaholding S.p.A. in favour of Immsi and rental of offices provided by Omniaholding S.p.A. to the Group*	*485*
Borrowing costs	*31*	*0.1%*	*Costs related to the Piaggio debenture loan undersigned by Omniholding S.p.A., costs related to the equity loan from Omniaholding S.p.A. in favour of Immsi and rental of offices provided by Omniaholding S.p.A. to the Group*	*93*
Transactions with Subsidiaries, Affiliated Companies, Joint Ventures:				
Trade receivables and other non-current receivables	*94*	*0.7%*	*Receivables from Fondazione Piaggio*	*94*
Current trade receivables and other receivables	*204* *2,131*	*0.1%* *1.1%*	*Receivables due from Consorzio CTMI* *Trade receivables from Piaggio Foshan*	*221* *2,286*
Current financial liabilities	*8*	*0.0%*	*Financial payables to Rodriquez Pietra Ligure S.r.l.*	*9*
Current trade payables	*9,622* *53*	*1.6%* *0.0%*	*Trade payables to Fondazione Piaggio and Piaggio Foshan* *Trade payables to Consorzio CTMI*	*6,672* *48*
Other current payables	*20*	*0.0%*	*Payables to Fondazione Piaggio and Piaggio Foshan*	*36*
Net revenues	*39*	*0.0%*	*Sales to Piaggio Foshan*	*2,219*
Costs for materials	*9,681*	*1.9%*	*Purchases from Piaggio Foshan*	*14,069*
Costs for services, leases and rentals	*60*	*0.0%*	*Costs for services rendered by Consorzio CTMI*	*70*
Other operating income	*123*	*0.2%*	*Income from Piaggio Foshan*	*79*

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

- M - FINANCIAL POSITION

The Immsi Group net financial debt at 30 June 2019 is shown below, compared with corresponding data at 31 December 2018 and at 30 June 2018. Further details of the main components are provided in the tables in the Half-Yearly Financial Report and related information below them:

(in thousands of euros)	***30.06.2019***	***31.12.2018***	***30.06.2018***
Cash and cash equivalents	-173,978	-200,450	-201,495
Other short-term financial assets	0	0	0
Medium/long-term financial assets	0	0	0
Short-term financial payables	442,370	532,096	497,914
Medium/long-term financial payables	569,771	520,383	576,812
Net financial debt *)	**838,163**	**852,029**	**843,231**

*) The indicator does not include financial assets and liabilities arising from the fair value measurement of derivative financial instruments designated as hedges, the fair value adjustment of related hedged items and relative accruals (wholly referred to the Piaggio group), interest accrued on loans and financial liabilities related to assets held for disposal.

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

- N - DIVIDENDS PAID

As proposed by the Board of Directors on 25 March 2019 and approved by Ordinary Shareholders' Meeting on 14 May 2019, the Parent Company did not distribute dividends during the first half of 2019, nor in the first half of 2018.

- O - EARNINGS PER SHARE

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 shares. The average number of shares in circulation is calculated by using the principle of retrospectively applying the changes in the number of shares in circulation.

	First half of 2019	***First half of 2018***
Net profit attributable to ordinary shareholders (in thousands of euro)	12,771	11,400
Average weighted number of shares in circulation during the year	340,530,000	340,530,000
Basic earnings per share (in euro)	**0.038**	**0.033**

Diluted earnings per share

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

The Company has no category of potential ordinary shares at 30 June 2019, therefore the diluted income per share coincides with the above basic earnings per share.

- P - INFORMATION ON FINANCIAL INSTRUMENTS

Below we summarise the information on financial instruments, the risks connected with them, as well as the “sensitivity analysis” in accordance with the requirements of IFRS 7. The following table shows the financial instruments of the Immsi Group registered in the financial statements at 30 June 2019 and at 31 December 2018:

in thousands of euros	*30 June 2019*	*31 December 2018*
ASSETS		
NON-CURRENT ASSETS		
Other financial assets	***6,461***	***5,992***
Financial receivables	0	0
Financial assets	6,461	5,992
CURRENT ASSETS		
Other financial assets	***6,052***	***5,572***
Financial receivables	0	0
Financial assets	6,052	5,572
LIABILITIES		
NON-CURRENT LIABILITIES		
Financial liabilities	***575,530***	***525,858***
Convertible	292,375	291,694
Payables due to banks	254,867	220,599
Leasing payables	22,388	7,930
Amounts due to other lenders	141	160
Financial liabilities for hedging instruments	5,759	5,475
CURRENT LIABILITIES		
Financial liabilities	***445,065***	***534,659***
Convertible	10,333	10,325
Payables due to banks	359,448	465,000
Leasing payables	8,742	1,237
Amounts due to subsidiaries	8	9
Amounts due to other lenders	63,839	55,525
Financial liabilities for hedging instruments	2,695	2,563

