IMMSI Società per Azioni

Share capital €178,464,000 fully paid up

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

Mantua register of companies – Tax code and VAT registration number 07918540019

Directors' Report and Financial Statements of the Immsi Group as at 31 December 2019

This Annual Financial Report as of 31 December 2019 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

Immsi

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This document was approved by the Board of Directors of Immsi S.p.A. on 25 March 2020 and is available for the public to consult at the Registered Office of the Company, on the website of the Borsa Italiana S.p.A. www.borsaitaliana.it, in the centralised storage system www.emarketstorage.com and on the Issuer's website www.immsi.it (section: "Investors/Financial statements and reports/2020") 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***

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***

GENERAL MANAGER

Michele Colaninno

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

REMUNERATION COMMITTEE

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

INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

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

RELATED-PARTIES COMMITTEE

Rita Ciccone *Chairman*
Paola Mignani
Patrizia De Pasquale

SUPERVISORY BODY

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 RELATOR

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.

Directors' Report on Operations

These Financial Statements of the Immsi Group at 31 December 2019 have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and endorsed by the European Union under Regulation (EC) No 1606/2002, as well as in compliance with the provisions established in Article 9 Legislative Decree 38/2005. The interpretations of the Standing Interpretation Committee ("SIC") and the International Financial Reporting Interpretations Committee ("IFRIC") were also considered.

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

The new accounting standard IFRS 16 - Leases was applied as from 1 January 2019, for the impacts of which reference should be made to the paragraph "New accounting standards, amendments and interpretations applied as from 1 January 2019". The Group opted to use the simplified transition approach, and therefore comparative amounts of the year prior to first-time adoption were not modified.

Information on operations and activities of the Immsi Group

In 2019 the Immsi Group's revenue grew significantly compared to the previous year and recorded the best EBITDA ever in absolute terms. Net financial debt also showed a significant reduction compared to 2018.

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

- the "property and holding sector" consolidated the financial position and performance of Immsi S.p.A., Immsi Audit S.c.a r.l., ISM Investimenti S.p.A., Is Molas S.p.A., Apuliae S.r.l., Pietra S.r.l., Pietra Ligure S.r.l. and RCN Finanziaria S.p.A.;

- the "industrial sector" includes the companies owned by the Piaggio group, while

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

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

Alternative non-GAAP performance measures

In accordance with Consob Communication No. Dem/6064293 of 28 July 2006, as subsequently amended and supplemented (Consob Communication no. 0092543 of 3 December 2015, implementing the ESMA/2015/1415 guidelines on alternative performance indicators), this Report includes some indicators which - although still not contemplated by IFRS ("*Non-GAAP Measures*") – derive from the financial parameters adopted by IFRS.

These measures – which are presented to allow a better assessment of the Group's operating performance – should not be considered as an alternative to IFRS measures. They are identical to those 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 position**: 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, financial liabilities linked to assets held for disposal, relative accruals, interest accrued on loans are not, however, included in the calculation of net financial debt. The tables in this Report and in the Notes to the consolidated financial statements are included in statements that indicate the items used to determine the indicator. In this respect, pursuant to the CESR recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", it is noted that the indicator thus formulated represents what has been monitored by Group Management and differs from that suggested by Consob Communication No. 6064293 of 28 July 2006 as it also includes the non-current portion of financial receivables.

Immsi Group at 31 December 2019

In thousands of Euros	*Property and holding and holding*	*as a % sector*	*Industrial sector*	*as a %*	*Marine sector*	*as a %*	*Immsi Group*	*as a %*
Net sales	4,817		1,521,325		64,593		1,590,735	
Operating income before depreciation and amortisation (EBITDA)	-17,446	n/m	227,830	15.0%	12,265	19.0%	222,649	14.0%
Operating income (EBIT)	-18,090	n/m	104,546	6.9%	8,800	13.6%	95,256	6.0%
Profit before tax	-34,200	n/m	80,684	5.3%	6,962	10.8%	53,446	3.4%
Profit (loss) for the period including minority interests	-28,601	n/m	46,749	3.1%	4,826	7.5%	22,974	1.4%
Group profit (loss) for the period (for consolidation)	-19,076	n/m	23,466	1.5%	3,499	5.4%	7,889	0.5%
Net financial position	-317,656		-429,744		-48,996		-796,396	
Net financial position (excl. IFRS 16)	-316,120		-409,363		-47,809		-773,292	
Personnel (number)	68		6,222		262		6,552	

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

Immsi Group at 31 December 2018

In thousands of Euros	*Property and holding sector*	*as a %*	*Industrial sector*	*as a %*	*Marine sector*	*as a %*	*Immsi Group*	*as a %*
Net sales	5,178		1,389,546		69,809		1,464,533	
Operating income before depreciation and amortisation (EBITDA)	-3,053	n/m	201,765	14.5%	14,597	20.9%	213,309	14.6%
Operating income (EBIT)	-3,513	n/m	92,778	6.7%	11,336	16.2%	100,601	6.9%
Profit before tax	-18,830	n/m	67,850	4.9%	9,538	13.7%	58,558	4.0%
Profit (loss) for the period including minority interests	-17,340	n/m	36,075	2.6%	6,677	9.6%	25,412	1.7%
Group profit (loss) for the period (for consolidation)	-10,081	n/m	18,103	1.3%	4,841	6.9%	12,863	0.9%
Net financial position	-375,260		-429,222		-47,547		-852,029	
Personnel (number)	69		6,515		267		6,851	

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

The property and holding sector

In thousands of Euros	*31.12.2019*	*as a %*	*31.12.2018*	*as a %*	*Change*	*as a %*
Net sales	4,817		5,178		-361	-7.0%
Operating income before depreciation and amortisation (EBITDA)	-17,446	n/m	-3,053	n/m	-14,393	-471.4%
Operating income (EBIT)	-18,090	n/m	-3,513	n/m	-14,577	-414.9%
Profit before tax	-34,200	n/m	-18,830	n/m	-15,370	-81.6%
Profit (loss) for the period including minority interests	-28,601	n/m	-17,340	n/m	-11,261	-64.9%
Group profit (loss) for the period (for consolidation)	-19,076	n/m	-10,081	n/m	-8,995	-89.2%
Net financial position	-317,656		-375,260		57,604	15.4%
Net financial position (excl. IFRS 16)	-316,120		-375,260		59,140	15.8%
Personnel (number)	68		69		-1	-1.4%

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

Overall, the **property and holding** sector reported a net loss for consolidation purposes in 2019 of approximately €19.1 million, a deterioration of around €9 million compared to the same period of the previous year, mainly due to the recognition by the Parent Company of a loss on expenses connected to the sale of the property in Rome, via Abruzzi 43, as described below.

The net financial position of the sector was in debt by €317.7 million, compared to €-375.3 million at the end of the previous year. The improvement of €57.6 million is entirely related to the sale mentioned above, with a net effect of about €59.6 million.

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

The **Parent Company Immsi S.p.A.** recorded, in its separate financial statements, (gross of intergroup eliminations) a net profit for the period of approximately €9 million, compared to a net profit of approximately €6.7 million at 31 December 2018.
In 2019 the Company posted net finance income (difference between finance income and costs) of €19.3 million This also included the adjustments following the impairment tests carried out at 31 December 2019 in regard to the carrying amount of investments, which led to a write-down of €7.9 million of the investment in ISM Investimenti S.p.A. (€9.5 million in 2018). In addition, approximately €26 million has been recognised for the collection of dividends from the subsidiary Piaggio & C SpA (€9.9 million in 2018), up due to the new dividend policy adopted by the subsidiary, which in 2019 approved an interim dividend for the current year.
As regards non-finance income components, following the sale of the property owned in Rome to the real estate fund Investire Sgr S.p.A. for €62.5 million, a capital loss of €12.2 million was recognised in addition to approximately €1.4 million in ancillary selling expenses. To guarantee certain post-sale obligations, €1.5 million was deposited with a notary public, to be released at a set time once these obligations have been fulfilled.
Net sales realised by Immsi S.p.A. during 2019 arising from property management and services

amounted to €4.6 million, in line with the previous year.
Net financial position as at 31 December 2019 amounted to €12.5 million cash, an improvement of approximately €77.4 million compared to 31 December 2018, mainly as a result of the inflow from the sale of the Rome property and the financial items mentioned above.

As regards initiatives in the **property** sector and in particular with reference to the subsidiary **Is Molas S.p.A.**, work site activities relative to the construction of the first 15 villas and first section of primary services were completed and the company handed over the four finished mock-up villas and the remaining 11 villas at an advanced construction stage, in such a way as to enable potential customers to select the flooring and interior finishes. The company considered renting mockup villas to enable end customers, including investors, to better understand the product and its services. At the same time, the company is continuing the marketing activities aimed at identifying buyers, including internationally.

As regards earnings for the period, during 2019 net sales of approximately €2.7 million were posted, in line with the previous year. In terms of margins, the company recorded negative (EBIT) of €3 million in 2019, down by approximately €1 million compared to the previous year, mainly due to the non-recognition of financial expenses on the warehouse as construction activities have mainly been completed during the first half year 2019.
Consequently, the net loss for the Immsi Group for consolidated purposes amounted to €1.8 million, in line with the previous year.

The net financial position of the company showed debt of €68.3 million compared to €69 million at 31 December 2018. During 2019 the net cash flow absorbed by operations was entirely financed by the Parent Company Immsi S.p.A. In order to enable Is Molas to strengthen its capital, two transactions were carried out for the transfer of financial receivables from Immsi to ISM Investimenti for a total of €11 million; on the same date ISM Investimenti waived these receivables, contributing them to the shareholders' equity of Is Molas by setting up an optional reserve for the subscription of future capital increases.

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 2019 was equal to €-0.1 million and in line with the result from the same period of the previous year, while net financial debt was basically stable compared to 31 December 2018 and amounted to €2.7 million. The net loss for consolidation purposes of **Pietra Ligure S.r.l.**, a subsidiary of Pietra S.r.l. which encompasses the property segment of Pietra Ligure with the relative Planning Concession and Agreement, was €0.5 million (a deterioration of €0.2 million compared to 2018) and net financial debt amounted to €2.2 million (€1.3 million at 31 December 2018).

With reference to the subsidiary **Apuliae S.r.l.**, renovation work that began in March 2005 is suspended, following investigations by the legal authorities and pending the final decision of outstanding matters. For updates on the matter, see the paragraph "Disputes in progress" below. At 31 December 2019, the company showed a slight loss in earnings (€0.1 million) and a net financial debt of €0.7 million, in line with 2018.

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

- **RCN Finanziaria S.p.A.**, in which Immsi S.p.A. holds a 72.51% stake, and sole shareholder of Intermarine S.p.A., reported a net loss for consolidation purposes for the Immsi Group equal to approximately €3.9 million (€-3.7 million in 2018) and net financial debt at 31 December 2019 amounting to €124.2 million, an increase of approximately €1.2 million compared to 31 December 2018.

- **ISM Investimenti S.p.A.**, in which Immsi S.p.A. holds a 72.64% stake, in terms of voting rights and the parent of Molas S.p.A. with a 92.59% stake at 31 December 2019, reported a net loss for consolidation purposes for the Immsi Group equal to approximately €3.6 million (€-4 million in 2018) and net financial debt at 31 December 2019 amounting to €132 million, an increase of approximately €18.3 million compared to 31 December 2018, mainly due to the transfer by Immsi to ISM Investimenti of financial receivables worth a total of €11 million in order to allow Is Molas to strengthen its capital and due to the capitalisation of interest expense on some existing loans.

Industrial sector: Piaggio group

In thousands of Euros	*31.12.2019*	*as a %*	*31.12.2018*	*as a %*	*Change*	*as a %*
Net sales	1,521,325		1,389,546		131,779	9.5%
Operating income before depreciation and amortisation (EBITDA)	227,830	15.0%	201,765	14.5%	26,065	12.9%
Operating income (EBIT)	104,546	6.9%	92,778	6.7%	11,768	12.7%
Profit before tax	80,684	5.3%	67,850	4.9%	12,834	18.9%
Profit (loss) for the period including minority interests	46,749	3.1%	36,075	2.6%	10,674	29.6%
Group profit (loss) for the period (for consolidation)	23,466	1.5%	18,103	1.3%	5,363	29.6%
Net financial position	-429,744		-429,222		-522	-0.1%
Net financial position (excl. IFRS 16)	-409,363		-429,222		19,859	4.6%
Personnel (number)	6,222		6,515		-293	-4.5%

As regards the **industrial sector**, 611,300 vehicles were sold worldwide in 2019, with a rise in volumes of approximately 1.3% compared to the previous year, when 603,600 vehicles were sold. 2W sales were up in Asia Pacific (+14.5%) and in EMEA and the Americas (+3.5%). In India instead, the number of vehicles sold recorded a slight downturn (-4.6%). As regards the type of products sold, the increase mainly referred to two-wheeler vehicles (+1.6), while commercial vehicles reported a more or less stable trend (+0.6%).
In terms of consolidated turnover, the group closed 2019 with net sales equal to €1,521.3 thousand, up compared to 2018 (+9.5%; +7.7% with constant exchange rates). All geographic areas recorded positive trends: Asia Pacific +23.2% (+18% with constant exchange rates). EMEA and Americas +8.8%; India +4.8 (+2% with constant exchange rates). As regards product type, the increase in turnover was greater for Two-Wheeler Vehicles (+10.1%) and more moderate for Commercial Vehicles (+8%). As a result, the percentage of Commercial Vehicles accounting for overall turnover

dropped from 31.1% in 2018 to the current figure of 30.6%; vice versa, the percentage of Two-Wheelers rose from 68.9% in 2018 to the current figure of 69.4%.

Operating income including amortisation, depreciation and impairment costs of intangible assets and property, plant and equipment (EBITDA) for the year 2019 amounted to approximately €227.8 million (€201.8 million in 2018). In relation to turnover, EBITDA was equal to 15% (14.5% in 2018). The improvement was also due to the adoption of the new accounting standard IFRS 16, that had a positive effect on the analysed parameter of €7.6 million. In terms of Operating Income (EBIT), performance was better in 2019 compared to 2018, with a consolidated EBIT equal to €104.5 million, up by €11.8 million compared to 2018; in relation to turnover, EBIT was equal to 6.9% (6.7% in 2018).

The result of financing activities improved compared to the previous year by €1.1 million, with net expenses amounting to €23.9 million (€24.9 million in 2018). This improvement would be higher considering that non-recurring net income was recognised in 2018 and that the new accounting standard IFRS 16 was adopted from 2019.

Taxes for the period were equal to €33.9 million, while they amounted to €31.8 million in 2018. In 2019 the impact of taxes on profit before tax was estimated as equal to 42.1% (46.8% in 2018).
Adjusted net profit stood at €46.7 million (3.1% of turnover), up on the figure for the previous year of €36.1 million (2.6% of turnover).

Net financial debt at 31 December 2019 amounted to €429.7 million, down €429.2 million compared to 31 December 2018. Excluding the effect of adopting the new accounting standard IFRS 16 (€20.4 million), debt decreased by €19.9 million, due to the positive performance of operations, which enabled the payment of dividends (€32.2 million relative to 2018 and €19.6 million relative to the interim divided on 2019 results) and funding of the investments programme.

Two-wheeler business

Two-wheeler vehicles can mainly be grouped into two product segments, scooters and motorcycles, in addition to the related spare parts and accessories business, the sale of engines to third parties, involvement in main two-wheeler sports championships and technical service.
The world two-wheeler market comprises two macro areas, which clearly differ in terms of characteristics and scale of demand: economically advanced countries (Europe, United States, Japan) and emerging nations (Asia Pacific, China, India, Latin America).

During 2019, the Piaggio group sold a total of 399,600 two-wheeler vehicles worldwide, accounting for a net turnover equal to approximately €1,055.1 million, including spare parts and accessories (€132.1 million, +5.5%).
The overall growth in both volumes (+1.6%) and turnover (+10.1%) was generated by the excellent performance of Asia Pacific (+14.5% volume; +23.2% turnover; +18% at constant exchange rates) and EMEA and the Americas (+2.4% volumes; +8.3% turnover; +7.9% with constant exchange rates).
India, the most important two-wheeler market, reported a significant reversal in its trend in 2019, closing the year with less than 18.6 million vehicles sold, down by 14.2% compared to 2018.
The People's Republic of China posted another decrease (-5.2%), closing the period with just over 6.5 million units sold.
The Asian area, termed Asean 5, reported a slight increase in 2019 (+0.8% compared to 2018) ending the period with over 13.7 million units sold. Indonesia, the main market in this area, reported slight growth (+1.6% compared to 2018), with total volumes of just under 6.5 million items. Thailand recorded a slight decline in 2019 (1.7 million units sold; -3.3% compared to 2018); Malaysia reported a considerable increase compared to the previous year (nearly 547 thousand units sold; +15.9% compared to 2018). Sales in Vietnam trended downwards in 2019 (3.3 million units sold; -3.9 % compared to 2018), while the Philippines recorded another increase (1.7 million units sold; +7.2%

compared to 2018).
Volumes of other Asian area countries (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) decreased slightly in overall all terms, compared to the previous year, with around 1.3 million units sold (-3.0%). In particular, Taiwan continued the trend of the previous year, closing the period with approximately 705 thousand units sold (-6.6% compared to 2018). Japan continued its negative performance, with sales down to 362.5 thousand units (-1.8% compared to 2018).
The North American market recorded a slight increase (+0.3%) compared to 2018 (519,976 vehicles sold in 2019).
Brazil, the leading market in South America, continued its positive trend, and thanks to a considerable increase in sales (+13.2%) ended the year with 1.084 million vehicles sold.
Europe, the reference area for Piaggio group activities, performed well in 2019, with an overall increase of 8.1% in sales compared to 2018 (+7.9% for the motorcycle segment and +8.2% for scooters), ending the period with approximately 1.384 million units sold.
On the European market, the Piaggio group achieved a 14.1% share in 2019 (14.5% in 2018), confirming its leadership position in the scooter segment, where it reached a 24.1% share (-1.2% over 2018). In Italy, the Piaggio group is a well-established leader in the scooter segment (29.9%) and an important player on the domestic two-wheeler market (a 19.4% share in 2019 and a 19.2% share in 2018).
The group, with its own sites in India and Vietnam, also operates in the "premium" segment of the Indian market and in Asia Pacific countries. In particular, Piaggio is one of the leading segment operators in Vietnam, which is the group's main market in the Asian area.
On the North American market, Piaggio consolidated its position, decreasing its share from 23.9% in 2018 to 23.7% in 2019. The Group is also committed to consolidating its operations in the motorcycle segment, with the Aprilia and Moto Guzzi brands.

Commercial Vehicles business

The Commercial Vehicles business includes three- and four-wheelers with a maximum mass below 3.5 tons (category N1 in Europe) designed for commercial and private use, and related spare parts and accessories. In 2019, the Commercial Vehicles business generated a turnover of approximately €466.2 million, including approximately €51.4 million relative to spare parts and accessories, registering an 8% increase over the previous year. During the year, 211,700 units were sold, up by 0.6% compared to 2018.
Revenues increased in all geographic segments. On the Indian three-wheeler market, group sales reversed their trend, falling from 167,362 units in 2018 to 164,515 units in 2019, down by 1.7%; exports instead went up by 10.1%; related turnover increased by 7.5%.
On the four-wheeler domestic market, sales of Piaggio Vehicles Private Limited were equal to 491 units in 2019.
On the EMEA and Americas market, the Piaggio group sold 19,200 units, generating a total net turnover of approximately €100 million, including spare parts and accessories for €16.1 million. The growth in sales of 17.4% was supported by the considerable increase in sales on US markets (+111.1% volumes; +98.5% turnover).

The Piaggio group operates in Europe and India on the light commercial vehicles market, with vehicles designed for short-range mobility in urban areas (European range) and suburban areas (the product range for India).
In Europe, the group acts as operator on these markets in a niche segment (urban mobility), thanks to its range of low environmental impact products.
Piaggio operates in India in the passenger vehicle and cargo sub-segments of the three-wheeler market. It also operates on the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) with the Indian Porter range.
On the Indian three-wheeler market, Piaggio Vehicles Private Limited slightly increased its market

share in 2019, to 23.9% (23.3% in 2018). Detailed analysis of the market shows that Piaggio Vehicles Private Limited maintained its market leader position in the goods transport segment (cargo segment) with a share of 41.8% (44.9% in 2018). The Passenger segment increased its share, to 20.0% ((18.7% in 2018). On the four-wheeler market, Piaggio Vehicles Private Limited played a marginal role, with its share decreasing to 0.2% (0.8% in 2018).

The marine sector: Intermarine

In thousands of Euros	*31.12.2019*	*as a %*	*31.12.2018*	*as a %*	*Change*	*as a %*
Net sales	64,593		69,809		-5,216	-7.5%
Operating income before depreciation and amortisation (EBITDA)	12,265	19.0%	14,597	20.9%	-2,332	-16.0%
Operating income (EBIT)	8,800	13.6%	11,336	16.2%	-2,536	-22.4%
Profit before tax	6,962	10.8%	9,538	13.7%	-2,576	-27.0%
Profit (loss) for the period including minority interests	4,826	7.5%	6,677	9.6%	-1,851	-27.7%
Group profit (loss) for the period (for consolidation)	3,499	5.4%	4,841	6.9%	-1,342	-27.7%
Net financial position	-48,996		-47,547		-1,449	-3.0%
Net financial position (excl. IFRS 16)	-47,809		-47,547		-262	-0.6%
Personnel (number)	262		267		-5	-1.9%

With reference to the **marine sector**, net sales revenues (comprising turnover and works in progress to order) fell during 2019, at December 31, 2019 were equal to €64.6 million, compared to the figure of €69.8 million for the same period of the previous year. Production progress, including research and development, and the completion of constructions and deliveries, concerned in particular:

- the *Defence* division, with €54 million (€54.6 million in 2018), in particular for the construction of the units and the logistic package for Guardia di Finanza [Italian financial police] (€4.2 million), for the Gaeta MMI operations (€5.8 million), for the construction of the integrated platforms for the Italian group operating in the sector (€43.6 million), for the implementation of the MMI contract in the Sarzana and Messina shipyards for 2 special high-speed vessels (€0.5 million), for the value of the semi-finished goods of which the company remained the owner following termination of the contract with an Asian shipyard and release of excess provisions (€18.4 million), and for other contracts and income (€2.4 million);
- the *Fast Ferries and Yacht* divisions, with €10.6 million (15.2 million in 2018), mainly for repairs and research projects and for the MMI contract for 2 special, high-speed units (€6.5 million), for the start of construction of the first vessel for the Harbour Offices (€1.9 million), for the negative effect of the write-down of prototypes (negative €5 million) and for repairs and research projects.

Figures for 2019 report a positive EBITDA of €12.3 million, a positive EBIT of €8.8 million, profit before tax of €7 million and net profit of €4.8 million.
In particular, in income terms, the 2019 financial statements reflect the considerable progress made in acquired contracts, with adequate margins and contract times met, structure costs slightly down compared to the previous year, the percentage of net sales increasing, and positive effects deriving

from the enhancement of the semi-finished product that remains the property of the subsidiary following the contractual fulfillment of a customer.

In financial terms, the 2019 financial statements show a slight increase in net financial exposure, which rose from €47.5 million at 31 December 2018 to €49 million, almost entirely due to the introduction of IFRS16 which requires rights of use to be recognised in balance sheet from 2019 (€1.2 million).

The total value of the order book at 31 December 2019 is €113 million (remaining part of the contracts in place that still needs to be implemented in terms of value of production) and may be broken down as follows:

- Italian Navy, Refitting and TS Gaeta Programme for €20 million,
- Italian Navy, Contract for 2, ultra-high-speed naval vessels for €7 million;
- Guardia di Finanza, Logistics Package for €3 million;
- Italian operator, contract for the second and third integrated mine sweeping platform for €70 million.
- Ministry of Infrastructure and Transport - Harbour Offices for €12 million for two CP3000 units.

The contract with the Harbour Offices includes an option that the Ministry of Transport may exercise for an additional unit at a price already set at €6.5 million.

Financial position and performance of the Group

As already referred to in this report, during 2019 the Immsi Group recorded improved revenue, EBITDA and net financial position compared to the previous year, in a macroeconomic context characterised by growth in the world economy, but with dynamics that differed considerably by geographic segment.

The scope of consolidation has changed compared to the Consolidated Financial Statements at 31 December 2018 due to the liquidation of the company Piaggio Group Canada on 25 October 2019 and also the following changes compared to the financial statements at 31 December 2018: i) the consolidated portion of shareholders' equity of the Piaggio group, which amounted to 50.20% at 31 December 2019, was equal to 50.18% at 31 December 2018. The increase is due to the effect of the buyback of 105,000 shares by Piaggio S.p.A..
For more details on items in the statements, see the Notes. Specific notes referring to mandatory items are omitted as the main aggregates coincide.

Financial performance of the Group

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

The reclassified consolidated income statement of 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.

As already stated, the Group has adopted the accounting standard IFRS 16 - Leases since 1 January 2019.
The standard mainly has an effect on the recognition of the Group's operating leases. The Group opted to use the simplified transition approach, and therefore comparative amounts of the year prior to first-time adoption were not modified. For analysis of the effects of the first-time adoption of this

standard, reference is made to the Notes.

In thousands of Euros	*31.12.2019*		*31.12.2018*		*Change*	
Net sales	**1,590,735**	**100%**	**1,464,533**	**100%**	**126,202**	**8.6%**
Costs for materials	936,495	58.9%	843,470	57.6%	93,025	11.0%
Cost of services and use of third-party assets	273,073	17.2%	257,116	17.6%	15,957	6.2%
Employee expense	248,165	15.6%	237,496	16.2%	10,669	4.5%
Other operating income	128,995	8.1%	117,678	8.0%	11,317	9.6%
Impairment reversals (losses) net of trade and other receivables	-2,830	-0.2%	-2,301	-0.2%	-529	-23.0%
Other operating expense	36,518	2.3%	28,519	1.9%	7,999	28.0%
OPERATING EARNINGS BEFORE AMORTISATION AND DEPRECIATION (EBITDA)	**222,649**	**14.0%**	**213,309**	**14.6%**	**9,340**	**4.4%**
Depreciation and impairment of property, plant and equipment	52,407	3.3%	42,379	2.9%	10,028	23.7%
Impairment of goodwill	0	-	0	-	0	-
Amortisation and impairment of intangible assets with a finite life	74,986	4.7%	70,329	4.8%	4,657	6.6%
OPERATING INCOME (EBIT)	**95,256**	**6.0%**	**100,601**	**6.9%**	**-5,345**	**-5.3%**
Results of associates	919	0.1%	474	0.0%	445	-
Finance income	15,814	1.0%	23,402	1.6%	-7,588	-32.4%
Finance costs	58,543	3.7%	65,919	4.5%	-7,376	-11.2%
PROFIT BEFORE TAX	**53,446**	**3.4%**	**58,558**	**4.0%**	**-5,112**	**-8.7%**
Taxes	30,472	1.9%	33,146	2.3%	-2,674	-8.1%
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	**22,974**	**1.4%**	**25,412**	**1.7%**	**-2,438**	**-9.6%**
Profit (loss) for the period from discontinued operations	0	-	0	-	0	-
PROFIT (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS	**22,974**	**1.4%**	**25,412**	**1.7%**	**-2,438**	**-9.6%**
Minority interests	15,085	0.9%	12,549	0.9%	2,536	20.2%
GROUP PROFIT (LOSS) FOR THE PERIOD	**7,889**	**0.5%**	**12,863**	**0.9%**	**-4,974**	**-38.7%**

The consolidated net sales of the Immsi Group increased by approximately €126.2 million (+8.6%) to around €1,590.7 million, referring to revenues from the industrial sector for approximately €1,521.3 million, the marine sector for approximately €64.6 million and the property and holding sector for approximately €4.8 million.
The increase recorded by the industrial sector, which went up by 9.5% compared to the figure of €1,389.5 million of the previous year, was partially offset by the decrease in net sales in the marine sector, falling from €69.8 million in 2018 to €64.6 million in 2019.

Operating costs and other net consolidated expenses of the Group in 2019 amounted to €1,368.1 million (86% of net sales), with €1,293.5 million (equal to approximately 85% of net sales of the sector) relative to the Piaggio group. The cost of materials amounted to €936.5 million, accounting for 58.9% of net sales; the cost referred to the industrial sector alone amounted to €927.5 million, equal to 61% of net sales of the sector. Personnel costs totalled €248.2 million, accounting for 15.6% of net sales. The largest portion, amounting to €228.3 million (15% of net sales of the sector), refers to the Piaggio group.

Operating income including amortisation, depreciation and impairment costs of intangible assets and property, plant and equipment (EBITDA) amounted to €222.6 million, equal to 14% of net sales, of which €227.8 million referred to the industrial sector. In absolute terms this result is the best ever recorded by the Immsi Group. The application of the new accounting standard IFRS 16 had a positive effect of €8.2 million on this figure due to lower lease payments, while the disposal of the Immsi property in Rome had a negative impact of approximately €13.6 million due to the capital loss and expenses related to the sale. Excluding these components, EBITDA amounted to €228 million (14.3% of revenue) compared to €213.3 million in 2018.

Depreciation and amortisation for the period stood at €127.4 million (of which €123.3 million relates to the industrial sector), representing 8% of turnover, up by around €14.7 million compared to 2018 (+13%). Depreciation of property, plant and equipment amounted to €52.4 million (+€10 million compared to the figure for 2018), while amortisation of intangible assets totalled €75 million (70.3 million in 2018).
Consolidated operating income (EBIT) does not include goodwill impairment because on the basis of results expected from long-term development plans prepared by Group companies and used in impairment testing, it was not considered necessary to carry out impairment, as this goodwill was considered recoverable through future financial flows.
As the analyses conducted to estimate the recoverable value of the goodwill of cash generating units of the Immsi Group were determined also based on estimates, the Group does not have the assurance that an impairment loss in goodwill will not occur in future periods.
Given the current ongoing difficulty of reference and financial markets, the various factors - both internal and external to cash generating units identified - used in making the estimates could be revised in future: The Group will constantly monitor these factors and the possible existence of future impairment losses.

EBIT amounted to €95.3 million compared to €100.6 million at 31 December 2018, equal to 6% of net sales. The application of the new accounting standard IFRS 16 had a positive effect of €0.9 million on this figure, while the disposal of the Immsi property in Rome had a negative impact of approximately €13.6 million due to the capital loss and expenses related to the sale. Excluding these components, EBIT amounted to €108 million (6.8% of revenue) compared to €100.6 million in 2018.

The net balance of financial activities - including investments - was negative by €41.8 million, comprising a net negative balance of €23.9 million for the industrial sector and a net negative balance of €1.8 million relative to the Marine sector, while the property and holding sector registered a negative balance of approximately €16.1 million.

In consideration of the above, profit before taxes of €53.4 million was recorded, with a positive contribution from the industrial sector of €80.7 million and of €7 million from the marine sector, while the contribution from the property and holding sector (including the impact of the sale of Immsi S.p.A.'s property for €13.6 million) was €34.2 million negative.
It should be noted that, net of the impact of the new accounting standard IFRS 16 and non-recurring operations linked mainly to the disposal of the Immsi property, adjusted profit before taxes would have been equal to approximately €67.5 million, an increase of 15.2% compared to the previous year.

After taxes for the period equal to €30.5 million and net of the portion of income attributable to minority interests of €15.1 million, consolidated profit amounted to €7.9 million, compared to net profit of €12.9 million at 31 December 2018. Adjusted consolidated profit would have been equal to approximately €17.6 milion (excluding IFRS16 and non-recurring operations), an increase of 36.4% compared to the previous year.

Reclassified financial situation of the Group

In thousands of Euros	*31.12.2019*	*as a %*	*31.12.2018*	*as a %*
Current assets:				
Cash and cash equivalents	212,596	10.1%	200,450	9.5%
Financial assets	0	0.0%	0	0.0%
Operating activities	488,722	23.2%	486,987	23.1%
Total current assets	**701,318**	**33.3%**	**687,437**	**32.6%**
Non-current assets:				
Financial assets	0	0.0%	0	0.0%
Intangible assets	848,853	40.2%	833,805	39.5%
Property, plant and equipment	337,988	16.0%	300,860	14.2%
Other assets	220,879	10.5%	289,201	13.7%
Total non-current assets	**1,407,720**	**66.7%**	**1,423,866**	**67.4%**
TOTAL ASSETS	**2,109,038**	**100.0%**	**2,111,303**	**100.0%**
Current liabilities:				
Financial liabilities	461,981	21.9%	532,096	25.2%
Operating liabilities	634,140	30.1%	585,098	27.7%
Total current liabilities	**1,096,121**	**52.0%**	**1,117,194**	**52.9%**
Non-current liabilities:				
Financial liabilities	547,011	25.9%	520,383	24.6%
Other non-current liabilities	91,593	4.3%	94,351	4.5%
Total non-current liabilities	**638,604**	**30.3%**	**614,734**	**29.1%**
TOTAL LIABILITIES	**1,734,725**	**82.3%**	**1,731,928**	**82.0%**
TOTAL SHAREHOLDERS' EQUITY	**374,313**	**17.7%**	**379,375**	**18.0%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,109,038**	**100.0%**	**2,111,303**	**100.0%**

Current assets at 31 December 2019 amounted to €701.3 million, up by €13.9 million compared to 31 December 2018. This increase is mainly due to the change in cash and cash equivalents, equal to €12.1 million. Non-current assets at 31 December 2019 (including assets for disposal) amounted to €1,407.7 million compared to €1,423.9 million at 31 December 2018, with a decrease of €16.1 million.
In particular, non-current assets include intangible assets amounting to €848.9 million, up compared to 31 December 2018 by €15 million, property, plant and equipment amounting to €338 million (€300.9 million at the end of 2018) and other assets amounting to €220.9 million (compared to 289.2 million at the end of 2018). Within this item, Investment Property included the Immsi S.p.A. property sold in December 2019 for approximately €74.7 million.

Current liabilities at 31 December 2019 totalled €1,096.1 million, down by €21.1 million compared to 31 December 2018, of which €462 million attributable to financial liabilities and €634.1 million to current operating liabilities.
Current liabilities at 31 December 2019 amounted to €638.6 million, compared to €614.7 million at 31 December 2018. The increase is mainly attributable to greater financial liabilities.

At the end of 2019 total interest expense amounted to €4,619 thousand due to non-controlling interests of Group companies accrued on loans received. Despite the financial nature of this payable, the Group believes that this item does not contribute to the determination of net financial debt.

Consolidated shareholders' equity attributable to the Group and non-controlling interests amounted to €374.3 million at 31 December 2019, of which €133.9 million attributable to non-controlling interests.

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

In thousands of Euros	*31.12.2019*	*as a %*	*31.12.2018*	*as a %*
Current operating assets	488,722	38.7%	486,987	36.7%
Current operating liabilities	-634,140	-50.2%	-585,098	-44.1%
Net operating working capital	**-145,418**	**-11.5%**	**-98,111**	**-7.4%**
Intangible assets	848,853	67.2%	833,805	62.9%
Property, plant and equipment	337,988	26.8%	300,860	22.7%
Other assets	220,879	17.5%	289,201	21.8%
Capital employed	**1,262,302**	**100.0%**	**1,325,755**	**100.0%**
Non-current non-financial liabilities	91,593	7.3%	94,351	7.1%
Capital and reserves of minorities	133,883	10.6%	144,389	10.9%
Group consolidated shareholders' equity	240,430	19.0%	234,986	17.7%
Total non-financial sources	**465,906**	**36.9%**	**473,726**	**35.7%**
Net Financial debt	**796,396**	**63.1%**	**852,029**	**64.3%**

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

In thousands of Euros	*31.12.2019*	*31.12.2018*
Cash generated internally	179,064	169,042
Change in net working capital	-14,905	-33,012
Net cash flow generated from operations	**164,159**	**136,030**
Payment of dividends to non-controlling interests by Group companies	-25,802	-9,835
Acquisition of intangible assets	-89,924	-78,150
Purchase of property, plant and equipment	-53,712	-39,845
Net decrease from property disposals	62,676	1,178
Acquisition of non-controlling investments, net of disposal	-984	-12
Acquisition of controlling investments and business complexes, net of disposals	0	0
Other net movements	-780	-2,475
Change in net financial position	**55,633**	**6,891**
Initial net financial position	**-852,029**	**-858,920**
Closing net financial position	**-796,396**	**-852,029**

Net financial debt of the Group at 31 December 2019 totalled €796.4 million, an improvement of approximately €55.6 million compared to the balance of €852 million at 31 December 2018, due mainly to net cash flows from operations equal to approximately €164.2 million and the disposal by Immsi S.p.A. of the property in Rome, Via Abruzzi 43 (net income after sale expenses and guarantee for fulfilment of post-sale obligations of €60.7 million). These flows enabled capex in property, plant and equipment and intangible assets for the period, equal to a total of €143.6 million and the payment of dividends to third parties for €25.8 million.

Group gross capex in the year totalled €143.6 million, divided as follows:

- €89.9 million in intangible assets, referring nearly entirely to the Piaggio group;
- €53.7 million in property, plant and equipment, referring nearly entirely to the Piaggio group.

The table below provides a breakdown of net financial debt at 31 December 2019 compared with the same figure at 31 December 2018.

In thousands of Euros	*31.12.2019*	*31.12.2018*
Short-term financial assets		
Cash and cash equivalents	-212,596	-200,450
Financial assets	0	0
Total short-term financial assets	**-212,596**	**-200,450**
Short-term financial payables		
Bonds	11,022	10,325
Payables due to banks	382,759	465,000
Amounts due under leases	1,161	1,237
Amounts due to other lenders	67,039	55,534
Total short-term financial payables	**461,981**	**532,096**
Total short-term financial debt	**249,385**	**331,646**
Medium/long-term financial assets		
Receivables for loans	0	0
Other financial assets	0	0
Total medium/long-term financial assets	**0**	**0**
Medium/long-term financial payables		
Bonds	282,099	291,694
Payables due to banks	242,560	220,599
Amounts due under leases	6,862	7,930
Amounts due to other lenders	15,490	160
Total medium/long-term financial payables	**547,011**	**520,383**
Total medium-/long-term financial debt	**547,011**	**520,383**
Net Financial debt	**796,396**	**852,029**

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

Financial position and performance of the Parent Company

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

In thousands of Euros	*2019*	*2018*
Earnings on financial operations	19,335	7,358
Profit before tax	4,873	6,602
Income for the period	8,994	6,746
Net operating working capital	69,491	63,962
Employed capital	369,469	446,187
Non-financial sources	381,927	381,224
Net financial position	12,458	-64,962
Shareholders’ equity	371,138	361,283
Personnel (number)	11	11

The Parent Company recorded a profit from financing activities of €19,335 thousand in 2019. the increase compared to the previous year (+€12 million) is mainly due to the higher dividends received from the subsidiary Piaggio & C. S.p.A. for approximately €16.1 million, partially offset by the €7.9 million write-down of the investment in ISM investimenti S.p.A. on the basis of the impairment test carried out on 31 December 2019. In the previous year, the Parent Company had written down ISM's investment by €9.5 million and written-back the carrying amount of the investment in RCN Finanziaria S.p.A. by €6.5 million.
The profit before tax of €4,873 thousand includes the capital loss of €12.2 million realised on the sale of the Rome property to Investire Sgr S.p.A. in December 2019, as well as additional expenses of €1.4 million relating to the transaction. Excluding these non-recurring items, profit before tax would have been approximately €18.5 million, an increase of €11.9 million compared to the previous year.
The year 2019 closed with a profit for the period of €8,994 thousand, an increase of €6,746 thousand compared with 2018.

Net operating working capital went down from €63,962 thousand at 31 December 2018 to €69,491 thousand at the end of 2019.

Invested capital amounted to €369,469 thousand at 31 December 2019 compared with €446,187 thousand at 31 December 2018. The decrease is mainly due to the disposal of the investment property in Rome and the change in the carrying amount of investments in subsidiaries.

Non-financial sources, consisting of €10,789 thousand in non-current non-financial liabilities (mainly deferred tax liabilities) and €371,138 thousand in shareholders' equity, are substantially in line with the value at 31 December 2018; the increase in shareholders' equity (€+9.9 million) was almost entirely offset by the release to the income statement of deferred tax liabilities on the remeasurement of the fair value of the property investment in Rome allocated in previous years.

The net financial position at 31 December 2019 showed net cash of €12,458 thousand compared to net debt of €64,962 thousand at 31 December 2018. the increase of approximately Euro 77.5 million is mainly due to the proceeds from the sale of the property in Rome and the higher flow of dividends received from the subsidiary Piaggio & C. S.p.A..

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

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

In thousands of Euros	*Shareholders’ equity*	*Earnings for the period*
Shareholders’ equity and earnings for the period as recorded in the financial statements of the Parent Company Immsi S.p.A.	371,138	8,994
De-recognition of dividends from subsidiaries of the Parent Company	n/a	(26,003)
Elimination of capital gains on sale of stakes in subsidiaries of the Parent Company	n/a	0
Pro rata earnings and shareholders’ equity of investee companies	461,875	16,998
Elimination of the carrying amount of investments	(592,584)	7,900
Elimination of the effects of other intergroup transactions and other records	0	0
TOTAL	**240,429**	**7,889**

Research & development

The Immsi Group carries out research and development through the Piaggio group, which continued its policy in 2019 to retain technological leadership in the sector, and the subsidiary Intermarine S.p.A., whose research and development activities mainly concern new projects for vessels and prototypes, production technologies, plant innovations and innovative materials.
For further information on the projects supported by the Group and allocated resources, see the section Products and Services in the Consolidated non-financial statement pursuant to Legislative Decree 254/2016 of the Immsi Group including this Report and the section The Product Dimension of the Piaggio group 2019 Corporate Social Responsibility Report.

Risk factors

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

Strategic risks

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

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

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

External risks

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

With reference to the effects relating to the global “Covid 19” pandemic that developed during the first months of 2020, please refer to what is highlighted in the following paragraph “Significant events occurring after the reporting period and outlook of operations for 2020”.

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

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

Risks related to the high level of market competition - Over the last few years, the characteristics and dynamics of the competitive background of markets on which the Group operates have changed considerably, above all regarding prices, also due to a declining demand worldwide. In addition, the Group is exposed to the actions of competitors that, through technological innovation or replacement products, could obtain products with better quality standards and streamline costs, offering products at more competitive prices.

The Piaggio group has tried to tackle this risk, which could have a negative impact on the financial position and performance of the Group, by manufacturing high quality products that are innovative, cost-effective, reliable and safe, and by consolidating its presence in Asia.
With reference to the marine sector, and the mine sweeping platforms segment, Intermarine has a considerable technological edge over the competition, while the Fast Ferries division is affected in particular by a context in which the owners prefer carrying out repairs on operating vessels rather than investing in new constructions. Pending the identification of ship owners that have investment plans to replace vessels in operation, the company has reduced at minimum the activity related to this sector.

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

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

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

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

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

Operating risks

Risks related to the product – The Group has to deal with risks related to product defects due to nonconforming quality and safety levels.
The risk for the Piaggio group refers to consequent recall campaigns that would expose the group

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

Risks related to the production process/business continuity - The Group is exposed to risk connected with possible interruptions to company production, due to the unavailability of raw materials or components, skilled labour, systems or other resources.
To deal with these risks, the Group has necessary maintenance plans, invests in upgrading machinery, has a flexible production capacity and sources from several suppliers of components to prevent the unavailability of one supplier affecting company production.
Moreover, the operating risks related to industrial sites in Italy and other countries, as regards the Piaggio group, are managed through specific insurance cover assigned to sites based on their relative importance.

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

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

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

Risks related to delays in the completion of orders - With particular reference to the subsidiary Intermarine operating in the marine industry, any delay in the completion of contracts in progress may lead to customers requesting penalties for late delivery where contractually agreed, with the risk of reducing the overall profitability of orders and reducing financial assets.
On the other hand, the company could pass on the effect of the impact on delivery times, for delays in deliveries and in completing services and for failing to pass tests, with the need to perform the tests again, to its subcontractors.

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

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

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

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

Risks related to financial disclosure – The Group is exposed to the risk of possible inadequacies in its procedures that are intended to ensure compliance with main Italian and foreign regulations applicable to financial disclosure, running the risk of receiving fines and other sanctions. In particular

there is a risk that financial reporting for Group stakeholders is not accurate and reliable due to significant errors or the omission of material facts and that the Group provides disclosure required by applicable laws in a manner which is inadequate, inaccurate or untimely.
To deal with these risks, the financial statements are audited by Independent Auditors. Moreover, the control activities required by Italian Law 262/2005 were extended to cover the most important subsidiaries.