Financial assets

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

Financial liabilities

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

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

1) financial covenants based on which the company is committed to meeting certain contractually agreed financial ratios. The most common and significant covenants include

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

The high yield debenture loan issued by Piaggio in April 2018 provides for 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:
1) pay dividends or distribute capital;
2) make some payments;
3) grant collaterals for loans;
4) merge with or establish some companies;
5) sell or transfer own assets.

The measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis, in particular, based on results at 30 June 2019, all covenants had been fully met.
Failure to comply with the covenants and other contract commitments of the loan and debenture loan, if not remedied in agreed times, may give rise to an obligation for the early repayment of the outstanding amount of the loan. For more details, see the information in Note G2 – Financial liabilities.

Lines of credit

At 30 June 2019 the Immsi Group had irrevocable credit lines up to expiry amounting to 1,044.2 million euros (1,058.7 million euros at 31 December 2018), details of which are given in the Note *G2 – Financial liabilities*.

Management of financial risks

The financial risks to which the Immsi Group believes to be potentially exposed to are:
- the management of capital and the liquidity risk;
- the exchange risk;
- the interest rate risk; and
- the credit risk.

In the **Piaggio group**, management of these risks is centralised and treasury operations are performed in the sphere of policy and formalised guidelines, valid for all the companies in the group.

Capitals management and liquidity risk

The liquidity risk derives from the possibility that available financial resources may not be sufficient to hedge, in the means and times, future disbursements generated by financial and/or commercial bonds.

The **Parent Company Immsi S.p.A.** provides financing for the Group's subsidiaries and/or issues guarantees to facilitate their funding: these operations are regulated under normal market conditions.
With particular reference to the **Piaggio group**, to face such a risk, cash flows and the company's credit line needs are monitored and/or managed centrally under the control of the Group's Treasury Department, in order to guarantee an effective and efficient management of the financial resources as well as optimise the debt's maturity standpoint. Moreover, Piaggio & C. S.p.A. finances the temporary cash requirements of Group companies by providing direct or indirect short-term loans regulated in market conditions or through guarantees. Between Piaggio & C. S.p.A. and the European subsidiaries of the Piaggio group, there is also an active cash pooling zero balance system that enables the asset and liability balances of the subsidiaries to be reset daily, resulting in more effective and efficient management of liquidity in the euro area.

For a greater coverage of liquidity risk, at 30 June 2019 the Immsi Group had unused credit lines available for €386.6 million (€326.2 million at 31 December 2018), of which €161.6 million due within 12 months and €225 million due after 12 months.

The Directors believe that the currently available funds, in addition to those that will be generated from operating and financing activities, will enable the Group to meet its own needs arising from investments, management of working capital and repayment of debts when they become due, and will ensure an adequate level of operational and strategic flexibility.

Exchange rate risk management

The Immsi Group – particularly through the subsidiaries of the Piaggio group and through the subsidiary Intermarine S.p.A. – operates in an international context where transactions are conducted in currencies different from Euro. This exposes the Group to risks arising from exchange rates fluctuations: exchange-risk hedging contracts are entered into solely by companies belonging to the aforementioned groups.

In particular the **Piaggio group** has an outstanding exchange rate risk management policy which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flows. This policy analyses:

- transaction exchange risk: the policy wholly covers this risk, which arises from differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and the exchange rate recorded on the related collection or payment. To cover this type of exchange risk, the exposure is naturally offset in the first place (netting between sales and purchases in the same currency) and if necessary, by signing currency future derivatives, as well as advances of receivables denominated in currency;
- translation risk: arises from the conversion into euro of the financial statements of subsidiaries prepared in currencies other than the euro during consolidation: the policy adopted by the Piaggio group does not require hedging of this type of exposure;
- economic exchange risk: arises from changes in company profitability in relation to annual figures planned in the economic budget on the basis of a reference change (the "budget change") and is covered by derivatives. The items of these hedging operations are therefore represented by foreign costs and revenues forecast by the sales and purchases budget. The total of forecast costs and revenues is processed monthly and relative hedging is positioned exactly on the average weighted date of the economic event, recalculated based on historical criteria. The economic occurrence of future receivables and payables will occur during the budget year.

Cash flow hedging relating to the Piaggio group

At 30 June 2019, the Group had undertaken the following futures operations (recognised based on the settlement date), relative to payables and receivables already recognised to hedge the transaction exchange risk:

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			In thousands	*In thousands*	
Piaggio & C.	Sale	CAD	4,600	3,057	24/08/2019
Piaggio & C.	Purchase	CNY	89,000	11,422	10/08/2019
Piaggio & C.	Purchase	JPY	95,000	768	20/08/2019
Piaggio & C.	Purchase	USD	25,350	22,452	19/08/2019
Piaggio & C.	Sale	GBP	650	725	31/07/2019
Piaggio & C.	Sale	INR	200,000	2,552	05/07/2019
Piaggio & C.	Sale	JPY	115,000	935	30/07/2019
Piaggio & C.	Sale	USD	43,350	38,190	27/08/2019
Piaggio group Americas	Purchase	CAD	1,200	906	27/08/2019
Piaggio Vietnam	Purchase	€	5,000	132,795,000	6/08/2019
Piaggio Vietnam	Sale	USD	50,000	1,171,980,000	26/09/2019
Piaggio Indonesia	Purchase	USD	4,487	64,559,437	21/07/2019
Piaggio Vespa BV	Sale	SGD	530	346	29/07/2019
Piaggio Vehicles Private Limited	Sale	USD	5,880	408,168	31/07/2019
Piaggio Vehicles Private Limited	Sale	€	7,579	603,327	19/08/2019

At 30 June 2019, the Group had undertaken the following hedging transactions on the exchange risk:

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			In thousands	*In thousands*	
Piaggio & C.	Purchase	CNY	48,000	5,946	13/10/2019
Piaggio & C.	Sale	GBP	5,440	6,049	19/09/2019

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 30 June 2019, the overall fair value of hedging instruments on the exchange risk recognised on a hedge accounting basis was positive, amounting to €136 thousand. During the first half of 2019, profits recognised in other comprehensive income amounted to €136 thousand, while losses of €15 thousand were reclassified from other comprehensive income to profit/loss for the period.

The net balance of cash flows during the first half of 2019 is shown below in the main currencies:

In millions of euros	Cash flow for the 1st half of 2019
Canadian Dollar	3.7
Pound Sterling	9.1
Swedish corona	4.2
Japanese Yen	(3.4)
US Dollar	21.3
Indian Rupee	(27.2)
Croatian Kuna	0.3
Chinese Yuan*	(25.6)
Vietnamese Dong	(27.6)
Singapore dollar	(1.3)
Indonesian Rupiah	16.2
Total cash flow in foreign currency	**(30.3)**

*cash flow partially in USD

The subsidiary **Intermarine S.p.A.** generally hedges the risks deriving from exchange rate fluctuations through specific operations linked to individual orders that require billing in currencies other than the euro. At 30 June 2019, no forward sales contracts were ongoing.

In view of the above, a hypothetical 3% appreciation/depreciation of the Euro would generate, respectively, potential profits of €881 thousand and losses of €936 thousand.

Management of the interest rate risk

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

With reference to the **Piaggio group**, at 30 June 2019, the following hedging derivatives were taken out:

Fair value hedging derivatives (fair value hedging and fair value options): a Cross Currency Swap to hedge the private debenture loan issued by Piaggio & C. S.p.A. for a nominal amount of USD 75,000 thousand. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. At 30 June 2019, the fair value of the instrument was €9,485 thousand. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €+270 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 practically zero, 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 €-12 thousand and €+17 thousand respectively.

in thousands of euros	***Fair value***
<u>*Piaggio & C. S.p.A.*</u>	
Cross Currency Swap	9,485

Moreover, the Parent Company **Immsi S.p.A.** activated an interest rate swap to change a part of flows for interest relative to loans with Banco BPM from a variable to a fixed rate. At 30 June 2019, the fair value of the instruments was negative at €12 thousand. In the half year, profit amounting to €12 thousand was recognised in other components of the statement of comprehensive income.