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

Financial risks

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

- debenture loans for a nominal amount of approximately €302.1 million issued by Piaggio & C. S.p.A.;
- bank loans for a nominal amount of approximately €627.1 million. The type, rates and maturities of these loans are discussed in the Notes.

In addition, the Group has outstanding amounts due for finance leases, amounts due to subsidiaries not fully consolidated and amounts due to other lenders for an overall amount of approx. €67.4 million. As of 2019, in accordance with IFRS 16, payables for rights of use are also recognised under financial liabilities, amounting to approximately €23.1 million at 31 December.
The Group is exposed to liquidity risk arising from the production of cash flows that are not sufficient to guarantee payments due, or adequate profitability and growth to achieve its strategic objectives. Moreover, this risk is connected with the difficulty the Group may have in obtaining loans or a worsening in conditions of loans necessary to support Group operations in appropriate time frames. The debt indicated above could also negatively affect Group operations in the future, limiting its capacity to obtain further financing or to obtain it at more favourable conditions. In particular, over the next 12 months several credit lines will mature his renewal which is decisive for being able to operate. A detailed examination of these lines is provided in the Notes.
To face this risk, the Group's cash flows and credit line needs are monitored constantly by management or, in the case of the Piaggio group, managed centrally under the control of the group’s Treasury Department, in order to guarantee an effective and efficient management of financial resources, as well as optimise the debt’s maturity standpoint.
The Parent Company Immsi S.p.A. where necessary assists its subsidiaries with credit lines, in order to guarantee support for implementing development plans. Piaggio & C. also finances the temporary cash requirements of group companies by providing direct short-term loans regulated in market conditions or through guarantees.

Exchange rate risks – The Group, primarily through the companies of Piaggio group and Intermarine, undertakes operations in currencies other than the Euro and this exposes it to the risk of fluctuating exchange rates of different currencies. Exposure to business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis. With reference to the Piaggio group, the policy is to hedge at least 66% of the exposure of each reference month. Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency. In 2019, the exchange risk was managed in line with the current policy, which aims to neutralise the possible negative effects of exchange rate changes on company cash-flow, by hedging the business risk, which concerns changes in company profitability in relation to the annual business budget on the basis of a key change (the so-called “budget change”) and of the settlement risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.

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

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

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

Human resources

At 31 December 2019, Immsi Group employed 6,552 staff members, of which 68 in the property and holding sector, 6,222 in the industrial sector (Piaggio group) and 262 in the marine sector (Intermarine S.p.A.).
The following tables divide resources by category and geographic segment:

Human resources by category

numbers	31.12.2019			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Senior management	5	106	6	117
Middle managers and white collars	35	2,375	147	2,557
Blue collars	28	3,741	109	3,878
TOTAL	**68**	**6,222**	**262**	**6,552**

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
Blue collars	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	6	-1	5
Middle managers and white collars	0	-3	0	-3
Blue collars	-1	-296	-4	-301
TOTAL	**-1**	**-293**	**-5**	**-299**

Human resources by geographic segment

numbers	31.12.2019			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Italy	68	3,199	262	3,529
Rest of Europe	0	175	0	175
Rest of the world	0	2,848	0	2,848
TOTAL	**68**	**6,222**	**262**	**6,552**

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	-1	-125	-5	-131
Rest of Europe	0	-4	0	-4
Rest of the world	0	-164	0	-164
TOTAL	**-1**	**-293**	**-5**	**-299**

The decrease in personnel (-299 compared to 2018) refers nearly entirely to the Piaggio group (-293 units) which continued restructuring, streamlining and organisational reconfiguration measures in 2019.

At 31 December 2019 Group staff also included seasonal staff (with fixed-term contracts), mainly relating to the industrial sector.

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 2019, prepared pursuant to Legislative Decree 254/2016.

Group and Related-Party Transactions

As regards information concerning related-party transactions in accordance with IAS 24 - Related Parties Disclosures, undertaken by Group companies, such transactions took place as part of normal operations in market conditions or as established by specific laws. No atypical or unusual transactions were carried out during the period to 31 December 2019. In compliance with Regulation No. 17221 on related party transactions, issued by Consob on 12 March 2010 and subsequently amended, the Company has adopted a procedure aimed at regulating the approval of related party transactions, available from the Issuer's website at www.immsi.it in the section Governance/Procedures.

The main economic and financial effects of Related-Party transactions and their impact on financial statement items, resulting from consolidated data of the Immsi Group at 31 December 2019 are shown below: the financial effects arising from consolidated intergroup operations were eliminated during consolidation.

Main economic and financial items	Amounts in thousands of Euros 2019	% accounting for financial statement items	Description of the nature of transactions	Amounts in thousands of Euros 2018
Transactions with Related Parties:				
Current trade payables	*91*	*1.2%*	*Tax advisory services provided by St. Girelli & Ass. and by Trevi S.r.l. to the Group*	*219*
Cost of services and use of third-party assets	*181*	*0.1%*	*Tax advisory services provided by St. Girelli & Ass. and by Trevi S.r.l. to the Group*	*232*
Transactions with parent companies:				
Non-current financial liabilities	*358*	*0.1%*	*Financial liabilities for rights of use on Omniaholding S.p.A. leases*	*0*
Current financial liabilities	*262*	*0.1%*	*Financial liabilities for rights of use on Omniaholding S.p.A. leases*	*0*
Current trade payables	*692*	*0.1%*	*Rental of offices provided by Omniaholding S.p.A. to the Group*	*485*
Cost of services and use of third-party assets	*133*	*0.0%*	*Rental of offices provided by Omniaholding S.p.A. to the Group*	*541*
Finance costs	*50*	*0.1%*	*Finance costs for rights of use Omniaholding S.p.A. Security loan in favour of Immsi*	*104*
Transactions with Subsidiaries, Affiliated Companies, Joint Ventures:				
Trade receivables and other non-current	*81*	*0.5%*	*Receivables from Fondazione Piaggio*	*94*
Current trade receivables and other receivables	*137* *2,282*	*0.2%* *1.6%*	*Receivables from Consorzio CTMI and Rodr. do Brasil* *Trade receivables from Piaggio Foshan*	*221* *2,286*
Trade payables and other non-current payables	*0*	*0.0%*	*Payables to Piaggio Foshan*	*0*
Current financial liabilities	*8*	*0.0%*	*Financial payables to Rodriquez Pietra Ligure S.r.l.*	*9*
Current trade payables	*5,318.* *0*	*1.4%* *0.0%*	*Trade payables of Piaggio & C. S.p.A. to Piaggio Foshan and Fondazione Piaggio* *Payables to Consorzio CTMI*	*6,672* *48*
Other current payables	*12*	*0.0%*	*Payables to Fondazione Piaggio and Piaggio Foshan*	*36*
Net sales	*112*	*0.2%*	*Sales to Piaggio Foshan*	*2,772*
Costs for materials	*14,377*	*2.4%*	*Purchases of Piaggio & C. S.p.A. from Piaggio Foshan*	*20,026*
Cost of services and use of third-party assets	*120* *9*	*0.1%* *0.0%*	*Costs for services rendered by Consorzio CTMI* *Costs for services from Fondazione Piaggio*	*131* *4*
Other operating income	*346*	*0.3%*	*Income from Piaggio Foshan*	*343*
Other operating expense	*2*	*0.3%*	*Expenses from Fondazione Piaggio*	*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..

Stock options

At the end of 2019, no stock option plans were adopted by the Immsi Group.

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

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

Other information

Treasury shares

At 31 December 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.

It is also noted that by resolution passed on 14 May 2019, the Ordinary Shareholders' Meeting authorised the purchase and disposal of ordinary shares of the Company, in accordance with the combined provisions of Articles 2357 and 2357-ter of the Civil Code, and Article 132 of the TUF and related implementing provisions, subject to revocation of the resolution authorising the purchase and disposal of treasury shares adopted on 10 May 2018. Purchase authorisation was granted for the 18 month period as of the date of the above resolution, whereas authorisation for placing was granted with no time limits. For more details see section 2, subparagraph i), of the Report on Corporate Governance and Ownership at 31 December 2019.

The subsidiary Piaggio & C. S.p.A. bought back 105,000 own shares in 2019; therefore, at 31 December 2019, Piaggio & C. held 898,818 treasury shares, equal to 0.251% of the shares issued.

Disclosure of payments

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

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

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

Disclosure of payments referred to the 2019			
Type of service	**Company providing the service**	**Recipient**	**Payments in Euro**
Auditing services			
	PwC S.p.A.	Parent Company - Immsi S.p.A.	43,253
	PwC S.p.A.	Subsidiaries	618,210
	PwC network	Subsidiaries	394,332
Certification services			
	PwC S.p.A.	Subsidiaries	50,000
	PwC network	Subsidiaries	65,513
Auditing of the Non-Financial Statement and Corporate Social Responsibility Report			
	PwC S.p.A.	Parent Company - Immsi S.p.A.	13,431
	PwC S.p.A.	Subsidiaries	54,000
Other services			
	PwC S.p.A.	Subsidiaries	233,000
Total			**1,471,739**

The payments of subsidiaries operating in currencies other than the Euro and agreed in local currency have been translated at the average exchange rate for 2019.

During 2012, the Ordinary Shareholders' Meetings of companies belonging to the Immsi Group appointed PricewaterhouseCoopers S.p.A. as independent auditors for the period 2012-2020 (excluding subsidiaries Pietra S.r.l. and Pietra Ligure S.r.l. that appointed PWC during the year 2019 for the period 2019-2021).

Corporate ownership

Information on corporate ownership is given in section 2 of the Report on Corporate Governance and Ownership at 31 December 2019, which is referred to.

Management and coordination

The Company gives reasons why management and coordination activities were not performed by the parent company, in section 2, letter l), of the Report on Corporate Governance and Ownership at 31 December 2019, which is referred to.

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

With reference to the obligations of the “Consolidated Privacy Act”, enacted with Italian Legislative Decree no. 196 of 30 June 2003, – Annex B), Technical Regulations – Immsi S.p.A., as Data Controller, has adopted the security measures listed in the regulations.
Following the entry into force of Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data (GDPR), the Company has mainly completed the process

to align with regulations.
The Company is responsible, in accordance with law and in its capacity as "Controller", for all personal data processing it carries out and in view of this responsibility, adopts adequate security measures in relation to risks for the rights and freedoms of natural persons.

Disputes in progress

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

With regard to the **property sector** (Is Molas S.p.A.), it is noted that with regard to the dispute relating to the “Le Ginestre” property, in 2012 the Court of Mantua accepted the request from the promissory buyers to obtain the repayment of double the confirmation deposit paid when the preliminary contract for the property was signed. The company appealed against this judgment, which was rejected in 2016 by the Brescia Court of Appeal. On 19 June 2017, the company filed an appeal with the Court of Cassation. On 31 July 2017, one of the promissory purchasers filed an appeal to request the inadmissibility of the company's appeal or in any case to have it rejected on the lack of grounds. The Court of Cassation is yet to set the date of the hearing. Moreover, pending the deadline to appeal against the sentence ruling, IH ROMA EST has been declared bankrupt. Is Molas therefore filed an appeal also against the bankruptcy, and a proof of claim, admitted as an unsecured debt of €543 thousand, pending the outcome of the aforesaid appeal before the Court of Cassation.

As regards the dispute with Italiana Costruzioni S.p.A. (a contractor with whom contracts were signed in 2013 for the development of the first 15 holiday villas and first section of primary services and to whom, due to works being put on hold, Is Molas had notified termination of the contract due to breach of the contractor):
► On 20 May 2015 Is Molas filed its summons for compensation for contract damages arising from the other party defaulting on its obligations under the contracts signed. In October and November 2018, witnesses were examined; The new judge admitted a court-appointed expert and scheduled the swearing-in for 19 March 2020;
► In a ruling of 2014, the Administrative Appeals Court rejected the application for a stay order made by Italiana Costruzioni against the ruling handed down by the Municipality of Pula. The Administrative Appeals Court, in its ruling of 2016, also dismissed the application brought by Italiana Costruzioni, ordering the applicant to pay costs. Italian Costruzioni appealed against this decision. On 14 February 2017, the company filed documents with the Council of State to oppose the appeal. A date for the hearing still has to be set.

With reference to the **property sector** (Apuliae S.r.l.), it should be noted that in the proceedings filed by the Company against the Province of Lecce with the Lecce Court in 2011, for reimbursement of the costs borne for the work carried out in regard to the property complex known as the former Scarciglia Colony, at the hearing of 23 March 2016 the Judge, deeming that the other proceedings pending before the State Property Agency and the Province of Lecce had to be settled, adjourned the case for discussion at a hearing to be held on 27 May 2020. In fact, in those other proceedings dating from 2005, between the State Property Agency and the Province of Lecce, and which Apuliae was also joined as a party to the action, the Lecce Court, with its decision of 25 October 2017, upheld the State Property Agency’s counter-claim designed to obtain the declaration of termination, by law, of the agreement for the sale of the property complex in question, and also rejected Apuliae’s application for contractual damages to be paid by the State Property Agency or the Province of Lecce. In this regard, it should be noted that the provisions set out in the aforementioned first instance ruling, against which an appeal has been filed with the Lecce Court of Appeal (decision postponed on 3 December 2019), do not affect the legitimacy of the claim filed by Apuliae in the 2011 lawsuit.

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

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

Da Lio S.p.A., by means of a writ in 2009, summoned Piaggio & C. S.p.A. to appear before the Court of Pisa to claim compensation for the alleged damages sustained as a result of the termination of supply relationships. The company appeared in court requesting the rejection of all opposing requests. Da Lio requested a joinder with the opposition concerning the injunction obtained by Piaggio to return the moulds retained by the supplier at the end of the supply agreement. Judgements were considered and a ruling was issued in 2011, ordering Piaggio to pay about €110 thousand, in addition to interest relative to sums which were not disputed. Subsequently, the Judge admitted a technical/accounting court-appointed expert requested by Da Lio to quantify the amount of interest claimed by Da Lio and value of stock. In a ruling published on 8 August 2019, the Court of Pisa ordered Piaggio in the first instance to pay a total of €7,600,000 and to publish the ruling in two national newspapers and two specialist journals. Piaggio, assisted by its lawyers providing counsel in the appeal proceedings who had indicated the many reasons for filing an appeal and the grounds of the company, filed an appeal before the Appeal Court of Florence, requesting the ruling to be revised and its enforcement to be suspended. The first hearing will take place on 20 December 2020. the risk as assessed as possible and not as likely.

In June 2011 Elma S.r.l, a Piaggio dealer, started two separate proceedings against the company, claiming the payment of approximately €2 million for alleged breach of the sole agency ensured by Piaggio for the Rome area and an additional €5 million as damages for alleged breach and abuse of economic dependence by the Company. Piaggio opposed the proceedings, disputing the claims and requesting a ruling for it to pay the outstanding sums owing of approximately €966 thousand.
During the case, Piaggio requested the enforcement of over €400 thousand of bank guarantees furnished in its favour to ensure against the risk of default by the dealer. With a ruling by the Court of Pisa, published on 25 November 2019, the judge rejected all of Elma's claims, ordering it to pay Piaggio the sum of approximately Euro 967 thousand plus interest, less the above sum already collected by Piaggio through the enforcement of the guarantee. Piaggio will have to pay Elma (by offsetting them) the sum of approximately Euro 58 thousand plus interest. On 14 January 2020, Piaggio filed against Elma, while on 15 January 2020 Elma filed an appeal with the Appeal Court of Florence, against the aforementioned ruling, summoning Piaggio to the hearing of 28 April 2020.
As regards the matter, Elma has also brought a case against a former senior manager of the company with the Court of Rome, claiming compensation for damages. Piaggio appeared in the proceedings, requesting, among others, that the case be moved to the Court of Pisa. In a ruling of 31 May 2019, the Court of Rome rejected Elma S.r.l.'s claim and ordered it to pay the costs of the court-appointed expert (whom it had requested) and legal fees. Elma appealed before the Appeal Court of Rome, summoning Piaggio to the hearing of 15 April 2020.
In a writ received in 2007, Gammamoto S.r.l. in liquidation, an Aprilia licensee in Rome, brought a

case against Piaggio & C. S.p.A. before the Court of Rome for contractual and non-contractual liability. The company fully opposed the injunction disputing the validity of Gammamoto's claims and objecting to the lack of jurisdiction of the Judge in charge. Gammamoto continued proceedings through the Court of Venice which ruled in Piaggio's favour. Gammamoto appealed, rejected by judgement of 8 April 2019 and, the deadline for filing an appeal with the Court of Cassation having expired, the case was closed.

The company Taizhou Zhongneng summoned Piaggio before the Court of Turin, requesting the annulment of the Italian part of the 3D mark registered in Italy protecting the form of the Vespa, as well as a ruling dismissing the offence of the counterfeiting of the 3D mark in relation to scooter models seized by the Guardia di Finanza at the 2013 EICMA trade show, based on the petition filed by Piaggio, in addition to compensation for damages. In a ruling of 6 April 2017, the Court of Turin upheld in full the validity of the 3D Vespa mark of Piaggio, and the counterfeiting of said by the "VES" scooter by Znen. The Court of Turin also recognised the protection of Vespa in accordance with copyright, confirming the creative nature and artistic value of its form, declaring that the scooter "VES" by Znen infringes Piaggio copyright. The other party appealed against the judgment before the Court of Appeal of Turin, which, in a ruling published on 16 April 2019, rejected Zhongneng's appeal. The terms for filing an appeal with the Court of Cassation are pending.
In a writ of 2014 Piaggio summoned the companies Peugeot Motocycles Italia S.p.A., Motorkit S.a.s. e C., Gi.Pi. Motor and GMR Motor S.r.l. before the Court of Milan to obtain the recall of Peugeot "Metropolis" motorcycles from the market, to establish the infringement of some European patents and designs owned by Piaggio, as well as a ruling for the compensation of damages for unfair competition, and the publication of the ruling in some newspapers. The case is pending a decision.

Piaggio brought a similar action against Peugeot Motocycles SAS before the *Tribunal de Grande Instance* in Paris. As a result of this action, several documents were obtained and tests carried out to prove the infringement of the Piaggio MP3 motorcycle by the Peugeot "Metropolis" motorcycle. The appraisal is underway.
Peugeot Motocycles SAS summoned Piaggio to appear before the Court of Milan, claiming that the patent based on which Piaggio filed a claim for counterfeiting would be voidable, due to a previously existing Japanese patent. The company appeared in court, claiming that the action taken by Peugeot could not proceed further and that the patent application referred to by Peugeot was irrelevant. After the expert's appraisal was filed (confirming the validity of Piaggio's patent), the Judge requested further technical confirmations from the expert, establishing a deadline of 15 April 2019, by which Peugeot must request additions to the appraisal.

In November 2017, the company filed two petitions with the Court of Beijing on the infringement and counterfeiting of some marks ("Case 1") and designs ("Case 2") relative to the "Scarabeo" vehicle by Chinese companies which are part of Jincheng Group Co., Ltd. Following the above actions, the counterparty filed an application for the invalidation of the registration of one of the designs relative to an old Scarabeo model. The latter proceeding ended with the invalidation of the registration of the old Scarabeo design. Piaggio appealed against this decision, submitting a petition to suspend Case 2 pending the outcome of the petition against the invalidation, which was rejected on 9 December 2019.

For Case 1, the ruling in the first instance was issued in favour of Piaggio. The Court of Beijing ascertained the unlawful use of Aprilia trademarks by Jincheng, ordering it to pay compensation amounting to RMB 1.5 million, besides legal fees of RMB 212 thousand. Jincheng has filed an appeal. Proceedings are pending acceptance by the Appeal Court of Beijing.
The amounts allocated by the company for the potential risks deriving from the current dispute appear to be consistent with the predictable outcome of the disputes.

As regards tax disputes involving Piaggio & C. S.p.A., two appeals are ongoing against two tax assessments notified to the company and related to the 2002 and 2003 tax years respectively. These assessments originate from an access conducted by the Italian Revenue Agency in 2007 at Piaggio's offices, following information filed in the Report of Verification issued in 2002 following a general verification.
Piaggio has obtained a favourable ruling concerning these verification notice, in both the first and second instance, and with reference to both tax periods. The Revenue Agency filed an appeal with the Court of Cassation and the company promptly filed its own appeal. On 22 May 2019, the company filed an application for a settlement concession pursuant to Article 6 of Law Decree 119/2018, paying the amounts required by this law and on 10 June 2019, filed relative applications for suspension. The above rulings are therefore suspended at presenting, pending the final closure of proceedings.

On 22 December 2017, Piaggio & C. S.p.A. received two notices of assessment issued by the Revenue Agency - Regional Department of Tuscany - Major Taxpayers Section - both relative to the 2012 tax period and concerning transfer pricing for corporate income tax and regional production tax purposes. In relation to both notices, in January 2018 the company filed a petition for verification with acceptance.
As no agreement has been reached with the Department, and to avoid the final deadline lapsing and making the assessment final, the company filed an appeal with the Provincial Tax Department of Florence on 11 June 2018 and 25 July 2018. The appeals were presented together and the first instance body ruled in favour of the company with a sentence filed on 15 January 2020. The Company is therefore waiting for the Revenue Agency to either appeal against this decision before the Regional Tax Commission or to abandon the case.

The company was also successful before the Income Tax Appellate Tribunal with reference to appeals filed against assessment orders received on completion of the assessment of income generated by Piaggio & C. S.p.A. in India during the 2009-2010 and 2010-2011 Indian tax periods, involving sums for approximately €1.4 million and €1.2 million, respectively, including interest; the Indian tax authorities filed an appeal with the High Court against the decision taken in the first instance; a date for the hearing has yet to be set.
A ruling was made by the Income Tax Appellate Tribunal in favour of the company regarding its appeals against the assessment orders received following the assessments conducted for the 2011-2012 and 2012-2013 tax periods. The taxes and interest claimed for these tax periods amount to approximately €1 million and €900 thousand respectively. The company is waiting to see if the local tax authorities decide to appeal before the High Court or to abandon the case.
In compliance with local regulations, Piaggio & C. S.p.A. has already paid part of the disputed amounts totalling €800 thousand to the tax authorities, some of which have already been reimbursed to the company following favourable first instance rulings. The company has not considered allocating provisions for these disputes, considering the rules in its favour, in the first instance, and the positive opinions expressed by consultants appointed as counsel.

Piaggio & C. S.p.A. also received a VAT assessment order from the Indian tax authorities relative to the 2010-2011 tax period, concerning the non-application of VAT to intergroup transactions with Piaggio Vehicles PVT Ltd relative to royalties. The amount of the dispute including interest is approximately €700 thousand, of which a small part already paid to the Indian Tax Authorities, in compliance with local law. The company decided to appeal against the decision before the High Court, filing an action on 17 June 2019.

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

With reference to the Indian subsidiary, some disputes concerning different tax years from 1998 to

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

With reference to PT Piaggio Indonesia, the company filed an appeal before the Tax Court against the claim concerning transfer pricing for the 2015 period; the ruling is pending and should be issued in January 2020. On 10 October 2019, the Indonesian company also appealed against the claim concerning withholding taxes, relative to the 2015 tax period; as regards this dispute, the company is waiting for the date of the first hearing to be set.

As regards the French company, a favourable ruling was issued in December 2012 by the Commission Nationale des Impots directes et des taxes sur le chiffre d'affaires, the decision-making body ruling prior to legal proceedings in disputes with the French tax authorities concerning a general audit of the 2006 and 2007 periods. The French tax authorities however upheld its claims against the company, requesting payment of the amounts claimed and issuing related notices.
The company appealed against the notices and appeals were filed against the findings on withholding tax and corporate income tax, before the Tribunal Administratif. An appeal was lodged against decisions taken against the company before the *Cour Administrative d'Appel de Versailles*. Following the hearing in January 2018, appeal judges issued a sentence in favour of the company. The amount concerned, equal to approximately €3.7 million, including interest, was paid in full to the French tax authorities and subsequently reimbursed following the aforesaid ruling. This last ruling was appealed against by the French financial administration before the Conseil d'Etat that, in a ruling of 4 October 2019, put the case before the Cour Administrative d'Appel de Versailles to review the decision at a second level, identifying a lack of grounds. The company is therefore waiting for the date of the hearing to be set before this Court.
The company has not considered allocating provisions for these disputes, in view of the positive opinions expressed by consultants appointed as counsel.

In April 2015, with reference to Piaggio Hellas S.A., the company received a Tax Report following a general assessment for the 2008 tax period, with findings for approximately €500 thousand, including sanctions. The company appealed against the report with the Tax Center – Dispute Resolution Department. Following the unfavourable outcome of this appeal, the company appealed before the Administrative Court of Appeal, which ruled in favour of the local tax authorities in a ruling of April 2017. The company therefore appealed before the Supreme Court and the amount in question was paid in full to the Greek tax authorities. Based on positive opinions from professionals appointed as counsel, the company considers a favourable outcome and subsequent reimbursement of amounts paid as likely.

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

The order with the Finnish Navy and all guarantee activities were completed in 2018. The client claimed a deduction of €1.6 million in interest on advances for the delay in obtaining Final Approvals during the final settlement phase for the lots; Considering the unfounded nature of these claims, on 12 June 2019 the company initiated arbitration proceedings at the Stockholm Chamber of Arbitration to recover the amount receivable; the counterparty responded by requesting compensation of €500 thousand.
To mutually end the dispute, at the end of December 2019 the parties signed a settlement agreement with conditions to be fulfilled by 31 January 2020, in which the customer was required to pay the company €100 thousand, while the company undertook to supply some goods and services. The conditions were met within the time limits and therefore procedures to close the proceedings have been initiated.

As regards the dispute with Atisa, in view of the corporate developments on the supplier side, which first transferred a business unit to a new company and then was merged by incorporation into the PSC Group, at Intermarine's request the judge authorised the merging company PSC Group to be joined to the proceedings and adjourned the hearing for the announcement of conclusions to 20 June 2020.

The Court of Rome had ordered Rodriquez Cantieri Navali S.p.A. (now Intermarine S.p.A.) to pay Yachitaly a total of €693 thousand, in addition to the payment of the legal and expert witness costs. In February 2012, Rodriquez Cantieri Navali lodged an appeal against the ruling and requested suspension of the provisional enforcement order. Despite the appeal, the company paid the full sum of €761 thousand, with "the right of repetition" in January 2013. A ruling in Intermarine's favour was issued on 4 January 2018, whereby the Judge quantified the sum relative to Intermarine as amounting to only €120 thousand, as it granted said company the right to the reimbursement of approximately €600 thousand. In March 2018, Yachitaly filed an appeal with the Court of Cassation against the sentence of the Appeal Court and Intermarine filed a counterappeal notified on 20 April 2018. The date of the hearing before the Court of Cassation still has to be set.
During the previous year, the lawyers advising the company continued to take action to recover the above amount, through seizure orders for over €900 thousand, identifying funds in current accounts of the counterparty of only €14 thousand; Intermarine has obtained the amounts seized, collecting them in March 2019.

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

With reference to the summons by the Court of Naples of the company Scoppa Charter S.r.l.
- purchaser, through Unicredit Leasing, of the vessel Conam 75 WB Alvadis II delivered in 2010 for a sum of €2 million - through which the Shipping Company had appealed against the alleged nonconformity of the asset to sales specifications and the owner manual and the unsafe nature of the unit. The Court of Naples issued the first instance ruling, at the end of September 2016, with a primarily favourable outcome for Intermarine with respect to the opposing party's request, but ordering the company to pay €600 thousand in damages.
In 2017, Scoppa Charter filed an appeal against said ruling, while Intermarine filed an appeal for an anti-enforcement injunction. The Naples Appeal Court ordered suspension of the enforcement of the first instance ruling, and set a hearing for closing arguments for 10 September 2020. According to the company's lawyers, the outcome of the appeal cannot be foreseen.

With regard to the legal dispute relating to the Pietra Ligure contract, concerning the injunction presented by Como S.r.l. for the enforcement of the surety of €2.7 million, the Judge rejected provisional enforcement. Considering the case to be document-based, the hearing for closing arguments was set for 4 July 2018. On 20 February 2019, the ruling of the Court of Rome was published, in which it fully upheld the appeals made by Intermarine and Banco BPM, ordering the company Como S.r.l. to pay legal fees. The judgment is final. On 4 June 2019, Como S.r.l. was declared insolvent. The company has filed a petition to be added to the list of creditors for the recovery of expenses, extending the surety of €2.7 million pending the ruling on the dispute for damages brought by Intermarine against Como before the Court of Rome.

With reference to this ongoing litigation for damages, on 16 December 2019, the Court of Rome published the judgment of the first instance, with a favourable outcome for Intermarine, in which it declared the termination of the preliminary contract entered into between the parties in 2005. Como was also ordered to pay €8.9 million in damages plus monetary inflation and interest, as well as court costs of approximately €70 thousand. The judgment has become final, therefore on 19 February 2020 the company obtained the release of the surety of €2.7 million.
Regarding Como's bankruptcy, as the judgment was published after the opening of the procedures for filing a claim to be added to the list of creditors, the receiver only admitted the recovery value of the expenses to the list; the company can appeal against the creditors' list by the deadline of 28 May 2020, requesting the admission of the damages recognised in the judgment.

Intermarine was summoned for the payment of damages totalling over €2 million, for alleged moral and biological damage as a result of the illnesses of its former employees. Proceedings are in the preliminary stages and according to the company's lawyers it is not possible to predict the outcome.

Other disputes are in progress with suppliers and customers as well as labour disputes, for which on the basis of the opinions of the attorneys that assist the company, no significant liabilities or costs should emerge that exceed the provisions already allocated in the financial statements.

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

In May 2008, the Customs Agency of La Spezia served a Formal Notice of Assessment to the company, relative to the inspection which began in 2008 concerning excise on mineral oils. Based on the above Formal Notice of Assessment, in June 2008 the Tax Authorities served the company a Notice of Payment for the above mentioned excise duties amounting to €38 thousand. The company submitted an appeal to the La Spezia Provincial Tax Commission against the aforesaid Notice of Payment, and in January 2012 the Commission rejected the initial appeal. The company filed an appeal with the Genoa Regional Tax commission against the aforesaid ruling, and in March 2016 a ruling upholding the appeal was filed. On 6 July 2016, the Customs Office submitted an appeal to the Court of Cassation, against which the company submitted a counter appeal. On 5 December 2019, the judgement was filed at the Court of Cassation, which, despite the contrary opinion of the General Prosecutor who had found in favour of rejecting the appeal, decided instead to accept the two arguments put forward by the Customs Agency. Therefore, the judgement will have to be resumed at the Liguria Regional Tax Commission, in a different composition, in order to review the merits of the case.

On 13 May 2015, the company was served a Notice of Payment issued by the Revenue Agency Provincial Department of Savona - Territorial Unit of Albenga, concerning the additional registration tax claimed in relation to the registration of the long-term Maritime Concession Agreement stipulated on 30 December 2014 registered with the Revenue Agency of Albenga on 14 January 2015 for a total amount of €463 thousand. In essence, the recovery of the higher registration tax due on the Deed of Concession resulted from the failure by the Office to apply the provisions of Article 3, paragraph 16, of Italian Law Decree 95 of 6 July 2012, based on which, in accordance with the provisions for long-term leases on open properties, also for the concessions of properties belonging to the state, it was possible to pay the registration tax annually on the amount of the lease fee for each year, instead of as a single payment on the total amount of the state lease fees agreed for the entire duration of the concession. The company appealed against this notice with the Provincial Tax Commission that upheld the appeal in April 2016, annulling the notice and ordering the Financial Administration to pay legal fees for €5 thousand. In December 2016, the Territorial Unit of Albenga served the company the Notice of Appeal against that ruling, following which the company filed an appearance. Publication of the judgment is pending.

Significant events occurring after the reporting period and outlook of operations for 2020

At the date of preparation of these financial statements, the Group is monitoring the evolution of some potential causes of instability that have recently emerged, such as the Covid 19 (hereinafter "Coronavirus") emergency which, in the early weeks of 2020, initially impacted economic activity in China and then spread to other countries. The economic consequences are currently difficult to quantify and assess. These factors are therefore considered to be events that do not require adjustments to be made to the financial statement balances pursuant to paragraphs IAS 10 § 21. This is because even though the Coronavirus initially manifested in China close to the end of the reporting period, it was only at the end of January that an international emergency was declared. However, if these factors were to manifest in a significant way, they could also have a major impact on the prospect of future growth, impacting the economy as a whole and the financial markets.

At present, having carried out the necessary assessments, it is not possible to predict the course of this phenomenon, including in Italy nor, consequently, the impact that it will have on the economy and on our Group. Therefore, it is not possible to quantify any negative impact on finances and income that could affect the first part of the year and subsequently the whole of 2020, considering that the emergency could return in the following months, depending on the containment measures put in place by the governments and central banks of the countries affected by the spread of the virus. As such, even though at present it is impossible to make predictions about the possible evolution of the emergency and its consequent impact on the economy, there are currently no factors that could jeopardise the Group's business continuity albeit not excluding slowdowns in some areas of operations.

The Group is monitoring the situation as it pertains to its various sectors of activity. In the industrial sector, the effects on the supply chain are being managed without any particular impact on production sites (situated in Italy, India and Vietnam) positioning on global markets will continue to be strengthened.
Moreover, considering its product portfolio and diversified production and sales presence on international markets - enabling it to mitigate any negative effects, the Piaggio 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 markets, further consolidating the sales network;
- consolidating its presence in Asia Pacific, exploring new opportunities in countries in the area, with a particular focus on the premium segment of the market;
- strengthening sales on the Indian scooter market thanks to the Vespa and Aprilia product ranges;
- increasing the penetration of commercial vehicles in India, thanks to the introduction of new engines.

In terms of technology, the Piaggio group will continue to seek new solutions for the problems of current and future mobility, through the work of Piaggio Fast Forward (Boston) and the new frontiers of the design by the PADc (Piaggio Advanced Design Center) in Pasadena.
More generally, the group is committed - as it always has been - to increasing productivity in 2020 with a strong focus on streamlining costs and investments, carefully monitoring the situation so that it can take measures, where necessary, to guarantee the satisfaction of all its stakeholders.

As regards the subsidiary **Is Molas S.p.A.**, the impact of the spread of the virus and its commercial impact on the tourist hotel and villa sales will be monitored.

As regards the **marine sector** (Intermarine S.p.A.), production progress will be made in 2020 regarding contracts already obtained, with the aim of further consolidating assets, with actions already taken in the last few years.
In addition, the company is involved in various negotiations, particularly in the Defence sector, aimed at requiring more contracts that will allow to increase the purchase order book and consequently provide the conditions to enable the company to optimise its production capacity over the coming years.

CONSOLIDATED
NON-FINANCIAL STATEMENT

pursuant to Italian Legislative Decree 254/16

Immsi
Società per Azioni

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

Reporting period	2019 Financial year (from 1 January to 31 December 2019). Data relative to 2018 and 2017 are presented for comparison.
Annual reporting	Cycle.
Date of publication	This document was published on 23 April 2020. The 2018 Non-Financial Statement was published on 9 April 2019.
Document formats	The Non-Financial Statement (NFS) is included in the "Directors' Report on Operations" published together with the Immsi Group's Consolidated Financial Statements at 31 December 2019, available in PDF format, in Italian, on the website www.immsi.it (in the "Investors/Financial reports/2020" section)
Document perimeter	The information and data refer to the companies of the Immsi Group included in the scope of consolidation at 31 December 2019.
Contents of the NFS	The contents of the 2019 NFS are based on the requirements of the Global Reporting Initiative Standards (hereinafter "GRI Standards"), "core" option. The contents have been selected based on the Materiality process, focussing on non-financial topics, as required by Article 3 of Legislative Decree 254/16.
Statement	The 2019 Non-Financial Statement was subject to limited auditing by the independent auditors PricewaterhouseCoopers SpA, that carried out its work according to the criteria indicated in the "International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board to verify the conformity of the Non-Financial Statement to requirements of GRI standards defined in 2016 by GRI - Global Reporting Initiative.
Contacts	INVESTOR RELATIONS Andrea Paroli – Investor Relator of Immsi S.p.A. Email: andrea.paroli@immsi.it.

Letter from the Chairman

Immsi S.p.A. prepared the 2019 Consolidated Non-Financial Statement for the entire Group, pursuant to Legislative Decree 254/16.
Continuing on from the previous year, the Parent Company, with this statement, has provided a specific and essential overview of the business operations of the Immsi Group, highlighting the main information and data not included in its financial reports.

Piaggio & C. S.p.A. also produced its own Corporate Social Responsibility Report in 2019, explaining its sustainability strategy adopted. In the field of mobility, the need to find innovative solutions for mobility is emerging, with responses that are at the same time efficient, technologically advanced and focussed on respect for the environment. These are all aspects that the Piaggio group has embraced for some time now, steering its growth strategy towards the achievement of sustainable growth, which is part of a wider-ranging concept of business responsibility and very much a part of the Group and its mission. Piaggio has therefore opted to focus on the development of products with a low emission of pollutant gases and $CO2$, designing increasingly sophisticated combustion engines and introducing electric engines, with the aim of helping to offset pollution and climate change, taking part in the development of a new urban mobility concept that can improve people's quality of life.
Piaggio is also committed to social issues. This includes activities to support those in need, such as the "Vespa for Children" programme, an initiative that has been active for many years helping to support underprivileged children. in 2019, the partnership forged between Vespa and the international charity (RED), committed for years to fighting against AIDs, particularly in newborns in Africa, was consolidated.

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

Lastly, during the first few months of 2020, the Covid-19 emergency developed on a global level. Its overall impact on the social and economic fabric is still difficult to assess, but national and international repercussions can reasonably be expected.
All Immsi Group companies are following the impact of the crisis carefully and adopting appropriate actions to counter the spread of the virus as required by the various regulatory measures issued both in Italy and abroad.

The Chairman

Roberto Colaninno

Methodological note

Immsi Group has been committed since 2017 to preparing consolidated non-financial statements (hereinafter "NFS" or "Statements"), as required by the European Directive 2014/95/EU, adopted in Italian law with Legislative Decree no. 254/16. The NFS constitutes an instrument to communicate with stakeholders for disclosures not contained in the Consolidated Financial Statements.

Foundations

The 2019 NFS has been prepared in compliance with GRI Standards (core option), published in 2016 by GRI – Global Reporting Initiative. The Immsi Group has based the contents of the NFS on principles of materiality, the inclusion of stakeholders and the context of sustainability and completeness. The quality of information and adequacy of its presentation is guaranteed by principles of fairness, clarity, accuracy, timeliness, comparability and reliability.

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

In reference to the principle of materiality in particular, the depth to which the different topics were looked into in the reporting was determined based on their weight in the objectives and strategies of Group companies and the relevance to the stakeholders, selected by a structured materiality analysis process.

Materiality analysis

The Group updated the materiality analysis again for 2019, based on the GRI Standards with respect to the definition of the relevant topics and application of the principle of materiality. The analysis involved the Parent Company Immsi S.p.A. and the operating subsidiaries considered significant in terms of relations with stakeholders.
Considering the significance of the group Piaggio & C. S.p.A. within the Immsi Group, the Parent Company decided to adopt the same material topics, as they may also be referred to other Group companies covered by the materiality analysis.

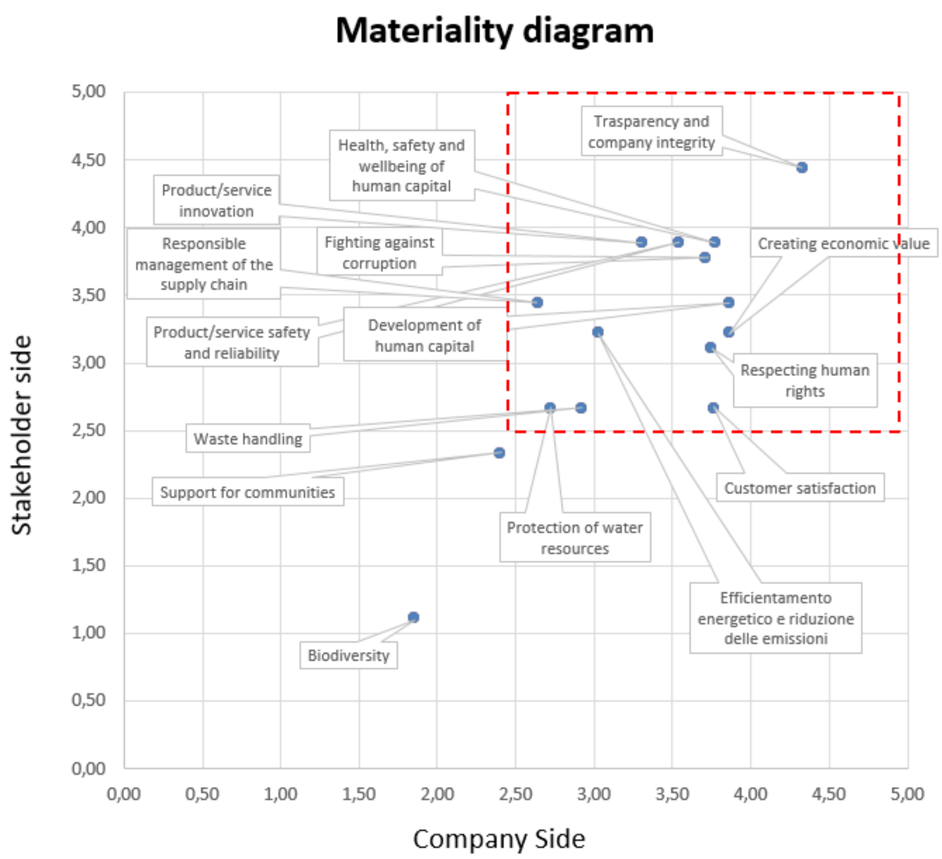
The Managers of Functions identified (in the Parent Company and in operational subsidiaries) and a sample of external stakeholders were requested to compile the "Materiality Form"; by aggregating the results, the materiality matrix was constructed.

these forms were then combined to construct the materiality matrix.

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

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

This matrix is shown below:



The area in the red box contains the topics which are most significant, for both stakeholders and the company.
Subsequently, the topics to highlight in the NFS were selected. In particular, it was decided to not report on the topic that "create economic value" as these consider the assessments of individual subsidiaries included in the materiality analysis, and are therefore only significant for the Piaggio group, while for other companies they are outside the red boundary.
In addition, the topics "supporting communities" and "biodiversity" were not reported on, as they are not in the red boundary.

Contents of the Statement

The structure of the NFS for the year 2019 was defined through the performed materiality analysis. The most significant aspects identified in the analysis were further investigated by looking into each sub-topic and using appropriate KPIs, the latter taken from GRI Standards. Reference is made to the Directors' Report and Financial Statements of the Immsi Group at 31 December 2019 for further details of economic and financial aspects and corporate governance issues.

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

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

TOPIC	IMPACT ON	CHAPTER OF REFERENCE
➢ Fighting corruption ➢ Transparency ➢ Respecting human rights	**Internal:** - All Immsi Group companies - Human resources **External:** - Suppliers - Public administration sector - Customers - Financers - Shareholders/financers	*Corporate Governance*
➢ Product/service innovation ➢ Product/service safety and reliability ➢ *Customer satisfaction*	**Internal:** - Piaggio & C. S.p.A. - Piaggio Vietnam Co. Ltd; - Piaggio Vehicles Private Ltd; - Piaggio Advance Design Center; - Piaggio Fast Forward Inc.; - Foshan Piaggio Vehicles Technologies Co. Ltd; - Intermarine S.p.A.; - Is Molas S.p.A. **External:** - Customers	*The product and service dimension*
➢ Energy efficiency and emissions reduction ➢ Conserving water resources ➢ Waste handling	**Internal:** - Piaggio & C. group; - Intermarine S.p.A.; - Is Molas S.p.A.; **External:** - Local Communities - P.A. - Suppliers	*The Environmental Dimension*
➢ Developing human capital ➢ Workers' health and safety	**Internal:** - All Immsi Group companies - Human resources **External:** - External: - Employees; - Local Communities	*The social dimension - Developing human resources*
➢ Responsible management of the supply chain	**Internal:** - IMMSI S.p.A. - Piaggio & C. S.p.A. - Piaggio Vietnam Co. Ltd - Piaggio Vehicles Private Ltd; - Piaggio Advance Design Center; - Piaggio Fast Forward; Inc. - Foshan Piaggio Vehicles Technologies Co. Ltd.; - Intermarine S.p.A.; - Is Molas.S.p.A. **External:** - Suppliers	*The Supply Chain*

Scope of the NFS

The disclosures and figures contained in the NFS refer to Immsi Group Italian and foreign companies, reported at 31 December 2019. Given the nature of some data presented in the Statement, the companies considered in the reporting boundary are indicated, for the various dimensions.
Where possible, a comparison with 2018 and 2017 has been provided, in order to allow for an assessment of dynamic trends over time.