<u>*Credit risk*</u>

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

in thousands of euros	*30 June 2019*	*31 December 2018*
Bank funds and securities	173,829	200,333
Financial assets	12,550	11,601
Tax receivables	41,684	27,345
Trade receivables and other receivables	216,486	158,687
Total	**444,549**	**397,966**

In particular, the **Piaggio group** monitors or manages credit centrally by using established policies and guidelines. The portfolio of trade receivables shows no signs of concentrated credit risk in light of the broad distribution of its own licensee or distributor network. In addition, most trade receivables are short-term. In order to optimise credit management, Piaggio & C. S.p.A. has established revolving programmes with some primary factoring companies for selling its trade receivables without recourse in Europe and the United States.
With reference to the subsidiary **Intermarine S.p.A.**, which in view of the nature of its business can present receivables concentrated among a few customers, it is noted that the most significant customers in quantitative terms are represented by public bodies: moreover, in general production to order requires substantial advance payments by the customer as works progress, thereby reducing the credit risk.
With reference to the other companies of the Immsi Group, there is currently no significant exposure to credit risk.

Hierarchical fair value valuation levels

IFRS 13 – *Fair Value Measurement* applies as from 1 January 2013. The Standard defines fair value on the basis of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of an active market or market that does not operate regularly, fair value is measured by valuation techniques.
The standard defines a fair value hierarchy:

- level 1: quoted prices in active markets for assets or liabilities measured;
- level 2: inputs other than quoted prices included within Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;
- level 3: inputs not based on observable market data.

The valuation techniques that refer to levels 2 and 3 must take into account adjustment factors that measure the risk of failure of both parties: to this end, the principle introduces the concepts of Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA). The CVA allows the inclusion, in the determination of the fair value, of the credit risk of the counterparty, while the DVA reflects the insolvency risk of the Group.

IFRS 7 also requires the fair value of debts recognised on a amortised cost basis to be measured, for disclosure purposes only. The table below indicates these values:

in thousands of euros	**Nominal value**	**Carrying amount**	***Fair Value ****
Piaggio group			
High yield debenture loan	250,000	240,400	260,675
Private debenture loan 2021	32,461	32,411	44,820
Private debenture loan 2022	30,000	29,897	30,300
EIB (fin. R&D 2016-2018)	45,714	45,645	45,311
Loan B. Pop. Emilia Romagna	20,000	19,956	19,241
Loan from Banco BPM	7,956	7,956	8,361
Revolving syndicated loan 2023	5,000	3,995	4,953
Syndicated loan 2023	62,500	62,096	61,963
UBI loan	10,880	10,865	12,239
MCC loan	8,039	8,039	7,928
Banca Ifis loan	6,500	6,467	6,667
VietinBank medium-term loan	7,780	7,780	8,054

**) the fair value deducts DVA related to the issuer, i.e. it includes the risk of insolvency of Piaggio.*

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

The table below shows the assets and liabilities measured at fair value at 30 June 2019, based on fair value hierarchical levels:

in thousands of euros	*Level 1*	*Level 2*	*Level 3*
Assets measured at fair value	3,028	0	0
Hedging financial derivatives	0	9,485	0
Investment property	0	0	83,932
Other assets	0	151	37
Total assets	***3,028***	***9,636***	***83,969***
Liabilities measured at fair value	0	(40,915)	0
Hedging financial derivatives	0	(12)	0
Other liabilities	0	(12)	0
Total liabilities	***0***	***(40,939)***	***0***
Balance at 30 June 2019	***3,028***	***(31,303)***	***83,969***

Hierarchical level 1 includes the carrying amount of the investment held by Immsi S.p.A. in UniCredit S.p.A., up by €261 thousand compared to 31 December 2018 following the increase in the share price recorded at the end of June 2019.

Hierarchical level 2 includes the positive value of the hedging derivatives attributable to the Piaggio group, among the assets, while the liabilities include, in addition to the value of financial instruments measured at fair value of the Piaggio group, the negative value of derivative financial instruments (Interest Rate Swap) attributable to the Parent Company Immsi S.p.A.