Financial data have been taken from the audited Consolidated Financial Statements of the Immsi Group. Some data, which could not be obtained from reports, are the result of estimates and are appropriately indicated.

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

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

Process of reporting and assurance

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

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

The Consolidated Non-Financial Statement for the year 2019 was subject to limited audited by PricewterhouseCoopers Advisory Spa. This activity concluded with the issue a “Independent report on the limited audit of the consolidated non-financial statements” based on indications provided by ASSIREVI, the Italian Association of Auditors (Research document no. 226). The report that describes the principles adopted the activities carried out and the relative conclusions is in the Appendix.

Group profile

Immsi Group

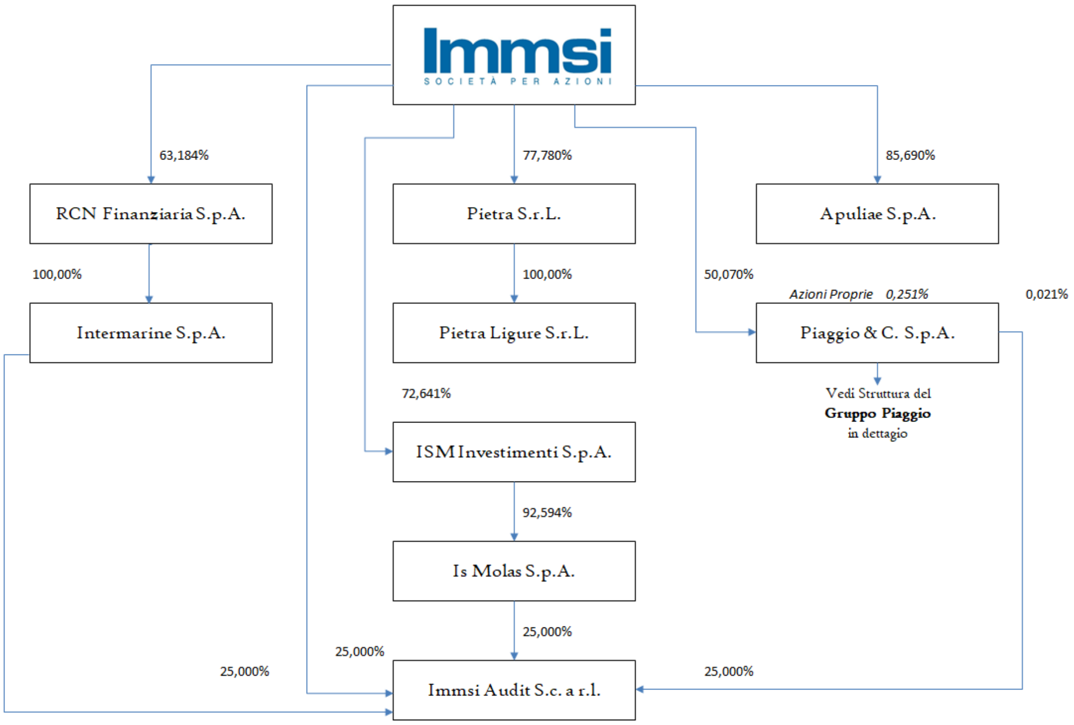
Immsi S.p.A. is the holding of a Group with approximately 40 operational companies in different sectors of activity. Its registered office is in Mantua.

The Company's investment portfolio includes businesses related to:

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

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

At 31 December 2019, the Immsi Group had the following corporate structure:



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

The property and holding sector: Immsi S.p.A. and Is Molas S.p.A.

During 2019 Immsi S.p.A. worked directly in the real estate sector directly, with the management of a company-owned building located in Rome sold on 19 December 2019, and indirectly through subsidiaries and relative investment projects. Investment property includes the Is Molas tourist complex, in southern Sardinia. This complex was purchased in 2004 and includes:

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

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

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

Industrial sector: Piaggio group

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

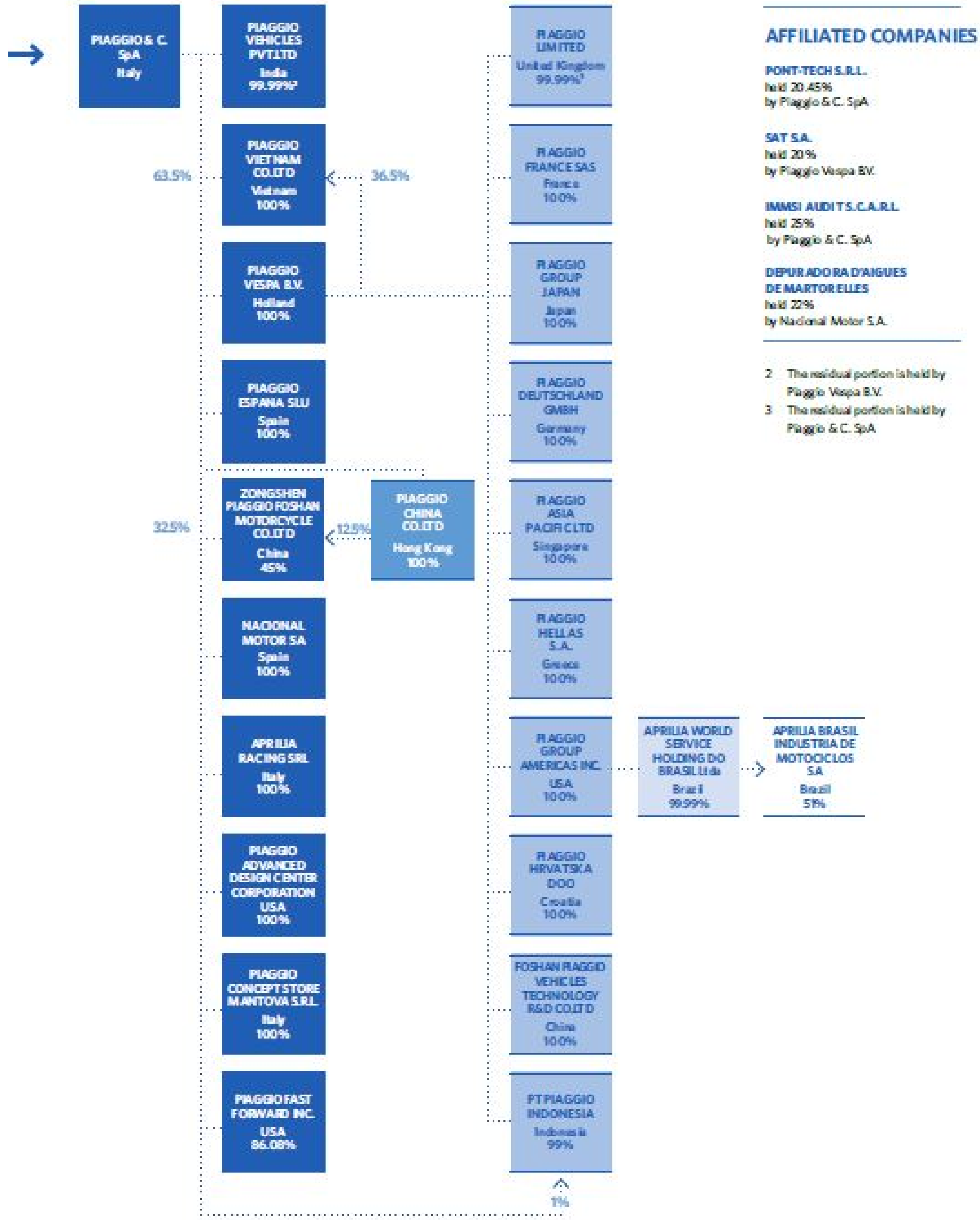
- Pontedera, which produces two-wheeler vehicles under the Piaggio, Vespa and Gilera brands, light transport vehicles for the European market and engines for scooters, mopeds and Ape vehicles;
- Noale (Venice) with a technical centre for the development of motorcycles for the entire group and the headquarters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

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

The product range includes scooters, motorcycles and mopeds with engine displacements ranging from 50 to 1,400 cc, as well as three- and four-wheeler vehicles, plus smart robots for goods transports since November 2019. The Piaggio group brands are:

For further details of the Piaggio group business model, see the Piaggio 2019 NFS and CSR Report.

The corporate structure of the Piaggio group at 31 December 2019 is shown below:



The Marine sector: Intermarine

Intermarine S.p.A. is a shipyard specialised in designing and building ships in steel, aluminium and composites for both civil and defence applications.

In the defence sector, Intermarine is the largest and most important shipyard in Italy, and one of the biggest worldwide, for vessels in fibre reinforced plastic.

Specialised in mine counter-measure vessels, a sector in which it holds an unrivalled leadership position, today Intermarine produces all types of vessels for the defence sector.

Intermarine's excellent technical and design choices, which have been further developed and improved over the years, are confirmed by the fact that the navies of 8 countries, including some of the most important (Italy, Australia and the United States) have all chosen Intermarine for their fleets of mine counter-measure vessels.

At 31 December 2019, Intermarine had two production sites, in Sarzana and Messina.

Stakeholder engagement

When preparing the first NFS, for 2017, internal and external stakeholders interacting with Group companies were identified. With reference to 2019, the same stakeholders identified in the previous NFSs, are indicated, considering that no changes took place in the Group structure.
Group companies must take account of individual stakeholders, as they have various interests and expectations (social, economic, professional, human) concerning the Group.
Moreover, they must also indicate how stakeholders are engaged with them and how they attempt to meet their expectations.

Property and holding sector

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

Industrial sector

- ***Customers***
- ***Dealers***: authorised dealers and Motoplex stores
- **Suppliers:** raw materials, semi- finished products, consumables, mechanical components
- ***Institutions and Public Administration***
- ***Media@@***
- ***Shareholders and lenders***
- ***Local Communities:*** where the Piaggio group has its production plants
- ***Universities and Research Centres***
- ***Human resources***

Marine sector

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

Note: the stakeholders identified for the real estate and property sector refer to the Parent Company Immsi S.p.A. and subsidiary Is Molas S.p.A..

Customers and dealers			
Sector	***Engagement methods***	***Stakeholder expectations***	***Actions taken***
Property and holding	➢ Written notices when works are carried out and concerning site management. ➢ Frequent contact. ➢ Customer contact: direct; through tour operators and agencies; P.R. ➢ Dealer contacts: direct; trade fairs; P.R. ➢ Involvement with commercial actions via the website.	• Providing tenants of buildings with an adequate service. • Transparency and fairness in dealings. • Compliance with contractual conditions. • Service quality.	- Alignment with existing regulations. - Commitment to guarantee the safety and security of property. - Meetings/requests to participate in updates. - Internal organisational procedures in compliance with customer expectations. - Compliance with contractual conditions. - Guaranteeing the transparency and quality required by customers.
Industrial	➢ Contact centre ➢ Customer satisfaction surveys ➢ Communication channels (websites, social media). ➢ Events (travelling tests, trade fairs). ➢ *Dealer websites.* ➢ *Dealer support services/Help desk.* ➢ Motoplex (new sales format).	• Quality, safety and reliability of the products. • Low/zero consumption and emissions. • Rapid response and problem solving. • Sales support.	- Investment in ever safer and more reliable products. - Obtaining quality certification. - Study of innovative engines with low/zero consumption and emissions. - Effort to improve professionalism, timeliness and courtesy of the contact centre personnel and dealers. - Development of a dedicated website and a new sales format.
Marine	➢ Periodic meetings and scheduled technical tests ➢ Company presentation (websites, trade fairs, events). ➢ Preparing and negotiating bids; exchanging correspondence; interviews and direct meetings. ➢ Support from deals for marketing and sales.	• Reliability, expertise, service, quality, value. • Confidentiality. • Timeliness, precision. • Transparency, fairness and generating business.	- Service and compliance with quality. - Organisation, R&D, reliability. - Timeliness and precision, fairness, transparency, attention to detail.

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

Local Communities			
Sector	***Engagement methods***	***Stakeholder expectations***	***Actions taken***
Property and holding	➢ Charity activities. ➢ Communication targeting the local community. ➢ Direct, occasional contact. ➢ Events, sponsorships, charity initiatives	• Charity. • Local employment and training. • Cooperation and awareness of needs. • Respecting the environment. • Support for local communities/initiatives.	- Local employment and training. - Contributions in favour of local initiatives/events and non-profit organisations. - Obtaining required authorisations.
Industrial	➢ Meetings, exhibitions and events ➢ Rallies. ➢ Charity activities.	• Contributions to supporting charity initiatives. • Organisation of rallies and events for connoisseurs. • Development of local communities. • Respecting the environment.	- Support for numerous charity initiatives. - The Group organises rallies and races for its customers, such as the Aprilia All Star, Vespa World Day and Moto Guzzi open house events. - The Piaggio Foundation and the Piaggio Museum are a meeting place and cultural reference for the territory. - Attainment of environmental certification for production sites.
Marine	➢ Meetings and press releases. ➢ Meeting with local authorities (mayors, councillors, etc.). ➢ Meetings for redundancy procedures. ➢ Meetings for individual projects.	• Direct company involvement. • Engagement with the community and its needs. • Respect for the role played by institutions.	- Ongoing pursuit of a balance between community needs and company objectives. - Involvement of personnel in company decisions.

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

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

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

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

Corporate Social Responsibility risks

With the support of Immsi Audit S.c.ar.l., during 2019, risks connected with Corporate Social Responsibility, pursuant to Legislative Decree 254/16, were identified in the "property and holding" and "marine" sectors of the Group. In particular, the risk analysis concerned: Immsi S.p.A., Is Molas S.p.A. and Intermarine S.p.A..
The inherent risks identified in these companies are shown in the following tables, broken down by reference dimension. The management procedures adopted by the companies made it possible to keep residual risks to within the acceptability levels established.
The analysis did not identify any significant risks for Immsi S.p.A..

The Piaggio group started an Enterprise Risk Management (ERM) project to define and implement a structured, integrated system to identify, measure and manage company risks in line with applicable best practices. During 2019, the campaign to update the Group's risk profile, involving company managers across the Group, identified 160 risk scenarios, comprising 25 categories which were grouped into 4 level-one macro-categories (External, Operational, Financial, Strategic Risks). In this framework, issues concerning environmental and social aspects, human resources, human rights and the fight against corruption were all analysed.

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

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

THEMES	SUB CATEGORIES		GLOBAL REPORTING INITIATIVE (GRI)	RISKS IDENTIFIED	MITIGATION ACTIONS
ENVIRONMENTAL MATTERS	Water Sustainability	WATER	WATER USE	Risks related to administrative restrictions on the use of water (in the presence of climate change which leads to the rationing of water) which could result in limitations to managed business activities.	The Company has completed its activities to improve the efficiency of the irrigation system and hotel area, using watering in a rationalised way to ensure necessary irrigation while saving resources. It has also planned to replace the irrigation system on the golf course in the coming year. The Company also complies with commitments of "former agreements" as regards the expansion of public water purification plants, benefiting from the possible re-use of relative water output for irrigation purposes. With specific reference to worksites, the relevant Environmental Impact Assessment requires the implementation of measures to ensure respect for the environment, which are documented by sending a Hydraulic Report on the water sustainability of the real-estate project to the competent local public bodies (SAVI Sardinia Region, Regional Forestry Department, ARPA, Province of Cagliari).
				Risk related to climate change liable to affect the need for irrigation of green spaces and the availability of water supply reservoirs.	
				Risk related to failure to identify the impacts of activities on local water resources.	
	Biodiversity Sustainability	BIODIVERSITY	LAND USE	Risk of negative environmental impact on the area resulting from failure to comply with environmental requirements based on administrative authorisations for property development activities (including with reference to counterparties involved in contracted works) and maintenance activities of the green areas for the management of sports and hotel activities.	The Company pays maximum attention to ensure that activities are compatible with the protection of natural areas and animal species where it operates, seeking to minimise its environmental footprint through the responsible management of impact on biodiversity and sustainable use of natural, water and energy resources. The Company has drawn up an Environmental Monitoring Plan, shared with competent public authorities, on respecting the environmental requirements of administrative authorisations for property development (also with reference to other parties involved in the contracted works). The use of green maintenance activities/methods is also increasing in the sports-hotel sector.
	Effluents And Waste Sustainability	EFFLUENTS AND WASTE	USE OF RENEWABLE AND/OR NON-RENEWABLE ENERGY	Environmental impact risk resulting from inadequate management of waste generated by property development activities (including with reference to the counterparties involved in contracted works) and management of hospitality and sports activities.	Waste production, management and disposal are overseen in compliance with applicable regulations. In addition, the correct traceability of waste is ensured according to the established categorisation, with particular reference to handling – as per regulations – overseen by specialised, authorised firms. As regards real-estate development works, the disposal of site waste, regulated in the Contract and borne by the Contractor, is monitored by the Company.
	Supply Chain/Commercial relationships - Sustainability matters	SUPPLY CHAIN/ COMMERCIAL RELATIONSHIPS (ENVIRONMENTAL M.)	SUPPLIER ENVIRONMENTAL ASSESSMENT	Risk of reputational harm due to the possible involvement of the Company in polluting events (especially environmental crimes), including in association with others, or for the use of suppliers or sub-suppliers that do not adequately comply with environmental sustainability standards.	The Company uses reliable, established counterparties that can guarantee respect for the environment. Company activities assigned to third parties (e.g.: contracts, services, consultancy services) are defined in contracts, with clear requirement of compliance with the principles and guidelines of conduct defined in the Company Code of Ethics, including compliance with environmental sustainability criteria and applicable regulations.

THEMES	SUB CATEGORIES		GLOBAL REPORTING INITIATIVE (GRI)	RISKS IDENTIFIED	MITIGATION ACTIONS
SOCIAL MATTERS	CUSTOMER HEALTH AND SAFETY Sustainability	CUSTOMER HEALTH AND SAFETY	CUSTOMER HEALTH AND SAFETY	Risks related to failure to comply with the quality/safety standards of services provided (e.g., harmful or dangerous for customers) and relative legal requirements, with consequent liability that could expose the Company to claims for damages.	The Company has adopted quality and safety protocols for catering and hotel services provided to customers, with particular reference to compliance with health and hygiene regulations, also making use of qualified consultants to ensure strict observance of relevant regulations through the analysis of hazards and critical control points, as well as observing the strictest standards of product verification with regard to the procurement and storage of perishable goods.
	LOCAL COMMUNITIES Sustainability	LOCAL COMMUNITIES	DIALOGUE WITH LOCAL COMMUNITIES ACTIONS TAKEN TO ENSURE THE PROTECTION AND THE DEVELOPMENT OF THOSE COMMIUNITIES	Risk related to insufficient or ineffective "local" relations (e.g.: related to institutions, local agencies, sociocultural groups of the territory) with local communities.	The Company has developed and maintains dynamic relations with local institutions, community representatives and local sociocultural groups, also to avoid tensions deriving from insufficient dialogue and collaboration, that could have negative effects on managed activities.
	Compliance - Sustainability matters	COMPLIANCE (SOCIAL M.)	SOCIOECONOMIC COMPLIANCE	Risk related to possible changes in the local legal and regulatory framework on a local basis which could result in burdensome changes in strategic or operating approaches of the Company.	
				Reputational risk or damage to persons (employees and third parties), to the Company, to public safety – through the management of social issues – arising from the loss or damage of confidential information and/or personal data stored at the Company's premises, as well as non-compliance with data processing regulations.	The Company has put in place measures to ensure compliance in the area of management of the personal data processing, complying with obligations connected to existing contractual relationships and the protection of third parties through the management of notices and consent to processing, and has also implemented security measures on storage of personal data in accordance with applicable legislation.
	Product & Services - Sustainability matters	PRODUCT/SERVICES (SOCIAL M.)	MARKETING AND LABELLING	Risk of failure to obtain or renew quality certifications or certifications of legislative/regulatory compliance for products and processes.	The Company has adopted quality and safety protocols for catering and hotel services provided to customers, with particular reference to compliance with health and hygiene regulations, also making use of qualified consultants to ensure strict observance of relevant regulations through the analysis of hazards and critical control points, as well as observing the strictest standards of product verification with regard to the procurement and storage of perishable goods.
	Supply Chain/Commercial relationships - Sustainability matters	SUPPLY CHAIN/ COMMERCIAL RELATIONSHIPS (SOCIAL M.)	SUPPLIER SOCIAL ASSESSMENT	Risk related to the difficulty of obtaining specialised local workers or qualified local suppliers and, consequently, tensions in relations with local communities/stakeholders due to the level of involvement in the supply chain and development of projects in partnerships.	The selection of suppliers and the determination of procurement conditions are based on a prior objective assessment of the quality, price and capacity to supply and guarantee adequate level goods/services according to required standards; in compliance with these requirements and aware of the role that it may have in the development of local activities where it operates, the Company interfaces and cooperates with local suppliers, guaranteeing equal opportunities to work together.
	Sustainability matters - General	*GENERAL SOCIAL M.*		Risk of restrictions on the development of the Company's business activities resulting from changes in the international legislative framework.	The Company actively monitors changes in the international legislative framework, with the support of specialist law firms.
				Reputational risk and negative effects on relations with stakeholders arising from aspects related to the management of social issues.	The Company has developed and maintains dynamic relations with local institutions, community representatives and local sociocultural groups, also to avoid tensions deriving from insufficient dialogue and collaboration, that could have negative effects on managed activities.

THEMES	SUB CATEGORIES		GLOBAL REPORTING INITIATIVE (GRI)	RISKS IDENTIFIED	MITIGATION ACTIONS
EMPLOYEE - RELATED MATTERS	OCCUPATIONAL HEALTH AND SAFETY Sustainability	OCCUPATIONAL HEALTH AND SAFETY	HEALTH AND SAFETY AT WORK	Risk resulting from unsuitable working conditions in terms of worker health and safety or inadequate control for monitoring the concrete compliance of the provided procedures or instructions by employees and suppliers' or sub-suppliers' workers, with the possibility of occupational accident impacts and potential negative impacts (e.g., lawsuits, loss of reputation, payment of damages, fines).	The Company has shaped its occupational health and safety activities in accordance with applicable regulations, including signing supply agreements and contracts that require counterparties to ensure the equivalent compliance with regulations. The Company has also started to update its organisational structure and processes for the protection, monitoring and verification of workers' health and safety.
	Product & Services - Sustainability matters	PRODUCT/ SERVICES (EMPLOYEE M.)	WORKING CONDITIONS	Risk of lack of or insufficient control of materials and components used to ascertain compliance with regulations regarding their composition and ban on the use of hazardous substances.	
	Supply Chain/Commercial relationships - Sustainability matters	SUPPLY CHAIN/COMMERCIAL RELATIONSHIPS (EMPLOYEE M.)	SUPPLIER SOCIAL ASSESSMENT	Reputational risk and sanctions related to the use of counterparties employing workers in an unlawful manner.	
				Risk connected with the possible use of suppliers or sub-suppliers that do not comply with the ethical and conduct standards in relations with workers that are required by the Company.	
	TRAINING AND EDUCATION Sustainability	TRAINING AND EDUCATION	RESPECT FOR THE RIGHT OF WORKERS TO BE INFORMED AND CONSULTED	Risk of inadequate implementation of projects according to expected standards due to lack of staff development, qualitative or quantitative insufficiency of human capital compared to the operating model and the evolution of strategic business needs, or loss of key skills and know-how due to the interruption of professional relationships (e.g. due to inadequate HR development or poor management of organisational changes).	The Company values its human capital, adopting fair and equal treatment, policies for the retention and continuing development of personnel and their expertise, to avoid tensions that could lead to the loss of key skills and know-how, due to employment ending. In order to increase the value and working efficiency of its staff, the Company is carrying out a targeted analysis to identify and redefine the tasks assigned to its staff, also with a view to reviewing and possibly redistributing roles and responsibilities.
ANTI-CORRUPTION AND BRIBERY M.	ANTI-CORRUPTION Sustainability	ANTI-CORRUPTION	INSTRUMENTS IN PLACE TO FIGHT CORRUPTION AND BRIBERY	Risk of insufficient assessment of possible detrimental situations related to the commercial and professional integrity and reliability of business counterparties (e.g., suppliers, consultants, customers, intermediaries, etc.).	The Company has included issues concerning business ethics, such as environmental sustainability, occupational health and safety, compliance with equal opportunities and human rights and the fight against bribery in its criteria for selecting suppliers, also requesting them to comply with the principles and guidelines for conduct set out in its Code of Ethics. Procedures are adopted to manage company processes (e.g.: authorisation processes, document traceability, control of financial flows) intended to combat practices that go against these principles (e.g. bribery or unfair competition), which may be reported via dedicated channels to the Supervisory Board.

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

THEMES	SUB CATEGORIES		GLOBAL REPORTING INITIATIVE (GRI)	RISKS IDENTIFIED	MITIGATION ACTIONS
ENVIRONMENTAL MATTERS	Water Sustainability	WATER	WATER USE	Risk of water pollution caused by failure to comply with the ban of releasing waste water (on the ground, in the subsoil, in ground water, in the sea) or negative effects on managed activities due to a need to protect water. A particular at-risk activity could be related to spillage into water by ships during testing at sea or in dock or to the washing of hulls and mechanical parts in factories.	Production activities are carried out in compliance with applicable regulations on discharges into water bodies. In addition, there are regulations on management and operational procedures that carry a higher risk of pollution and for dealing with emergencies in the event of spills into water bodies. In particular – according to the Company's Model 231/01 – it is forbidden both to take actions intended to violate rules on waste management, emission sources and discharges of industrial waste water containing dangerous substances, and to discharge industrial waste water containing dangerous substances without authorisation or after such authorisation has been suspended or revoked.
ENVIRONMENTAL MATTERS	Water Sustainability	WATER	WATER USE	Risk linked to the occurrence of natural disasters or catastrophic events (e.g. floods), also deriving from climate change that may cause unusually intense/regular atmospheric events compared to known or foreseeable trends, which may prevent the company from carrying out its operating activities and/or supplying its products	In addition to carrying out some infrastructural works to protect the production site, the Company has also implemented the guidelines set out in internal emergency operating procedures, which require preparatory drills to be carried out; this Corporate Emergency Plan was fully operational during recent weather alerts. The Company has recently renewed an insurance policy with UNIPOL SAI including flood risk coverage for the Sarzana location.
ENVIRONMENTAL MATTERS	Biodiversity Sustainability	BIODIVERSITY	LAND USE	Risk of damage to natural species, caused by the impact of managed activities, i.e. altering biodiversity in the areas where the company works	The Company pays maximum attention to ensure that activities are compatible with the protection of natural areas where it operates, seeking to minimise its environmental footprint through the responsible management of impact on sustainable use of natural, water and energy resources. With reference to its production sites, the Company holds a specific authorisation (in particular an AIA for the Sarzana site) for atmospheric emissions from industrial plants and the associated activities are governed by specific procedures that identify the roles, responsibilities and activities related to the management of emissions. Monitoring is carried out both by means of self-controls and internal inspections to check the environmental impact of the company's activities and by means of inspections by external bodies (e.g. ARPAL, RINA); the Company cooperates at all times with these bodies by regularly implementing suggested improvement actions.
ENVIRONMENTAL MATTERS	Emissions Sustainability	EMISSIONS	GREENHOUSE GAS EMISSIONS AIR POLLUTION	Risk of air pollution in the event of non-compliance with permitted values or compliance with regulatory requirements for "greenhouse effect" emissions from managed activities	The Company pays maximum attention to ensure that activities are compatible with the protection of natural areas where it operates, seeking to minimise its environmental footprint through the responsible management of impact on sustainable use of natural, water and energy resources. With reference to its production sites, the Company holds a specific authorisation (in particular an AIA for the Sarzana site) for atmospheric emissions from industrial plants and the associated activities are governed by specific procedures that identify the roles, responsibilities and activities related to the management of emissions. Monitoring is carried out both by means of self-controls and internal inspections to check the environmental impact of the company's activities and by means of inspections by external bodies (e.g. ARPAL, RINA); the Company cooperates at all times with these bodies by regularly implementing suggested improvement actions.
ENVIRONMENTAL MATTERS	Effluents And Waste Sustainability	EFFLUENTS AND WASTE	USE OF RENEWABLE AND/OR NON-RENEWABLE ENERGY	Risk of pollution caused by waste generated by company activities, in the event of inadequate monitoring of its "life cycle" in order to prevent its improper disposal, deposit or storage	Waste production, management and disposal are overseen in compliance with applicable regulations, subject to analysis of the waste to identify hazard levels, conducted by qualified, external laboratories. In addition, care is taken over the correct traceability of waste in accordance with laws and regulations, with particular reference to handling carried out by specialised, authorised firms.
ENVIRONMENTAL MATTERS	Effluents And Waste Sustainability	EFFLUENTS AND WASTE	USE OF RENEWABLE AND/OR NON-RENEWABLE ENERGY	Risk of negative effects on the managed activities due to requirements to limit discharges and waste and/or for insufficient prior adoption of environmental protection measures, possibly entailing compensation, fines or reputational damage.	The Company's environmental management system includes established procedures to manage operations involving potential pollutants. This is supported by planning investment choices and industrial/commercial initiatives in compliance with the relevant regulations, and by adopting – where operationally and economically possible and compatible – suitable technologies and production methods to reduce the environmental impact of managed activities.
ENVIRONMENTAL MATTERS	Compliance - Sustainability matters	COMPLIANCE (ENVIRONMENTAL M.)	ENVIRONMENTAL COMPLIANCE	Risk of failure to issue/maintain environmental certifications for the production sites involved	For the Sarzana and Messina sites, an Environmental Management System has been implemented in compliance with the requirements of the international UNI EN ISO 14001:2004 standards. The adequacy of this system has been certified by a third party body (RINA), which carries out periodic audits to verify that certification is being maintained correctly and that a person responsible for each site has been identified. This person is responsible for ensuring that the management system is implemented and maintained in compliance with the requirements of the standard and the company's environmental policy, providing specific instructions to the personnel concerned and checking compliance through periodic audits.
ENVIRONMENTAL MATTERS	Supply Chain/Commercial relationships - Sustainability matters	SUPPLY CHAIN/ COMMERCIAL RELATIONSHIPS (ENVIRONMENTAL M.)	SUPPLIER ENVIRONMENTAL ASSESSMENT	Risk connected to the use of suppliers or sub-suppliers that do not comply with appropriate sustainability standards, causing effects that are not compatible with the Company's sustainability strategy and also generating negative repercussions for reputation and relations with stakeholders	The Company has included issues concerning business ethics, such as environmental sustainability, occupational health and safety, compliance with equal opportunities and human rights and the fight against bribery in its criteria for selecting suppliers, also requesting them to comply with the principles and guidelines for conduct set out in its Code of Ethics. Procedures are adopted to manage company processes (e.g.: authorisation processes, document traceability, control of financial flows) intended to combat practices that go against these principles (e.g. bribery or unfair competition), which may be reported via dedicated channels to the Supervisory Board.

THEMES	SUB CATEGORIES		GLOBAL REPORTING INITIATIVE (GRI)	RISKS IDENTIFIED	MITIGATION ACTIONS
SOCIAL MATTERS	CUSTOMER HEALTH AND SAFETY Sustainability	CUSTOMER HEALTH AND SAFETY	CUSTOMER HEALTH AND SAFETY	Risks related to failure to comply with the quality/safety standards of goods produced and associated legal and contractual requirements, with consequent liability that could expose the Company to claims for damages and expensive reprocessing or repairs.	The Company has gradually taken specific actions to reduce management complexity and ensure higher quality of ordered products (e.g. supplier qualification procedure, matrix of requirements associated with technical specifications for the issue of purchase orders, involvement in design review of technical functions of selected suppliers, intensification of factory test programmes, preventive testing and controls upon goods acceptance) as well as methods for monitoring progress. The Company has also taken further steps to counter the possibility of "non-compliance" with contractual provisions, including a specific training plan that provides specific content for professional areas most directly involved in the development of the procurement programme.
	Product & Services - Sustainability matters	PRODUCT/SERVICES (SOCIAL M.)	CUSTOMER HEALTH AND SAFETY	Risks related to failure to comply with the quality/safety standards of goods produced and associated legal and contractual requirements, with consequent liability that could expose the Company to claims for damages and expensive reprocessing or repairs.	
			MARKETING AND LABELLING		
	Sustainability matters - General	GENERAL SOCIAL M.		Risk of negative impacts on the development of business activities resulting from situations of severe social instability or conflict between states	The Company has set up its international development activities in accordance with government authorisations for relations with the foreign countries concerned and also monitors international socio-political dynamics that could have an impact on the development of these activities.
EMPLOYEE - RELATED MATTERS	OCCUPATIONAL HEALTH AND SAFETY Sustainability	OCCUPATIONAL HEALTH AND SAFETY	HEALTH AND SAFETY AT WORK	Risk related to the working conditions and health and safety of workers in the event of inadequate creation of safe work environments and/or inadequate oversight for monitoring concrete compliance with the relevant procedures and instructions provided by the Company	The Company has shaped its occupational health and safety activities in full accordance with applicable regulations, including signing supply agreements and contracts that require counterparties to ensure the equivalent compliance with regulations, developing information and training activities for employees and collaborators and appointing managers to monitor work activities according to the established protocols. Regular analyses are carried out of airborne dispersion (e.g.: artificial glass fibres, wood dust, asbestos fibres, volatile organic solvents) to check compliance with the relevant concentration limits permitted.
			WORKING CONDITIONS		
			RESPECT FOR TRADE UNIONS RIGHTS. SOCIAL DIALOGUE	Risk connected with the possibility of tensions or termination of relations that the Company has with workers and trade union representatives, with consequent recourse to strikes and interruptions of production activity	The Company has developed and maintains dynamic relations with workers and trade unions, also to avoid tensions that could have negative effects on managed activities.
	TRAINING AND EDUCATION Sustainability	TRAINING AND EDUCATION	TRAINING AND EDUCATION		
			RESPECT FOR THE RIGHT OF WORKERS TO BE INFORMED AND CONSULTED	Risk of inadequate implementation of projects according to expected standards due to lack of staff development, qualitative or quantitative insufficiency of human capital compared to the operating model and the evolution of strategic business needs, or loss of key skills and know-how due to the interruption of professional relationships (e.g. due to inadequate HR development or poor management of organisational changes).	The Company values its human capital, adopting fair and equal treatment, policies for the retention and continuing development of personnel and their expertise, to avoid the loss of key skills and know-how, due to employment ending.
	Compliance - Sustainability matters	COMPLIANCE (EMPLOYEE M.)	SOCIOECONOMIC COMPLIANCE	Risk related to the possible use of suppliers, sub-suppliers or third-party independent contractors (consultants, etc.) that do not comply with the environmental sustainability standards, ethical and conduct standards in relations with workers, or human rights and responsible conduct principles for the business with impacts not in line with the Company's strategy in this area.	The Company has included issues concerning business ethics, such as environmental sustainability, occupational health and safety, compliance with equal opportunities and human rights and the fight against bribery in its criteria for selecting suppliers, also requesting them to comply with the principles and guidelines for conduct set out in its Code of Ethics. Procedures are adopted to manage company processes (e.g.: authorisation processes, document traceability, control of financial flows) intended to combat practices that go against these principles (e.g. bribery or unfair competition), which may be reported via dedicated channels to the Supervisory Board.
	Product & Services - Sustainability matters	PRODUCT/SERVICES (EMPLOYEE M.)	WORKING CONDITIONS		
	Supply Chain/Commercial relationships - Sustainability matters	SUPPLY CHAIN/COMMERCIAL RELATIONSHIPS (EMPLOYEE M.)	SUPPLIER SOCIAL ASSESSMENT		

THEMES	SUB CATEGORIES		GLOBAL REPORTING INITIATIVE (GRI)	RISKS IDENTIFIED	MITIGATION ACTIONS
HUMAN RIGHTS MATTERS	NON-DISCRIMINATION Sustainability	NON-DISCRIMINATION	PREVENTION OF HUMAN RIGHTS ABUSES	Risk related to the possible use of suppliers, sub-suppliers or third-party independent contractors (consultants, etc.) that do not comply with the environmental sustainability standards, ethical and conduct standards in relations with workers, or human rights and responsible conduct principles for the business with impacts not in line with the Company's strategy in this area.	The Company has included issues concerning business ethics, such as environmental sustainability, occupational health and safety, compliance with equal opportunities and human rights and the fight against bribery in its criteria for selecting suppliers, also requesting them to comply with the principles and guidelines for conduct set out in its Code of Ethics. Procedures are adopted to manage company processes (e.g.: authorisation processes, document traceability, control of financial flows) intended to combat practices that go against these principles (e.g. bribery or unfair competition), which may be reported via dedicated channels to the Supervisory Board.
	FREEDOM OF ASSOCIATION Sustainability	FREEDOM OF ASSOCIATION			
	CHILD LABOUR Sustainability	CHILD LABOUR			
	FORCED OR COMPULSORY LABOUR Sustainability	FORCED OR COMPULSORY LABOUR			
	SECURITY PRACTICES Sustainability	SECURITY PRACTICES			
	RIGHTS OF INDIGENOUS PEOPLES Sustainability	RIGHTS OF INDIGENOUS PEOPLES			
	HUMAN RIGHTS ASSESSMENT Sustainability	HUMAN RIGHTS ASSESSMENT			
	Compliance - Sustainability matters	COMPLIANCE (HUMAN RIGHTS M.)	SOCIOECONOMIC COMPLIANCE		
	Product & Services - Sustainability matters	PRODUCT/SERVICES (HUMAN RIGHTS M.)	MARKETING AND LABELLING		
	Supply Chain/Commercial relationships - Sustainability matters	SUPPLY CHAIN/ COMMERCIAL RELATIONSHIPS (HUMAN RIGHTS M.)	SUPPLIER SOCIAL ASSESSMENT		
ANTI-CORRUPTION AND BRIBERY M.	ANTI-CORRUPTION Sustainability	ANTI-CORRUPTION	INSTRUMENTS IN PLACE TO FIGHT CORRUPTION AND BRIBERY	Risk of possible corruption or unfair competition practices in the event of an inadequate company approach to prevention (e..g. training and ethical foundations, planning, objective decision-making, escalation of authorisations, separation of roles) of at-risk operations or any detrimental situations related to the commercial and professional integrity of business counterparties (e.g. suppliers, consultants, customers, intermediaries, etc.) taking into account the relative risk profiles of the countries where the Company works.	The Company has included issues concerning business ethics, such as environmental sustainability, occupational health and safety, compliance with equal opportunities and human rights and the fight against bribery in its criteria for selecting suppliers, also requesting them to comply with the principles and guidelines for conduct set out in its Code of Ethics. Procedures are adopted to manage company processes (e.g.: authorisation processes, document traceability, control of financial flows) intended to combat practices that go against these principles (e.g. bribery or unfair competition), which may be reported via dedicated channels to the Supervisory Board.
	PUBLIC POLICY Sustainability	PUBLIC POLICY			
	ANTI-COMPETITIVE BEHAVIOR Sustainability	ANTI-COMPETITIVE BEHAVIOR			
	Compliance - Sustainability matters	COMPLIANCE (ANTI-CORRUPTION M.)	SOCIOECONOMIC COMPLIANCE	Reputational risk or damage to persons, to the Company, to public safety – through the management of competition-related issues – arising from the loss or damage of confidential information and/or personal data stored at the Company's premises, as well as non-compliance with data processing regulations	The Company has put in place measures to ensure compliance in the area of management of the personal data processing, complying with obligations connected to existing contractual relationships and the protection of third parties through the management of notices and consent to processing, and has also implemented security measures on storage of personal data in accordance with applicable legislation. The recent audit carried out by the DPO revealed the substantial adequacy of the management model for personal data protection implemented by the Company in compliance with current legislation.

The risk topics identified for the Piaggio group, following the 2019 Risk Assessment, are listed below.

ASPECTS	***RISKS IDENTIFIED***	***DIMENSION AFFECTED***
Environment	The analysis refers to the actual and potential effects of the Group's operations on the environment considering, for example, atmospheric emissions, the impact of noise, discharge and waste disposal processes, using and safeguarding natural resources and protecting biodiversity, as well as environmental compliance aspects in a national and international dimension. Greenhouse gases (mainly CO2) and Volatile Organic Compounds (VOCs) released by solvents used in painting, are some of the most hazardous substances for air pollution generated by automotive operators. Structural actions on the Group's production plants, carried out over time, guarantee limited pollutant emissions. The structure of Piaggio's production sites has been designed based on support mechanisms that use energy from fossil fuels. The use of resources at the production faculties and offices of all affiliates is monitored daily, with the aim of optimising energy use and reducing consumption. Operations to clean up sites were necessary because of historical site contamination: the pollutants removed had not been used for several decades by the sites, proving the historical nature of the contamination. Other cases of ground contamination have never concerned the Group's operations: the classification, management and transport of waste produced comply with sector regulations. The volume of water used in the production process is monitored monthly, to safeguard its conservation; a part of this water is re-used. Lastly, all Piaggio sites have ISO 140001 environmental certification and investments are made each year to reduce the environmental impact of production sites. Despite a considerable risk level, in line with other industry operators, control measures adopted significantly reduce environmental risks.	***The Environmental Dimension***
Employees	This area covers numerous aspects, such as the management of human capital, including career development, the remuneration and training system, the promotion of diversity and inclusion, as well as aspects relative to occupational health and safety and trade union relations. Piaggio operates globally with employees in Europe, the Americas and Asia. It promotes diversity in age, culture, ethnics, religion, political opinion, civil status, gender, physical ability, sexual orientation, encouraging different ways to achieve and reach the highest levels of performance within a single and broader-ranging organisational set-up of the Group. The integration of disabled people into the workforce is also made possible in practice by the accessibility of company facilities and the existence of a relative company procedure. Piaggio adopts a system of recruitment, development and salary packages for personnel which recognises and rewards merit and performance. Development tools are used to build on and continually improve skills, while empowering potential, recognising and rewarding outstanding performance. Reward policies remunerate people and their contribution based on principles of meritocracy and transparency. The above mechanisms reduce potential risks related to these aspects to a residual level which is not significant. The Piaggio group acknowledges the role of trade union organisations and workers' representatives and is committed to establishing relations with them focussed on attention, dialogue and a common understanding; in fact, assessment and continual engagement are considered essential for identifying the best solutions for the company's specific needs. For these reasons and despite the high number of employees with trade union membership, strikes are infrequent. As regards occupational health and safety, testing motorcycles with a medium and large engine capacity entails the highest risk levels. Generally, the risk of accidents/injuries to personnel is mitigated by aligning processes, procedures and structures to applicable occupational safety laws and international best standards, and promoting safe behaviour, through targeted training.	***The social dimension - Developing human resources***

ASPECTS	*RISKS IDENTIFIED*	*DIMENSION AFFECTED*
Social	The social sphere includes aspects concerning Piaggio's relations with consumers, as well as the effects of the business on the community. In the first case, product quality and reliability are essential and key to obtaining and guaranteeing customer satisfaction and safety. In the "Product – Operational Risk" category, risk scenarios relating to potential product defects have been mapped. To mitigate these risks, Piaggio has established a Quality Control system, it tests products during various stages of the production process and carefully sources its suppliers based on technical/professional standards. The Group is also committed to being awarded and maintaining certification of its quality management systems at global level (ISO 9001). The Group undertakes to redistribute economic value generated to support social solidarity initiatives and promote local areas. During 2019, the Piaggio group continued to support activities of the Vespa for Children project, a humanitarian charity active in the fields of health and social care for children in developing countries. The collaboration between the Piaggio group and (RED) - an association founded in 2006 by Bono and Bobby Shriver - which has contributed US$ 360 million to the Global Fund for the fight against AIDS, Tuberculosis and Malaria - continued. Numerous cultural events were held in Italy, through the Piaggio Foundation and Piaggio Museum (exhibitions, conferences), as well as scientific and artistic initiatives. The Asian subsidiary was involved in projects supporting local associations that help families in need and provide education for smaller children. The Indian subsidiary aided charity work in the Baramati area to support schools and villages, and was also involved in activities to raise awareness of road safety.	***The products and services dimension / The social dimension - Relations with local communities***
Human rights	As set out in the Code of Ethics, adopted in 2004 and updated during 2017, Piaggio specifically prohibits any form of discrimination or forced labour. This Code has been distributed to all subsidiaries and clearly states the principles and values the entire organisation takes inspiration from. Based on the significant and specific nature of the Indian market, the following have been adopted: the Code of Business Conduct & Ethics and Whistle Blower Policy since December 2016; the latter is designed to protect people reporting infringements of the Code, and therefore to guarantee the Code's validity; a Policy on the Prevention of Sexual Harassment of women at the workplace. Based on prevention and control mechanisms established in the Code of Ethics and adopted by all Group subsidiaries, no risk scenarios relative to the violation of human rights were identified.	***Corporate Governance / The social dimension - Developing human resources***
Fighting corruption	The fight against both active and passive corruption comes under the risk categories "Internal/external offences" of the Group's risk model. In its Code of Ethics, Piaggio strictly prohibits any practice of corruption, request for and/or provision of preferential treatment, of any collusive behaviour, solicitation, whether direct/indirect and/or through third parties, of personal benefits of any kind for oneself and/or for others, of material benefits and/or any other advantage of any extent in favour of third parties. A number of processes, procedures, roles and responsibilities have been defined to achieve the above objective, as regards business negotiations/relations with the public administration sector and with private entities. The controls briefly described above decrease residual risk relative to episodes of active/passive corruption to a negligible level.	***Corporate Governance***

Corporate Governance

Corporate Governance Model

Immsi S.p.A. (hereinafter "Immsi" or the “Company” or the "Issuer) has adopted a corporate governance system in accordance with the principles in the Corporate Governance Code, promoted by the Corporate Governance Committee, and national and international best practices, for an effective, correct and responsible approach to meeting the interests of all its stakeholders.
Neither Immsi nor strategically important subsidiaries are subject to non-Italian legal provisions affecting the corporate governance structure of the Company, which is based on a traditional administration and control system, that is described in the 2019 Report on Corporate Governance and Ownership.

Organisational, Management and Control Model pursuant to Legislative Decree 231/01

As of 2004, the Issuer has adopted an Organizational, Management and Control Model (the "Model") for the prevention of offenses pursuant to Legislative Decree 231/2001 as amended. This strategy has also been adopted by subsidiaries with strategic importance, that in turn resolved to adopt their own Models pursuant to Legislative Decree no. 231/2001, all constantly monitored and most recently updated in the second half of 2019 and first quarter of 2020 for Intermarine S.p.A., Is Molas S.p.A. and Immsi S.p.A..
For a description of the Immsi Programme, see the 2019 Report on Corporate Governance and Ownership.

Code of Ethics

The role played by Immsi on the national and international market and the nature and importance of its business activities presuppose the commitment of those working for Immsi, or working on their behalf for whatever position, to work with loyalty, seriousness, honesty, good faith, competence and transparency, as well as to fully comply with the laws, market regulations and the fundamental principles of fair competition, respecting the legitimate interests and expectations of customers, suppliers, shareholders and anyone that is involved in the Company’s business activities.
To ensure that relations with external parties and within the Company and Group take place properly, all company boards, management and employees, as well as external staff, including consultants, agents, suppliers, etc. must develop and make available to the Company their own cultural, technical and operational expertise and ethics, in order to achieve goals, within the areas of their functions and responsibilities, and in compliance with the functions and responsibilities of other persons.
For the above reasons, IMMSI believes it is important to clearly establish the set of values that the Company acknowledges, accepts and shares, as well as the set of rules and codes of conduct which, since its establishment, characterise the relations towards its employees and third parties and, more generally, characterise the Company’s business operations.
These principles are set out in the Code of Ethics (the "Code"), which the Company hopes is spontaneously shared, complied with and disseminated, and which it also requires individuals operating for Immsi or in contact with it to adopt. Therefore, all actions, operations and transactions referable to Immsi must be undertaken and pursued in compliance with principles of lawfulness, impartiality and fair competition, managed with the utmost integrity, based on complete, transparent information, and supported by documentary evidence and must also be verifiable. Employees - from top managers to their subordinates - and third parties are informed of the adoption of the Code and relative Guidelines of Conduct, and when contracts and agreements are signed, specific clauses are

included referring to the principles of ethics/conduct adopted.
The Code, available on the Company's website under the section "Governance/Procedures" has been distributed extensively and sets out the principles and values that inspire the entire organisation in a clear and transparent manner. Moreover, Immsi ensures that subsidiaries examine its Code, so they can adapt it to their specific needs and formally adopt it as a tool for management and effective company organisation. Immsi requires and expects all subsidiaries and affiliated companies to adopt a conduct in line with the principles of the Code.
The Code of Immsi and of the companies belonging to the Group was most recently updated in 2017 in order to more effectively align it with the ethical and social values on which the Group's activities are based. In particular, this revision reiterated - through the introduction of a specific Article - that the Company recognises and ensures respect for the principles that protect internationally-shared human rights and workers' rights, as expressed in the conventions, including the Universal Declaration of Human Rights of the United Nations and the Declaration on Fundamental Principles and Rights at Work and its Follow-up of the International Labour Organisation, in both its operations as well as in the supply chain.
The Company undertakes to ensure respect for the personal dignity, privacy and personality rights of every individual, as well as to ensure the conditions necessary for a non-hostile work environment and to prevent any form of exploitation, discrimination or harassment in accordance with the above conventions. In particular, the Company rejects and dissociates itself from any conduct that may constitute a threat of any kind, determined by reasons of a racial or sexual nature or related to other personal characteristics, and requires compliance with all laws prohibiting any form of discrimination based on race, gender, religion, language, ideology, ethnicity or political opinion; and prohibits any form of slavery, torture, forced labour, child labour, cruel, inhuman or degrading treatment and working conditions that may pose a threat to life or health. In addition, the Company recognises and respects the rights of employees to be represented by unions or by other representatives established in accordance with legislation.

Fighting corruption

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

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

When contributions, grants or financial support are requested from the State, the public corporations or the European Union, all employees involved in such procedures must:
be correct and truthful when using and presenting documents and declarations that are complete and pertinent to the activities for which such benefits can be legitimately requested and obtained;
once the requested outpayment has been obtained, the sum should be employed for the goals for which it was originally requested and obtained. people in charge of administrative/accounting functions must verify that each operation and transaction is: legitimate, consistent, congruous, authorised, verifiable; correctly and adequately registered, so that decision, authorisation and implementation process can be verified; supported by correct, authentic and appropriate documentation, so that careful inspections can be carried out at any time regarding the characteristics and the motivations of the operation, and the identification of those who have authorised, carried out, registered and verified the operation itself.
No incidents of corruption occurred in the reporting year.

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

The company Is Molas S.p.A. adopts a specific procedure for personnel involved - in any capacity - in the process of awarding contracts to third parties that are used for the real estate development project. The adoption of this procedure enables the company to mitigate the risk of bribery when selecting business counterparties.
This procedure indicates the main criteria adopted to identify potential suppliers to request bids from. The Manager of the Property department assesses bids received based on technical and economic criteria, also supported by internal/external experts with specific technical and legal expertise.
When defining the contract, clauses on compliance with applicable laws, with Legislative Decree 231/2001, the Code of Ethics and company procedures must be specifically included.
In addition to the above, the company Is Molas adopts a specific procedure to manage commercial activities and property sales. Besides defining the process to identify potential customers and

subsequent sales, the procedure requires contracts to include a specific statement declaring knowledge of legislation as of Legislative Decree 231/2001 in the case of an agreement with an intermediary/external professional/agency.

As regards the Piaggio group, see the 2019 NFS for specific aspects concerning the fight against bribery.

Compliance with laws and regulations

During 2019, none of the Immsi Group companies were affected by episodes concerning employee discrimination or the breach of employee rights. Moreover, no infringement procedures have been filed against the Immsi Group for the breach of anti-competitive or anti-trust laws.
At 31 December 2019, there were no sanctions referred to non-compliance with laws and regulations concerning marketing, advertising, promotion, sponsorship, supply activities and the use of own products. No cases regarding the breach of consumer privacy or loss of consumer data were reported in 2019.
During the year, the Immsi Group received no significant environmental sanctions.

The product and service dimension

The scope of consolidation applicable for "products and services" is as follows:

- Property and holding sector: Is Molas S.p.A.;
- Industrial sector: Piaggio & C. S.p.A, Piaggio Vietnam Co. Ltd., Piaggio Vehicles Private Ltd., Piaggio Advance Design Center, Piaggio Fast Forward Inc., Foshan Piaggio Vehicles Technologies Co. Ltd;
- Marine sector: Intermarine S.p.A..

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

The property and holding sector The Is Molas resort

During 2019, the real-estate expansion project, consisting of the construction of new villas, continued. This activity is flanked by the resort's hotel and golf services.
Aspects to reduce the environmental impact of new buildings have been implemented. For example, the use of water necessary for air conditioning and for hygiene facilities is based on the installation of heat pumps connected to the technical water circuit of surrounding reservoirs, resulting in:

- considerable savings, due to an optimal energy exchange with the water from the reservoirs;
- the use of energy sources without the use of fossil fuels, which also reduces the risks of supply, fire and explosion.

In addition to these technical choices, for each villa an electricity generation system using PV panels has been built.

In terms of quality, Is Molas S.p.A. has entrusted the construction of the new villas to a leading construction company with ISO9001 and ISO14001 quality certifications. Technical controls during the construction period are carried out by an accredited inspection body, with site inspections to verify the progress of the construction process, check the materials, ensure that the work matches the project requirements, as well as the testing procedures and the issue of the relevant final certificates.
In terms of customer health and safety, the design of the villas takes into account all applicable regulations to safeguard the safety and health of the end user. All the villas currently built have obtained the final certification that confirms compliance with current regulations.
While customers are at the villa, the company does not use chemicals and pesticides for the management and maintenance of the attached gardens; monitoring the pool water is entrusted to a highly qualified company.

As regards the management of the hotel and golf complex owned by Is Molas, the company adopts practices to reduce the environmental impact of its activities, in particular for the use of water.
In order to mitigate risk associated with non-compliance of the quality and safety standards of the delivered services, a series of control protocols relative to the quality of the restaurant and hotel services were implemented, particularly with reference to compliance with hygienic norms and standards for auditing supply goods and the preservation of perishable goods (Hazard Analysis and Critical Control Points or HACCP).
Reference is made to the chapter on the environmental dimension, where further details are given.

Industrial sector: Piaggio vehicles

In 2019, the Piaggio group continued its policy of retaining technological leadership in the sector, allocating total resources of €57.6 million to research and development, of which €39.6 million capitalised under intangible assets as development costs.
The main objective of the Piaggio group is to meet the most progressive needs for mobility, through a deep understanding of people and their habits, reducing the environmental impact and fuel consumption of its vehicles, ensuring customers excellent levels of performance. In its effort to ensure the sustainability of its products, the Piaggio group takes into account the entire life cycle, which comprises the design, procurement of raw materials, production, use of the product by customers and, finally, decommissioning, which consists in disassembly at the end of service life and in the disposal and/or recycling of the components and raw materials.
During its life cycle, every product directly and indirectly affects both the health and safety of people and the environment, understood as ecosystem quality. For this reason the Piaggio group focuses its R&D activities on developing innovative solutions to reduce the emission of pollutants and to increase the safety, reliability and recyclability of its products.
Constant focus is placed on research into vehicles that are at the cutting edge in terms of:

- *sustainability*: products that can avoid or at least reduce pollutant gas and CO2 emissions in town and out-of-town use; this result is achieved both through the evolution of traditional engine technologies (increasingly advanced internal combustion engines) and through the development of innovative engine solutions such as electric propulsion, hybrid and range extenders, in order to increase the use of renewable and sustainable energy sources;
- *reliability and safety*: vehicles that allow a growing number of people to get about town easily, and out of town, and on leisure trips, contributing to easing traffic congestion and ensuring high levels of active, passive and preventive safety;
- *recyclability*: products that minimise environmental impact at the end of their life cycle;
- *cost-effectiveness*: vehicles with lower running and maintenance costs.

For further details of the types of products offered, research guidelines and applications, reference is made in full, in the 2019 CSR Report published by Piaggio & C. S.p.A..

FUNDED NATIONAL AND EUROPEAN PROJECTS

The Piaggio group promotes funding applications for its own activities at a regional, national and European level, in a nod to the quality of its research. The projects, besides funding research, are a way to engage with partners and suppliers that can identify and develop cutting-edge technologies in the fields of most interest for Piaggio.
The following funded projects were implemented in 2019:

ADAMo (Region of Tuscany): aerodynamic research
The project developed an active aerodynamic control system for motorcycles, that can adapt aerodynamic flow based on general operating conditions and target objectives (consumption, safety, comfort, performance). The project ended in August 2019 and the results were presented to the public in October 2019.

C-Mobile (H2020): smart, cooperative transport systems
Trials in real contexts (e.g. Barcelona, Bilbao, Bordeaux, Newcastle, Copenhagen, Thessaloniki) of smart, cooperative transport systems (C-ITS) that are inter-operable and can therefore be used on a wide scale. The project is being coordinated by IDIADA (the Spanish research centre), with the involvement of ERTICO. Piaggio’s role is to provide technical support for the testing of C-ITS for motorcycles at the Barcelona site. The project started in 2017. The project is scheduled for completion for the end of 2020.

Safestrip (H2020): road safety based on cutting-edge connectivity and sensors
Development of a low-cost, low energy consumption system based on micro and nano sensors incorporated into the road surface in order to collect information (e.g. on road conditions, environmental parameters, traffic data etc.) and alert car and motorcycle users to potential hazards, through vehicle/infrastructure communication. The project started in March 2017 and will end in 2020.

PIONEERS (H2020): passive protections systems for motorcyclists
The project is being coordinated by IDIADA, with leading manufacturers of protective clothing taking part (including Dainese, Alpinestar, Motoairbag), as well as universities and research centres (University of Florence, Fraunhofer, BASt). Piaggio is involved in the design and development of a vehicle onboard protection system to reduce minor injuries from low-speed, side impact.
The project began in 2018 and will last for 36 months.

Future Radar (H2020): medium/long term research topics
The project is a Coordination and Support action, which aims to provide support to the European Commission in the definition of the guidelines and areas for research in the road transport sector, in view of the upcoming Horizon Europe Framework Programme. Piaggio is involved in the project as the main player for the two-wheeler sector. The project will end in late 2020.

DriveToTheFuture (H2020): the role of motorcycles in cooperative and automated transport
The project aims to analyse the needs, expectations and behaviour of active and passive users in the current mobility and connected, cooperative and automated transport scenario, considering different transport modes (road, rail, water and air)).
Piaggio is taking part to define the role of 2-wheelers (opportunities and limits) in this context and is studying alternatives to interaction with automated vehicles, with a particular focus in interfaces for vehicles (HMI). The project started in May 2019

SAFE (CEF): regulations for emergency calls
The “SAFE - After-Market eCall for Europe” project will define the standards and specifications for developing and introducing aftermarket emergency call (eCall) systems for the automotive industry. Piaggio is taking part together with other manufacturers and ACEM, the European Association of Motorcycle Manufacturers, to evaluate the eCall specifications (Technical Standards) defined by the competent European group CEN/WG15 for L category vehicles (including scooters and motorcycles), with testing involving PSAP (Public Safety Answering Points) and alignment of the specifications based on the results obtained. The project is the natural continuation of activities conducted in the I_HeERO project (which ended in March 2018).

CUSTOMER SAFETY

Piaggio has a comprehensive quality management system to monitor product quality levels in the various stages of the production process and prior to dispatch to the customer. The standard procedures introduced at all Piaggio group sites make it possible to monitor the quality of manufactured vehicles, ensuring product standards that are conforming and comply with specific standards/type approvals, as well as the expectations of end customers. Each vehicle manufactured at Piaggio group sites is subject to multiple quality controls throughout the assembly process and at the end of the line.
Staff select a sample of vehicles each day, from finished/approved products, before these are dispatched to the end customer. These vehicles undergo rigorous testing and inspections on test benches and on the road, based on a standard check list. Any anomalies detected are classified according to a score based on the severity of the defect and the impact this could have on the end customer.

In the event that serious anomalies are found, an immediate diagnosis is made, based on which the shipments of all the vehicles belonging to the batch in question, together with a sample number of vehicles of the previous batch, are immediately halted. All vehicles are then carefully rechecked and where necessary, are repaired, before they are approved and subsequently authorised for shipment.

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

Due to the type of business it does, the Piaggio group is subject to numerous national and international regulations that govern information on its products, both in the field of advertising communication and in the field of manuals related to each individual vehicle. Piaggio's user and maintenance booklets provide information on how to use the vehicle correctly, while encouraging users to drive in a safe and responsible manner, for instance, by:

- always complying with speed limits and the Highway Code;
- using all precautions for safe driving and passive safety systems (e.g., wearing a helmet when riding motorcycles and scooters);
- always being cautious and paying the utmost attention when driving, especially when road conditions are wet and slippery;
- refraining from altering vehicle performance: it is forbidden by the law and dangerous for driving safety.

The marine sector: Intermarine vessels

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

Company operations can be divided into three different business units:

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

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

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

CUSTOMER SAFETY

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

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

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

R&D ACTIVITIES

The company pays special attention to research, also accessing loans from the Ministry of Education and Research (MIUR), Ministry of Transport, Ministry of Economic Development and of the Region of Liguria (FILSE). To develop some issues concerning research, it is partnered by universities and public research organisations.

In 2019, the research and development activities completed, in the reporting phase and/or in progress can be summarised as follows:

- MAC: this project refers to an infusion technology and was funded by the Ministry of Education, Universities and Research. It was completed in 2017. Following the issue of a final decree, relative reporting must be provided.

- USVPERMARE: this project refers to a marine surface drone and was funded by the Ministry of Education, Universities and Research. Intermarine's activities, developed as part of its involvement in the DLTM Consortium, focussed on the construction of a swath prototype. The project has been completed and final reporting of the direct costs of around €0.4 million is underway, with an expected contribution of about 50%.

- IBRHYDRO: this project concerns the development of a hybrid submerged/intersecting fin hydrofoil, funded by the Ministry for Transport; the project was developed over a period of 4 years (from 2016 to 2019) and the contributions are paid in annual instalments of €0.1 million spread over 20 years.

During 2019, the Company also submitted the following projects as part of the calls for research proposals launched by the various ministries, which were submitted to the assessments of the ministries for award:

MYLADY: A project for the development of technologies to make ships "invisible" to radar, funded by the Ministry of Defence, estimated costs €1.0 million with 50% contribution

SIMARE: A project for the study and testing of ballistic defence materials, funded by Sicily Region, carried out in Sicily, expected costs of about €0.8 million with a contribution of 50%. During the year the project became eligible for funding. Activities will end in 2022.

SINAPO: A project for smart monitoring to predict failures and prevent accidents, funded by Sicily Region, carried out in Sicily, expected costs of about €1.0 million with 50% contribution.
During 2019, Sicily Region issued the ranking for the project competition. This ranking puts the project in a position where the funds for financing all projects with the same score are not sufficient to cover all the requirement. Sicily Region is however verifying the possibility of raising such funds from other expenditure chapters in the early months of 2020.

Immsi Group certifications

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

	Industrial sector							Marine sector	
	Pontedera	*Noale and Scorzè*	*Mandello Del Lario*	*Baramati Engine plant*	*Baramati (two-wheeler plant)*	*Bramati (commercial vehicles)*	*Vinh Phuc*	*Sarzana*	*Messina*
ISO 9001 Quality Management Systems	since 1995	since 2006	since 2010	since 2018	Since 2013	since 2018	since 2009	since 1996	since 1998
ISO 14001 Environmental Management Systems	Since 2008	Since 2008	Since 2010	Since 2015	Since 2013	Since 2015	Since 2011	Since 2000	From 2005
BS OHSAS 18001 Occupational Health and Safety Management Systems	From 2007	From 2007	Since 2010	Since 2015	Since 2013	Since 2015	Since 2013	-	-
ISO 45001 - Occupational health and safety management systems	since 2019	since 2019	since 2019	-	-	-	since 2019	-	-

The Piaggio group's Italian, Indian and Vietnamese sites have held Quality (ISO 9001 or ISO/TS 16949), Environmental (ISO 14001) and Occupational Health and Safety (ISO 45001 or BS OHSAS 18001) certification, for several years now.
In November 2019, the Certification Company Det Norske Veritas (DNV) conducted audits to maintain the three Quality certification (ISO 9001) and Environmental certification (ISO 14001) and to obtain new Health and Safety certification (ISO 45001) for Italian sites (including the commercial site in Milan). The outcome of the audits was positive.

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

The Environmental Dimension

The reporting boundary for the environmental dimension is as follows:

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

Other Group companies (Immsi S.p.A., Immsi Audit S.c. a r.l., ISM Investimenti S.p.A. and RCN Finanziaria S.p.A., Pietra S.r.l., Apuliae S.r.l.) were excluded from environmental data reporting, as their contribution was considered as marginal (their operations only concern the indoor premises of offices). During 2019, the site of the company Pietra Ligure S.r.l. was not operative, and was therefore excluded from the reporting.

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

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

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

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

In addition to the comments on the reporting scope, please note that the production sites of Immsi Group taken in consideration for the environmental figures are the following:

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

Energy consumption

The operations of the production sites of Immsi Group are based on the use of non-renewable (fossil) and renewable energy sources, the latter represented by the consumption of electricity with a production mix which partially comes from “sustainable” resources.
Over the years, Group companies have sought to optimise and improve the management of existing plants in order to cut their consumption.

Consumption recorded between 2017 and 2019 is reported below, highlighting the changes, as percentages, during the 2018-2019 period.

ENERGY CONSUMPTION OF IMMSI GROUP		***Property and holding sector***	***Industrial sector[1]***	***Marine sector***	***Immsi Group***
Electricity (thousand KWh)	2019	1,068	80,922	3,057	**85,047**
	2018	973	81,815	3,014	**85,802**
	Δ% 2019 - 2018	9.8%	-1.1%	1.4%	**-0.9%**
	2017	731	79,389	3,571	83,691
Methane / Natural gas (Sm3)	2019	0	5,758,228	82,236	**5,840,464**
	2018	0	5,714,681	70,782	**5,785,463**
	Δ% 2019 – 2018	-	0.8%	16.2%	**1.0%**
	2017	0	6,070,139	88,980	**6,159,119**
GPL[2] (tons)	2019	3	1,766	11	**1,780**
	2018	3	1,918	13	**1,934**
	Δ% 2019 – 2018	-14.0%	-7.9%	-13.2%	**-8.0%**
	2017	2	552	12	**566**
Diesel fuel[3] (Litres)	2019	8,631	740,257	3,570	**752,458**
	2018	9,750	820,375	1,709	**831,834**
	Δ% 2019 – 2018	-11.5%	-9.8%	108.9%	**-9.5%**
	2017	9,750	2,242,299	10,768	**2,262,817**

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

In 2019, the Immsi Group recorded a slight decrease in the use of electricity (-0.9% compared to 2018), while there was a slight increase in natural gas (+1%) and a considerable drop in LPG (-8%) and diesel fuel (-9.5%).

With reference to the industrial sector, since 2016, the Pontedera site has been adopting measures to reduce energy waste with a smart metering system that can use, observe, compare on a nearly real time basis (with a delay of 3 hours) and also analyse the consumption recorded by over 90 meters at the site. the technology applied has made it possible reduce consumption by over 17% in three years.
Changes in consumption at other Italian sites, which are negligible in quantitative terms compared to the Pontedera site, are due to variations in production volumes and heating system management based on recorded outdoor temperatures.

In the marine sector, compared to 2018 there was a slight increase (+1.4%) in electricity consumption and a more significant increase in the consumption of natural gas (+16.2% compared to 2018) used to heat the production warehouse and administrative offices (Sarzana site). The 108.9% increase in diesel consumption is mainly due to the change in production volumes at the Messina site.
Since 2016, Intermarine has updated, as agreed with the Province of La Spezia, the energy efficiency goals to be achieved in the medium term (by the year 2020). In December 2015, a specialised firm was appointed to carry out an energy assessment at the Sarzana and Messina sites, enabling the company to identify required improvement plans, with the following planning and

adoption of actions to reduce consumption.
In this regard, during 2019, in order to reduce future energy consumption, the external lighting system for the Sarzana site was replaced by an LED system. In the years to come the company has set an energy improvement target to repair compressed air leaks within the production premises and to replace obsolete air conditioners in various offices.

With reference to the real estate sector at the Is Molas site, during 2019 there was a 9.8% increase in electricity consumption and an 11.5% reduction in diesel consumption. Both effects are mainly attributable to the volumes of business won during the year.

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

ENERGY CONSUMPTION OF IMMSI GROUP							
GJ		***Electricity***	***Methane/natural gas***	***LPG***	***Diesel fuel***	***Group total***
Energy consumption	2019	306,169	227,837	82,060	26,778	642,844
	2018	308,887	225,691	89,158	30,292	654,028
	Δ% 2019 - 2018	-0.9%	1.0%	-8.0%	-11.6%	-1.7%
	2017	301,288	240,267	26,114	82,393	650,062

Note: The figures are calculated using conversion standards defined by the GRI G3 guidelines (1,000 m3 of natural gas = 39.01 GJ; 1 Kwh = 0.0036 GJ). For LPG, a standard conversion factor of one kilogram of LPG = 46.1 MJ was used. For diesel fuel, the figure in the Ministry of the Environment 2019 table of national standard parameters was used.

In 2019, around 83% of energy used by production sites was from electricity and natural gas, with LPG and diesel fuel accounting for only a minor quantity.

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

ENERGY MIX [1]									
GJ		***Property and holding sector***		***Industrial sector[2]***		***Marine sector***		***Immsi Group***	
		GJ	***%***	***GJ***	***%***	***GJ***	***%***	***GJ***	***%***
2019	**Renewable[3]**	1,379	32.3%	48,634	13.5%	712	4.8%	50,725	13.4%
	Non renewable[4]	2,895	67.7%	311,617	86.5%	14,154	95.2%	328,666	86.6%
2018	**Renewable[3]**	1,342	33.6%	52,066	14.5%	1,519	10.6%	54,927	14.6%
	Non renewable[4]	2,657	66.4%	306,814	85.5%	12,760	89.4%	322,232	85.4%

1) Non-final energy mix figures for 2018, provided from utility companies serving Immsi Group companies, were used for 2019 data.

2) Only Piaggio group sites located in India were considered, as it was not possible to determine the energy mix relative to electricity supplied to foreign sites;
3) The value was determined multiplying the use of electricity (in GJ) by the part of the energy mix from renewable sources of suppliers of utilities to companies;
4) The value was determined by multiplying the consumption (GJ) by the share of the energy mix from non-renewable sources, also adding the direct consumptions of fossil fuel converted according to the standards defined by GRI.

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

ENERGY CONSUMPTION FOR THE USE OF EQUIPMENT AND TEST VEHICLES				
		Property and holding sector	Industrial sector	Immsi Group
Petrol (litres)	2019	6,290	641,546	647,836
Methane/Natural Gas (Sm3)	2019	0	181	181
LPG (tons)	2019	0	120	120
Diesel fuel (Litres)	2019	22,623	282,355	304,978

Emissions of CO2 and other pollutants

The environmental impact generated by the production activities of the Immsi Group (mainly linked to the industrial sector) implies greenhouse gas emissions (mainly CO2) and atmospheric emissions of Volatile Organic Compounds (VOCs).
The following table shows direct and indirect emissions for the three Group sectors, over the 2017 – 2019 period.

CO_2 EMISSIONS FROM IMMSI GROUP PRODUCTION SITES (tons)			Property and holding sector	Industrial sector	Marine sector	Immsi Group
CO_2 emitted by production sites (tons)	**2019**	**direct**	23	15,591	173	15,787
		indirect	295	47,902	845	49,042
		total	318	63,493	1,018	64,829
	2018	**direct**	26	15,786	146	15,958
		indirect	280	45,703	866	46,849
		total	306	61,489	1,012	62,807
	Δ 2019 - 2018	**direct**	-11.5%	-1.2%	18.9%	-1.1%
		indirect	5.5%	4.8%	-2.5%	4.7%
		total	4.1%	3.3%	0.6%	3.2%
	2017	**direct**	26	18,281	205	18,511
		indirect	242	42,642	1,181	44,064
		total	268	60,923	1,385	62,576

Note: The GWP (global warming potential) coefficient associated with CO2 is equivalent to 1.
1) CO2 emissions deriving from the combustion of methane, natural gas, diesel fuel and LPG are considered direct. The conversion factors published by the Italian Ministry for the Environment (UNFCCC National Inventory) were used for said values.
2) CO2 emissions deriving from the consumption of electricity are considered indirect. The Ispra data updated at 2016 were used for 2017 (330.6 g CO_2/Kwh). For 2018, temporary data for the year were used (287.4 g CO2/Kwh). For 2019, temporary data for the year were used (276.3 g CO2/Kwh). With reference to the industrial sector, the 2017 conversion factor was used.

The structural actions carried out by Piaggio over time (replacement of boilers and restructuring of the distribution networks) and already mentioned in previous NFSs highlight the soundness of said modifications. In 2019, emissions were overall basically in line with figures for previous years, with a slight increase mainly related to the increase in production volumes in Vietnam.

Intermarine S.p.A. recorded a slight increase in total CO2 emissions for 2019 (+3.9%).
During 2016, the Province of La Spezia updated the environmental improvement goals to be achieved by 2020 and intended to reduce emissions. These include:

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

In the course of 2019, the company installed an additional 16 welding fume extraction points at the Messina production site.

As regards the atmospheric emissions of VOC (volatile organic compounds), 2019 data for the Group industrial and marine sectors are available.
As regards the industrial sector, in 2019 the reduction in VOCs emitted by the Piaggio group's Indian (-29.2%) and Vietnamese (-18.2%) plants was significant compared to 2018.
With regard to the marine sector, estimated VOC emissions into the atmosphere for 2019 were modest, equal to 5.1 tonnes (up from 3.3 tonnes in 2018) and accounting for about 1.1% of total

VOC emissions.

Conserving water resources

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

WATER CONSUMPTION AT THE PRODUCTION SITES OF THE IMMSI GROUP						
(m³)			***Property and holding sector***	***Industrial sector***	***Marine sector***	***Group Immsi***
Water consumption	**2019**	**Water from wells [1]**	20,595	191,906	0	212,501
		Water from the mains	0	484,867	13,529	498,396
		Other (rivers) [2]	551,911	0	0	551,911
		Total	572,506	676,773	13,529	1,262,808
	2018	**Water from wells [1]**	20,395	245,036	0	265,431
		Water from the mains	0	525,181	16,885	542,066
		Other (rivers) [2]	317,447	0	0	317,447
		Total	337,842	770,217	16,885	1,124,944
	∆% 2019-2018		69.5%	-12.1%	-19.9%	12.3%
	2017	**Water from wells [1]**	17,594	278,140	0	295,734
		Water from the mains	0	464,137	22,851	486,988
		Other (rivers) [2]	379,788	0	0	379,788
		Total	397,382	742,277	22,851	1,162,510

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

Over the years, Piaggio has developed production processes designed to reduce water consumption. At the Pontedera site, water supply wells have inverters that can regulate system flow rates based on the amount of water required by the hydraulic loop.
Thanks to actions taken and a mindful approach, water use at Piaggio fell significantly at all production sites.
Water consumption at Is Molas covers a significant part of the overall consumption of Immsi Group (in 2019 they were around 45% of the total, 30% in 2018). This is due to the irrigation of the resort's golf courses. To avoid water requirements of the resort conflicting with those of the Pula municipality, operational procedures were implemented seeking to achieve an efficient use of reservoirs (owned by Consorzio Is Molas) which collect water from the nearby Rio Pula during winter. Treated water is conveyed from the purification system of the Is Molas Consortium to the reservoirs, for irrigation purposes.
The increase in terms of cubic meters used compared to 2018 is mainly due to the weather conditions that occurred in 2019 in terms of lower rainfall.
As regards wastewater, environmental respect is ensured with processes to treat and purify wastewater. As regards the Piaggio group, see the 2019 NFS for further details on water exchange at sites.

As regards the management of wastewater at Is Molas, all wastewater from the hotel premises is ducted into the treatment station of the Is Molas consortium. The treated water is then conveyed to the reservoirs for use in irrigation. As regards the residential expansion project, the property planned and built by the company Is Molas S.p.A. uses heat pumps for heating and cooling that use the technical water from the reservoir system. The systems to discharge technical water used for residential purposes convey water via pipes to the original reservoir, completing the loop.
In 2019, the company presented a project, currently in the application stage, to develop a tertiary module at the Pula treatment station, to treat waste water from the town of Pula and convey the water by underground pipe to one of the reservoirs of the Is Molas irrigation system The purpose would be to increasingly use water from the tertiary sector instead of surface water from rivers.

Waste handling and recovering

Handling and recovering waste is a fundamental part of the Group's environmental policy.
All companies carry out waste production, management and disposal activities in compliance with the applicable regulations, both in terms of waste traceability and in terms of handling, which is entrusted to specialist companies in the sector that are authorised to provide these types of services. The following table shows the quantities of waste generated in the years 2019-2017 divided between hazardous and non-hazardous and in terms of volumes to disposal or recovery.

WASTE PRODUCED AT GROUP PRODUCTION SITES ***(tons)***		***Property and holding sector*** [1]	***Industrial sector***	***Marine sector***	***Immsi Group***
2019	**Total waste**	25	13,756	730	14,511
	Hazardous	1.47%	16.94%	23.55%	17.24%
	Non-hazardous	98.53%	83.06%	76.45%	82.76%
	For recycling	56.87%	72.17%	62.04%	71.63%
	Disposed	43.13%	27.83%	37.96%	28.37%
2018	**Total waste**	47	11,337	827	12,211
	Hazardous	1.36%	18.54%	54.28%	20.90%
	Non-hazardous	98.64%	81.46%	45.72%	79.10%
	For recycling	34.27%	86.35%	86.72%	86.18%
	Disposed	65.73%	13.65%	13.28%	13.82%
∆% 2019-2018		(45.5)%	21.3%	(11.7)%	18.8%
2017	**Total waste**	5	9,754	713	10,472
	Hazardous	32.88%	18.03%	24.34%	18.47%
	Non-hazardous	67.12%	81.97%	75.66%	81.53%
	For recycling	0.00%	85.56%	65.41%	84.14%
	Disposed	100.00%	14.44%	34.59%	15.86%

* The real estate sector includes the figures for 2017 concerning the Is Molas (Pula, Ca) and Pietra Ligure S.r.l. (Pietra Ligure, SV) sites.

Avoiding contamination of soil and water sources

We report that in 2019, no significant spills or polluting events occurred at any of the Group’s production sites.
At the Mandello and Pontedera sites of the Piaggio group, decontamination initiatives are under way due to historic contamination of the sites. In both cases, the pollutants found have not been used in the production sites for several decades, providing the historical nature of their origin. In accordance with legal obligations, the two situations have been reported to the relevant authorities and managed according to their instructions.
Production activities of Intermarine are carried out in compliance with applicable regulations on discharges into water bodies. In addition, regulations on operations and procedures at greater risk of pollution and to deal with emergencies in the event of spills of toxic substances into water bodies, are complied with.
As regards the Is Molas site, the resort's golf courses require regular treatments using chemical products and fertilisers in order to keep the grass surface suitable for practising the sport. All products used comply with parameters of applicable environmental regulations, limiting the risk of the possible pollution of ground water. Since 2012, the company has monitored surface and subsurface water matrices, sending data to the Region of Sardinia for appropriate controls.

The Social Dimension

Developing human resources

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

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

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

Staff

As of 31 December 2019, Group employees numbered 6,552, down by 299 (-4.4%) compared to 31 December 2018.
The average number of employees was affected by seasonal workers in the summer months (with fixed-term contracts and fixed-term service contracts) used to deal with typical peaks in demand in the summer months, particularly in the industrial and property sectors (tourism/hotel industry).

The geographic location and category of Immsi Group employees at 31 December 2019 are shown below, compared to figures at 31 December for the previous two years, differentiated by business sector.
Information on the level of education, differentiated by geographic area, and the incoming and outgoing turnover rate by professional category for Immsi Group employees, for 2019, is also provided.
The information below is in units, unless otherwise indicated.

Company employees by geographic segment at 31 December

	31.12.2019			
	Property and holding sector	***Industrial sector***	***Marine sector***	***Group total***
EMEA and Americas	68	3,483	262	**3,813**
of which Italy	*68*	*3,199*	*262*	***3,529***
India		1,749		**1,749**
Asia Pacific 2W		990		**990**
TOTAL	**68**	**6,222**	**262**	**6,552**

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

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

Average number of company employees by professional category

	2019			
	Property and holding sector	***Industrial sector***	***Marine sector***	***Group total***
Senior management	5	105	6	**116**
Middle management	7	671	29	**707**
White collars	31	1,728	117	**1,876**
Blue collars	50	3,919	111	**4,081**
TOTAL	**93**	**6,424**	**263**	**6,780**

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

	2017			
	Property and holding sector	***Industrial sector***	***Marine sector***	***Group total***
Senior management	5	96	7	**108**
Middle management	6	593	31	**630**
White collars	30	1,728	119	**1,877**
Blue collars	42	4,251	120	**4,413**
TOTAL	**83**	**6,668**	**277**	**7,028**

Company employees by educational qualifications at 31 December 2019

Employee/staff numbers	*Graduate degree*	*High school*	*Middle school*	*Primary school*	*Total*
EMEA and Americas	871	1,889	1,011	42	3,813
of which Italy	687	1,807	998	37	3,529
India	549	1,200	-	-	1,749
Asia Pacific	365	623	2	-	990
TOTAL	**1,785**	**3,712**	**1,013**	**42**	**6,552**
%	***27.2%***	***56.7%***	***15.5%***	***0.6%***	

Turnover of company employees by geographic segment at 31 December 2019

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

	Staff at 31 December 2019	*Men*	*Women*	*< 31*	*31 - 40*	*41 - 50*	*> 50*	*Total*	*% Turnover*
				Incoming					
Italy	3,529	286	138	200	100	104	20	**424**	**12.0%**
EMEA Americas (excl. Italy)	284	59	13	28	21	13	10	**72**	**25.4%**
TOTAL	**3,813**	**345**	**151**	**228**	**121**	**117**	**30**	**496**	**13.0%**
				Leavers					
Italy	3,529	378	173	146	104	101	200	551	**15.6%**
EMEA Americas (excl. Italy)	284	46	7	13	17	14	9	53	**18.7%**
TOTAL	**3,813**	**426**	**180**	**159**	**121**	**115**	**209**	**604**	**15.8%**

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

	Staff at 31 December 2019	*Men*	*Women*	*< 31*	*31 - 40*	*41 - 50*	*> 50*	*Total*	*% Turnover*
				Incoming					
India	1,277	106	3	36	62	10	1	**109**	**8.5%**
Asia Pacific	600	9	5	5	8	1	0	**14**	**2.3%**
TOTAL	**1,877**	**115**	**8**	**41**	**70**	**11**	**1**	**123**	**6.6%**
				Leavers					
India	1,277	135	5	33	64	30	13	**140**	**11.0%**
Asia Pacific	600	31	13	17	22	5	0	**44**	**7.3%**
TOTAL	**1,877**	**166**	**18**	**50**	**86**	**35**	**13**	**184**	**9.8%**

Company employee turnover by professional category in Italy at 31 December 2019

	Staff at 31 December 2019	*Men*	*Women*	*< 31*	*31 - 40*	*41 - 50*	*> 50*	*Total*	*% Turnover*
Incoming									
Senior management	79	4	2	0	1	4	1	**6**	**7.6%**
Middle management	259	10	1	0	3	7	1	**11**	**4.2%**
White collars	1,036	58	31	56	19	8	6	**89**	**8.6%**
Blue collars	2,155	214	104	144	77	85	12	**318**	**14.8%**
TOTAL	**3,529**	**286**	**138**	**200**	**100**	**104**	**20**	**424**	**12.0%**
Leavers									
Senior management	79	2	1	0	0	3	0	**3**	**3.8%**
Middle management	259	18	1	0	3	4	12	**19**	**7.3%**
White collars	1,036	69	32	20	23	10	48	**101**	**9.7%**
Blue collars	2,155	289	139	126	78	84	140	**428**	**19.9%**
TOTAL	**3,529**	**378**	**173**	**146**	**104**	**101**	**200**	**551**	**15.6%**

Personnel management policies

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

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

COMPETITIVE ORGANISATION

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

RECRUITMENT

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

CAREER DEVELOPMENT

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

In particular, the human resources development policies of the Piaggio group are focused on establishing, maintaining and developing factors that are decisive for competing in international contexts and that are continually aligned with the strategic business plan. During 2019, the group carried out gap analysis in order to establish development and training plans to improve its competencies compared to the previous year.
Piaggio has produced a professional competencies models that represents the professional expertise and know how comprising the basis and guarantee of continual, quality results. The goal of development tools is to build and improve the managerial and professional skills required by the respective models, while bringing potential to fruition and assessing and rewarding excellent performance and safeguarding specific technical know-how. Specifically, the tools used by Piaggio include: development plans (that reflect the growth plans for employees), job rotation and involvement in strategic or international projects, managerial and professional training and the talent management programme for younger employees. During 2019, development actions to reinforce the group's international presence and promote the development of individuals who demonstrate potential were consolidated. In fact, a balanced mix of nationalities from countries where the group operates took part in the talent programme.
For our highest value human assets, management and professional career paths are designed in order to cover key roles and ensure that the strategic and technological know-how of the group is retained and developed at an international level. Piaggio uses a number of tools for the supervision and management of succession plans with regard to key group positions, and in 2019, it used the global It platform to test the methodology implemented, which also takes into account the skills and performances recorded each year.
For further details, see the 2019 NFS published by Piaggio & C. S.p.A..

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

EVALUATION

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

With particular reference to the Piaggio group, the review process is managed in an integrated way through a dedicated It platform and provides the information necessary for the processes of succession planning, management reviews and a gap analysis of professional competencies, which are conducted across the Group.

Percentage of employees who received performance and career development reviews in 2019by geographic segment and gender

	EMEA&Americas		*of which Italy*		*Asia Pacific 2W*		*India*		*Total*	
	M	*W*	*M*	*W*	*M*	*W*	*M*	*W*	*M*	*W*
Senior management	98%	100%	97%	100%	100%	100%	100%	n/a	98%	100%
Middle management	92%	89%	91%	87%	100%	100%	100%	100%	97%	92%
White collars	90%	88%	87%	86%	100%	100%	100%	100%	94%	90%
Blue collars	n/a	n/a	n/a	n/a	100%	100%	n/a	n/a	n/a	n/a

TRAINING

The Group places considerable attention on technical, operational, safety and specific professional training: during 2019, a total of 95,156 training hours were delivered, mainly in line with the per capita average for 2018 and in line with the health and safety training campaign in Italy that involved all employees (blue collars, white collars, middle and senior management). Training is designed to meet the needs of all company employees, guaranteeing bespoke solutions.

The main companies of the Immsi Group have their own company training management and organisation procedures.
The Piaggio group has put in place a platform, called Piaggio Global Training, which is used to manage and monitor the whole training process. The process methodology, starting from the analysis of training needs, is the same in every region thereby ensuring a uniform training policy.
Intermarine adopts a specific procedure as part of its Quality System, with an annual review of the professional/technical training needs of staff in each department; this review is used to develop its Training Plan, approved by the Chief Executive Officer. This Training Plan, which includes mandatory occupational health and safety training, is then put in place, with a priority on public training, funded through ongoing and successful partnerships with Training Organisations. Intermarine has provided training through inter-professional and private funding and takes part in intercompany training projects.

Hours of training by training area

Thematic area	2019			2018			2017		
	EMEA&Americas	India	Asia Pacific 2W	EMEA&Americas	India	Asia Pacific 2W	EMEA&Americas	India	Asia Pacific 2W
Managerial training	7,438	7,428	3,185	5,859	11,942	1,371	6,303	14,098	742
Technical – professional training	20,071	5,123	1,218	17,900	7,110	4,166	11,379	6,762	408
Language training	5,988	928	2,896	4,815	-	132	5,365	216	640
Health and safety training	25,917	10,262	4,688	34,095	8,674	3,059	8,504	5,186	5,544
TOTAL	**59,414**	**23,741**	**11,987**	**62,669**	**27,726**	**8,728**	**31,551**	**26,262**	**7,334**

Total training hours by professional category

Professional category	2019	Total per-capita 2019*	2018	Total per-capita 2018*	2017	Total per-capita 2017*
Senior	1,014	8.7	1,592	14.2	1,243	11.3
Middle	12,537	17.8	12,893	19.0	11,439	17.8
White collars	31,258	16.9	40,041	21.3	35,072	18.7
Blue collars	38,612	10.0	38,055	9.1	13,496	3.1
Other workers	11,722	n/a	6,542	n/a	3,897	n/a
TOTAL	**95,142**	**12.7**	**99,123**	**13.5**	**65,147**	**8.8**

* value determined by assigning all training hours delivered (including internships, project training, etc.) to the numerator, and the workforce at 31 December 2019 to the denominator.