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

The following table highlights the changes that occurred during the first half of 2019:

in thousands of euros	*Level 1*	*Level 2*	*Level 3*
Balance at 31 December 2018	*2,767*	(31,738)	*84,956*
Gain and (loss) recognised in profit or loss	*0*	271	*(994)*
Gain (loss) recognised in the statement of comprehensive income	261	164	0
Increases/(Decreases)	0	0	7
Balance at 30 June 2019	***3,028***	***(31,303)***	***83,969***

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND INVESTMENTS AT 30 JUNE 2019

Pursuant to Consob resolution no. 11971 of 14 May 1999 as amended (article 126 of the Regulation), Companies and material investments of the Immsi Group are listed below. The list states the companies, divided according to consolidation procedure.

The following are also given for each company: the company name, registered office and country of establishment, as well as the share capital in the original currency. The percentages held by IMMSI S.p.A. or other group companies are also indicated. The percentage of Ordinary Shareholders' Meeting votes is also shown in a separate column, where it differs from the percentage of share capital held.

Company name	Currency	Share Capital (subscribed and paid-up)	% of Share Capital owned	% votes (if different)
LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS ON A LINE-BY-LINE BASIS				
Immsi S.p.A. Mantova (MN) – Italy Parent Company	Euro	178,464,000.00		
Apuliae S.r.l. Lecce (LE) – Italy Immsi S.p.A. investment: 85.69%	Euro	500,000.00	85.69%	
ISM Investimenti S.p.A. Mantova (MN) – Italy Immsi S.p.A. investment: 72.64%	Euro	6,654,902.00	72.64%	
Is Molas S.p.A. Pula (CA) – Italy ISM Investimenti S.p.A. investment: 92.59%	Euro	10,398,437.00	92.59%	
Pietra S.r.l. Milan (MI) – Italy Immsi S.p.A. investment: 77.78%	Euro	40,000.00	77.78%	
Pietra Ligure S.r.l. Mantova (MN) – Italy Investment of Pietra S.r.l.: 100.00%	Euro	10,000.00	100.00%	
Immsi Audit S.c.a r.l. Mantova (MN) – Italy Immsi S.p.A. investment: 25.00% Is Molas S.p.A. investment: 25.00% Piaggio & C. S.p.A. investment: 25.00% Intermarine S.p.A. investment: 25.00%	Euro	40,000.00	100.00%	
RCN Finanziaria S.p.A. Mantova (MN) – Italy Immsi S.p.A. investment: 63.18%	Euro	1,000,000.00	63.18%	
Intermarine S.p.A. Sarzana (La Spezia) – Italy RCN Finanziaria S.p.A. investment: 100.00%	Euro	2,060,214.00	100.00%	
Piaggio & C. S.p.A. Pontedera (PI) – Italy Immsi S.p.A. investment: 50.07%	Euro	207,613,944.37	50.07%	
Aprilia Brasil Industria de Motociclos S.A.*) Manaus – Brazil Aprilia World Service Holding do Brasil Ltda. investment: 51.00%	R$	2,020,000.00	51.00%	
Aprilia Racing S.r.l. Pontedera (PI) – Italy Piaggio & C. S.p.A. investment: 100.00%	Euro	250,000.00	100.00%	
Aprilia World Service Holding do Brasil Ltda.*) San Paolo – Brazil Piaggio group Americas Inc. investment: 99.99995%	R$	2,028,780.00	99.99995%	
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%	