Training hours by gender

Thematic area	2019			2018			2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managerial training	14,617	3,434	18,051	16,424	2,748	**19,172**	18,836	2,307	**21,143**
Technical – professional training	20,809	5,604	26,412	23,383	5,794	**29,176**	16,346	2,203	**18,549**
Language training	7,247	2,565	9,812	2,977	1,970	**4,947**	4,114	2,107	**6,221**
Health and safety training	33,529	7,338	40,867	35,790	10,038	**45,828**	15,876	3,358	**19,234**
TOTAL	**76,202**	**18,941**	**95,142**	**78,574**	**20,550**	**99,123**	**55,172**	**9,975**	**65,146**

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

REWARDS

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

[1]For the purposes of GRI Standard 401-2, as regards"significant locations of operations", the sites at Pontedera, Noale, Scorzè and Mandello del Lario are used for industrial activities of the Piaggio group, the sites at Sarzana and Messina are shipyards and the site at Pula refers to the Is Molas resort. There is also the holding company Immsi S.p.A., based in Mantua.

Piaggio offers to new recruits and all its employees a salary package in line with best market practices. This is why a salary review process has been adopted. For details, see the 2019 NFS published by Piaggio & C. S.p.A..
The achievement of excellent results in terms of objectives set by the company is rewarded through variable incentive systems, focused on business-related qualitative and quantitative objectives as well as on the internal efficiency of each area of responsibility. The full process of setting objectives and reviewing results is conducted with employees, using objective criteria.
Piaggio offers a benefits package in line with best local market practices, which is structured on an organisational basis. Benefits include, by way of example: a company car, supplementary healthcare, a company medical centre at various sites, agreements with local entities and organisations of interest for employees.
At a national level, benefits are provided to full-time as well as to part-time employees without distinction.

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

Ratio between the average remuneration of women and men in the same professional category[1]

	Italy	*EMEA (excl. Italy)*	*Asia Pacific*	*India*
Senior management	0.95			
Middle management	0.86	1.04	0.87	1.01
White collars	0.87	0.88	0.86	0.77
Blue collars	0.94		0.95	

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

[1] Categories not reported in individual geographic segments do not have any female employees.

Diversity and equal opportunities

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

For further details on diversity management in the Piaggio group, which operates on a global scale with employees in Europe, America and Asia and considerable age/gender distinctions, see the 2019 NFS published by Piaggio & C. S.p.A..
As regards the composition and promotion of diversity of Immsi S.p.A. company boards, see the Report on Corporate Governance and Ownership.

FEMALE EMPLOYMENT

Female employees in the Group play a fundamental role at all levels of the organisational structure. They account for 20.8% of the workforce, slightly up on the figure of 20.3% for 2018.

Company employees by gender and geographic segment at 31 December 2019

	2019		*2018*		*2017*	
	Men	*Women*	*Men*	*Women*	*Men*	*Women*
EMEA and Americas	2,659	1,154	2,739	1,183	2,834	1,192
of which Italy	*2,441*	*1,088*	*2,536*	*1,124*	*2,649*	*1,139*
India	1,717	32	1,971	55	2,044	46
Asia Pacific	810	180	749	154	704	144
TOTAL	**5,186**	**1,366**	**5,459**	**1,392**	**5,582**	**1,382**

Number of women employees at 31 December 2019 per geographic segment

	Fixed-term contract		*Open-ended contract*		*Total*		*% Women*
	Men	*Women*	*Men*	*Women*	*Men*	*Women*	
EMEA and Americas	26	8	2,633	1,146	2,659	1,154	30.3%
of which Italy	*26*	*7*	*2,415*	*1,081*	*2,441*	*1,088*	*30.8%*
India	466	6	1,251	26	1,717	32	1.8%
Asia Pacific	318	72	492	108	810	180	18.2%
TOTAL	**810**	**86**	**4,376**	**1,280**	**5,186**	**1,366**	**20.8%**

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

Company employees by profession, gender and geographic segment at 31 December 2019

Employee/staff numbers	*Full time*			*Part time*			% Part time
	Men	*Women*	*Total*	*Men*	*Women*	*Total*	
EMEA and Americas	2,651	975	3,626	8	179	187	5%
of which Italy	*2,433*	*912*	*3,345*	*8*	*176*	*184*	*5%*
India	1,717	32	1,749	0	0	0	0%
Asia Pacific	810	180	990	0	0	0	0%
TOTAL	**5,178**	**1,187**	**6,365**	**8**	**179**	**187**	**3%**

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

YOUNG EMPLOYEES

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

Company employees by professional category and age bracket at 31 December 2019

	up to 30		*31-40*		*41-50*		*> 50*		*Total*	
2019	*Men*	*Women*	*Men*	*Women*	*Men*	*Women*	*Men*	*Women*	*Men*	*Women*
Senior management	0	0	8	1	33	4	65	6	**106**	**11**
Middle management	4	1	175	27	262	31	182	22	**623**	**81**
White collars	203	98	467	154	357	158	317	99	**1,344**	**509**
Blue collars	856	57	657	90	924	373	676	245	**3,113**	**765**
TOTAL	**1,063**	**156**	**1,307**	**272**	**1,576**	**566**	**1,240**	**372**	**5,186**	**1,366**
	up to 30		*31-40*		*41-50*		*> 50*		*Total*	
2018	*Men*	*Women*	*Men*	*Women*	*Men*	*Women*	*Men*	*Women*	*Men*	*Women*
Senior management	0	0	8	0	31	3	67	3	**106**	**6**
Middle management	3	2	176	22	249	35	167	24	**595**	**83**
White collars	187	95	491	153	382	155	322	97	**1,382**	**500**
Blue collars	1,097	69	637	93	929	374	710	270	**3,373**	**806**
TOTAL	**1,287**	**166**	**1,312**	**268**	**1,591**	**567**	**1,266**	**394**	**5,456**	**1,395**
	up to 30		*31-40*		*41-50*		*> 50*		*Total*	
2017	*Men*	*Women*	*Men*	*Women*	*Men*	*Women*	*Men*	*Women*	*Men*	*Women*
Senior management	0	0	5	0	36	3	63	3	**104**	**6**
Middle management	1	2	165	23	238	27	165	20	**569**	**72**
White collars	184	80	500	157	401	162	310	87	**1,395**	**486**
Blue collars	1,211	60	618	114	959	382	729	259	**3,517**	**815**
TOTAL	**1,396**	**142**	**1,288**	**294**	**1,634**	**574**	**1,267**	**369**	**5,585**	**1,379**

Company employees up to 30 years of age by geographic segment at 31 December 2019

Employee/staff numbers	*up to 30*	*%*
EMEA and Americas	185	5%
India	515	29%
Asia Pacific	519	52%
TOTAL	**1,219**	**19%**

STAFF ENGAGEMENT

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

In particular, Piaggio uses communication and information tools which respect and empower the social and cultural realities within the group. For further details on these tools, which include the national "PiaggioNet" portal and the "PiaggioNet International" portal, which are in English, see the 2019 NFS published by Piaggio & C. S.p.A..

Industrial relations

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

Italy
With reference to Piaggio group, during 2019, dialogue and exchange of views with the trade unions and with employee representatives continued with the aim to find shared solutions to the market crisis and deal with its impact on workers. Through collective bargaining, shared management tools were identified that can adequately address the long-term crisis in the sector, while safeguarding the skills present in the company by promoting their reuse.
The National Collective Bargaining Agreement (CCNL) is valid throughout Italy. In the case of major organisational changes, provisions of law and of the relative collective bargaining agreement are complied with.

With particular regard to the industrial sector, at the end of negotiations which began in 2017, a draft version of a 2nd level (supplementary) collective agreement was signed on 23 January 2020 with national and provincial branches of trade unions and trade union representatives of Pontedera, Noale, Scorzè and Mandello del Lario, for production units in Italy, valid up until 31.12.2022 that has been approved by workers with a referendum hold on February 2020.

As regards the Pontedera site, which is now fully established as a centre of excellence in innovation, research and design and in the production of vehicles and engines, a new trade union agreement was signed for the use of the Solidarity Contract from November 2018 to March 2019, subsequently renewed from October 2019 to January 2020.

In July 2019, a mobility procedure was launched for 180 employees in order to downsize staff activities, facilitating a generational shift and structurally rebalancing the production workforce.

1. The Ordinary Redundancy Fund was used occasionally during 2019 at the Noale site, where motorcycle design and development activities are carried out.

2. On 26 November 2018, an agreement with local trade unions and trade union representatives was signed at the Ministry of Labour and Social Policies, to continue the Special Redundancy Fund for reorganisation at the Scorzè unit from 9 January 2019 to 8 January 2020.
3. On the same date, a procedure was started for a collective decease in staff, approved by workers, and concerning 105 people overall, in order to promote an easier management of structural excesses.
4. On 13 December 2019, an agreement with local trade unions and trade union representatives was signed at the Ministry of Labour and Social Policies, to continue the Special Redundancy Fund for reorganisation at the Scorzè unit from 9 January 2020 to 8 January 2021. At the same time, a procedure for the collective decrease in personnel was started, agreed by staff and concerning a total of 100 people.
5.
6. At the Mandello del Lario production unit, the increase in work related to the summer production rise was managed in 2019 by using contractual multi-week hours, as well as agency workers.
7.
No mobility procedures were adopted, or solidarity contracts or other types of social shock absorbers used in the Immsi Group during 2019.
Membership of trade union organisations at Italian sites at 31 December 2019 is shown in the table below:

	FIOM	*UILM*	*FIM*	*UGL*	*USB*	*CGIL/CISL/UIL*	*Other*	*Total*	*% of employees who are members of a trade union*
Industrial sector									
Pontedera	211	239	283	97	45	1		**876**	**35.1%**
Noale and Scorzè	119	1	142					**262**	**50.5%**
Mandello del Lario	35	2	23					**60**	**64.5%**
Marine sector									
Sarzana						65		**65**	**33.2%**
Messina		9	2				41	**52**	**78.8%**
Property sector									
Pula						2		**2**	**4.2%**

The table below provides a summary of the hours lost due to strikes from 2017 to 2019 at the company's sites in Italy:

Piaggio

		2019	*2018*	*2017*
NO. OF HOURS LOST DUE TO STRIKES	*General/category*	22,303	1,400	1,100
	Company	8,292	14,526	9,877
	TOTAL	**30,595**	**15,926**	**10,977**
% HOURS LOST compared to HOURS WORKED	*General/category*	1.18%	0.07%	0.05%
	Company	0.44%	0.8%	0.5%
	of which Pontedera compared to hours worked at Pontedera	1.83%	0.89%	0.58%
	TOTAL	**1.61%**	**0.83%**	**0.55%**
NO. OF DAYS LOST DUE TO STRIKES	*General/category*	2,788	175	138
	Company	1,036	1,816	1,235
	TOTAL	**3,824**	**1,991**	**1,373**

For more details on trade union representation of the Piaggio group in Vietnam and India, see the 2019 NFS published by Piaggio & C. S.p.A..

Intermarine

		2019	2018	2017
NO. OF HOURS LOST DUE TO STRIKES	*General/category*	312	1,152	0
	Company	0	0	0
	TOTAL	**312**	**1,152**	**0**
% HOURS LOST compared to HOURS WORKED	*General/category*	0.01%	0.33%	0%
	Company	0%	0%	0%
	TOTAL	**0.01%**	**0.33%**	**0%**
NO. OF DAYS LOST DUE TO STRIKES	*General/category*	39	144	0
	Company	0	0	0
	TOTAL	**39**	**144**	**0**

No industrial unrest was reported for other Group companies, during the 2017 - 2019 period.

Occupational health and safety

Immsi and the Group undertake to guarantee a safe, healthy and productive working environment for employees, also disseminating a safety culture and awareness of risks and by promoting the responsible conduct of their employees.
The extensive industrial segments in which the Group operates pose a risk related to suitable health and safety conditions in the workplace, and imply an impact also as regards accidents, occupational diseases, loss of reputation and the payment of compensation.
The Group considers safety training as a key driver for disseminating a safety culture and promoting a conduct that ensures appropriate working conditions, and encourages people to behave responsibly and appropriately. This strategy and the monitoring of workers and staff and their compliance with occupational health and safety procedures and instructions are essential for mitigating and adequately dealing with risks concerning the work force, as indicated above.
For information about concrete actions targeting occupational health and safety taken by the Piaggio group, as well as standards and policies of its Indian and Vietnamese subsidiaries, see the 2019 NFS published by Piaggio & C. S.p.A..

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

Accident Frequency [1]Index in Italy

	2019	2018	2017
Industrial sector			
Pontedera	1.4	1.2	1.4
Noale and Scorzè	0.7	0.5	0.3
Mandello del Lario	0.5	0.7	0
Marine sector			
Sarzana	2.3	1.5	0.8
Messina	5.8	0	7.1
Property sector			
Pula	0	0.8	4.1

[1] The Frequency Index is: If = (No. of accidents * *100,000) / Hours worked.*
The number of accidents is calculated considering only accidents in the workplace, excluding accidents reported pursuant to Article 53 of Italian Presidential Decree no. 1124/65. As of article 53, both commuting accidents and accidents not considered reliable (due to the lack of a violent cause or lack of a causal link or lack of work activity) are reported.

Accident Severity index[1] in Italy

	2019	*2018*	*2017*
Industrial sector			
Pontedera	24.5	24.5	30.6
Noale and Scorzè	15.1	11.6	6.1
Mandello del Lario	14.3	9.2	0
Marine sector			
Sarzana	36.6	20.8	37.6
Messina	77.4	0	369.2
Property sector			
Pula	0	10.9	64.6

Occupational diseases recorded at Italian sites of the Group and reported in this NFS are indicated below:

	2019		*2018*		*2017*	
	Reported	*Acknowledged*	*Reported*	*Acknowledged*	*Reported*	*Acknowledged*
Industrial sector						
Pontedera	75	(*)	70	(*)	95	(*)
Noale and Scorzè	0	0	0	0	0	0
Mandello del Lario		(*)	1	(*)	0	0
Marine sector						
Sarzana	0	0	0	0	0	0
Messina	0	0	0	0	0	0

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

As regards the property and holding sector, no occupational diseases were reported during the 2017 – 2019 period. In this regard, at the Cagliari site, one worker submitted an application to Inail concerning an occupational disease (due to harm prior to employment with Is Molas S.p.A.).

As regards reporting and indexes related to occupational health and safety at the Group's foreign sites, see the 2019 NFS published by the Piaggio group.

Relations with local communities

Immsi Group companies are committed to initiatives that support local communities, also through sponsorships and donations to external projects. The aim is to foster the social, cultural and sporting achievements of communities.
In the industrial sector, Piaggio is strongly committed through its Foundation (Fondazione), the Piaggio Museum (Museo Piaggio) and Archive (Archivio Storico).
Activities and events organised, as well as charity initiatives and sponsorships overseen by the Piaggio group in Italy, India and Vietnam are described in full in its 2019 NFS.
Intermarine S.p.A. is committed to engaging with local communities, through donations and sponsorships, and with specific stakeholders.
For the last few years, the Immsi Group, through the Parent Company, has supported educational and rehabilitation activities for children with disabilities from cerebral palsy, making donations to the “Casa del Sole Onlus” association, on behalf of all employees. In forty years of activities, the "Casa del Sole" has helped more than 5,000 children, offering valuable support to their families.

[1] The severity index is calculated as Ig = (working days lost / hours worked) x 100,000. In calculating the Index, working days lost because of all accidents were considered, excluding those reported pursuant to Article 53 of Presidential Decree no. 1124/65. As of article 53, both commuting accidents and accidents not considered reliable (due to the lack of a violent cause or lack of a causal link or lack of work activity) are reported.

The supply chain

The reporting boundary for this dimension is as follows:

- Property and holding sector: Immsi S.p.A. and Is Molas S.p.A.;
- Industrial sector: Piaggio & C. S.p.A, Piaggio Vietnam Co. Ltd., Piaggio Vehicles Private Ltd., Piaggio Advance Design Center, Piaggio Fast Forward Inc., Foshan Piaggio Vehicles Technologies Co. Ltd.;
- Marine sector: Intermarine S.p.A..

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

Property and holding sector[1]

In 2018, the company Immsi S.p.A worked with 147 suppliers, purchasing commodities, materials, goods, products and services for approximately €3.6 million. Total payments made in the previous year amounted to approximately €3.3 million. Nearly all purchases are sourced from Italian suppliers (98.5%).
For the management of its property situated in Rome, Immsi S.p.A. is assisted by specialist maintenance companies, and in some cases enters into contracts.

In 2019, Is Molas S.p.A worked with 389 suppliers, purchasing commodities, materials, goods, products and services for approximately €8.1 million. Total payments made in the previous year amounted to approximately €8.6 million.
The geographic distribution of purchases is shown below:

Geographic segment	***2019***	***2018***	***2017***
Italy[1]	99.0%	98.8%	97.0%
Abroad	1.0%	1.2%	3.0%

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

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

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

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[1] The geographical area of "Italy" corresponds, for the purposes of the Standard GRI 204-1, to the definition of "local". In addition, with reference to the real estate and holding sector, the definition of "significant locations of operation" required by the Standard GRI corresponds to the following locations:

- Immsi S.p.A.: with registered office in Mantua (MN) and property in Rome (RM);
- Is Molas S.p.A.: the registered office of Mantua and resort of Is Molas in Pula (Cagliari).

Industrial sector [1]

Piaggio group produces vehicles that are sold under its brand on the various markets around the world. The only exception regards vehicles purchased by the Chinese subsidiary Zongshen Piaggio Foshan (about 17,210 units in 2019, equivalent to 2.8% of vehicles sold). Piaggio is a leader in engine technology and produces engines at its plans both for internal production and to meet the demand of other manufacturers.
All the other components that constitute a vehicle are purchased externally and assembled in-company.
In 2019, Italian plants purchased merchandise and spare parts for an overall value of €415 million (excluding complete vehicles) from around 683 suppliers. The first ten suppliers made up 18.73% of the purchases. The geographic breakdown of purchases is shown below. Payments to suppliers amounted to approximately €641 million.

GEOGRAPHIC LOCATION OF PURCHASES FROM SUPPLIERS FOR ITALIAN SITES

Geographic segment	*2019*	*2018*	*2017*
EMEA	67.5%	65.7%	68.0%
China+Taiwan	19.4%	20.8%	19.0%
Vietnam	6.0%	5.8%	5.0%
India	6.2%	6.7%	7.0%
Japan	0.4%	0.3%	1.0%
Others	0.5%	0.7%	-

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

In 2019, plants in India purchased raw materials, merchandise and spare parts for an overall value of €318 million from around 620 of their own suppliers. The first ten suppliers made up 36% of the total purchases. Total payments amounted to approximately €500 million.

GEOGRAPHIC LOCATION OF PURCHASES FROM SUPPLIERS FOR INDIAN SITES

Geographic segment	*2019*	*2018*	*2017*
India	96.0%	95.1%	97.2%
Other	4.0%	4.9%	2.8%

Note: the geographic area “India” corresponds to the definition of “local” as defined in GRI Standard 204-1. “Significant locations of operations” mean the production site in Baramati (India).

In 2019, plants in Vietnam purchased merchandise and spare parts for an overall value of €172 million from around 230 suppliers. The first ten suppliers made up 36% of the purchases. Total payments amounted to approximately €177 million.

GEOGRAPHIC LOCATION OF PURCHASES FROM SUPPLIERS FOR VIETNAMESE SITES

Geographic segment	*2019*	*2018*	*2017*
Vietnam	59.0%	53.3%	47.1%
China+Taiwan	18.4%	21.3%	19.8%
EMEA	18.2%	20.1%	26.9%
India	1.8%	2.0%	2.4%
Others	2.6%	3.3%	3.8%

Note: the geographic area “Vietnam” corresponds to the definition of “local” as defined in GRI Standard 204-1. “Significant locations of operations” mean the production site in Vihn Phuc (Vietnam).

[1] For the industrial sector, only purchases of materials and components were considered. Purchases of services were excluded.

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

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

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

For specific information about the role of Piaggio and its Corporate Finance Area, Vendor Assessment Function and Suppliers Portal, see the 2019 NFS of the Piaggio group.

Marine sector

In 2019, Intermarine worked with 886 suppliers, purchasing commodities, goods, products and services for a value of approximately €47.6 million. Total payments made in the previous year amounted to approximately €47.7 million.
The geographic distribution of purchases is shown below:

Geographic segment	*2019*	*2018*	*2017*
Italy	80.2%	84.4%	76.0%
EMEA (excluding Italy)	19.7%	14.8%	23.0%
Others	0.1%	0.8%	1.0%

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

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

- Components, apparatus and machinery for plants;
- Labour (contracts);
- Design services;
- Consultancy services.

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

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

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

GRI Content Index

GRI STANDARD INDEX FOR "IN ACCORDANCE" – CORE			
GRI Standard	***#***	***Disclosure Title***	***References***
GENERAL DISCLOSURE			
ORGANIZATIONAL PROFILE			
GRI 102: General Disclosures 2016	**102-1**	Name of the organization	Group profile
	102-2	Activities, brands, products, and services	Group profile The product and service dimension
	102-3	Location of headquarters	Group profile
	102-4	Location of operations	Group profile
	102-5	Ownership and legal form	Group profile *Corporate Governance*
	102-6	Markets served	Group profile The product and service dimension
	102-7	Scale of the organization	Group profile The social dimension - Developing human resources; Staff; Directors' Report and Financial Statements of the Immsi Group at 31 December 2019 (http://www.immsi.it/it/investors/bilanci-relazioni); Report on Operations and Consolidated Financial Statements of the Piaggio group at 31 December 2019 (http://www.piaggiogroup.com/it/investor/bilanci-e-relazioni)
	102-8	Information on employees and other workers	The social dimension - Developing human resources; *Outsourced staff and contractors are not considered.*
	102-9	*Supply chain*	The supply chain
	102-10	Significant changes to the organization and its supply chain	Group profile The supply chain
	102-11	Precautionary Principle or approach	Corporate Social Responsibility risks
	102-12	External initiatives	The product and service dimension - Piaggio vehicles The products and services dimension - Intermarine vessels
	102-13	Membership of associations	The product and service dimension - Piaggio vehicles The products and services dimension - Intermarine vessels;
STRATEGY			
GRI 102: General Disclosures 2016	**102-14**	Statement from senior decision-maker	Letter from the Chairman
ETHICS AND INTEGRITY			
GRI 102: General Disclosures 2016	**102-16**	Values, principles, standards, and norms of behavior	Corporate Governance - Code of Ethics
GOVERNANCE			
GRI 102: General Disclosures 2016	**102-18**	Governance structure	*Corporate Governance* REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP (http://www.immsi.it/it/governance-ita)
STAKEHOLDER ENGAGEMENT			
GRI 102: General Disclosures 2016	**102-40**	List of stakeholder groups	Stakeholder engagement
	102-41	Collective bargaining agreements	The social dimension - Developing human resources - Industrial relations; *All employment at Italian sites of the Group is regulated according to the relevant National Collective Bargaining Agreement. For non-Italian sites of the Group, regulations and/or collective agreements are adopted. Local regulations and collective agreements where present are therefore adopted for 100% of the Group's employees.*
	102-42	Identifying and selecting stakeholders	Methodological note - Materiality analysis; Stakeholder engagement
	102-43	Approach to stakeholder engagement	Stakeholder engagement
	102-44	Key topics and concerns raised	Stakeholder engagement
REPORTING PRACTICE			
GRI 102: General Disclosures 2016	**102-45**	Entities included in the consolidated financial statements	Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016) Directors' Report and Financial Statements of the Immsi Group at 31 December 2019 (http://www.immsi.it/it/investors/bilanci-relazioni)
	102-46	Defining report content and topic Boundaries	Methodological note

	102-47	List of material topics	Methodological Note – Contents of the Statement
	102-48	Restatements of information	*Any changes in data reported in the 2018 NFS are appropriately indicated.*
	102-49	Changes in reporting	*Any changes in data reported in the 2018 NFS are appropriately indicated.*
	102-50	Reporting period	Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016)
	102-51	Date of most recent report	Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016)
	102-52	Reporting cycle	Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016)
	102-53	Contact point for questions regarding the report	Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016)
	102-54	Claims of reporting in accordance with the GRI Standards	Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016)
	102-55	GRI content index	GRI Content Index
	102-56	External assurance	Report on the limited audit of the Consolidated Non-Financial Statement

MATERIAL TOPICS

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

ENERGY				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological Note – Contents of the Statement; The Environmental Dimension; The Environmental Dimension - Energy consumption	
GRI 302: Energy 2016	**302-1**	Energy consumption within the organization	The Environmental Dimension - Energy consumption	*With reference to the industrial sector, data on the consumption of the Rome and Milan offices are not considered relevant.*
WATER				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological Note – Contents of the Statement; The Environmental Dimension; The environmental dimension - Conserving water resources	
GRI 303: Water 2016	**303-1**	Water withdrawal by source	The environmental dimension - Conserving water resources	*With reference to the industrial sector, data on the consumption of the Rome and Milan offices are not considered relevant.*
	303-3	Water recycled and reused	The environmental dimension - Conserving water resources	*As regards this standard, available data only refer to the Indian and Vietnamese sites of the Piaggio group. As regards the management of wastewater at Is Molas, all wastewater from the hotel/resort premises is ducted into the treatment station of the Is Molas consortium. The treated water is then conveyed to the reservoirs for use in irrigation. As regards the residential expansion project, the property planned and built by the company Is Molas S.p.A. uses heat pumps for heating and cooling that use the technical water from the reservoir system. The technical water discharge systems convey water via pipes to the original reservoir, closing the loop.*
EMISSIONS				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological Note – Contents of the Statement; The Environmental Dimension; The environmental dimension - Emissions of CO_2 and other pollutants	
GRI 305: Emissions 2016	**305-1**	Energy direct (Scope 1) GHG emissions	The environmental dimension - Emissions of CO2 and other pollutants	
	305-2	Energy indirect (Scope 2) GHG emissions	The environmental dimension - Emissions of CO2 and other pollutants	*With reference to the industrial sector, emissions of commercial sites (also excluding the Milan and Rome offices) are not included in reporting.*
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	The environmental dimension - Emissions of CO2 and other pollutants	*Only emissions of VOCs (volatile organic compounds) from the Piaggio group's sites are reported (from solvents used in painting). Data for the marine sector are available for 2018 and 2019, only for the Sarzana site. Data are not available for the property and holding sector.*
EFFLUENTS AND WASTE				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological Note – Contents of the Statement; The Environmental Dimension; The Environmental Dimension – Avoiding contamination of soil and water sources	
GRI 306: Effluents and Waste 2016	**306-2**	Waste by type and disposal method	The environmental dimension - Waste handling and recovery	
	306-3	Significant spills	The Environmental Dimension – Avoiding contamination of soil and water sources	
ENVIRONMENTAL COMPLIANCE				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological Note – Contents of the Statement; Corporate Governance - Compliance with laws and regulations	

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

	405-2	Ratio of basic salary and remuneration of women to men	The social dimension – Developing human resources - Personnel management policies - Rewarding	
NON-DISCRIMINATION				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological Note – Contents of the Statement; Corporate Governance - Code of Ethics; Corporate Governance - Compliance with laws and regulations	
GRI 406: Non-discrimination 2016	**406-1**	Incidents of discrimination and corrective actions taken	Corporate Governance - Compliance with laws and regulations	
LOCAL COMMUNITIES				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological Note – Contents of the Statement; The social dimension - Relations with local communities	
GRI 413: Local communities 2016	**413-1**	Operations with local community engagement, impact assessments, and development programs	The social dimension - Relations with local communities	*A brief summary of the quality of actions promoted by Group companies is presented.* *With reference to the industrial sector, see the 2018 NFS of the Piaggio group, with information on initiatives promoted by the Piaggio Fondazione (Foundation) and Museo (Museum).*
COSTUMER HEALTH AND SAFETY				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological Note – Contents of the Statement; The product and service dimension	
GRI 416: Customer Health and Safety 2016	**416-1**	Assessment of the health and safety impacts of product and service categories	The product and service dimension	*The percentage is not provided, but a qualitative contribution is indicated. With reference to the industrial sector, more details are given in the 2019 NFS of the Piaggio group.*
MARKETING AND LABELING				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological Note – Contents of the Statement; Corporate Governance - Compliance with laws and regulations	
GRI 417: Marketing and Labeling 2016	**417-3**	Incidents of non-compliance concerning marketing communications	Corporate Governance - Compliance with laws and regulations	
COSTUMER PRIVACY				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological Note – Contents of the Statement; Corporate Governance - Compliance with laws and regulations	
GRI 418: Customer Privacy 2016	**418-1**	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Corporate Governance - Compliance with laws and regulations	
SOCIOECONOMIC COMPLIANCE				
GRI 103: Management Approach 2016	**103-1** Explanation of the material topic and its Boundary **103-2** The management approach and its components **103-3** Evaluation of the management approach		Methodological Note – Contents of the Statement; Corporate Governance - Compliance with laws and regulations	
GRI 419: Socioeconomic Compliance 2016	**419-1**	Non-compliance with laws and regulations in the social and economic area	Corporate Governance - Compliance with laws and regulations	

Table Of Correspondence Legislative Decree No. 254/2016 - Material Topics – GRI Standards

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

Topic under Legislative Decree no. 254/16	Topic	Risks identified	Policies adopted	Topic specific standard/disclosure
Concerning personnel	Developing human capital	Corporate Social Responsibility Risks chapter	The social dimension chapter – Developing human resources - Personnel management policies The following should be noted: Individual Group companies have established their own procedures and practices for personnel management based on their organisational configuration and own characteristics and professional needs. The Group believes that uniform personnel management systems are neither effective nor efficient given the profound business diversity that characterises the subsidiaries, despite their uniform principles of ethics, transparency and meritocracy.	**202-1**: Ratios of standard entry level wage by gender compared to local minimum wage
				401-1: New employee hires and employee turnover
				401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees
				402-1: Minimum notice periods regarding operational changes
				404-1: Average hours of training per year per employee
				404-2: Programs for upgrading employee skills and transition assistance programs
				404-3: Percentage of employees receiving regular performance and career development reviews
				405-1: Diversity of governance bodies and employees
				405-2: Ratio of basic salary and remuneration of women to men
	Health, safety and wellbeing of human capital		The product and service dimension chapter - Certifications of the Immsi Group The social dimension chapter - Developing human resources - Occupational health and safety The following should be noted: - for the industrial sector, an Occupational Health and Safety Management System certified to BS OHSAS 18001:2007 is adopted; - for the marine sector, although production sites are not certified to BS OHSAS 18001:2007, they adopt the same Integrated Management System, adopting relative requirements; - for the property and holding sector, sites have internal security systems.	**403-2**: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
Respecting human rights	Respecting human rights	Corporate Social Responsibility Risks chapter	Corporate Governance chapter The Code of Ethics of Immsi S.p.A. and Group companies was revised in 2017, introducing a specific article on principles safeguarding the human rights and workers. With reference to the Piaggio group, it should also be noted that the Policy on Prevention of Sexual Harassment of women at the workplace is currently in force.	**406-1**: Incidents of discrimination and corrective actions taken
Fighting corruption	Fighting corruption	Corporate Social Responsibility Risks chapter	Corporate Governance chapter Code of Ethics of each Group company; Model 231 of each Group company.	**205-3**: Confirmed incidents of corruption and actions taken
Broad-ranging topics	Transparency and company integrity	The topic of "Transparency" is considered as broad-ranging and covering all topics referred to in Legislative Decree 254/16. Therefore, a specific correlation with individual items in this table of correspondence is not indicated. Reference is made to this table as regards all other topics addressed.		

IMMSI GROUP

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10, OF LEGISLATIVE DECREE NO. 254/2016 AND ART. 5 OF CONSOB REGULATION NO. 20267 OF JANUARY 2018

YEAR ENDED 31 DECEMBER 2019

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

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

To the Board of Directors of Immsi SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the "Consolidated Non-financial statement - pursuant to Italian Legislative Decree 254/16" of Immsi SpA and its subsidiaries (hereafter "Immsi" or the "Group") for the year ended 31 December 2019 prepared in accordance with article 4 of the Decree, presented in the specific section of the "Directors' report on operations", and approved by the Board of Directors on 25 March 2020 (hereafter the "NFS").

Responsibility of Management and those charged with Governance for the NFS

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

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

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

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

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

Auditor's Independence and Quality Control

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

Auditor's responsibilities

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

In particular, we performed the following procedures:

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

   With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 4 a) below;
4. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management of Immsi SpA and Piaggio & C. SpA and with the personnel of Is Molas SpA and Piaggio Vietnam Co. Ltd, and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the

collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

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

- at holding level
  a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
  b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the company Is Molas SpA, and the plants of Noale and Scorzè (Piaggio & C. SpA and Aprilia Racing Srl) and Vinh Phuc (Piaggio Vietnam Co. Ltd), which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we interviewed local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Immsi Group as of 31 December 2019 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Verona, 23 April 2020

PricewaterhouseCoopers SpA

Signed by

Alessandro Vincenzi
(Partner)

Signed by

Paolo Bersani
(Authorised signatory)

This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2019 translation.

REPORT
ON CORPORATE GOVERNANCE AND OWNERSHIP

in accordance with article 123-bis of the TUF

(Traditional management and control model)

Immsi
Società per Azioni

www.immsi.it

Financial year to which the Report refers: 2019
Date of approval of the report: 25 March 2020

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GLOSSARY

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

Civil Code / CC: the Civil Code.

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

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

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

Instructions to the Stock Exchange Regulations: the instructions to the Regulations for Markets organised and managed by Borsa Italiana S.p.A.

Stock Exchange Regulations: the Regulations of Markets organised and managed by Borsa Italiana S.p.A..

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

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

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

Report: the report on corporate governance and corporate ownership which companies are obliged to prepare pursuant to Article 123-bis of the Consolidated Law on Finance (TUF).

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

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

1. ISSUER PROFILE

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

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

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

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

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

The Company falls within the definition of SMEs pursuant to Article 1, paragraph 1, letter w-quater.1), of the TUF and Article 2-ter of the Consob Regulation on Issuers since it falls within the parameters provided for by the aforesaid regulations, as can be seen from the list of "SME" issuers of listed shares published by Consob on its website at www.consob.it/web/area-pubblica/emittenti-quotati-pmi.

2. INFORMATION ON CORPORATE OWNERSHIP (pursuant To Article 123-Bis, Paragraph 1 of the Consolidated Law On Finance).

at 31/12/2019

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

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

See Table 1 in the appendix, which includes information updated at 31/12/2019 and at the date of this Report.

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

There are no securities transfer restrictions.

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

For indirect or direct material investments in capital, as resulting from disclosure made pursuant to article 120 of the TUF and specific information received by the Issuer, see Table 1, in the index, which includes information updated at 31/12/2019 and at the date of this Report.

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

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

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

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

No system for employees' equity holdings exists.

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

There are no restrictions on voting rights.

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

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

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

h) Change of control clauses (pursuant to article 123-bis, paragraph 1, letter h) of the TUF) and statutory provisions concerning PTOs (pursuant to article 104, paragraph 1-ter, and 104-bis, paragraph 1 of the TUF)

The Issuer has stipulated some significant agreements that could be amended or terminated in the event of changes in control of Immsi S.p.A., such as: a Bullet - Multi Borrower loan agreement in effect at 31 December 2019 for a total of €125 million, of which €82.7 million disbursed to Immsi S.p.A., €30 million to ISM Investimenti S.p.A. and €12.3 million to Intermarine S.p.A.; further loan agreements and credit lines for a total nominal value of approximately €132 million.

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

With regard to the subsidiary Intermarine S.p.A.[1], the following significant agreements are noted that may be modified or extinguished in the event of changes to the ownership of the contracting company. Specifically: an unsecured line of credit (for a total value of 84.5 million USD and used at

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

31 December 2019 for 1.9 million USD) valid on the contract with the Sultanate of Oman, guaranteed by a pool of banks; a guarantee for an amount of €2.7 million issued by BPM for the Pietra Ligure project and additional credit lines and financing associated with the company's operations for a total amount used at 31 December 2019 of €54.6 million, including the aforesaid share of the Bullet – Multiborrower loan issued to Intermarine S.p.A. for an amount of €12.3 million.

The subsidiary Is Molas S.p.A.[1] also has a loan agreement with Banca Monte dei Paschi di Siena for a residual nominal amount of €14.250 million, with early repayment mandatory in the event of a change in control of the investee.

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

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

i) Powers to increase the share capital and authorisations to purchase treasury shares (Article 123-bis, paragraph 1 letter m) of the TUF)

The Extraordinary Shareholders' Meeting of 13 May 2014 resolved to give the Board of Directors the following powers (i) and (ii), to be exercised alternatively, within five years of the date of resolution:

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

(ii) pursuant to article 2443 and 2420-ter of the Civil Code, to increase, on one or more occasions, against payment and also in divisible amounts, the share capital up to a maximum nominal amount of €500,000,000, to use as follows: a) for a maximum amount of €250,000,000, for bonds convertible into ordinary shares, with or without warrants, to issue in compliance with the option right of those entitled; and b) for a maximum nominal amount of €250,000,000, as well as any remaining amount, if the convertible bonds as of point a) above are not issued using the entire amount above, by issuing, with or without a share premium, new ordinary shares having the same characteristics as those in issue, to be offered as stock options to those entitled.

During the year, none of the above powers were exercised and on 13 May 2019 they lapsed as five years had passed from their approval by resolution.

With a resolution passed on 14 May 2019, the Ordinary Shareholders' Meeting authorised the purchase and allocation of treasury shares, pursuant to articles 2357 and 2357-ter of the Civil Code, as well as article 132 of the TUF and relative implementing provisions, subject to withdrawal of the authorisation granted by the Ordinary Shareholders' Meeting on 10 May 2018. Purchase authorisation was granted for the 18-month period as of the date of the above resolution (i.e. 14 May 2019), whereas authorisation for placing was granted with no time limits.

The objective of the authorisation for the purchase and disposal of treasury shares is to give the Company a strategic investment opportunity for all purposes allowed by applicable regulations,

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

including the purposes referred to in article 5 of Regulation (EU) No 596/2014 (Market Abuse Regulation, hereinafter “MAR”) and according to practices permitted by article 13 of the MAR, including the purchase of treasury shares based on their subsequent annulment, according to terms and procedures to be decided by competent company boards.

This authorisation was requested for the purchase, also in several tranches, of ordinary shares of Immsi up to a maximum number which, considering the ordinary shares of Immsi held from time to time by the Company and by its subsidiaries, as applicable, is not more than the maximum limit established by applicable pro tempore regulations. Purchases may be undertaken according to procedures established in applicable provisions of Consob Regulation on Issuers implementing article 132 of the TUF, in compliance with conditions relative to trading as of article 3 of Delegated Regulation (EU) 2016/1052 ("**Regulation 1052**") and within a time frame deemed appropriate in the interests of the Company. As regards the consideration, the Board of Directors proposes that treasury shares are purchased in compliance with the trading conditions established in article 3 of Commission Delegated Regulation (EU) 2016/1052 in compliance with the MAR and rules issued by Consob in accordance with article 13 MAR, where applicable. In particular, purchases may be made for an amount that is no higher than the highest price between the price of the last independent transaction and the highest independent offer price in the trading venues where the purchase is made, provided that the unit amount is at least a minimum of 20% and a maximum not exceeding 10% of the arithmetic mean of official Piaggio share prices registered in the ten stock exchange days prior to each purchase transaction.

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

During the financial year, no treasury shares were purchased. At 31 December 2019 and at the date of this Report, the Issuer did not hold any treasury shares.

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

The Issuer is directly and indirectly controlled, in accordance with article 93 of the TUF, by Omniaholding S.p.A., a company wholly owned by the Colaninno family, through the subsidiary company Omniainvest S.p.A.. As per article 38, paragraph I of Legislative Decree 127/91, Omniholding S.p.A. (with registered office in Mantua - Via Marangoni 1/E) is the entity that prepares the consolidated financial statements of the largest group of companies in which the issuer is a subsidiary. The consolidated financial statements of Omniaholding S.p.A. are available at the company's registered office.

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

*   *   *

The following should be noted:

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

3. COMPLIANCE (pursuant To Article 123-bis, Paragraph 2, Letter A) Of The TUF)

The Issuer has adopted a corporate governance system in accordance with the main contents of the Corporate Governance Code, as indicated in this Report, prepared by the Committee for the Corporate Governance of Listed Companies, as amended (July 2018) and is available at www.borsaitaliana.it, under Borsa Italiana/Rules/Corporate Governance.

Immsi will apply the Corporate Governance Code approved by the Corporate Governance Committee in January 2020 starting from the first financial year beginning after 31 December 2020 and, therefore, from 1 January 2021 (informing the market in the report on corporate governance for 2021 to be published in 2022).

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

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT (pursuant to article 123-bis, paragraph 1, lett. l), TUF)

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

The regulatory framework of reference has recently been amended as a result of two legislative interventions:

a) Law no. 157/2019 converting Decree Law no. 124/2019 (Article 58-sexies) amended – with effect from 25 December 2019 – Article 147-ter, paragraph 1-ter and article 148 of the TUF, extending the period of application of the gender balance regulations from three to six consecutive terms;

b) Budget Law No 160/2019, in force since 1 January 2020, confirmed the validity of the legislation in question for six consecutive terms and established that the least represented gender must obtain at least two-fifths of the elected members, instead of the previous quota of one third.

The new criterion of apportionment of at least two-fifths shall apply from the first renewal of the administrative (and/or supervisory) body after the date of entry into force of the law; therefore, the Company's Articles of Association will have to be updated in order to incorporate the new rules, which will be applied at the next renewal of the Board of Directors, scheduled for the Shareholders' Meeting convened to approve the financial statements at 31 December 2020.

This paragraph therefore describes the mechanism for appointing the members of the Board as envisaged in the provisions of the Articles of Association currently in force.

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

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

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

If a Director no longer has the prescribed requisites his or her term of office shall immediately expire. If a Director no longer meets the independence requirements as of article 148, paragraph 3 of the

TUF, he/she will not have to step down, if the minimum number of Directors required by applicable laws meets these requirements.

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

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

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

Shareholders are entitled to present lists only if, alone or with other Shareholders, they hold shares with voting rights representing at least 2.5% of the share capital with voting rights at the Ordinary Shareholders' Meeting, or a different percentage that may be established by law or other regulations. In the Executive Ruling of the Corporate Governance Division Manager no. 28 of 30 January 2020, Consob established a requirement of 2.5% of the share capital as necessary for presenting lists of candidates for election to the Board of Directors of the Company.

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

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

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

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

The Board of Directors is appointed as follows:

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

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

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

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

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

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

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

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

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

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

Given the organisational structure of the Issuer, as well as the practice of assigning the position of Executive Director to persons who have gained significant experience within the Company or to persons who have gained experience in sectors in which the Issuer operates, the Board of Directors deemed it unnecessary, most recently during the meeting of 25 March 2020, to adopt a plan for the succession of Executive Directors, with the right to make different evaluations in the future.

4.2. COMPOSITION (pursuant to art. 123-bis, paragraph 2, lett. d) and d-*bis*), TUF)

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

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

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

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

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

See Table 2 in the appendix.

As regards company policies on diversity concerning the composition of the Board of Directors, in terms of age, gender balance, training and professional background (Article 123-bis, letter d-bis) of the TUF), the Board of Directors in office until 10 May 2018 included some information for shareholders, also pursuant to criterion 1.C.1., letter h) of the Corporate Governance Code, regarding diversity in the composition of the Company's boards, in reports prepared pursuant to Article 125-ter of the TUF regarding the appointment of the Board of Directors and Board of Statutory Auditors by the Shareholders' Meeting convened to approve the Financial Statements for the year ended 31 December 2017. For further information, see the reports published on the website of the Issuer, in the section "Governance/General Meeting/Archive/2018" and in the authorised storage mechanism "eMarket STORAGE" viewable at the web address www.emarketstorage.com.

As regards the composition of the Board of Directors in office: (i) the Board of Directors of the Company comprises 4 directors of the least represented gender, in compliance with laws on gender balance; (ii) Board members vary in age, from 43 to 76 years; (iii) the educational and professional backgrounds of the directors ensure a balanced combination of member profiles and experiences within the administrative body, with members selected in order to ensure that all functions thereof are executed correctly.

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

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

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

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

Maximum accumulation of offices held in other companies

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

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

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

Most recently at the meeting of 25 March 2020, the Board decided not to define general criteria regarding the maximum number of administration and control positions that may be held in other companies, that may be considered as compatible with effectively holding the position of Director of the Issuer, without prejudice to the fact that each Director shall assess the compatibility of positions of Director and Statutory Auditor held in other companies listed on regulated markets (also abroad), in financial, banking and insurance companies or in companies of a considerable scale, diligently conducting the duties assigned to them as Board Director of the Issuer.

In the meeting of 10 May 2018 (after the new Board took up office), and in the meeting of 25 March 2020, the Board, after reviewing positions currently held by its Directors in other companies, considered that the number and type of positions held does not cause any interference and is therefore compatible with effectively carrying out duties as Director of the Issuer.

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

The table below lists the administration and control positions held, at 31 December 2019, by the members of the Board of Directors, in other companies listed on regulated markets (also abroad), in financial, banking and insurance companies or in companies of a considerable scale.

Full name	Company	Administration and control positions
Roberto Colaninno	Piaggio & C. S.p.A.* Omniaholding S.p.A.* Omniainvest S.p.A.* Piaggio Fast Forward Inc.* RCN Finanziaria S.p.A.* Intermarine S.p.A.*	Chairman BoD and Chief Executive Officer Chairman of the Board of Directors Chairman of the Board of Directors Member of the Advisory Board Director Director
Michele Colaninno	Omniaholding S.p.A.* Omniainvest S.p.A.* ISM Investimenti S.p.A.* Piaggio Fast Forward Inc.* Piaggio & C. S.p.A.* ACEM (Association des Constructeurs Européens de Motocycles) Intermarine S.p.A.* Is Molas S.p.A.* RCN Finanziaria S.p.A.* Immsi Audit S.c.a r.l.*	Chief Executive Officer Chief Executive Officer Chairman of the Board of Directors Deputy Chairman of the Board Director with powers Deputy Chairman Director Director Director Director

Daniele Discepolo	Pianoforte Holding S.p.A. La Madonnina S.p.A. – Companies of Gruppo Ospedaliero San Donato Esaote S.p.A. Hotel Lido Uno Gestione S.r.l. Fondazione Filarete per le Bioscienze e l'Innovazione Gruppo Argenta S.p.A. Credito di Romagna S.p.A. Iniziative Logistiche S.p.A. Illa S.p.A. Sorgenia S.p.A. Savio Macchine Tessili S.p.A. Livingston S.p.A. in extraordinary administration Meraklon S.p.A. and associates Meraklon Yarn S.r.l. Valtur S.p.A. and associates Gruppo Stabila – De Roma in extraordinary administration	Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Chairman of the Supervisory Board Chairman of the Supervisory Board Chairman of the Supervisory Board Chairman of the Supervisory Board Director Director Director Statutory Auditor Statutory Auditor Special Administrator Special Administrator Special Administrator Member of the trio of Special Administrators Chairman of the Supervisory Committee
Matteo Colaninno	Omniaholding S.p.A.* Piaggio & C. S.p.A.* Omniainvest S.p.A.*	Deputy Chairman and Chief Executive Officer Deputy Chairman Director
Rita Ciccone	2i Rete Gas S.p.A. Irideos S.p.A. Sagat S.p.A. Sogeaal S.p.A. F2i Holding Portuale S.p.A. Persidera S.p.A. San Marco Bioenergie S.p.A. 2i Aeroporti S.p.A.	Director Director Director Director Director Director Director Director
Patrizia De Pasquale	-	-
Ruggero Magnoni	Fondazione Giuliano e Maria Carmen Magnoni Onlus Fondazione Laureus Sport for Good Italia Onlus Compagnie Financière Rupert SCA M&M Capital Ltd Compagnie Financiere Richemont SA Raffaele Caruso S.p.A. INTEK S.p.A. Omniainvest S.p.A.* Fondazione Dynamo - Motore di Filantropia Fondazione Cologni dei Mestieri d'Arte FMSI Social Investment S.r.l. – Impresa Sociale Lehman Brothers Foundation Europe Quattroduedue Holding BV Trilantic Capital Partners Europe IFM Investors The Westminster Trust The Bellevue Trust	Founding Member and Chairman Founding Member and Chairman Managing Partner Chairman Director Director Director Director Director Director Director Trustee Supervisor Director Senior Advisor and Member of the Advisory Council Senior Advisor to IFM Global Infrastructure Fund Protector
Livio Corghi	Intermarine S.p.A.* RCN Finanziaria S.p.A.*	Chief Executive Officer Director
Paola Mignani	LU-VE S.p.A. De' Longhi S.p.A. De' Longhi Appliances S.r.l. De' Longhi Capital Services S.r.l. Cairo Communication S.p.A. Clessidra SGR S.p.A. Impact Sim S.p.A.	Chairman of the Board of Statutory Auditors Statutory Auditor Statutory Auditor Statutory Auditor Director Director Director
Gianpiero Succi	Fondazione Violetta Caprotti Fondazione Cappellino	Director Director
Devis Bono	Sella Leasing S.p.A.	Director

* Company of the Group of which the Issuer is Parent Company or forms a part.

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

The directors and statutory auditors had the opportunity to deepen their knowledge of the reference legal, regulatory and self-regulatory framework by participating in the Board of Directors' meeting of 25 March 2020 in which, following the necessary clarifications on the new remuneration issues (introduced by EU Directive 2017/828 and Legislative Decree 49/2019 transposing it), the Board amended the Remuneration Policy (illustrated in Section I of the Remuneration Report).

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

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

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

During the year, the Board of Directors held 6 meetings on the following dates: 19 March, 25 March, 14 May, 2 September, 13 November and 16 December.

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

The average attendance of Board Directors at these meetings was equal to 93.94%, while the average attendance of Independent Directors was equal to 90.00%.

The Articles of Association do not establish a minimum number of Board meetings, however the Board is expected to meet at least 6 times in 2020. At the date of this Report, 2 meetings had been held, on 23 and 25 March 2020.

In this regard, in compliance with article 2.6.2, paragraph 1, letter b) of the Regulation on markets organised and managed by Borsa Italiana S.p.A., on 30 January 2020, Immsi S.p.A. informed Borsa Italiana S.p.A. of its annual schedule of corporate events for 2020. This calendar has also been published on the website of the Issuer, in the section "Investors/Calendar" and in the authorised storage mechanism "eMarket STORAGE" viewable at the web address www.emarketstorage.com.

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

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

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

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

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

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

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

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

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

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

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

c) approve long-term plans;

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

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

Pursuant to article 2381 of the Italian Civil Code and to the application criterion 1, paragraph 1, letter c) of the Code, during the year the Board evaluated the adequacy of the organisational, administrative and general accounting structure of the Issuer and its strategic subsidiaries, with particular reference to the internal control and risk management system, according to procedures adopted by the Issuer for this purpose. In particular, most recently at the meeting of 25 March 2020, the Board considered - among others - the functional company organisation charts of the main strategic companies of the Group, with a particular focus on the charts of the Administration, Finance and Control departments, also considering organisational changes taking place during the year.

Within the framework of this periodic activity the Board has, depending on the case, used the support of the Control and Risks Committee, the Head of Internal Audit, the auditing company Immsi Audit S.c. a r.l. and the Financial reporting officer as well as the procedures and checks implemented also in accordance with Italian Law 262/2005. In particular, the Control and Risks Committee of the Issuer, in its meeting of 13 May 2019, reviewed specific documentation in order to determine operating and significant companies to be included in its controls, pursuant to Italian Law no. 262/2005, agreeing on the methodology to apply and companies to be controlled.

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

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

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

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

Pursuant to application criterion 1.C.1.letter g) of the Code, the Issuer's Board of Directors carried out an annual assessment on the basis of a questionnaire divided into various areas of inquiry (i.e. composition, structure, size and function of the Board, interaction with management, risk governance, composition and structure of committees etc.), with the possibility to make comments and suggestions; this questionnaire was sent to and completed by all Directors, and examined by the Board on 25 March 2020. The Board found that the size, composition and operation of the Board of Directors and its committees were adequate, given the Company's management and organisational requirements and considering the professional and managerial characteristics and experience of its members, their seniority in office, as well as the fact that out of a total of eleven Board members, nine are non-executive directors, five of whom are independent non-executive directors, who also ensure a suitable composition of the Board's committees.

In addition, the Directors considered that the composition of the Board of Directors reflects substantially adequate diversity profiles with regard to aspects such as age, gender composition and training and professional background.

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

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

4.4. AUTHORISED BODIES

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

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

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

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

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

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

Chairman of the Board of Directors and Chief Executive Officer

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

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

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

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

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

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

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

Reporting to the Board and the Board of Statutory Auditors

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

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

4.5. OTHER EXECUTIVE DIRECTORS

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

4.6. INDEPENDENT DIRECTORS

Non-executive directors currently make up nine of the eleven Board Directors of the Issuer, of whom five are independent. The number and position of these Directors is such as to guarantee a significant contribution to decisions taken by the Board. The non-executive and independent directors bring their specific competencies to Board discussions, contributing to the making of decisions that conform to corporate interests.

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

The independence requirements as of Article 3 of the Code and Article 148, paragraph 3, letters b) and c) of the TUF for independent directors currently in office were reviewed by the Board of Directors on the first occasion possible after their appointment on 10 May 2018 (as disclosed to the market) and most recently during the meeting of 25 March 2020. On these occasions, the Board of Statutory Auditors acknowledged that the criteria and review procedures used by the Board of Directors to evaluate independence requirements had been correctly adopted.

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

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

During the year, a;; the Independent Directors met on 29 August 2019 to discuss matters concerning the Group's company policies, covered by their areas of expertise; the secretary in charge of taking minutes, the Administration, Finance and Control Director and all the members of the Board of Statutory Auditors also took part in the meeting, which lasted 30 minutes.

For the year 2020, the Independent Directors are expected to meet at least once.

4.7. LEAD INDEPENDENT DIRECTOR

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

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

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

As indicated in the paragraph above, during the year, the independent directors met, on 29 August 2019, without the other Directors.

5. PROCESSING OF CORPORATE INFORMATION

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

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

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

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

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

6. BOARD COMMITTEES (pursuant to article 123-bis, paragraph 2, lett. d), TUF)

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

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

7. NOMINATIONS COMMITTEE

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

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

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

During the year, the Appointments Committee did not meet, as there were no circumstances making this necessary.

See Table 2 in the appendix.

Functions of the Appointments Committee

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

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

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

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

8. REMUNERATION COMMITTEE

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

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

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

During the year, the Remuneration Committee held 1 meeting on 24 March 2019, lasting approximately 15 minutes, attended by all its members, the secretary designated to take the minutes of the meeting and the members of the Board of Statutory Auditors, who were informed of all decisions taken by the Committee, before they were submitted, by the Committee's Chairman, to Board of Directors of the Issuer at the meeting of 25 March 2019. In particular, the Report on Remuneration for the 2018 financial year was examined, the Remuneration Policy for 2019 was confirmed, and the degree to which the variable component of the Chief Executive Officer's remuneration was achieved was calculated.

During 2020, the Committee has already met on 25 March to review the Remuneration Report for the Financial Year, prepared by the Company pursuant to Articles 123-ter of the TUF and 84-quater of the Consob Regulation on Issuers, and propose, and submit to the Board of Directors, in relation to the amendment of the Remuneration Policy (see Section I of the Remuneration Report) and the determination of the variable part of the remuneration of the Chief Executive Officer.

The meeting lasted about thirty minutes, was coordinated by the Chairman of the Committee and was regularly minuted. The entire Board of Statutory Auditors took part in the meeting.

See Table 2 in the appendix.

Functions of the Remuneration Committee

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

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

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

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

9. DIRECTORS' REMUNERATION

On 25 March 2020, the Board, upon proposal of the Remuneration Committee, approved the "General Policy for the Remuneration of Directors and other key management personnel" (the "**Remuneration Policy**") in accordance with principle 6.P.4 of the Code. In particular, this Remuneration Policy - which defines the guidelines on the basis of which remuneration will then have to be determined by the competent corporate bodies - was amended at that time in order to incorporate the new provisions on remuneration introduced by EU Directive 2017/828 and Legislative Decree 49/2019.

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

Incentive mechanisms for the Internal Auditing Supervisor and Financial reporting officer

The incentive mechanisms for the Internal Auditing Supervisor and Financial reporting officer are consistent with their duties.

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

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

10. INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

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

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

The new Board of Directors, appointed by the General Meeting on 10 May 2018, in its first meeting on the same date, appointed to the Control and Risks Committee, based on the professional profile of candidates put forward, the independent directors, Daniele Discepolo, with adequate accounting, financial and/or risk management expertise, acting as Chairman (also as Lead Independent Director), Rita Ciccone and Paola Mignani.

During the year, the Control and Risks Committee met 6 times, with each meeting lasting on average approximately 40 minutes, coordinated by the Committee Chairman.

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

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

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

In 2020, the Control and Risks Committee is expected to meet at least 5 times; the first two meetings were held on 12 and 24 March 2020.

See Table 2 in the appendix.

Functions of the Control and Risks Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In order to carry out its duties, the Committee:

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

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

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

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

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

a) defines the nature and level of risk compatible with the Issuer's strategic objectives, including in its assessment all risks that can be relevant in view of medium- to long-term sustainability;

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

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

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

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

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

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

In the meetings of 25 March 2019 and 25 March 2020, the Board of Directors, also considering recommendations from the Control and Risks Committee, evaluated the effectiveness of the internal control and risk management system of the Issuer as adequate, with respect to the relevant years covered and the characteristics of the company and its risk profile.

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

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

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

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

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

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

11.2. INTERNAL AUDIT DEPARTMENT MANAGER

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

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

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

- verified, on both an ongoing basis and in relation to specific needs and in compliance with international standards, the operation and adequacy of the Internal Control and Risk Management system, through an audit plan approved by the Board of Directors and based on a structured process that analyses and prioritises main risks;
- preparing periodic reporting, which included appropriate information on activities and an assessment of the adequacy of the internal control and risk management system, as well as compliance with action plans established to reduce risks;
- prepared the audit plan for 2019, in line with the relative 2018-2020 plan, comprising an audit of the reliability of information systems, including accounting systems.

In particular, during the year, the Internal Audit Manager, assisted by Immsi Audit, S.c. a r.l., conducted an audit of the internal control and risk management system, in accordance with the Internal Audit Plan scheduled for the year, and approved by the Board of Directors on 19 March 2019, carrying out risk analysis, financial, operational and compliance auditing (with particular reference to audits carried out in order to comply with provisions of Law no. 262/2005 and Legislative Decree no. 231/2001), verifying the reliability of information systems, including accounting systems, and monitoring adoption of improvement/corrective actions agreed after internal audit activities.

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

11.3. ORGANISATIONAL MODEL pursuant to Legislative Decree 231/2001

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

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

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

The Model, with regard to the rules on "Whistleblowing", sets out: i) procedures for reporting to the Supervisory Body, with one dedicated IT channel (a specific email address with only the Chairman of the Supervisory Body as the recipient), that are suitable for guaranteeing the confidentiality of the party reporting the unlawful conduct which is relevant pursuant to Legislative Decree 231/2001 or infringements of the Company's Model 231; ii) disciplinary system sanctions for persons that infringe measures to protect reporting parties, and for persons that, committing wilful misconduct or gross negligence, report information which is unfounded.

The Programme is monitored and updated on an ongoing basis. In particular, in September 2019 and March 2020, the updating of the Model concerned the additions to Legislative Decree 231/2001 concerning, respectively, the crime of "peddling illicit influences" (Article 346 bis of the Italian Criminal Code) and tax crimes (Legislative Decree 74/2000), providing in the Model the appropriate indications for the cases for which it is estimated that there is a risk of commission (e.g. regulatory references, typical conduct, management and control protocols, information flows for the Supervisory Body pursuant to Legislative Decree 231/2001).

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

The Issuer's Supervisory Board, as per resolution of the Board of Directors on 10 May 2018, is composed of Marco Reboa, chosen among external professionals with the necessary requirements, who holds the position of Chairman, Giovanni Barbara, Standing Auditor, and Maurizio Strozzi, CEO of Immsi Audit S.c. a r.l., chosen as Head of the Internal Audit Function of the Company.

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

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

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

During the year, the Supervisory Board held 6 meetings, lasting an average of approximately 30 minutes, with an overall attendance of 94.44% of its members at the meetings.

For the year 2020 it is expected for the Supervisory Body to meet at least 5 times, with the first meeting held on 24 March 2020; the Working Plan for 2020 was approved during the meeting of the Supervisory Board on 8 November 2019.

11.4. EXTERNAL AUDITORS

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

The Shareholders' Meeting for the approval of the financial statements for the year ended 31 December 2019 will also be held for the appointment, in advance, of the independent auditors for the nine-year period 2021 - 2029.

11.5. FINANCIAL REPORTING OFFICER AND OTHER COMPANY ROLES AND FUNCTIONS

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

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

a) free access to all information considered important for carrying out duties, both within Immsi and within Group companies, with the power to review all financial reporting documents of Immsi and the Group and the power to request clarifications and explanations from all persons involved in the process of preparing the accounts of Immsi and the Group;

b) attendance at the meetings of the Board of Directors;

c) the right to engage with every Administrative and Control Body;

d) the right to prepare and put forward for approval company procedures, when they affect the financial statements, the consolidated financial statements and documents submitted for certification;

e) is involved in designing the information systems that affect financial position and performance, with the possibility of using them for control purposes;

f) the right to organise a suitable structure within his own area of activity, internally employing available resources and, where necessary, outsourcing;

g) the right to use the Internal Audit Department, for mapping processes in his area of activity and in carrying out specific controls, with the possibility of outsourcing if this Function is not available in-company.

Lastly, the Financial reporting officer must report, at least half-yearly, to the Board of Directors, on activities carried out and expenses sustained.

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

11.6. COORDINATION BETWEEN PERSONS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Issuer, in order to ensure coordination between parties involved in the internal control and risk management system, promotes the organisation of meetings between these parties. This ensures maximum efficiency of the internal control and risk management system implemented by the Issuer, while also reducing the duplication of activities.

On 25 March 2020, the Board of Directors, in accordance with the provisions of criterion 7.C.1 of the Code, provided its opinion on the adequacy of the aforementioned procedures of coordination between the various parties involved in the internal control and risk management system.

12. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

On 15 December 2017, the Board of Directors, during the three-year review of the Related Parties Procedure (as defined herein) and subject to the favourable opinion of the Related Party Transactions Committee, updated the Procedure governing the approval and management of transactions with related parties (**Related Parties Procedure**), pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 (as amended), undertaken by Immsi S.p.A., also through its subsidiaries. The procedure became effective on 1 January 2018.

The Issuer, also in compliance with Consob Communication no. DEM/10078683 published on 24 September 2010 containing "Indications and guidance on the Related Party Transactions Regulation adopted with resolution no. 17221 of 12 March 2010 as amended", requires the Board to assess at least every three years and also as indicated by the Related Party Transactions Committee, whether to revise the Related-Parties Procedure, considering, among others, any legal changes, amendments to corporate ownership as well as the effectiveness of the procedure.

The Related-Parties Procedure regulates the identification, approval and management of related-party transactions. In particular, the Procedure:

- regulates procedures for identifying related parties, defining the methods and times for preparing and updating the related parties list and for identifying competent company functions;
- establishes the procedures for identifying related-party transactions prior to their completion;
- regulates the procedures for the Company to perform related-party transactions, also through subsidiaries pursuant to article 2359 of the Italian Civil Code or companies that in any case are subject to management and coordination;
- establishes the procedures and times for complying with obligations to report to company bodies and the market.

In compliance with regulations in force and the Articles of Association, the examination and prior approval of the transactions by the Issuer and its subsidiaries in which one or more directors hold a personal interest or interest on behalf of third parties, are reserved to the Board.

The Company's Board of Directors appointed a Related Party Transactions Committee responsible for approving both minor and material transactions with related parties. The Committee, as appointed by the Board of Directors on 10 May 2018, consists exclusively of 3 independent directors who, in accordance with statutory regulations, are required to be directors that are not related to the transactions reviewed. Specifically, the three members of the Related Party Transactions Committee are: Rita Ciccone, acting as Chair, Patrizia De Pasquale and Paola Mignani.

This Committee has the functions indicated in the relative Procedure, which is available on the Issuer's website www.immsi.it, in the section “Governance/Procedure”.

During the year, the Committee held two meetings.

13. APPOINTMENT OF STATUTORY AUDITORS

The Articles of Association of the Issuer conform to regulations on the gender balance of company boards pursuant to article 148, paragraph 1-bis of the TUF, as introduced by Law 120/2011, and article 144-undecies.1 of the Consob Regulation on Issuers.

As indicated in paragraph 4.1 of this Report, the Company’s Articles of Association must be updated in order to incorporate the new rules on gender balance that will be applied at the next renewal of the Board of Statutory Auditors, scheduled for the Shareholders’ Meeting convened to approve the financial statements for the year ended 31 December 2020.

With regard to the amendments introduced by Law no. 160/2019, it should be noted that Consob, with Communication no. 1/20 of 30 January 2020[1], has clarified that – pending an adjustment of the regulations – in the context of the supervisory activity on the regulations in question, it will consider the criterion of rounding up to the next higher unit (provided for by paragraph 3 of Article 144-undecies.1 of the Consob Regulation on Issuers), due to arithmetical impossibility, to the corporate

[1] See Communication no. 1/20 of 30 January 2020 concerning “Clarification of the amendments to the provisions of Articles 147-ter and 148 of Legislative Decree 58/98 (TUF) concerning gender balance in the bodies of listed companies made by Law no. 160 of 27 December 2019 (“Budget Law 2020”)”.

bodies made up of three members. Therefore, with reference to the latter, Consob will consider rounding down to the lower unit to be in line with the new rules.

This paragraph therefore describes the mechanism for appointing the members of the supervisory board as envisaged in the provisions of the Articles of Association currently in force.

In accordance with article 25 of the Articles of Association, the Board of Statutory Auditors comprises three Statutory Auditors and two Substitute Auditors, who remain in office for three years, until the date of the Shareholders' Meeting called to approve the financial statements of the last year of their term of office, and may be re-elected.

The Auditors have the functions and duties assigned to them as of applicable laws and must also meet requirement of applicable laws concerning the total number of positions held.

All Auditors must be registered auditors and have practised for at least three years.

Auditors may not be elected and if elected will be removed from office if they do not meet requirements established by law. The Board of Statutory Auditors is appointed in accordance with applicable regulations pro tempore concerning gender balance, based on the lists submitted by Shareholders in which candidates are listed with a consecutive number.

The list, with the names marked by a consecutive number, of one or more candidates, indicates whether the candidate is standing for the position of Statutory Auditor or Alternate Auditor.

Lists that have an overall number of candidates greater than or equal to three must be composed of candidates belonging to both genders, in such a way that at least one third (in any case rounded upwards) of candidates for the position of Statutory Auditor and at least one third (in any case rounded upwards) of candidates for the position of Alternate Auditor belong to the less represented gender of said list. Each Shareholder, Shareholders belonging to a significant shareholder agreement pursuant to article 122 of the TUF, the parent company, subsidiaries and entities subject to common control pursuant to article 93 of the TUF, may not present or contribute to the presentation, not even through a third party or trust company, of more than one list, nor may they vote for different lists and each candidate may be included in only one list, otherwise they cannot be elected. Support and votes expressed in breach of this prohibition are not attributed to any list.

The lists presented by the Shareholders must be filed at the Company’s headquarters, at least twenty-five days before the date set for the Shareholders' Meeting on first call, save for other types of notification and filing procedures established by applicable pro tempore regulations. If, once the deadline has lapsed, only one slate of candidates has been filed or the candidate slates nominated are filed by shareholders that are connected in a material way with the candidates as per laws and regulations in force at the time, the deadline for filing candidate slates may be extended by the term contemplated by applicable ad interim laws and regulations. In this case, the minimum share ownership thresholds applicable for filing slates will be halved.

Shareholders are entitled to present lists only if, alone or with other Shareholders, they hold shares with voting rights representing at least 1% of the share capital with voting rights at the Ordinary Shareholders' Meeting, or a different percentage that may be established by law or other regulations. In the Executive Ruling of the Corporate Governance Division Manager no. 28 of 30 January 2020, Consob established a requirement of 2.5% of the share capital as necessary for presenting lists of candidates for election to the Board of Directors of the Company.

The lists must be presented along with:

a) information concerning the identity of the Shareholders' who presented the lists indicating the overall ownership percentage held; ownership of the overall shareholding held, determined as regards the shares registered in the name of the Shareholder on the date when the lists are filed with the issuer, is certified, even after the filing of the lists, according to the deadlines and procedures provided for by legislation, also regulatory, in force at any time;

b) a statement from Shareholders other than those that, even jointly, hold a controlling or relative majority interest, certifying that no connections exist with the latter, as required by applicable regulations;
c) comprehensive information on the personal characteristics of the candidates, as well as a declaration issued by the same candidates attesting, under their own responsibility, that (i) there are no grounds of ineligibility and incompatibility, (ii) they possess the requisites prescribed by law and (iii) they accept their candidacy, and lastly the list of management and control positions held in other companies.

Any list presented without complying with the above will be considered as not presented. Each Shareholder may vote for only one list.

Auditors will be elected as follows: from the list that obtained the highest number of votes, in the consecutive order in which they are listed, two statutory auditors and one alternate auditor; from the list that obtained the second highest number of votes and that, in accordance with applicable regulations is not connected, even indirectly, with persons who presented or voted the list that obtained the highest number of votes, in the consecutive order in which they are listed, one statutory auditor, who will be Chairman of the Board of Statutory Auditors and one alternate auditor.

If lists receive the same number of votes, the Shareholders' Meeting will vote again, with the candidates of the list obtaining a simple majority being elected.

If, according to the procedures described above, a composition of the Board of Statutory Auditors, in terms of its statutory members, which complies with current legislation in force concerning the balance between genders is not ensured, the necessary replacements shall be made, within the scope of candidates for the office of Statutory Auditor of the list which obtained the greatest number of votes, according to the sequential order in which the candidates are listed.

If only one list is presented or if no list is presented, the Statutory Auditors and Alternate Auditors will be elected from all candidates to these positions in the list or those voted by the Shareholders' Meeting, provided they obtain the relative majority of votes cast in the Shareholders' Meeting and save for compliance with applicable pro tempore regulations on gender balance.

If requirements of regulations and the Articles of Association are no longer met, the Auditor is removed from office.

If an Auditor is replaced, the alternate auditor from the same list is appointed. The foregoing is without prejudice to the fact that the Chairman of the Board of Statutory Auditors will be the minority Auditor and the composition of the Board of Statutory Auditors shall comply with applicable pro tempore regulations on gender balance.

When the Shareholders' Meeting has to appoint Statutory and/or Substitute Auditors, to make up numbers on the Board of Statutory Auditors, it proceeds as follows: if Auditors elected from the majority list have to be replaced, the appointment is made with a relative majority vote, without list restrictions; conversely, if the Statutory Auditors elected from the minority list are to be replaced, the Shareholders' Meeting shall replace them by relative majority voting, selecting them from among the candidates indicated in the list of the statutory auditor to be replaced.

If the application of the above procedures does not allow, for whatever reason, the replacement of the Statutory Auditors designated by the minority, the Shareholders' Meeting will replace them by relative majority voting; however, in verifying the result of this last voting no account will be taken of the votes cast by the subjects who according to the communications made in compliance with current legal regulation have, even indirectly or jointly with other Shareholders taking part to a Shareholders' Agreement pursuant to article 122 of the TUF, the relative majority of the votes that may be cast at the Shareholders' Meeting, as well as those Shareholders who control, are controlled or are subject to joint control by the same.

The above replacement procedures shall in any event ensure compliance with applicable regulations concerning gender balance.

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (pursuant to article 123-bis, paragraph 2, lett. d) and d-*bis*), TUF)

At the time of this Report, the Board of Statutory Auditors of the Issuer, in office at the date of this Report has been appointed by the Shareholder's General Meeting held on 10 May 2018, on the basis of the single list of candidates presented by the majority Shareholder Omniainvest S.p.A., in conformity with the provisions of the articles of association. The Supervisory Board formed in this manner, elected with a percentage of votes in relation to the voting capital equal to 99.27%, shall remain in office until the date of the Shareholders' Meeting called for approval of the financial statements for the year ending 31 December 2020.

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

As required by the Corporate Governance Code, the professional curricula of Auditors are filed at the registered office and are available on the website of the Issuer www.immsi.it, in the section "Governance/Management".

During the year, the Board of Statutory Auditors held 10 meetings lasting on average 2 hours, with an average overall attendance of 100%.

For the year 2020 the Board of Statutory Auditors is expected to meet at least 8 times. At the date of this Report, the Board had met 4 times on the following dates: 15 January, and 12, 19 and 24 March 2020.

As regards company policies on diversity concerning the composition of the Board of Statutory Auditors (Article 123-bis, letter d-bis) of the TUF), the Board of Directors in office until 10 May 2018 included some information for shareholders, also pursuant to criterion 1.C.1., letter h) of the Corporate Governance Code, regarding diversity in the composition of the Company's boards, in reports prepared pursuant to Article 125-ter of the TUF regarding the appointment of the Board of Directors and Board of Statutory Auditors by the Shareholders' Meeting convened to approve the Financial Statements for the year ended 31 December 2017. For further information, see the reports published on the website of the Issuer, in the section "Governance/General Meeting/Archive/2018" and in the authorised storage mechanism "eMarket STORAGE" viewable at the web address www.emarketstorage.com.

As regards the composition of the Board of Statutory Auditors in office: (i) one Statutory Auditor and one Alternate Auditor are of the least represented gender, in compliance with laws on gender balance; (ii) Board members vary in age, from 45 to 60 years; (iii) without prejudice to the professional requirements set out by law, the educational and professional backgrounds of members of the Board of Statutory Auditors currently in office ensure that these individuals have the appropriate profiles and experience to ensure that all functions thereof are executed correctly.

See Table 3 in the appendix.

In the meeting of 10 May 2018 and most recently at the meeting of 24 March 2020, the Board of Statutory Auditors, when appointed (the outcome of which was notified on 10 May 2018 to the market), ascertained that its members still met the independence requirements, also based on criteria in the Corporate Governance Code, with reference to Directors. Moreover, during the board meeting of 25 March 2020, save for evaluations in the remit of the Board of Statutory Auditors as regards its composition, the Board, favouring a composition based on substance, resolved the following: (i) to consider appropriate, in the interest of the Company, the non-application of the criterion 3.C.1 point e) of the Corporate Governance Code with regard to the Auditor Alessandro Lai (possessing high professional profiles that over time have proven valuable to the Issuer and are adequate in overall terms for operating within the regulatory and structural framework of Immsi), (ii) to recognise the fulfilment of the requirements of independence pursuant to article 148, paragraph 3, of the TUF and article 3 of the Corporate Governance Code by all the members of the Board of Statutory Auditors.

The characteristics of the Board Report enable the Auditors to gather adequate knowledge of the field of activity in which the Issuer operates, its corporate dynamics and their evolution, as well as the relevant regulatory framework. For more details, see section 4.2, above, of this Report.

As it is considered to be a deontological duty to inform the other Auditors and the Chair of the Board of Directors whenever an Auditor has, on his own account or on that of third parties, an interest in a specific operation of the Issuer, no provision is made for any specific obligations on the matter.

In carrying out its own activity, the Board of Statutory Auditors is coordinated both with the Internal Audit function and with the Control and Risks Committee. In particular, it is noted that the person in charge of the Internal Audit has participated in some meetings of the Board of Statutory Auditors, while the Board of Statutory Auditors has participated to the majority of the meetings of the Control and Risks Committee.

Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016, identifies the Board of Statutory Auditors as the Internal Control and Audit Committee, appointed to carry out the following activities in particular:

- to inform the competent body of the audit outcome and send the latter the additional report, as per Article 11 of Regulation No 537/2014, along with any observations;
- to monitor the financial disclosure process and make recommendations or proposals to ensure the integrity of this process;
- to monitor the effectiveness of internal quality control and business risk management systems and, if applicable, of internal auditing activities, as regards financial disclosures by the organisation subject to audit, without affecting its independence;
- to monitor the auditing of the financial statements and consolidated financial statements, in consideration of any results and findings of quality controls conducted by Consob pursuant to Article 26, paragraph 6 of Regulation No 537/2014, where available;
- − to verify and monitor the independence of the statutory auditors or independent auditors pursuant to Articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree no. 39/2010 and of Article 6 of Regulation No 537/2014, in particular as concerns the adequacy of services provided other than those concerned with the auditing of the entity in question, in accordance with Article 5 of the aforementioned Regulation;
- to be responsible for the procedure to appoint the statutory auditors or independent auditors or to recommend the appointment of statutory auditors or independent auditors pursuant to Article 16 of Regulation No 537/2014.

15. RELATIONSHIPS WITH SHAREHOLDERS

The Company feels that engaging with Shareholders and institutional investors, on the basis of a mutual understanding of roles, is in its own interests and also a duty it has to the market; such a relation should be carried on within the observance of the “Procedure for Communicating Privileged Information to the General Public”, available on the Issuer's institutional website www.immsi.it, in the section Governance - Procedures, and referenced in the above section 5.

It was considered that this relationship with the majority of shareholders and institutional investors could be facilitated via the constitution of dedicated corporate structures, provided with the suitable personnel and organisational resources.

For this purpose, during the meeting held on 15 October 2003, the Board of Directors of the Company decided to establish an Investor Relations Function, which, assisted by the Legal and Corporate Affairs Department, oversees relations with Shareholders and Institutional Investors and carries out specific duties regarding the handling of price-sensitive information, as well as relations with Consob and Borsa Italiana S.p.A.

At the date of this Report, the Investor Relations Manager is Andrea Paroli appointed by the Board of Directors on 13 May 2014. This department can be contacted at: andrea.paroli@immsi.it.

Investor Relations reporting is also ensured by making the most significant corporate documentation available in a timely manner and ongoing basis on the website of the Issuer, in the sections “Investors and Governance” and in the authorised storage mechanism “eMarket STORAGE” viewable at the web address www.emarketstorage.com.

For the transmission and storage of the Regulated Information, the Issuer uses the “eMarket SDIR” diffusion system and the “eMarket STORAGE” storage system available at the website www.emarketstorage.com.,, managed by Spafid Connect S.p.A. – based in Foro Buonaparte 10, Milan – following the authorisation and the Consob resolutions 19878 and 19879 of 15 February 2017.

In particular, the company website provides Italian and English versions of the CVs of Directors and Auditors, all press releases distributed to the market, periodical accounting documents of the Company approved by Company Bodies, as well as documents distributed at meetings with professional investors, analysts and the financial community. It is also possible to view the documentation prepared for the Shareholders' Meetings, the communications on internal dealing, the annual report on the corporate governance system and the ownership structure, and any other document whose publication, on the website of the Issuer, is required by the applicable regulations.

To facilitate prompt reporting to the market, the Company has an e-mail alert service for material published on its site in real time.

16. SHAREHOLDERS’ MEETINGS (pursuant To Article 123-Bis, paragraph 2, lett. c), TUF)

The Shareholders' Meeting represents all Shareholders and its resolutions, passed in compliance with law and the Articles of Association, are binding for all Shareholders, even if not taking part or not in agreement.

The Ordinary Shareholders' Meeting shall be convened at least once a year to approve the financial statements within one hundred and twenty days from the end of the reporting period, or within one hundred and eighty day according to the terms and conditions established by laws.

Ordinary and Extraordinary Shareholders’ Meetings are convened by the Board of Directors, also at a venue other than the registered office, provided this is in Italy, by a notice published on the website of the Company and, if required by applicable pro tempore regulations, in a notice published in the Gazzetta Ufficiale della Repubblica or, as decided by the Board of Directors, in at least one of the following newspapers: “Il Sole 24 Ore” or “MF” – “Milano Finanza”, according to the terms established by law and save for any other requirement of applicable regulations and the Articles of Association.

Article 127 - ter TUF provides that those who have the right to vote may ask questions on the items on the agenda even prior to the Shareholders’ meeting. Questions submitted before the Shareholders' Meeting shall be answered at the latest during the meeting itself, with the option for the Company to provide a joint answer to questions having the same content. The notice convening the meeting indicates the deadline by which questions to submit to the Shareholders' Meeting must be sent to the Company. The deadline may not be earlier than five open market days prior to the date of the Shareholders’ Meeting in first or single call, or the record date pursuant to Article 83-sexies, paragraph 2, of the TUF (end of the accounting day of the seventh trading day prior to the date set for the Shareholders’ Meeting) if the notice of call requires the Company to provide an answer to the questions received before the Shareholders’ Meeting. In the latter case, the replies shall be given at least two days prior to the Shareholders' Meeting, and may also be published in a specific section of the Company's Internet site. entitlement to vote can be certified even after the sending of questions provided that this is within the third day following the above record date.

The Shareholders’ Meeting shall be chaired by the Chairman of the Board of Directors or by a person acting on his/her behalf or by another person designated by Board of Directors; failing such, the shareholders’ meeting shall appoint its own Chairman. The Chairman of the Shareholders’ Meeting shall be assisted by a Secretary, appointed by the same Shareholders’ Meeting, and said person does not necessarily have to be a shareholder.

Both the Ordinary and Extraordinary Shareholders' Meetings are duly established and may pass resolutions according to law. Each share gives entitlement to one vote.

Ordinary Shareholders’ Meetings can: (a) approve the financial statements; (b) appoint and remove Directors, Auditors and the Chairman of the Board of Statutory Auditors and the subject to which the auditing of company accounts is assigned; (c) determine the emoluments of the Directors and the Statutory Auditors, if not established in the Articles of Association; (d) decide on the responsibilities of the Directors and Statutory Auditors; (e) resolve on any other matters assigned by law to the Shareholders' Meeting, as well as decide on authorisations required by the Articles of Association for activities of Directors, save for the responsibility of Directors for such activities; (f) approve any rules governing meetings; (g) approve any other matters it must resolve on pursuant to law.

The Extraordinary Shareholders' Meeting resolves on amendments to the Articles of Association, the appointment, replacement and powers of official receives and on any other matter expressly assigned to the them by law.

In accordance with article 23 of the Articles of Association, the board competence is derogated to the Board of Directors for deciding upon all matters regarding:

- mergers and demergers in accordance with articles 2505 and 2505-bis of the Civil Code, the latter being referred to by article 2506-ter of the Civil Code;

- establishment or closure of secondary offices;
- which Directors represent the Company;
- reductions in share capital in the event of withdrawal of the shareholder;
- amendments to the Articles of Association in order to comply with legal provisions;
- transfer of the registered office to another location in Italy.

Such decisions may also be taken by an Extraordinary Shareholders’ Meeting.

Applicable laws and regulations in force govern the rights of shareholders. besides that which has already been stated in the above paragraphs in this Report.

Pursuant to Article 12 of the Issuer's Articles of Association, all shareholders registered as of the seventh market trading day prior to the first scheduled date of a Shareholders' Meeting, as notified to the Company within the statutory term by the intermediary responsible by law for the keeping of shareholder accounts, are entitled to attend the shareholders' meeting and exercise their voting rights. To this end, reference is made to the date of the first call, as long as the dates of any subsequent calls are indicated in the single notice convening the meeting; otherwise, reference is made the date of each meeting call.

The credit and debit entries made in the accounts after said deadline are irrelevant for the purposes of entitlement to exercise voting rights at the Shareholders’ Meeting.

All subjects with voting rights may appoint, in writing, a proxy to attend and vote on their behalf. The electronic notification of the proxy may be carried out, in accordance with the methods specified in the meeting notice, sending a message to the certified e-mail box indicated in the meeting notice itself or using a special section of the Company’s web site.

The Chairman of the Shareholders’ Meeting has the duty to ascertain the regularity of the proxies and the right of those present to attend the Shareholders’ Meeting, as well as to establish the rules for its performance including therein the timing of any speakers.

The Issuer takes action to aid and encourage the fullest participation of the Shareholders in the meetings and to use these meetings as a moment of dialogue and liaison between the Company and the Investors, guaranteeing, to all the participants legitimated to intervene, the right to be able to express their opinion in relation to the topics on the agenda.

The Company does not currently see the need to propose the adoption of a specific regulation governing Shareholders’ Meetings, considering that it deems appropriate that, in principle, the shareholders shall be assured the widest participation and expression in shareholder discussions.

The Board, through the Chairman and the Chief Executive Officer, reports to the Shareholders’ Meeting on the activity it has performed and programmed, taking steps to assure the Shareholders, also on the basis of what is illustrated in the above section 15, the necessary information so that they can knowledgeably make their decisions.

At the Ordinary Shareholders' Meeting of the Issuer, held on 14 May 2019, 5 Directors took the floor, out of 11 in office on the Board of Directors, as well as the Chairman of the Board of Statutory Auditors and one Statutory Auditor.

It is also deemed that the Shareholders were adequately informed about the operation of the Remuneration Committee through the Remuneration Report, prepared by the Company pursuant to article 123-ter of the TUF, and published on the Issuer's institutional website, in the section "Governance/General Meeting/Archive“ and in the authorised storage mechanism “eMarket STORAGE” viewable at the web address www.emarketstorage.com. The Company also has distributed a copy of the same to all the Shareholders who attended the General Meeting, in order to facilitate the expression of the advisory vote.

In the meeting of 25 March 2020, the Board decided that it was not necessary to propose amendments to the Shareholders' Meeting concerning the percentages established to protect minorities as, in accordance with article 144-quater of the Consob Regulation on Issuers on presenting lists for the appointment of members of the Board of Directors and the Board of Statutory Auditors, articles 17 and 25 of the Articles of Association of the Issuer have established a requirement of 2.5% and 1% of the share capital with voting rights, or as otherwise required by applicable laws or regulations. In the Executive Ruling of the Corporate Governance Division Manager no. 28 of 30 January 2020, Consob established a requirement of 2.5% of the share capital as necessary for presenting lists of candidates for election to the Board of Directors of the Issuer.

17. FURTHER CORPORATE GOVERNANCE PRACTICES (pursuant to article 123-bis, paragraph 2, lett. a), TUF)

The Issuer does not adopt practices of corporate governance other than those required by the laws and/or regulations, described in this Report.

18. CHANGES AFTER THE FINANCIAL YEAR-END

At the date of closing the year, no change has occurred to the corporate governance structure, than those notified within the specific sections.

19. CONSIDERATIONS ON THE LETTER FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE, 19 DECEMBER 2019

The letter of 19 December 2019 from the Chairman of the Corporate Governance Committee to the Chairs of the Boards of Italian listed companies was brought to the attention of the Board of Statutory Auditors of the Issuer in the meeting of 15 January 2020 and Board of Directors in the meeting of 25 March 2020.

The Board has taken note of the analyses and recommendations contained in the letter and has noted the overall adequacy of the Company with respect to the indications regarding the inclusion of the sustainability of the business activity in the definition of the strategies and remuneration policy (see sections 11 and 12 of this Report, as well as the Remuneration Report prepared pursuant to Article 123-ter of the TUF), the adequacy of the management of information flows to the Board of Directors (see paragraph 4.3 of this Report), the application of the independence criteria (see paragraph 4.6 of this Report), the adequacy – with respect to the competence, professionalism and commitment required by their office – of the remuneration paid to non-executive directors and members of the Board of Statutory Auditors (see section 9 and the Remuneration Report prepared in accordance with Article 123-ter of the TUF).