Company name	Currency	Share Capital (subscribed and paid-up)	% of Share Capital owned	% votes (if different)
Nacional Motor S.A. Barcelona – Spain Piaggio & C. S.p.A. investment: 100.00%	Euro	60,000.00	100.00%	
Piaggio Asia Pacific PTE Ltd. Singapore – Singapore Piaggio Vespa B.V. investment: 100.00%	SGD	100,000.00	100.00%	
Piaggio Advanced Design Center Corp. California – USA Piaggio & C. S.p.A. investment: 100.00%	USD	100,000.00	100.00%	
Piaggio China Co. LTD Hong Kong – China Piaggio & C. S.p.A. investment: 100%	USD	12,126,000.00	100%	
Piaggio Concept Store Mantova S.r.l. Mantova – Italy Piaggio & C. S.p.A. investment: 100%	Euro	100,000.00	100.00%	
Piaggio Deutschland GmbH Düsseldorf – Germany Piaggio Vespa B.V. investment: 100.00%	Euro	250,000.00	100.00%	
Piaggio España S.L.U. Alcobendas – Spain Piaggio & C. S.p.A. investment: 100.00%	Euro	426,642.00	100.00%	
Piaggio Fast Forward Inc. Boston – USA Piaggio & C. S.p.A. investment: 83.42%	USD	12,738.00	83.42%	
Piaggio France S.A.S. Clichy Cedex – France Piaggio Vespa B.V. investment: 100.00%	Euro	250,000.00	100.00%	
Piaggio group Americas Inc. New York – USA Piaggio Vespa B.V. investment: 100.00%	USD	2,000.00	100.00%	
Piaggio group Canada, Inc. Toronto – Canada Piaggio group Americas Inc. investment: 100.00%	CAD$	10,000.00	100.00%	
Piaggio group Japan Tokyo – Japan Piaggio Vespa B.V. investment: 100.00%	YEN	99,000,000.00	100.00%	
Piaggio Hellas S.A. Athens – Greece Piaggio Vespa B.V. investment: 100.00%	Euro	1,004,040.00	100.00%	
Piaggio Hrvatska D.o.o. Split – Croatia Piaggio Vespa B.V. investment: 100.00%	HRK	400,000.00	100.00%	
Piaggio Limited Bromley Kent – UK Piaggio Vespa B.V. investment: 99.9996% Piaggio & C. S.p.A. investment: 0.0004%	GBP	250,000.00	100.00%	
Piaggio Vehicles Private Limited Maharashtra – India Piaggio & C. S.p.A. investment: 99.9999971% Piaggio Vespa B.V. investment: 0.0000029%	INR	340,000,000.00	100.00%	
Piaggio Vespa B.V. Breda – Holland Piaggio & C. S.p.A. investment: 100%	Euro	91,000.00	100.00%	
Piaggio Vietnam Co. Ltd. Hanoi – Vietnam Piaggio & C. S.p.A. investment: 63.50% 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)
EQUITY INVESTMENTS IN SUBSIDIARIES, ASSOCIATED AND JOINT CONTROL COMPANIES VALUED USING THE EQUITY METHOD				
Zongshen Piaggio Foshan Motorcycle Co. Ltd. Foshan City – China Piaggio & C. S.p.A. investment: 32.50% Investment in Piaggio China Co. Ltd.: 12.50%	USD	29,800,000.00	45.00%	
Rodriquez Pietra Ligure S.r.l. Milan (MI) – Italy Intermarine S.p.A. investment: 100.00%	Euro	20,000.00	100.00%	
Depuradora d'Aigües de Martorelles S.C.C.L. Barcelona – Spain Nacional Motor S.A. equity investment: 22.00%	Euro	60,101.21	22.00%	
Pont – Tech, Pontedera & Tecnologia S.c.r.l. Pontedera (PI) – Italy Piaggio & C. S.p.A. investment: 20.45%	Euro	469,069.00	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%	
EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES VALUED USING THE COST METHOD				
Consorzio CTMI – Messina Messina (ME) – Italy Intermarine S.p.A. investment: 33.33%	Euro	53,040.00	33.33%	
Fondazione Piaggio Pontedera (PI) – Italy Piaggio & C. S.p.A. investment: 66.67%	Euro	103,291.38	66.67%	

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

Certification of the condensed interim financial statements pursuant to article 154 bis of Legislative Decree 58/98

The undersigned Roberto Colaninno, in a capacity as Chairman of the Board of Directors, Michele Colaninno in a capacity as Chief Executive Officer and Andrea Paroli, in a capacity as Manager in charge of preparing the company accounts and documents of Immsi S.p.A., certify, also considering provisions in article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

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

of the administrative and accounting procedures for the preparation of the condensed interim financial statements in the course of the first half of 2019.

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

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

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

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

2 September 2019

The Chairman
Roberto Colaninno

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

Chief Executive Officer
Michele Colaninno

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
IMMSI SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of IMMSI SpA and its subsidiaries (the IMMSI Group)] as of 30 June 2019, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of consolidated cash flows, the statement of changes in consolidated shareholders' equity and related notes. The directors of IMMSI SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of the IMMSI Group as of 30 June 2019 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Verona, 3 September 2019

PricewaterhouseCoopers SpA

Signed by

Alessandro Vincenzi
(Partner)

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

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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