TABLE 1: INFORMATION ON CORPORATE OWNERSHIP

STRUCTURE OF THE SHARE CAPITAL at 31/12/2019				
	No. Shares	**% of share cap.**	**Listed**	**rights and obligations**
Ordinary shares	340,530,000	100%	Electronic stock market Standard Segment	Each share gives the right to one vote. The shareholders rights and obligations are those in Articles 2346 et seq. of the Civil Code.
Shares with multiple voting	-	-	-	-
Shares with restricted votes	-	-	-	-
Shares without voting rights	-	-	-	-
Other	-	-	-	-

OTHER FINANCIAL INSTRUMENTS (assigning the right to subscribe newly issued shares) at 31/12/2019				
	Listed (indicate the markets) not listed	**Number of instruments in issue**	**Class of shares for the conversion / exercise**	**Number of shares for the conversion / exercise**
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

SIGNIFICANT HOLDINGS IN THE SHARE CAPITAL at 31/12/2019			
Declarer	**Direct shareholder**	**% of ordinary share capital**	**% of shares with voting rights**
Omniaholding S.p.A.	Omniaholding S.p.A.	15.69%	15.69%
	Omniainvest S.p.A.	44.14%	44.14%
	Total	59.83%	59.83%

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

Board of Directors													Internal Control and Risk Management Committee		Remuneration Committee		Nomination Committee		Executive Committee (as applicable)	
Position	**Members ∞**	**Year of birth ►**	**Date of first appointment ***	**In office since**	**In office up to**	**List ****	**Exec.**	**Non-exec.**	**Indep. Code**	**Indep. TUF**	**No. of other positions *****	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman ◊	Roberto Colaninno	16/08/1943	31/01/2003	10/05/2018 AR Meeting	31/12/2020 AR Meeting	M	X				6	6/6								
Deputy Chairman ○	Daniele Discepolo	20/07/1947	13/05/2015	AR Meeting 10/05/2018	31/12/2020 AR Meeting	M		X	X	X	16	5/6	6/6	P	1/1	P	0/0	P		
CEO ●	Michele Colaninno	23/11/1976	13/11/2006	AR Meeting 10/05/2018	31/12/2020 AR Meeting	M	X				10	6/6								
Director	Matteo Colaninno	16/10/1970	31/01/2003	10/05/2018 AR Meeting	31/12/2020 AR Meeting	M		X			3	6/6								
Director	Patrizia De Pasquale	02/04/1961	13/05/2015	AR Meeting 10/05/2018	31/12/2020 AR Meeting	M		X	X	X	-	6/6								
Director	Ruggero Magnoni	10/02/1951	27/08/2010	10/05/2018 AR Meeting	31/12/2020 AR Meeting	M		X			16	6/6								
Director	Rita Ciccone	06/06/1960	11/05/2012	AR Meeting 10/05/2018	31/12/2020 AR Meeting	M		X	X	X	8	4/6	6/6	M	1/1	M	0/0	M		
Director	Livio Corghi	15/02/1946	13/05/2015	10/05/2018 AR Meeting	31/12/2020 AR Meeting	M		X			2	5/6								
Director	Gianpiero Succi	14/11/1974	10/05/2018	10/05/2018 AR Meeting	31/12/2020 AR Meeting	M		X			2	6/6								
Director	Paola Mignani	17/04/1966	10/05/2018	10/05/2018 AR Meeting	31/12/2020 AR Meeting	M		X	X	X	7	6/6	5/6	M	1/1	M	0/0	M		
Director	Devis Bono	26/12/1967	10/05/2018	10/05/2018 AR Meeting	31/12/2020 AR Meeting	M		X	X	X	1	6/6								
----------------------------- DIRECTORS NO LONGER IN OFFICE DURING THE REPORTING PERIOD -----------------------------																				
Number of Meetings held during the reporting period – BoD: 6						Internal Control and Risk Management Committee: 6				Remuneration Committee: 1		Nomination Committee: 0			Executive Committee: -					
Indicate the quorum required by minorities to submit lists to elect one or more members (pursuant to article 147-ter TUF): 2.5%																				

• The director appointed to oversee the functioning of the internal control and risk management system. ◊ Chief Executive Officer or CEO ○ Lead Independent Director (LID).
∞ 36.36% of Directors are female, while 63.64% are male. ► 27.27% of Directors are in the 30-50 age bracket, while 72.73% are over 50.
* Date when the director was first appointed to the Board of the issuer.
** List from which each director was appointed (“M”: majority list; “m”: minority list; “BoD”: list presented by the Board of Directors).
*** Number of positions held as director or auditor by the person in other companies listed on regulated markets, also abroad, and in financial, banking, insurance or large-scale companies.
(*) Participation of directors in meetings of the Board of Directors and committees (indicate the number of meetings attended and the total number of meetings the person could have attended;
(**) Qualification as director within the Committee: “P”: Chairman; “M”: member.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Position	***Members ∞***	***Year of birth ►***	***Date of first appointment ****	***In office since***	***In office up to***	***List *****	***Indep. Code***	***Involvement in Board meetings ******	***No. of other positions *******
Chairman	*Alessandro Lai*	*10/01/1960*	*05/05/2003*	*AR Meeting 10/05/2018*	*AR Meeting 31/12/2020*	*M*	*X*	*10/10*	*8*
Statutory auditor	*Giovanni Barbara*	*19/12/1960*	*10/05/2018*	*AR Meeting 10/05/2018*	*AR Meeting 31/12/2020*	*M*	*X*	*10/10*	*7*
Statutory auditor	*Maria Luisa Castellini*	*15/01/1967*	*10/05/2018*	*AR Meeting 10/05/2018*	*AR Meeting 31/12/2020*	*M*	*X*	*10/10*	*6*
Alternate auditor	*Gianmarco Losi*	*22/07/1964*	*29/04/2009*	*AR Meeting 10/05/2018*	*AR Meeting 31/12/2020*	*M*	*X*	*--*	*--*
Alternate auditor	*Elena Fornara*	*31/05/1974*	*29/04/2009*	*AR Meeting 10/05/2018*	*AR Meeting 31/12/2020*	*M*	*X*	*--*	*--*
---------------------------- AUDITORS NO LONGER IN OFFICE DURING THE REPORTING PERIOD ----------------------------									
Number of meetings held during the reporting period: *10*									
Indicate the quorum required by minorities to submit lists to elect one or more members (pursuant to article 148-ter TUF): *2.5%*									

∞ 33.3% of auditors are female, while 66.7% are male.
► 100% of auditors are aged over 50.
* Date when the auditor was first appointed to the Board of Statutory Auditors the issuer.
** List from which each auditor was appointed (“M”: majority list; “m”: minority list).
(*) Participation of auditors in meetings of the Board of Statutory Auditors (indicate the number of meetings attended and the total number of meetings the person could have attended);
**** Total number of positions held with other companies pursuant to Book V, Section V, Parts V, VI and VII of the Civil Code. For information on the positions of director and auditor held by members of the Board of Statutory Auditors, which are relevant pursuant to articles 144-duodecies et. seq. of the Consob Issuer Regulation, see data published by Consob pursuant to article 144-quinquiesdecies of the Consob Regulation on Issuers, on the website www.sai.consob.it in the section “Company Boards – Information for the public”.

Annex 1: Section on the "Main characteristics of risk management and internal controls systems established in relation to the financial disclosure process," pursuant to article 123-bis, paragraph. 2, lett. b), TUF

Introduction

Immsi S.p.A. has established specific guidelines to update its own Internal Control System on financial disclosure, requesting Delegated Company Bodies and Delegated Managers (where appointed) / Administrative Directors of subsidiaries, formal certification vis-à-vis the Chief Executive Officer and Financial Reporting Officer on the adequacy and effective application of administrative and accounting procedures adopted to prepare documents on consolidation sent to the parent company.

Aims and objectives

The risk management and internal control system in relation to Immsi Group financial disclosure was developed using the "COSO Report"[1] as a reference model. According to this report, the Internal Control System, given its broadest meaning, is defined as "a process, carried out by the Board of Directors, by Senior Management and other subjects of the company structure, intended to provide reasonable certainty as to achieving objectives in the following categories:

- *Effectiveness and efficiency of operations;*
- *Reliability of financial reporting;*
- *Conformity with applicable laws and regulations".*

In relation to the financial disclosure process, these objectives are mainly identified in the reliability, accuracy, dependability and timeliness of information.

Main characteristics of the risk management and internal control system in relation to the financial disclosure process

Methodological approach

The internal control and risk management system in relation to Immsi Group financial disclosure is part of the Group's wider-ranging Internal control and risk management system, which includes the following:

- the Code of Ethics;
- Model 231 pursuant to Legislative Decree no. 231/2001 and related protocols;
- - Market Abuse Regulation procedures;
- Principles and procedures for material transactions and transactions with related parties;
- the System granting powers and proxies;
- Company Organisation Chart and Job profiles;
- Procedure on reporting information to the Market;

[1] The COSO Model, developed by the Committee of Sponsoring Organizations of the Treadway Commission - "Internal Control – Integrated Framework" published in 1992 and updated in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission.

- Risk Analysis process adopted (Risk Assessment);
- Accounting and Management Control System.

In turn, the Accounting and Management Control System of Immsi S.p.A. comprises a set of procedures and operative documents, including:

- the Accounting and Administrative Auditing Model – a document available to all employees directly involved in the process of preparing and/or controlling accounting information and aimed at defining the operating procedures of the Accounting Auditing System;
- The Group Accounting Manual – a document designed to promote the development and application of standard accounting policies across the Group for the recognition, classification and measurement of operations;
- Operational instructions for financial statements and reports and closing schedules – documents designed to instruct the various company departments on specific operational procedures for preparing financial statements by set common deadlines;
- Administrative and accounting procedures – documents that identify responsibilities and rules in administrative and accounting processes.

The Accounting and Administrative Control Model of Immsi S.p.A. defines a methodological approach for the risk management and internal control system, comprising the following stages:

a) Identification and assessment of risks involved in financial disclosure;

b) Identification of controls to minimise risks identified;

c) Assessment of controls to minimise risks identified and the management of any problems found.

Elements of the system

a) Identification and assessment of financial disclosure risks

Risks connected with the preparation of financial reports are identified through a step-by-step risk assessment process. The process involves identifying the objectives that the internal control system for financial disclosure is expected to deliver, so as to ensure that financial reports are fair and truthful. Those objectives cover the assertions made in financial reports (regarding the existence and occurrence of events, comprehensiveness, rights and obligations, the measurement/recognition of items, presentation and disclosures) and other control objectives (such as, for example, compliance with approval limits, the separation of roles and responsibilities, the documentation and traceability of transactions, and so on).

Risk assessment, including the risk of fraud, is therefore focused on the different areas of the financial statements in which the failure to deliver control objectives would have a potential impact on financial disclosure requirements.

The process to determine the scope of entities and processes that are “significant” in terms of potential impact on financial disclosure identifies, with reference to the consolidated financial statements of the Group, financial statement items, subsidiaries and administrative accounting processes considered as significant, based on evaluations made using quantitative and qualitative parameters.

Those criteria are determined by:

- by determining the quantitative threshold values to compare accounts of the consolidated financial statements and the relative contribution of subsidiaries within the framework of the Group;
- making qualitative judgements on the basis of managers' knowledge of the company and existing specific risk factors inherent to administrative-accounting processes.

b) Identification of controls for identified risks;

The controls needed to mitigate risks identified in administrative-accounting processes are identified by considering, as mentioned earlier, the control objectives associated with financial disclosure.

In particular, the accounts of the financial statements classified as significant are connected to the business processes underlying them in order to identify controls that meet the objectives of the internal control and risk management system for financial disclosure. Assessments are then made of the adequacy and effective application of the controls identified. For automatic controls, the assessment of adequacy and effective application also concerns general IT controls on the software applications used to support processes of material relevance.

The functions involved in the financial disclosure process ensure that administrative and accounting procedures and relative controls are updated, as concerns areas in their remit.

If, after defining the scope of actions, sensitive areas are identified which are not regulated, either wholly or in part, by administrative and accounting procedures, existing procedures are supplemented and new procedures are formalised, overseen by the Financial Reporting Officer, in relation to management areas in his remit.

c) Evaluation of controls for identified risks and management of any problems detected

The financial audit system is reviewed and assessed regularly at least once every six months, and when the separate annual financial statements, consolidated annual financial statements, and the condensed consolidated interim financial statements are each prepared.

Evaluations related to the adequacy and actual application of administrative and accounting procedures and controls in these procedures are developed through specific monitoring (testing) based on best practices in this sector.

Testing is done throughout the financial year, as arranged and coordinated by the Financial Reporting Officer through his own department, supported if necessary by the internal audit department or appropriately selected external consultants.

Control tests are run on the administrative and functional departments coordinated by the Financial Reporting Officer or by his officers, assisted by the Internal Audit department to ensure that controls for administrative and accounting procedures are carried out, in addition to specific focused controls on companies, processes and accounting entries.

Delegated bodies and administrative managers of subsidiaries report to the Financial Reporting Officer on the monitoring of the adequacy and application of administrative and accounting procedures.

The Financial Reporting Officer, assisted by the Internal Auditing Manager, produces a report summarising the results of evaluations on controls for previously identified risks (Management Summary). This is based on the outcome of monitoring activities, also carried out by delegated administrative bodies and based on statements received from managers of subsidiaries. The assessment made of controls may entail the identification of compensatory controls, corrective measures or improvement plans to address any problems identified.

Once cleared by the Chief Executive Officer, the management summary is sent to the Board of Statutory Auditors, to the Internal Control and Risk Management Committee, and to the Board of Directors.

Roles and departments involved

The risk management and internal control system for financial disclosure is governed by the financial reporting officer appointed by the Board of Directors. Working in concert with the Chief Executive Officer, the financial reporting officer is responsible for designing, implementing and approving the Financial and Administrative Audit Model, assessing its application and issuing an attestation statement for the separate and consolidated annual and interim financial statements, and the separate, consolidated and half-year reports.

The Financial Reporting Officer is also responsible for preparing adequate administrative and accounting procedures for preparing the financial statements and consolidated financial statements and, assisted by the Internal Audit Department, provides subsidiaries that are considered as significant within the framework of the Group financial disclosure process, with guidelines for carrying out appropriate activities to evaluate their own Accounting Control System.

In carrying out activities, the Financial Reporting Officer:

- interacts with the Internal Audit Department / Internal Audit Department Manager, that carries out independent audits on the operation of the control system and assists the Financial Reporting Officer, and interacts with the Legal and Corporate Affairs Department as regards regulatory and legal compliance concerning financial disclosure;
- is assisted by Function Managers. These managers ensure complete, reliable information flows to the Financial Reporting Officer, for areas in their remit, for accounting disclosure purposes;
- co-ordinates the activities of the administrative managers of "material" subsidiaries, who, together with their executive officers, are tasked with implementing a suitable financial audit system in their respective companies to control administrative-accounting processes, assessing the effectiveness of the system over time, and reporting outcomes to the parent company via internal attestation statements;
- exchanges information with the Control and Risks Committee and with the Board of Directors, reporting on activities carried out, on the use of accounting standards and their uniformity for the purposes of preparing the consolidated financial statements, and on the adequacy of the internal control and risk management system as regards financial disclosure, as part of a wider overall evaluation of corporate risks.

Finally, the Board of Statutory Auditors, the Control and Risks Committee and the Supervisory Board are informed of the adequacy and reliability of the administrative/accounting system.

Immsi Group

Financial Statements at 31 December 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

In thousands of Euros

ASSETS		*31 December 2019*	*31 December 2018*
NON-CURRENT ASSETS			
Intangible assets	*F1*	848,853	833,805
Property, plant and equipment	*F2*	337,988	300,860
Investment Property	*F3*	9,203	84,919
Equity investments	*F4*	8,935	7,962
Other financial assets	*F5*	3,512	6,029
Tax receivables	*F6*	14,114	17,399
Deferred tax assets	*F7*	134,441	126,998
Trade receivables and other receivables	*F8*	17,232	18,460
- of which with Related Parties		*81*	*94*
TOTAL NON-CURRENT ASSETS		1,374,278	1,396,432
ASSETS HELD FOR DISPOSAL	*F9*	33,442	27,434
CURRENT ASSETS			
Trade receivables and other receivables	*F8*	127,196	140,227
- of which with Related Parties		*2,419*	*2,507*
Tax receivables	*F6*	20,892	9,946
Inventories	*F10*	333,204	331,242
Other financial assets	*F5*	7,430	5,572
Cash and cash equivalents	*F11*	212,596	200,450
TOTAL CURRENT ASSETS		701,318	687,437
TOTAL ASSETS		2,109,038	2,111,303

LIABILITIES		*31 December 2019*	*31 December 2018*
SHAREHOLDERS' EQUITY			
Group consolidated shareholders' equity		240,430	234,986
Capital and reserves of minorities		133,883	144,389
TOTAL SHAREHOLDERS' EQUITY	*G1*	374,313	379,375
NON-CURRENT LIABILITIES			
Financial liabilities	*G2*	550,280	525,858
- of which with Related Parties		*358*	*0*
Trade payables and other payables	*G3*	7,450	7,101
- of which with Related Parties		*0*	*0*
Provisions for severance liabilities and similar obligations	*G4*	42,606	45,147
Other long-term provisions	*G5*	13,754	14,030
Deferred tax assets/liabilities	*G6*	18,508	22,598
TOTAL NON-CURRENT LIABILITIES		632,598	614,734
LIABILITIES ON DISCONTINUED OPERATIONS	*F9*	6,006	0
CURRENT LIABILITIES			
Financial liabilities	*G2*	469,865	538,929
- of which with Related Parties		*270*	*9*
Trade payables	*G3*	535,336	492,553
- of which with Related Parties		*6,101*	*7,424*
Current taxes	*G7*	18,577	16,160
Other payables	*G3*	49,390	49,382
- of which with Related Parties		*12*	*36*
Current portion of other non-current provisions	*G5*	22,953	20,170
TOTAL CURRENT LIABILITIES		1,096,121	1,117,194
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,109,038	2,111,303

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2019

In thousands of Euros

		31.12.2019	31.12.2018
Net sales	*H1*	1,590,735	1,464,533
- of which with Related Parties		*112*	*2,772*
Costs for materials	*H2*	936,495	843,470
- of which with Related Parties		*14,377*	*20,026*
Cost of services and use of third-party assets	*H3*	273,073	257,116
- of which with Related Parties		*443*	*908*
Employee expense	*H4*	248,165	237,496
Depreciation and impairment of property, plant and equipment	*H5*	52,407	42,379
Impairment of goodwill		0	0
Amortisation and impairment of intangible assets with a finite life	*H6*	74,986	70,329
Other operating income	*H7*	128,995	117,678
- of which with Related Parties		*346*	*343*
Impairment reversals (losses) net of trade and other receivables	*H8*	(2,830)	(2,301)
Other operating expense	*H9*	36,518	28,519
- of which with Related Parties		*2*	*79*
OPERATING INCOME (EBIT)		95,256	100,601
Results of associates	*H10*	919	474
Finance income	*H11*	15,814	23,402
Finance costs	*H12*	58,543	65,919
- of which with Related Parties		*50*	*104*
PROFIT BEFORE TAX		53,446	58,558
Taxes	*H13*	30,472	33,146
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		22,974	25,412
Profit (loss) for the period from discontinued operations	*H14*	0	0
PROFIT (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS		22,974	25,412
Minority interests		15,085	12,549
GROUP PROFIT (LOSS) FOR THE PERIOD	*H15*	7,889	12,863

EARNINGS PER SHARE

Amounts in Euros

From continuing and discontinued operations:	*31.12.2019*	*31.12.2018*
Basic	0.023	0.038
Diluted	0.023	0.038

From continuing operations:	*31.12.2019*	*31.12.2018*
Basic	0.023	0.038
Diluted	0.023	0.038

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 31 DECEMBER 2019

In thousands of Euros

	31.12.2019	31.12.2018
PROFIT (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS	22,974	25,412
Items that may not be reclassified to profit or loss		
Profit (loss) arising from the fair value measurement of assets and liabilities recognised in the statement of comprehensive income	850	(1,581)
Actuarial gains (losses) relative to defined benefit plans	(2,459)	(993)
Total	(1,609)	(2,574)
Items that may be reclassified to profit or loss		
Effective portion of profit (losses) from instruments to hedge cash flows	96	335
Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	(286)	(3,115)
Profit (loss) on the fair value measurement of assets available for sale and investment property	0	0
Total	(190)	(2,780)
Other Consolidated Comprehensive Income (Expense)	(1,799)	(5,354)
TOTAL PROFIT (LOSS) FOR THE PERIOD	21,175	20,058
Comprehensive income of minority interests	13,791	10,612
COMPREHENSIVE GROUP PROFIT (LOSS) FOR THE PERIOD	7,384	9,446

The values in the previous table are net of the corresponding tax effect.

STATEMENT OF CONSOLIDATED CASH FLOWS AT 31 DECEMBER 2019

In thousands of Euros

In thousands of Euros		31.12.2019	31.12.2018
Operating activities			
Profit before tax		53,446	58,558
Depreciation of property, plant and equipment (including investment property)	*H5*	50,113	41,757
Amortisation of intangible assets	*H6*	72,647	67,898
Provisions for risks and for severance indemnity and similar obligations	*H4 - H9*	21,955	25,693
Write-downs (reversals of fair value measurements)	*H7 - H8 - H9*	8,413	6,593
Losses / (Gains) on the disposal of property, plant and equipment (including investment property)	*H7 - H9*	12,169	114
Finance income	*H11*	(3,918)	(8,099)
Dividend income	*H11*	(111)	(8)
Finance costs	*H12*	46,561	50,812
Amortisation of public grants	*H7*	(6,075)	(6,052)
Portion of earnings before taxes of affiliated companies (and other companies valued using the equity method)	*H10*	(919)	(474)
Change in working capital:			
(Increase) / Decrease in trade receivables	*F8*	22,706	(3,725)
(Increase)/Decrease in inventories	*F10*	(1,962)	(22,058)
Increase / (Decrease) in trade payables	*G3*	41,985	3,479
(Increase) / Decrease in contract work in progress	*F8*	(11,158)	11,673
Increase/(Decrease) in provisions for risks	*G5*	(10,487)	(14,280)
Increase / (Decrease) in provisions for severance liabilities and similar obligations	*G4*	(11,548)	(12,378)
Other changes		(8,571)	3,265
Cash generated from operating activities		275,246	202,768
Interest expense paid		(47,657)	(43,802)
Taxes paid		(34,183)	(27,311)
Cash flow from operations		193,406	131,655

In thousands of Euros		31.12.2019	31.12.2018
Investing activities			
Acquisition of subsidiaries, net of cash and cash equivalents	*F4*	(212)	(1,537)
Sale price of subsidiaries, net of cash and cash equivalents		0	0
Investment in property, plant and equipment (including investment property)	*F2*	(53,653)	(39,594)
Sale price, or redemption value, of property, plant and equipment (including investment property)	*F2*	62,679	1,064
Investment in intangible assets	*F1*	(89,924)	(78,150)
Sale price, or repayment value, of intangible assets	*F1*	66	72
Purchase of non-consolidated investments	*F4 - F5*	0	0
Sale price of non-consolidated investments		0	2
Purchase of financial assets	*F5*	(984)	(14)
Collected interests		3,366	606
Sale price from assets held for disposal or sale		(6)	0
Other flows from assets held for disposal or sale		(59)	(251)
Public grants collected		3,143	2,863
Dividends from investments	*H10 - H11*	111	8
Cash flow from investing activities		(75,473)	(114,931)
Financing activities			
Loans received	*G2*	88,003	528,903
Outflow for repayment of loans	*G2*	(162,167)	(473,939)
Repayment of finance leases	*G2*	(1,257)	(1,145)
Reimbursement of rights of use	*G2*	(1,539)	0
Outflow for dividends paid to non-controlling interests		(25,802)	(9,835)
Cash flow from financing activities		(102,762)	43,984
Increase / (Decrease) in cash and cash equivalents		15,171	60,708
Opening balance		195,968	135,258
Exchange differences		916	2
Closing balance		212,055	195,968

Changes in working capital include lower trade payables and other payables toward Related Parties for €1,432 thousand and lower trade receivables and other receivables from Related Parties for €101 thousand. For more detail on Related-Party transactions during 2019, see the paragraph in the Report on Operations.

This table shows the changes in cash and cash equivalents at 31 December 2019, which amount to €212.6 million, gross of short-term bank overdrafts equal to €0.5 million.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 DECEMBER 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 minorities*	*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	0	0	(9,835)	(9,835)
Allocation of Group earnings to Retained Earnings/Losses		8,037	(8,037)	0		0
Purchase of treasury shares by Piaggio & C. S.p.A.	0	(771)		(771)	(766)	(1,537)
Other changes		4,690		4,690	(4,690)	0
Overall earnings for the period		(3,418)	12,863	9,445	10,613	20,058
Balances at 31 December 2018	***178,464***	***43,659***	***12,863***	***234,986***	***144,389***	***379,375***

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 minorities*	*Shareholders' equity attributable to the Group and non-controlling interests*
Balances at 31 December 2018	***178,464***	***43,659***	***12,863***	***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	0	0	(25,802)	(25,802)
Allocation of Group earnings to Retained Earnings/Losses		12,526	(12,526)	0		0
Purchase of treasury shares by Piaggio & C. S.p.A.	0	(106)		(106)	(106)	(212)
Other changes		(1,834)		(1,834)	1,611	(223)
Overall earnings for the period		(505)	7,889	7,384	13,791	21,175
Balances at 31 December 2019	***178,464***	***54,077***	***7,889***	***240,430***	***133,883***	***374,313***

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

Note	Description
A	**General aspects**
B	**Scope of consolidation**
C	**Consolidation principles**
W	**Accounting standards and measurement criteria**
E	**Segment reporting**
F	**Information on main assets**
F1	Intangible assets
F2	Property, plant and equipment
F3	Investment Property
F4	Equity investments
F5	Other financial assets
F6	Tax receivables
F7	Deferred tax assets
F8	Trade receivables and other receivables
F9	Assets held for disposal
F10	Inventories
F11	Cash and cash equivalents
F12	Breakdown of receivables by valuation method
G	**Information on main liabilities**
G1	Shareholders' equity
G2	Financial liabilities
G3	Trade payables and other payables
G4	Provisions for severance liabilities and similar obligations
G5	Other long-term provisions
G6	Deferred tax assets/liabilities
G7	Current taxes
G8	Breakdown of payables by valuation method
H	**Information on main Income Statement items**
H1	Net sales
H2	Costs for materials
H3	Cost of services and use of third-party assets
H4	Employee expense
H5	Depreciation of property, plant and equipment
H6	Amortisation of intangible assets with a definite life
H7	Other operating income
H8	Impairment reversals (losses) net of trade and other receivables
H9	Other operating expense
H10	Results of associates
H11	Finance income
H12	Finance costs
H13	Taxes
H14	Gain/loss on the disposal of assets
H15	Earnings for the period
I	**Commitments, risks and guarantees**
L	**Related Party Transactions**
M	**Consolidated debt**
N	**Dividends paid**
O	**Earnings per share**
P	**Additional information on financial instruments**
Q	**Information Pursuant To Law 124/2017**
R	**Significant events occurring after the reporting period**

A – GENERAL ASPECTS

Immsi S.p.A. (the “Company”) is a limited company established under Italian law and has registered offices in Mantua - P.zza Vilfredo Pareto, 3 Centro Direzionale Boma. The main activities of the Company and its subsidiaries (the “Immsi Group”), the information on relevant events after the end of the reporting period and on operating outlook are described in the Directors’ Report on Operations. At 31 December 2019, Immsi S.p.A. was directly and indirectly, pursuant to article 93 of the TUF, controlled by Omniaholding S.p.A., a company wholly owned by the Colaninno family, through the subsidiary Omniainvest S.p.A. As per article 38, paragraph I of Legislative Decree 127/91, Omniholding S.p.A. (with registered office in Mantua - Via Marangoni 1/E) is the entity that prepares the consolidated financial statements of the largest group of companies in which the issuer is a subsidiary. The consolidated financial statements of Omniaholding S.p.A. are available at the company's registered office.

The consolidated financial statements of the Immsi Group include the financial statements of the Parent Company Immsi S.p.A. and the Italian and international companies directly and indirectly controlled by it, approved by the relevant corporate functions of the respective companies, the list of which is shown in the paragraph “List of companies included in the consolidated financial statements and investments” contained in this Report.
The financial statements are expressed in Euro since that is the currency in which most of the Group’s transactions take place.
The amounts in the above tables and in the Notes to the consolidated financial statements are in thousands of Euros (if not otherwise indicated).

These Financial Statements are audited by PricewaterhouseCoopers S.p.A. pursuant to the appointment granted by the Shareholders’ Meeting on 11 May 2012 for the period 2012-2020.

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The Consolidated Financial Statements of the Immsi Group as at 31 December 2019 were drawn up in compliance with International Accounting Principles (IAS/IFRS), as applicable at that date, issued by the International Accounting Standards Board and certified by the European Commission pursuant to Regulation (CE) no. 1606/2002, and in compliance with the provisions implementing section 9 of Legislative Decree no. 38/2005 (including Consob Resolution no. 15519 dated 27 July 2006 headed "Provisions regarding the drafting of Financial Statements", Consob Resolution no. 15520 dated 27 July 2006 headed "Amendments and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob Communiqué no. 6064293 dated 28 July 2006 headed "Corporate reporting requirements pursuant to section 114, para. 5 of Legislative Decree 58/98"). The interpretations of the Standing Interpretation Committee (“SIC”) and the International Financial Reporting Interpretations Committee (“IFRIC”) were also considered.

Moreover, international accounting standards have been uniformly adopted for all Group companies: the financial statements of subsidiaries and for the joint venture consolidated using the equity method, used for consolidation, have been appropriately modified and reclassified, where necessary, to bring them in line with the international accounting standards and classification criteria used by the Group on a consistent basis.

The financial statements have been prepared based on the historical cost principle, considering, where appropriate, value adjustments, with the exception of financial statement items that, according to IFRS, must be measured at fair value, as indicated in the measurement criteria, and on the basis of the company being a going concern, using a future period of 12 months from 31 December 2019

as the reference.
As regards financial requirements for the next 12 months, considering credit lines that are due to mature over the year and the Group's financial commitments to support the development of its initiatives, the Directors of the Parent Company have taken and will take in the next few months, actions to find solutions that guarantee a financial balance, while considering the possible risk of future trends in weak equity markets, that represent an element of uncertainty as to the scale of credit lines granted at present to Immsi, also in the light of the content of the “Significant events occurring after the reporting period” in relation to the Covid-19 pandemic. In this regard, it should be noted that the current share price of Piaggio stock used as collateral on loans – which has fallen significantly as a result of recent market volatility due to the ongoing health emergency – is not considered representative of the actual value of IMMSI SpA's shareholding. Despite the uncertainty of the situation, it is reasonable to assume that the share price will gradually recover, also in view of the results of impairment testing.

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

With reference to Consob Resolution no. 15519 of 27 July 2006, as regards the financial statements, specific Income statement and Statement of financial position tables have been included indicating significant Related-Party transactions and non-recurring transactions.

Consolidated income statement (reclassified)
The Consolidated income statement is presented with the items classified by nature. The overall Operating Income is shown, which includes all income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under Operating Income and 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 profit (loss) for the period including minority interests.

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

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

Consolidated Statement of Cash Flows
The Consolidated Statement of Cash Flows is divided into cash-flow generating areas. The Consolidated Statement of Cash Flows model adopted by the Immsi Group has been prepared using

the indirect method. The cash and cash equivalents recorded in the Statement of Cash Flows include the Consolidated Statement of Financial Position balances for this item at the reporting date. Financial flows in foreign currency have been converted at the average exchange rate for the period. Income and costs related to interest, dividends received and income taxes are included in the cash flow generated from operations.

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

There were no atypical or unusual transactions during 2019 and the corresponding period of the previous year, as defined in Consob Communication no. DEM/6037577 of 28 April 2006 and no. DEM/6064293 of 28 July 2006.
In 2019 the Parent Company Immsi S.p.A. disposed of its property in Rome, classified as Investment Property. The sale, carried out in December 2019, was concluded with the real estate fund Investire Sgr S.p.A. at a price of €62.5 million. The property was booked at approximately €74.7 million, so the Company recorded a capital loss of approximately €12.2 million, in addition to additional selling expenses of approximately €1.4 million. As part of the agreements between the parties, €1.5 million was deposited with the notary public as a guarantee for the performance, within a certain period, of post-sale obligations. Upon the sale, Immsi paid off the mortgage on the property to guarantee for a residual amount of approximately €31.5 million.
The operation is classified under significant non-recurrent transactions, as defined by Consob Communication No. DEM/6064293 of 28 July 2006.
Significant non-recurring transactions also occurred in 2018; refer to the Annual Report and Financial Statements at 31 December 2018 for further details.

- B - SCOPE OF CONSOLIDATION

The scope of consolidation has not changed considerably compared to the Consolidated Financial Statements at 31 December 2018. The changes are shown below:

- the consolidated portion of shareholders' equity of the Piaggio group, which amounted to 50.20% at 31 December 2019, was equal to 50.18% at 31 December 2018. The increase is mainly due to the effect of the purchase of 105,000 treasury shares by Piaggio S.p.A.;
- the liquidation of the company Piaggio Group Canada took place on 25 October 2019.

For details of the Immsi Group structure at 31 December 2019, see the attachment to these Notes, which is referred to herein.

- C - CONSOLIDATION PRINCIPLES

Assets and liabilities, and income and costs, of consolidated companies are recognised on a global integration basis, eliminating the carrying amount of consolidated investments in relation to the relative shareholders' equity at the time of purchase or underwriting. The book value of the investments has been eliminated against the shareholders' equity of the subsidiaries, by attributing to the minority interest shareholders in specific headings the portion of shareholders’ equity and net income for the period due to them in the case of subsidiaries that are consolidated using the line-by-line method.

Subsidiaries

Subsidiaries are companies in which the Group has a major influence. This influence exists when the Group has direct or indirect power to determine the financial and operational policies of a company in order to gain benefits from its operations. The acquisition of subsidiaries is recorded on the basis of the method of acquisition. The cost of acquisition is determined by the sum of present values at the date control of the given assets was obtained, liabilities borne or undertaken and financial instruments issued by the Group in exchange for control of the acquired company.
In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at the present value at the date of acquisition. The positive difference between the acquisition cost and the share of the Group at the fair value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is instead recorded in the Income statement at the time of acquisition.
The financial statements of subsidiaries are included in the Consolidated Financial Statements starting from the date when control is acquired until control ceases.
The portions of shareholders' equity and income attributable to non-controlling interests are separately indicated in the Consolidated Statement of Financial Position and Consolidated Income Statement respectively.

Associates and joint arrangements

Associates are companies in which the Group has considerable influence but not control of financial and operational policies.
The Group adopts IFRS 11 for all joint arrangements. According to IFRS 11, investments in joint arrangements are classified as joint operations or joint ventures depending on the contractual obligations and rights of each investor. The Group has classified the only joint arrangement agreement in place as being a joint venture.
In adopting the equity method, the investment in an associate or joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the portion attributable to the Group of profit or loss of the investee realised after the date of acquisition. The portion of profit (loss) for the period of the investee attributable to the Group is recognised separately in consolidated profit or loss. Dividends received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount of the investment are also due to changes in items of other comprehensive income of the investee (e.g. changes arising from translation differences of items in foreign currency). The portion of these changes, attributable to the Group, is recognised under other components of consolidated comprehensive income. If the portion of losses of an entity in an associate or joint venture is equal to or exceeds its interest in the associate or joint venture, the Group discontinues recognising its share of further losses. After the interest is reduced to zero, additional losses are recognised by a provision (liability) only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate, or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its portion of those profits only after its portion of the profits equals the share of losses not recognised. Profit and losses arising from "upwards" or "downwards" transactions between a Group and an associate or joint venture are recognised in the consolidated financial statements only as regards the portion attributable to minority interest in the associate or joint venture. The Group's share of the profit or loss of the associate or joint venture arising from these transactions, attributable to the investor, is eliminated in the consolidated income statement under "earnings from investments", with a counter entry of the asset's value, in "upwards" transactions, and of the value of the investment, in "downwards" transactions.

Transactions eliminated during the consolidation process

In preparing the Consolidated Financial Statements, all balances and significant transactions between Group companies have been eliminated, as well as unrealised profits and losses arising from intergroup transactions. Unrealised profits and losses generated from transactions with affiliated companies or jointly controlled companies are eliminated based on the value of the equity investment of the Group in the companies.

Transactions in foreign currency

Transactions in foreign currency are recorded at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the reporting date.

Consolidation of foreign companies

The separate financial statements of each company belonging to the Group are prepared in the currency of the primary economic environment in which they operate (the functional currency). For the purposes of the Consolidated Financial Statements, the financial statements of each foreign entity are in euro, which is the functional currency of the Group and the presentation currency of the Consolidated Financial Statements.
All assets and liabilities of foreign companies in a currency other than the euro which come under the scope of consolidation are translated, using exchange rates in effect at the reporting date (currency exchange rates method). Income and costs are translated at the average exchange rate of the period. Translation differences arising from the adoption of this method, as well as the exchange differences arising from the comparison between the initial shareholders' equity converted at current exchange rates and the same translated at historical exchange rates, pass through the Statement of Comprehensive Income and are accumulated in a specific reserve of shareholders' equity until disposal of the investment: average exchange rates for translating the cash flows of foreign subsidiaries are used in preparing the Statement of Consolidated Cash Flows.

The exchange rates used for the translation of the financial statements of companies included in the scope of consolidation into Euros are indicated in the following table:

	Exchange rate as of 31 December 2019	Average exchange rate 2019	Exchange rate as of 31 December 2018	Average exchange rate 2018
US Dollar	1.1234	1.11947	1.1450	1.18095
Pounds Sterling	0.85080	0.877771	0.89453	0.884706
Brazilian Real	4.5157	4.41343	4.4440	4.30849
Indian Rupee	80.1870	78.83614	79.7298	80.73324
Singapore Dollars	1.5111	1.52728	1.5591	1.59261
Chinese Yuan	7.8205	7.73549	7.8751	7.80808
Croatian Kuna	7.4395	7.41796	7.4125	7.41816
Japanese Yen	121.94	122.00576	125.85	130.39588
Vietnamese Dong	25,746.15	25,793.13707	26,230.56	26,984.72276
Indonesian Rupiah	15,573.69	15,840.81508	16,565.86	16,802.30086
Canadian Dollars	1.4598	1.48548	1.5605	1.52936
Algerian Dinar	133.8916	133.6757	135.4881	137.6525
Swedish Krona	10.4468	10.5891	10.2548	10.2583

- D - ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The accounting standards adopted in preparing these Consolidated Financial Statements of the Immsi Group are the same as those used for the Consolidated Financial Statements at 31 December 2018 with the exception of information in the section on new accounting standards.

The most significant accounting policies adopted to prepare the Consolidated Financial Statements at 31 December 2019 are outlined below:

INTANGIBLE ASSETS

As provided for in IAS 38, an intangible asset which is purchased or internally generated, is recognised as an asset only if it is identifiable, controllable and future economic benefits are expected and its cost may be measured reliably.
Intangible assets with a finite life are measured at acquisition cost or production cost net of amortisation and accumulated impairment losses. Finance costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.
Amortisation is referred to the expected useful life and commences when the asset is available for use.

Goodwill

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at present value at the date of acquisition. The positive difference between the acquisition cost and the share of the Group at the fair value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is instead recorded in the Income statement at the time of acquisition.
Goodwill is not amortised but tested annually for impairment, or more frequently if specific events or changed circumstances indicate that an asset may be impaired, as provided for in IAS 36 - Impairment of Assets. After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.
At the disposal of part of or an entire company previously acquired from whose acquisition goodwill arose, the corresponding residual value of goodwill is considered when measuring the capital gain or loss of the disposal.

During first-time adoption of IFRSs, the Group opted not to retrospectively apply IFRS 3 – Business Combinations to acquisitions of companies that took place before 1st January 2004. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition of any impairment losses. After 1 January 2004, and following acquisitions made during 2004, additional goodwill was generated, the amount of which was remeasured in the light of the different values of shareholders' equity of the acquired companies in relation to provisions in IFRS 3.

Development costs

Development costs are recognised as assets only if all of the following conditions are met: the costs can be reliably measured and the technical feasibility of the product, the volumes and expected prices indicate that costs incurred during development will generate future economic benefits.

Capitalised development costs include only costs incurred that may be directly attributed to the development process. Capitalised development costs are amortised on a systematic criterion basis, starting from the beginning of production through the estimated life of the product.
All other development costs are recorded in the Income statement when they are incurred.

Other intangible assets

As provided for in IAS 38 – Intangible Assets, other intangible assets which are purchased or internally generated are recognised as assets if it is probable that use of the asset will generate future economic benefits and the cost of the asset can be reliably measured. These assets are recognised at acquisition or production cost and are amortised on a straight line basis over their estimated useful life, if they have a finite useful life.

Other intangible assets recognised following the acquisition of a company are accounted for separately from goodwill, if their fair value may be reliably measured. The amortisation period for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period: if the expected useful life proves different from previous estimates, the amortisation period is changed accordingly.
The amortisation periods of intangible assets are shown below:

Development costs	3 - 5 years
Industrial patents and rights of use for original works	3 - 5 years
Licences	10 years
Trademarks	15 years
Other	5 years

PROPERTY, PLANT AND EQUIPMENT

The Immsi Group opted to use the cost method for the first-time adoption of IAS/IFRSs in preparing its financial statements, as provided for by IFRS 1. For the measurement of property, plant and equipment, therefore, the preference was not to use the fair value method. Property, plant and equipment were booked at the purchase or production cost and were not revalued. Finance costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset. Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset they refer to. All other costs are recorded in the income statement when they are incurred. Property, plant and equipment under construction are measured at cost and depreciated starting from the period in which they are put into operation.
Depreciation is determined, on a straight-line basis, on the cost of the assets net of their relative residual values, based on their estimated useful life, while land is not depreciated.

Assets are depreciated by applying the criterion and rates indicated below:

Buildings	from 1.67% to 3%
Plant and machinery	from 6.67% to 25%
Miscellaneous equipment and other assets	from 5% to 40%
Land	not depreciated
Assets to be given free of charge	based on the duration of the concession

Profits and losses arising from the sale or disposal of assets are measured as the difference between the sales revenues and net carrying amount of the asset and are recognised in profit or loss for the period.

Assets to be given free of charge are assets held by Intermarine S.p.A. further to an agreement to lease and at the end thereof must be given free of charge and in perfect working order to the lessor. These assets are depreciated according to the duration of the concession.

Lease agreements as lessor

Lease agreements for property, plant and machinery and other assets entered into as lessor require the recognition of an asset representing the right of use of the leased asset, and a financial liability for the obligation to undertake contract payments. In particular, the lease liability is initially recognised as being equal to the present value of future payments to make, adopting a discount rate equal to the implicit interest rate of the lease, of if this cannot easily be determined, by using the incremental financing rate of the lessor. After initial recognition, the lease liability is recognised at amortised cost using the effective interest rate and is redetermined following contract renegotiation, changes in rates, or changes in the recognition of any contract options.
The right of use is initially recorded at cost and then adjusted to take into account recognised depreciation charges, any impairment losses and effects related to any redetermination of lease liabilities.
The Group has opted for some simplifications, allowed by the Standard, excluding agreements of less than 12 months (short term, calculated on the residual duration, on first-time adoption), and of a value below €5 thousand (low value).

The Group – through the Piaggio group – has its own production plants even in countries where ownership rights are not allowed. Rental paid in advance, to obtain the availability of land where own production sites are located, is recognised as a right of use.

Impairment

At the end of the reporting period, the Group reviews the carrying amount of its property, plant and equipment and intangible assets to determine whether there is any indication that these assets may be impaired (impairment test). If there is an indication that an asset may be impaired, the asset's recoverable amount is estimated to determine the amount of the write-down. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the asset's cash generating unit.
The recoverable amount is the higher of an asset's fair value less costs to sell (if available) and its value in use. In measuring the value in use, estimated future cash flows are discounted at their fair value, using a rate net of taxes, which reflects current market changes in the fair value of money and specific risks of the asset.
If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset is land or buildings other than the property investments recognised at revalued amounts, in which case the loss is charged to the respective revaluation reserve.
When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset (or of a cash generating unit), except for goodwill, is increased to the new value arising from an estimate of its recoverable amount, up to the net carrying amount applicable to the asset if no impairment loss had been recognised. The reversal of the impairment loss is immediately recognised in profit or loss, unless the asset is land or buildings other than the property investments recognised at revalued amounts, in which case the loss is charged to the respective revaluation reserve.
An intangible asset with an indefinite useful life is tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.

INVESTMENT PROPERTY

International accounting standards regulate the accounting treatment of property used for production or administrative purposes (IAS 16) differently from investment property (IAS 40). As permitted by IAS 40, non instrumental property and buildings held for rental and/or asset appreciation purposes are measured at fair value.
Investment properties are eliminated from the financial statements when they are disposed of or when they may not be used over time and future economic benefits from their sales are not expected.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal groups) that are classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell. Non-current assets (and disposal groups) are classified as held for sale when it is expected that their carrying amount will be recovered through a sale rather than through their use in company operations. This condition is only met when the sale is highly probable, the asset (or disposal group) is available for immediate sale and management is committed to a plan to sell, which should take place within 12 months from the date in which this item was classified as held for sale.

FINANCIAL ASSETS

Financial assets are recognised in and deleted from the financial statements based on the settlement date.
New provisions in IFRS 9 envisage a single approach to analysing and classifying all financial assets, including assets with embedded derivatives. Classification and measurement consider the business model of the financial asset and the contractual characteristics of cash flows that may be obtained from the asset. Depending on the characteristics of the instrument and business model adopted, the following three categories are determined:

(i) financial assets measured at amortised cost ;
(ii) (ii) financial assets measured at fair value, with the effects recognised in other comprehensive income (OCI);
(iii) financial assets measured at fair value, with the effects recognised in fair value through other comprehensive income (FVTOCI).

The financial asset is measured at amortised cost if both the following conditions are met:
- the business model holds the financial asset only to collect the relative cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that only represent the return on the financial asset.

According to the amortised cost method, the value of initial recognition is subsequently adjusted to take into account repayments of principal, any impairment and amortisation of the difference between the repayment value and value of initial recognition.
Amortisation is based on the internal effective interest rate that represents the rate which, at the time of initial recognition, makes the present value of expected cash flows equal to the value of initial recognition.
Receivables and other financial assets measured at amortised cost are presented in the statement of financial position net of the relative provision for write-downs.
Financial assets representing debt instruments whose business model covers the possibility of collecting contractual cash flows and realising capital gains from sale (the hold to collect and sell business model), are measured at fair value, recognising the effects in OCI.
In this case, changes in fair value of the instrument are recognised as shareholders' equity in OCI. The total of changes in fair value, recognised in a shareholders' equity reserve that includes OCI, is reversed to profit or loss when the instrument is deleted from the accounts. Interest expense is recognised in profit or loss using the effective interest rate, exchange differences and write-downs.

A financial asset representing a debt instrument that has not been measured at amortised cost or at fair value through other comprehensive income is measured at fair value with the effects recognised in profit or loss.

With reference to the classification and measurement of financial assets, the Group adopts the following business models:
- a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (the “hold to collect and sell” business model;
- a business model whose objective is to hold financial assets intended for collecting contractual cash flows (the “hold to collect” business model)”.
For both types, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding..
Financial assets held by the group are recognised:
- at amortised cost in the case of financial assets relative to the “hold to collect” business model;
- at fair value through other comprehensive income in the case of financial assets relative to the “hold to collect and sell” business model.

INVENTORIES

Inventories are recognised as the lower of the purchase or production cost, determined by assigning to products the costs directly incurred in addition to the portion of indirect costs reasonably attributable to the performance of production activities in normal production capacity conditions and the market value at the end of the reporting period. The purchase or production cost is determined based on the weighted average cost method. As regards raw materials and work in progress, the market value is represented by the estimated net realisable value of corresponding finished products minus completion costs; as regards finished products, the market value is represented by the estimated net realisable value (price lists less the costs for sales and distribution). The lower measurement based on market trends is eliminated in subsequent years, if the trends no longer exist. Obsolete, slow moving and/or excess inventories are impaired in relation to their possible use or future realisation, in a provision for the write-down of inventories.

RECEIVABLES

Trade receivables and other receivables are initially recognised at fair value and subsequently recognised based on the amortised cost method, net of the provisions for write-downs.
IFRS 9 has introduced the concept of "expected loss", which allows for the recognition of adjustments to receivables in proportion to the increase in risks. This new model classifies financial assets into three categories, each of which corresponds to a different risk level and specific procedures for calculating value adjustments. Specifically: i) exposures with a good credit quality or low risk. Value adjustments correspond to expected credit losses that result from default events within 12 months after the reporting date; ii) exposures whose credit rating has significantly deteriorated but that do not have objective evidence of impairment Value adjustments are calculated considering the expected loss of the exposure over its lifetime or the estimate of the current value of losses over the expected life of the financial instrument; iii) all impaired assets, i.e. exposures with objective evidence of impairment and that must be adjusted using the expected loss model.
For trade receivables, the Group adopts a simplified approach which does not require the recognition of periodic changes in credit risk, but instead the recognition of an expected credit loss (ECL) calculated over the ECL lifetime. In particular, the policy adopted by the Group involves the stratification of trade receivables in categories based on past due days, defining the allocation based on the historical experience of credit losses, adjusted to take into account specific forecasts referred to creditors and the economic environment. The Group measures the provision to hedge losses for an amount equal to full lifetime expected credit losses, using a method that considers whether, at the end of the reporting period, the credit risk relative to a financial instrument has increased considerably after initial recognition or otherwise.

Trade receivables are wholly written down in the absence of a reasonable expectation of their recovery, or in the case of inactive counterparties.
The carrying amount of the asset is reduced through the use of a provision for write-downs and the amount of the loss is recognised in the income statement.
When payment of amounts due exceeds standard terms of payment granted to clients, the receivable is discounted.

Orders in progress, entirely related to the marine sector (Intermarine S.p.A.), were classified under the item Other receivables and consist mainly of:

- building work for the company's own account and repair work, valued at the lower value between cost incurred and revenues achievable: To this end, they are entered as assets in the Statement of financial position net of the write-down fund for boats and semi-finished items likely to prove hard to sell;
- building work covered by standard contracts, valued in terms of revenues based on the status reached at the close of the year, calculated, as far as the materials and work contracted out are concerned, with reference to the costs actually incurred compared with the costs forecast on the basis of updated estimates and, with regard to labour, with reference to the direct hours actually worked compared with the direct hours forecast. The price revision is recognised based on a prudent basis taking into account the amounts recognisable by customers, in proportion to the value of the progress. Due to the features of the works in progress produced by the company, they also include parts of the assets the ownership of which was transferred in guarantee of payments received from customers. In fact assessment of proceeds takes place when the purchaser of the work accepts it, since the order is a unitary indivisible object.

FACTORING

The Group– mainly through the companies of the Piaggio group – sells a significant part of its trade receivables through factoring and in particular, sells trade receivables without recourse. Following these sales with the total and unconditional transfer to the transferee of the risks and benefits transferred, the receivables are eliminated from the financial statements.
In the case of transfers in which the risks and benefits are not transferred, the relative receivables remain in the statement of financial position until the transferred sum has been paid. In this case any advance payments collected by the factor are recognised under payables as amounts due to other lenders.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, current bank accounts, deposits payable on demand and other high liquidity short term financial investments, which are readily convertible into cash and not affected by any major risk of a change in value. This item does not include bank overdrafts payable on demand.

TREASURY SHARES

Treasury shares are recognised as a reduction of shareholders' equity. The original cost of treasury shares and the revenue proceeds from any subsequent sale are recognised directly in equity.

FINANCIAL LIABILITIES

Financial liabilities include financial payables, including amounts payable for advances on the sale of receivables, as well as other financial liabilities, including financial derivatives and liabilities for assets recognised regarding finance lease agreements. Pursuant to IFRS 9, they include trade and

other payables. Financial liabilities are recognised at fair value net of additional transaction costs. After initial recognition, loans are measured at amortised cost and calculated using the effective interest rate.
With the introduction of IFRS 9, in the event of the renegotiation of a financial liability that does not qualify as "extinction of the original debt", the difference between i) the book value of the pre-change liability and ii) the present value of the cash flows of the revised debt, discounted at the original rate (IRR), is accounted for in the income statement.
Financial liabilities hedged by derivatives are recognised at present value, according to procedures established for hedge accounting: gains and losses arising from subsequent measurements at present value are recognised in profit or loss and are offset by the effective portion of the loss and again arising from subsequent measurements at present value of the hedging instrument. On initial recognition, a liability may be designated at fair value recognised in profit or loss when this eliminates or considerably reduces a lack of uniformity in the measurement or recognition (sometimes defined as "asymmetric accounting") that would otherwise arise from the measurement of an asset or liability or recognition of relative profit and loss on different bases. This fair value designation is exclusively applied to some financial liabilities in currency subject to exchange risk hedging.

DERIVATIVES AND MEASUREMENT OF HEDGING OPERATIONS

Group assets are primarily exposed to financial risks from changes in exchange and interest rates. The Group uses derivatives to hedge risks arising from changes in foreign currency and interest rates in particular irrevocable commitments and planned future transactions. With particular reference to the Piaggio group, the use of these instruments is regulated by written procedures on the use of derivatives, in line with the risk management policies of the group.
As permitted by IFRS 9, the Group has opted to continue to adopt the provisions on hedge accounting in IAS 39, rather than in IFRS 9.

Derivatives are initially recognised at fair value, represented by the initial amount and aligned with the fair value at subsequent ends of reporting periods. Financial derivatives are used solely for hedging purposes, in order to reduce exchange risk, interest rate risk and the risk of changes in the market price.
In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated. When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:

- *Fair value hedge:* if a financial derivative is designated as a hedge of the exposure to changes in present value of a recognised asset or liability, attributable to a particular risk and could affect profit or loss, the gain or loss from the subsequent change in present value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, attributable to the hedged risk, changes the carrying amount of the hedged item and is recognised in profit or loss;
- Cash flow hedge: if an instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or of a highly probable forecast transaction which could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised in the Statement of Comprehensive Income. Accumulated gain or loss is reversed from the Statement of Comprehensive Income and recognised in profit or loss in the same period as the hedging transaction. The gain or loss associated with hedging or the part of hedging which is ineffective, is immediately recognised in profit or loss. If the hedging instrument or hedging ceases, but the transaction covered by hedging is not yet realised, profits and losses, recognised in equity, are instead recognised in profit or loss when the transaction takes place. If the transaction to be hedged is deemed no longer probable, gains

or losses deferred in the Statement of Comprehensive Income are recognised immediately in profit or loss.

If hedge accounting cannot be applied, gains and losses from measurement at fair value of the derivative financial instrument are immediately recognised in profit or loss.

LONG-TERM PROVISIONS

The Group recognises provisions for risks and charges when it has a legal or implicit obligation to third parties and it is likely that Group resources will have to be used to meet the obligation and when the amount of the obligation itself can be reliably estimated. Changes in estimates are recognised in profit or loss when the change takes place. If the effect is considerable, provisions are calculated discounting future cash flows estimated at a discount rate gross of taxes, to reflect current market changes in the fair value of money and specifics risks of the liability.

RETIREMENT FUNDS AND EMPLOYEE BENEFITS

Where the benefit schemes have been clearly defined, the liabilities related to benefits to employees granted at the moment of, or after, termination of employment are determined separately for each scheme on the basis of actuarial assumptions estimating the amount of future benefits accrued by the employee at the reporting date (the so-called ”projected unit credit method”). Liabilities, recognised in the financial statements net of any assets serving the plan, are entered for the period when the right accrues. Liabilities are measured by independent actuaries.
The cost components of defined benefits are recognised as follows:

- the costs relative to services are recognised in the Income Statement under employee expense;
- net finance costs on liabilities or assets with defined benefits are recognised in the Income Statement as finance income/(finance costs), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking account of the payment of contributions and benefits during the period;
- the remeasurement components of net liabilities, which include actual gain and losses, the return on assets (excluding interest income recognised in the Income Statement) and any change in the limit of the assets, are immediately recognised as "Other comprehensive income (expense)”. These components must not be reclassified to the Income Statement in a subsequent period.

TERMINATION BENEFITS

Termination benefits are recognised at the closest of the following dates: i) when the Group can no longer withdraw the offer of such benefits and ii) when the Group recognises the costs of restructuring.

TAX ASSETS AND LIABILITIES

Deferred taxes are determined based on the temporary taxable differences between the value of the asset and liability and their tax value. Deferred tax assets are measured only to the extent to which it is likely that adequate future taxable sums exist against which the deferred taxes can be used. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent to which it is no longer likely that sufficient taxable income exists allowing for all or a portion of said assets to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, considering the rates in effect or which are known to come into effect. Deferred tax liabilities are directly recognised in profit or loss, except for items directly recognised in the statement of comprehensive income, in which case relative deferred

taxes are also recognised in the statement of comprehensive income. In the case of reserves of undistributed profits of subsidiaries and since the Group is able to control distribution times, deferred taxes are allocated for the reserves when distribution is expected in the future.
Deferred tax assets and liabilities are recognised at their net value when they may be offset in the same tax jurisdiction.

PAYABLES

Payables are shown at fair value and subsequently valued on the basis of the amortised cost method, which coincides with the nominal value of trade payables with due dates within the norm for commercial transactions.

REVERSE FACTORING

To guarantee suppliers easier credit conditions, the Group – mainly through the companies of the Piaggio group – has established factoring agreements, and typically supply chain financing or reverse factoring agreements. Based on the agreements, suppliers may, at their discretion, transfer receivables due from the Group to a lender and collect amounts before maturity.
In some cases, payment terms are extended further in agreements between the supplier and the Group; these extensions may be interest or non-interest bearing.
The Group has established a specific policy to assess the nature of reverse factoring operations. Based on the content of agreements, which differs by area of origin, the Finance function, at a central level, analyses the clauses of agreements in qualitative terms, as well as legal aspects in order to assess regulatory references and the type of transaction assignment (as provided for by IAS 9 B3 3.1). In some cases, as payment terms have been extended, quantitative analysis is carried out to verify the materiality of changes in contract terms, based on quantitative tests as required by IAS 9 B3.3.6.
In this context, relations, for which a primary obligation with the supplier is maintained and any deferment, if granted, does not significantly change payment terms, are still classified as trade liabilities.

RECOGNITION OF REVENUES

Based on the five-step model introduced by IFRS 15, the group measures revenues after identifying the contracts with its customers and relative performance to provide (transfer of goods and/or services), after determining the transaction price it considers due in exchange for performance, and evaluating the procedure for satisfying the performance (performance at a given time versus performance over time).
In particular, the Group measures revenues only if the following requirements have been met (requirements to identify the "contract" with the customer):
a) the contract has been approved by the parties to the contract (in writing, verbally or in compliance with other standard business practices) and the parties undertake to meet their respective obligations; an agreement therefore exists between the parties that establishes the rights and obligations to be met, regardless of the form by which the agreement is made;
b) the Group can identify each party’s rights in relation to the goods or services to be transferred;
c) the Group can identify the payment terms for the goods or services to be transferred;
d) the contract has commercial substance; and
e) it is probable that the Group will receive the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer.
If the above requirements are not met, the relative revenues are recognised when: (i) the Group has already transferred control of the goods and/or provided the services to the customer and all or nearly all of the consideration from the customer has been received and cannot be reimbursed; or (ii) the contract has ended and the consideration received by the Group from the customer cannot be reimbursed.

If the above requirements are instead met, the Group adopts the following rules for recognition.
Revenues for the sale of vehicles and spare parts are recognised when control of the good is transferred to the purchaser, or when the customer can use in full the good or substantially benefit from it.
Revenues are represented net of discounts, including, among others, sales incentive programmes and bonuses to customers, as well as taxes directly connected with the sale of the goods.
Revenues from the provision of services are recognised when the services are provided based on their progress.
Revenues also include lease payments recognised on a straight line basis for the duration of the contract.

GRANTS

Equipment grants are recognised in the financial statements when their payment is certain and are recognised in profit or loss based on the useful life of the asset for which the grants have been provided. Operating grants are recognised in the financial statements, when their payment is certain and are recognised in profit or loss in relation to costs for which the grants have been provided.

With specific reference to the subsidiary Intermarine S.p.A. operating in the marine sector, the company benefits from different types of Ministerial contributions. Intermarine primarily benefits from ministerial research grants, out of national and Community funds, due on the research and development costs incurred and capitalised, are entered under Other payables and will be offset against the amortisation and depreciation entries of the capitalised costs they are related to in the Income statement. For projects that entail the building of a prototype, the subsidy granted for the costs incurred is entered in the Income statement account in proportion to the work progress status of the underlying construction.

FINANCE INCOME

Finance income is recognised on an accrual basis and includes interest income on invested funds, exchange differences receivable and income from financial derivatives, when not offset in hedging transactions. Interest income is recognised in profit or loss when it matures, considering the actual return.

FINANCE COSTS

Finance costs are recognised on an accrual basis and include interest expense on financial payables calculated using the effective interest rate method, exchange differences payable and losses on derivatives. The share of interest payable on rights of use - leases is charged to the income statement using the actual interest method.

DIVIDENDS

Dividends recognised in profit or loss, from non-controlling interests, are recognised on an accrual basis, and therefore at the time when, following the resolution to distribute dividends by the subsidiary, the relative right to payment arises.

INCOME TAXES

Taxes represent the sum of current and deferred tax assets and liabilities. Taxes allocated under statutory accounting circumstances of individual companies included in the scope of consolidation are recognised in the consolidated financial statements, based on taxable income estimated in compliance with national laws in force at the end of the reporting period, considering applicable exemptions and tax receivables owing. Income taxes are recognised in profit or loss, with the exception of those taxes relative to items directly deducted from or charged to the Statement of Comprehensive Income. Taxes are recorded under “Tax payables” net of advances and withheld taxes. Taxes due in the event of the distribution of reserves as withheld taxes recognised in the financial statements of individual Group companies are not allocated, as their distribution is not planned.

Immsi S.p.A., with the subsidiaries Piaggio & C. S.p.A., Piaggio Concept Store Mantova S.r.l., Aprilia Racing S.r.l., Apuliae S.r.l., Intermarine S.p.A., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l. and Pietra Ligure S.r.l., opted to be a part of the Group taxation system, as provided for by Articles 117 and following of the Consolidated Income Tax Act (National Consolidated Tax Convention). In exercising this option, each company which is party to the National Consolidated Tax Convention transfers its tax income (taxable income or tax loss) to the consolidating company: the consolidating company therefore determines one taxable base for the group of companies that are party to the National Consolidated Tax Convention, and may therefore offset taxable income against tax losses in one tax return. The latter recognises a receivable from consolidated companies transferring taxable income, while for companies with tax losses, the consolidating company records a related payable equal to corporate income tax on the portion of the loss actually offset at a Group level.

EARNINGS PER SHARE

Earnings per share are calculated by dividing the income or loss attributable to Parent Company shareholders by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares. Diluted profits per share are calculated by dividing profits or losses attributed to Parent Company shareholders by the weighted average of the ordinary shares in circulation, adjusted to take account of the effects of all the potential ordinary shares with a diluting effect. Any shares related to the stock option plan are considered as shares that may be potentially issued. The adjustment to make to the number of stock options to calculate the number of adjusted shares is determined by multiplying the number of stock options by the subscription cost and dividing it by the share market price.

USE OF ESTIMATES

The preparation of the financial statements and notes in compliance with IFRS requires management to make estimates and assumptions which have an impact on the values of assets and liabilities and on disclosure regarding contingent assets and liabilities at the end of the reporting period. Actual results could differ from estimates.
Moreover, estimates are used to measure intangible assets tested for impairment and to identify allocations for bad debts, for obsolete inventories, amortisation and depreciation, impairment of assets, employee benefits, taxes, restructuring provisions and other allocations and funds. Estimates and assumptions are periodically revised and the effects of any change are immediately recognised in profit or loss.

In the current ongoing uncertainty of the global economic and financial scenario, assumptions made as to future trends are marked by a considerable degree of uncertainty. Therefore the possibility in the next reporting period of results that differ from estimates cannot be ruled out, and these could require even significant adjustments which at present cannot be predicted or estimated.

TRANSACTIONS WITH SUBSIDIARIES AND RELATED PARTIES

Transactions with subsidiaries and related parties are described in the Report on Operations and in the Note, referred to herein.

NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS FROM 1 JANUARY 2019

IFRS 16 "Leases"

In 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 (on balance sheet) and an operating lease (off balance sheet). With IFRS 16, operating leases are treated for accounting purposes as finance leases. According to the new standard, an asset representing the right of use of the leased asset is recognised, as well as a financial liability for the obligation to make lease payments. In particular, the lease liability is initially recognised as being equal to the present value of future payments to make, adopting a discount rate equal to the implicit interest rate of the lease, of if this cannot easily be determined, by using the incremental financing rate of the lessor. After initial recognition, the lease liability is recognised at amortised cost using the effective interest rate and is redetermined following contract renegotiation, changes in rates, or changes in the recognition of any contract options.

The right of use is initially recorded at cost and then adjusted to take into account recognised depreciation charges, any impairment losses and effects related to any redetermination of lease liabilities.

The IASB has provided for the optional exemption for certain leasing contracts and low value and short-term leases.

The standard mainly has an effect on the recognition of the Group's operating leases.

The Group opted to use the simplified transition approach, and therefore comparative amounts of the year prior to first-time adoption were not modified. Assets recognised for rights to use are measured for the amount of the lease debt at the time of adoption.

As from 1 January 2019, the adoption of the new standard resulted in the following - with reference to the financial statements:

- in the balance sheet, the recognition of the rights of use in tangible fixed assets and of the corresponding financial liability linked to the right of use in financial items;

	AS OF 31 DECEMBER 2018
In millions of Euros	
(+) Commitments for operating leases	31
(-) short term operating leases	(1)
(-) operating leases of a moderate value	(1)
(-) operating leases, no IFRS16 compliance	(5)
(-) discounting effect	(1)
Total Right of Use	**23**

- in the income statement, the recognition of operating costs of the depreciation of rights of use, and in the financial section of interest expense accrued on liabilities, unless capitalised, replacing operating lease agreements (with the exception of short-term and low value agreements), previously recognised as operating costs;
- in the cash flow statement, the recognition of reimbursements of lease liability principal in net cash flows from financing activities, while interest expense is recorded in net cash flows from operations if recognised in the income statement.

The effects of adopting IFRS 16 on the financial statements at 31 December 2019 are summarised in the following table.

In thousands of Euros	2019 published	Effect of IFRS 16	2019 without the adoption of IFRS 16
Property, plant and equipment	337,988	29,232	308,756
Assets held for disposal	33,442	5,949	27,493
Liabilities for rights of use	23,104	23,104	0
Liabilities for rights of use related to assets held for disposal	6,006	6,006	0
Trade receivables and other non-current receivables	17,232	(7,219)	24,451
Current trade receivables and other receivables	127,196	(208)	127,404
Depreciation and impairment of property, plant and equipment	(52,407)	(7,288)	(45,119)
Cost of services and use of third-party assets	(273,073)	7,915	(280,988)
Other operating expense	(36,518)	244	(36,762)
Finance costs	(58,543)	(1,379)	(57,164)
Effect on the income statement before taxes	53,446	(508)	53,954

The following should be noted:

- 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 lease payments paid in advance by the company PT Piaggio Indonesia for a lease agreement that started in September 2019 being reclassified under the item rights of use.
- consolidated financial debt does not include the liabilities on rights of use related to assets held for disposal, referred solely to the company Pietra Ligure S.r.l..

IFRS 9 "Financial Instruments"

In October 2017, the IASB published an amendment to IFRS 9 “Prepayment features with negative compensation". The amendment confirms that when a financial liability recognised at amortised cost is changed without this resulting in de-recognition, the relative profit or loss must be immediately recognised in profit or loss. The profit or loss are measured as the difference between the previous cash flow and the flow redetermined based on the change. This amendment, applicable from 1 January 2019, did not have a significant impact on the financial statements or disclosure.

IAS 28

The amendments issued in October 2017 clarify that entities must apply the provisions of IFRS 9 ”Financial instruments” to non-current investments in associates and joint ventures for which the equity method is not applied. The amendments are applicable from 1 January 2019 and did 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 its annual improvements to IFRS 2015–2017 (IFRS 3, IFRS 11, IAS 12 and IAS 23). The amendments are applicable from 1 January 2019 and did 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 finance costs at each change of the plan. The amendments are applicable from 1 January 2019 and did 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 became effective 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.
- In September 2019, the IASB published some amendments to IFRS 9, IAS 39 and IFRS 7 with some findings on the reform determining interbank rates. The findings concern the recognition of hedging and imply that a change in the interbank rate (IBOR) should not generally cause the accounting closure of hedging operations. However, the effects of all ineffective hedging should continue to be recognised in the income statement. Given the extensive nature of hedging that involves contracts based on interbank rates, the findings will concern companies from all sectors. These amendments will apply from 1 January 2020.

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

- E - SEGMENT REPORTING

The application of IFRS 8 – Operating Segments is mandatory at 1 January 2009. This principle requires operating segments to be identified on the basis of an internal reporting system which top company management utilises to allocate resources and to assess performance.

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

Primary sector: business areas

Income statement at 31 December 2019

In thousands of Euros	*Property and holding sector*	*Industrial sector*	*Marine sector*	*Immsi Group*
Net sales to third parties	4,817	1,521,325	64,593	1,590,735
Intercompany net sales				0
NET SALES	**4,817**	**1,521,325**	**64,593**	**1,590,735**
OPERATING INCOME (EBIT)	**-18,090**	**104,546**	**8,800**	**95,256**
Results of associates	0	919	0	919
Finance income				15,814
Finance costs				58,543
PROFIT BEFORE TAX				**53,446**
Taxes				30,472
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS				**22,974**
Profit (loss) for the period from discontinued operations				0
PROFIT (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS				**22,974**
Minority interests				15,085
GROUP PROFIT (LOSS) FOR THE PERIOD				**7,889**

Statement of financial position at 31 December 2019

In thousands of Euros	*Property and holding sector*	*Industrial sector*	*Marine sector*	*Immsi Group*
Segment assets	320,827	1,626,241	161,805	2,108,873
Investments in affiliated companies	0	147	18	165
TOTAL ASSETS	**320,827**	**1,626,388**	**161,823**	**2,109,038**
TOTAL LIABILITIES	**359,581**	**1,242,581**	**132,563**	**1,734,725**

Other information at 31 December 2019

In thousands of Euros	*Property and holding and holding*	*Industrial sector*	*Marine sector*	*Immsi Group*
Investments in property, plant and equipment and intangible assets	**2,093**	**140,872**	**612**	**143,577**
Depreciation, amortisation and write-downs	**644**	**126,861**	**3,668**	**131,173**
Cash flow from operating activities	**-22,363**	**215,670**	**99**	**193,486**
Cash flow from investing activities	**60,422**	**-135,131**	**-552**	**-75,261**
Cash flow from financing activities	**-21,982**	**-79,113**	**-1,879**	**-102,974**

Secondary sector: geographic segments

The following table presents the financial position and performance of the Group for 2019 in relation to geographic segments "of origin", that is, with reference to the country of the company which realised the revenues or which owns the assets.

The distribution of revenues by geographic segment of "destination", that is, with reference to the customer's country, is analysed in the Notes to the Consolidated Financial Statements at 31 December 2019 under the item net sales in the Income Statement.

Income statement at 31 December 2019

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Immsi Group*
Net sales to third parties	850,207	31,011	430,304	56,290	222,923	1,590,735
Intercompany net sales						0
NET SALES	**850,207**	**31,011**	**430,304**	**56,290**	**222,923**	**1,590,735**

Statement of financial position at 31 December 2019

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Immsi Group*
Segment assets	1,638,950	24,585	253,769	37,632	153,937	2,108,873
Investments in affiliated companies	135	30	0	0	0	165
TOTAL ASSETS	**1,639,085**	**24,615**	**253,769**	**37,632**	**153,937**	**2,109,038**

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Immsi Group*
Total receivables *	**67,922**	**6,965**	**49,361**	**6,630**	**4,212**	**135,090**
Total payables **	**366,712**	**35,320**	**123,097**	**6,547**	**60,500**	**592,176**

*) Contract work in progress and Tax receivables are not included.
**) Payables for Current taxes and Financial liabilities are not included.

Other information at 31 December 2019

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	**108,115**	**674**	**23,809**	**1,726**	**9,253**	**143,577**
Depreciation, amortisation and write-downs	**101,478**	**2,470**	**14,043**	**2,857**	**10,325**	**131,173**

For comparability, corresponding tables referring to 31 December 2018 are shown below:

Income statement at 31 December 2018

In thousands of Euros	*Property and holding and holding*	*Industrial sector sector*	*Marine sector*	*Immsi Group*
Net sales to third parties	5,178	1,389,546	69,809	1,464,533
Intercompany net sales				0
NET SALES	**5,178**	**1,389,546**	**69,809**	**1,464,533**
OPERATING INCOME (EBIT)	**-3,513**	**92,778**	**11,336**	**100,601**
Results of associates	0	474	0	474
Finance income				23,402
Finance costs				65,919
PROFIT BEFORE TAX				**58,558**
Taxes				33,146
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS				**25,412**
Profit (loss) for the period from discontinued operations				0
PROFIT (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS				**25,412**
Minority interests				12,549
GROUP PROFIT (LOSS) FOR THE PERIOD				**12,863**

Statement of financial position at 31 December 2018

In thousands of Euros	*Property and holding and holding*	*Industrial sector sector*	*Marine sector*	*Immsi Group*
Segment assets	360,651	1,585,539	164,957	2,111,147
Investments in affiliated companies	0	138	18	156
TOTAL ASSETS	**360,651**	**1,585,677**	**164,975**	**2,111,303**
TOTAL LIABILITIES	**376,582**	**1,193,725**	**161,621**	**1,731,928**

Other information at 31 December 2018

In thousands of Euros	*Property and holding and holding*	*Industrial sector sector*	*Marine sector*	*Immsi Group*
Investments in property, plant and equipment and intangible assets	**1,688**	**115,278**	**778**	**117,744**
Depreciation, amortisation and write-downs	**470**	**112,437**	**3,341**	**116,248**
Cash flow from operating activities	**-19,710**	**154,979**	**-3,614**	**131,655**
Cash flow from investing activities	**-1,820**	**-110,984**	**-590**	**-113,394**
Cash flow from financing activities	**16,950**	**16,495**	**9,002**	**42,447**

Secondary sector: geographic segments

Income statement at 31 December 2018

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Group Immsi*
Net sales to third parties	791,349	29,945	410,758	51,109	181,372	1,464,533
Intercompany net sales						0
NET SALES	**791,349**	**29,945**	**410,758**	**51,109**	**181,372**	**1,464,533**

Statement of financial position at 31 December 2018

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Group Immsi*
Segment assets	1,723,650	23,373	237,476	10,164	116,484	2,111,147
Investments in affiliated companies	126	30	0	0	0	156
TOTAL ASSETS	**1,723,776**	**23,403**	**237,476**	**10,164**	**116,484**	**2,111,303**

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Group Immsi*
Total receivables *	**76,068**	**12,052**	**54,624**	**6,064**	**11,699**	**160,507**
Total payables **	**343,768**	**27,050**	**126,472**	**3,231**	**48,515**	**549,036**

*) Contract work in progress and Tax receivables are not included.
**) Payables for Current taxes and Financial liabilities are not included.

Other information at 31 December 2018

In thousands of Euros	*Italy*	*Rest of Europe*	*India*	*United States*	*Rest of the World*	*Group Immsi*
Investments in property, plant and equipment and intangible assets	**98,101**	**143**	**13,862**	**1,936**	**3,702**	**117,744**
Depreciation, amortisation and write-downs	**92,207**	**1,409**	**11,766**	**1,310**	**9,556**	**116,248**

- F - INFORMATION ON THE MAIN ASSET ITEMS

Amounts are stated in thousands of Euros unless otherwise indicated.

- F1 - INTANGIBLE ASSETS 848,853

Net intangible assets at 31 December 2019 amounted to €848,853 thousand, up by €15,048 thousand compared to 31 December 2018, mainly due to the capitalisation of development costs for new products and new engines, as well as the acquisition of software, detailed below:

In thousands of Euros	*Development costs*	*Concessions, patents, industrial and similar rights*	*Trademarks and licences*	*Goodwill*	*Other intangible assets*	*TOTAL*
Gross amounts at 31 December 2017	**281,825**	**376,883**	**155,200**	**625,421**	**9,188**	**1,448,517**
Increases	33,299	44,204	611	0	36	78,150
Change in the scope of consolidation	0	0	0	0	0	0
Other movements	3,369	(946)	(27,664)	0	670	(24,571)
Gross amounts at 31 December 2018	**318,493**	**420,141**	**128,147**	**625,421**	**9,894**	**1,502,096**
Accumulated amortisation at 31 December 2017	**191,809**	**298,242**	**111,798**	**11,439**	**9,031**	**622,319**
Amortisation	32,332	30,638	4,827	0	101	67,898
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	5,571	(512)	(27,664)	0	679	(21,926)
Accumulated amortisation at 31 December 2018	**229,712**	**328,368**	**88,961**	**11,439**	**9,811**	**668,291**
Net amounts at 31 December 2018	**88,781**	**91,773**	**39,186**	**613,982**	**83**	**833,805**
Gross amounts at 31 December 2018	**318,493**	**420,141**	**128,147**	**625,421**	**9,894**	**1,502,096**
Increases	39,622	49,787	0	0	515	89,924
Change in the scope of consolidation	0	0	0	0	0	0
Other movements	5,266	(1,139)	62,715	0	415	67,257
Gross amounts at 31 December 2019	**363,381**	**468,789**	**190,862**	**625,421**	**10,824**	**1,659,277**
Accumulated amortisation at 31 December 2018	**229,712**	**328,368**	**88,961**	**11,439**	**9,811**	**668,291**
Amortisation	32,418	35,185	4,823	0	221	72,647
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	7,595	(1,107)	62,716	0	282	69,486
Accumulated amortisation/depreciation at 31 December 2019	**269,725**	**362,446**	**156,500**	**11,439**	**10,314**	**810,424**
Net amounts at 31 December 2019	**93,656**	**106,343**	**34,362**	**613,982**	**510**	**848,853**

Note: 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 include costs for products, vessels and engines in projects for which there is an expectation, for the period of the useful life of the asset, to realise revenues that will allow for the recovery of the costs incurred. This item includes assets under construction for €36,517 thousand, entirely ascribable to the Piaggio group, which instead represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.

With particular reference to the **industrial sector** (Piaggio group), new projects capitalised during 2019 refer to the study of new vehicles and new engines (two-/three-/four-wheelers which will feature as the top products in the 2019-2021 range.
Finance costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the actual assets. During 2019, development costs of approximately €18,000 thousand were recognised directly by the Piaggio group in profit or loss.

As regards the **marine sector** (Intermarine S.p.A.), total development costs capitalised at 31 December 2019 under intangible assets, net of amortisation, amounted to €5,379 thousand. In previous years, two important research projects were started: “Hydrofoils with Submerged Foils" and "Enviroaliswath”.

For further details on main research and development activities of companies belonging to the Immsi Group, see the Non-Financial Statement included in the Report on Operations.

Concessions, patents, industrial and similar rights

The net balance of this item, equal to €106,343 thousand at 31 December 2019, is mainly related to the Piaggio group that has recorded software, patents and know-how for a total of €106,094 thousand, of which assets under construction for €43,957 thousand.

Patents and know-how mainly refer to new calculation, design and production techniques and methods developed by the Piaggio group for the main new products in the 2019-2021 range.

Trademarks and licences

The item trademarks and licences with a finite useful life, totalling €34,362 thousand, is broken down as follows:

In thousands of Euros	**Net value as at 31 December 2019**	**Net value at 31 December 2018**	**Change**
Guzzi trademark	11,375	13,000	(1,625)
Aprilia trademark	22,351	25,544	(3,193)
Foton licence	611	611	0
Other	25	31	(6)
Total brands	**34,362**	**39,186**	**(4,824)**

The Aprilia and Guzzi trademarks are amortised over a period of 15 years, expiring in 2026.

Goodwill

The goodwill recognised by the Group was unchanged compared to the balance at the end of 2018. The item in question is broken down in the following table:

In thousands of Euros	
	Net Balance as of 31.12.2019
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. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition 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:

- o the current value of future financial flows over a multi-year forecasting period that are estimated to be generated by the continuous use of the assets referred to the single cash generating units ("Unlevered" version of the "Discounted Cash Flow" method); and
- o by the terminal value attributable to them (estimated according to the perpetual growth method), so as to reflect the residual value that each cash-generating unit is expected to generate beyond the planning timeframe and which is representative of the current value of future cash flows after the specific period of forecast financial data.

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

Goodwill has been allocated to the Intermarine and Piaggio group cash-generating units. The impairment testing for both the cash-generating units was conducted in-house by Immsi S.p.A.'s management, in order to support the Company's Board of Directors in the application of the procedure set out in the accounting standard IAS 36.

As concerns the Piaggio group, it has been considered reasonable to consider the Piaggio cash-generating unit coincident with the Piaggio group as a whole (Piaggio & C. S.p.A. and its subsidiaries). Therefore all the considerations related to the estimate of the utilisation value of the cash-generating unit and to its use for the purposes of the impairment test were developed considering the Piaggio group at consolidated level. The carrying amount of the goodwill allocated to the cash-generating unit Piaggio group is equal to approximately €579.5 million. The main hypotheses and assumptions used in determining the recoverable value of the cash generating unit are related to i) the use of forecast economic and asset data of the Piaggio group; ii) the discount rate used for discounting estimated expected cash flows; iii) the use of the expected growth rate for the calculation of the terminal value consistently with the approach of the perpetuity growth.
As regards the figures as of point i), analyses were based on predicted financial flows relative to a

four-year period assumed from 2020 budget data (approved by the Board of Directors of Piaggio & C. S.p.A. on 24 February 2020) supplemented by forecast data relative to 2021-2023.
With reference to the value of point ii), for discounting the estimated expected cash flows, a weighted average discount rate calculated beginning from the discount rates related to the different geographic segments of operation of the Piaggio group for its own cash-generating units has been used, that reflect the current market evaluations of the cost of money and that take account of the specific risks of the business and of the geographic segment in which the different cash-generating units of the Piaggio group operate. In particular, to establish the cost of its equity ("K_e") according to the CAPM ("Capital Asset Pricing Model") a) a variable long-term risk-free rate for the different areas of operation of the group was considered; b) a market risk premium in an unconditional form (normal long-term premium), in order to avoid the risk of running into a "double counting" of the country risk associated to the group's operational areas; c) Beta coefficients also taking into account the Beta coefficients of main listed companies that are comparable to the Piaggio group. The cost of debt ("K_d") net of taxes was estimated taking account of the target financial structure that can be related to main listed companies comparable to the Piaggio group as well as – prudentially in order to mitigate the positive impact of the current expansive monetary policy – a long-term risk-free rate. The average weighted discount rate ("WACC") used for impairment testing net of taxes is therefore estimated to be equal to approximately 6.34% decreasing compared to the previous year (7.79% at 31 December 2018).
As regards point iii) when processing the impairment test, the final value was determined using a weighted average perpetual growth rate ("g rate"), calculated starting from different "g rates", determined by the Piaggio group for its own internal cash-generating units; this average weighted "g rate" was estimated as being equal to 1.3% (broadly in line with the figure used at 31 December 2018).

Analyses did not identify any impairment losses: therefore, no impairment loss was reflected in the data of the Consolidated Financial statements of the Immsi Group at 31 December 2019. With the above values of the basic assumptions considered, the goodwill test regarding the Piaggio group cash-generating unit was passed with a broad margin. In addition, also on the basis of the indications contained in the Document Banca d'Italia/Consob/Isvap no. 2 of 6 February 2009 and in the document Banca d'Italia/Consob/Isvap no. 4 of March 2010, sensitivity analysis was carried out on the test results compared to the basic assumptions used such as the perpetual growth rate used to process the final value ("g rate") and the discount rate ("WACC"), that affect the estimate of the value of use of the cash-generating unit Piaggio group. the impairment test was passed in all reasonably considered cases.

As regards the cash-generating unit **Intermarine** the company coincides with the definition of the "marine sector" identified by the Immsi Group in its own segment reporting, in compliance with IFRS 8 – Operating segments: the carrying amount of goodwill allocated to the cash-generating unit is equal to approximately €34.4 million. The main hypotheses and assumptions used in determining the recoverable value of the cash generating unit are related to i) the use of forecast financial data of Intermarine; ii) the discount rate used for discounting estimated expected cash flows; iii) the expected growth rate for calculating the terminal value, consistently with the approach of discounting back the "perpetual growth".
As regards values of point i) the analyses were based on a hypothesis of forecast financial flows relative to a five-year time line inferable from budget data for 2020, supplemented with forecast data for the period 2021-2024 prepared by the management of Intermarine S.p.A.: the data processed as above were approved by the Board of Directors of the company on 6 March 2020. In this regard, forecast data considered – uncertain and variable by nature – reflect the evolution of the company's order portfolio as well as its future industrial and commercial strategies: such data, in particular, is essentially based on the acquisition of future contracts, in relation to which negotiations are currently under way. Updates, revisions or negative developments relative to the aforesaid assumptions and forecasts occurring after the reporting period of this evaluation could influence, even significantly,

the results of impairment testing. In this regard, during preceding years, the final results of the marine sector showed deviations compared to estimates in financial forecasts used, even after several exceptional and unforeseeable events: given the intrinsically uncertain nature of the forecast data considered, it cannot be excluded that these deviations may continue to take place even in the future, with respect to the forecast data used in the impairment test carried out at 31 December 2019.
As regards the value of point ii), for discounting the estimated expected cash flows of Intermarine, a discount rate was used that reflects current market evaluations of the cost of money and takes account of the specific risks of the business and geographic segment in which the company operates. In particular, the cost of equity ("Ke") was determined according to the CAPM ("Capital Asset Pricing Model"). For this purpose, we considered a) a long-term risk-free rate; b) a market risk premium in an unconditional form (normal long-term premium); c) a Beta coefficient calculated by taking into account also the Beta coefficient of a sample of companies comparable to the company, operating in the leisure and defence shipbuilding sector. For the purpose of estimating the aforementioned rate, a specific risk premium equal to 2.5% was also considered. The cost of debt ("K_d") net of taxes was estimated taking account of the expected financial structure of a panel of listed companies comparable to Intermarine as well as – prudentially in order to mitigate the positive impact of the current expansive monetary policy - a long-term risk-free rate. The weighted average discount rate used for the purposes of the impairment test net of taxes is therefore estimated equal to approximately 8.41% (8.67% at 31 December 2018).
As regards point iii) when processing the impairment test, the final value was determined using a perpetual growth rate ("g rate"), prudentially estimated as being equal to 0.25%.

The analyses conducted did not highlight any impairment losses with reference to the test of goodwill allocated to the Intermarine cash-generating unit: therefore, no impairment of goodwill is reflected in the data of the Consolidated Financial statements of the Immsi Group at 31 December 2019. Sensitivity analysis was carried out on the test results compared to the basic assumptions used such as the perpetual growth rate used to process the final value ("g rate") and the discount rate ("WACC"), that affect the estimate of the value of use of the cash-generating unit Intermarine: the test concerning goodwill allocated to the cash-generating unit in question was passed in all reasonably considered cases.

Considering that the analyses conducted to estimate the recoverable value both for the Piaggio group cash-generating unit and for Intermarine cash-generating unit has also been determined on the basis of estimates, the Group cannot assure that there will not be a loss in value of the goodwill in future periods.
Owing to the current climate of uncertainty on 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.

Other intangible assets

The item "Other intangible assets with a finite life" totalling €510 thousand, mainly includes expenses incurred by Piaggio Vietnam.

- F2 - PROPERTY, PLANT AND EQUIPMENT 337,988

Net property, plant and equipment at 31 December 2019 amounted to €337,988 thousand, compared to €300,860 thousand at 31 December 2018, and comprise assets owned by the Piaggio group for €299,982 thousand, of Intermarine S.p.A. for €17,803 thousand, of Is Molas S.p.A. for €18,756 thousand and of Immsi S.p.A. for €1,392 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	286	2,242	16,801	14,298	19	5,412	39,058
Decreases	0	(81)	(3,808)	(5,641)	(722)	(4,616)	(14,868)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other movements	0	(580)	(6,906)	(5,210)	(60)	(3,596)	(16,352)
Gross amounts at 31 December 2018	**44,708**	**191,567**	**524,553**	**522,681**	**15,493**	**59,911**	**1,358,913**
Accumulated depreciation at 31 December 2017	**0**	**81,900**	**394,120**	**498,656**	**15,082**	**53,974**	**1,043,732**
Depreciation	0	5,670	21,926	9,587	60	4,514	41,757
Uses	0	(13)	(3,662)	(5,470)	(607)	44	(9,708)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	401	(5,233)	(5,210)	(60)	(7,626)	(17,728)
Accumulated depreciation at 31 December 2018	**0**	**87,958**	**407,151**	**497,563**	**14,475**	**50,906**	**1,058,053**
Net amounts at 31 December 2018	**44,708**	**103,609**	**117,402**	**25,118**	**1,018**	**9,005**	**300,860**
Gross amounts at 31 December 2018	**44,708**	**191,567**	**524,553**	**522,681**	**15,493**	**59,911**	**1,358,913**
Increases	616	4,013	29,980	11,537	28	7,457	53,631
Decreases	0	(13)	(17,537)	(9,631)	0	(4,645)	(31,826)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other movements	0	29,180	1,312	187	958	5,697	37,334
Gross amounts at 31 December 2019	**45,324**	**224,747**	**538,308**	**524,774**	**16,479**	**68,420**	**1,418,052**
Accumulated depreciation at 31 December 2018	**0**	**87,958**	**407,151**	**497,563**	**14,475**	**50,906**	**1,058,053**
Depreciation	0	10,797	21,963	9,363	210	7,717	50,050
Uses	0	(13)	(17,463)	(9,630)	0	126	(26,980)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	41	1,952	1,651	(115)	(4,588)	(1,059)
Accumulated amortisation/depreciation at 31 December 2019	**0**	**98,783**	**413,603**	**498,947**	**14,570**	**54,161**	**1,080,064**
Net amounts at 31 December 2019	**45,324**	**125,964**	**124,705**	**25,827**	**1,909**	**14,259**	**337,988**

Note: the "Other changes" item includes the translation differences relating to financial statements in foreign currencies, reclassifications and write-downs, as well as increases in rights of use at 1 January 2019 due to the adoption of the new IFRS 16 - Leases.

Property, plant and equipment are depreciated at rates considered suitable for representing their useful life and in any case according to depreciation on a straight line basis, to which reference is made to paragraph D – Accounting standards and measurement criteria.

Property, plant and equipment at 31 December 2019 included approximately €1,909 thousand relative to freely transferable assets attributable to Intermarine, comprising light constructions, buildings and relative renovation costs, built on state-owned land in the Municipality of Messina.

Buildings built on state-owned land are depreciated based on the remaining duration of the concession. These assets, held because of a concession agreement, at its expiry, must be freely and in a perfect state of operation transferred to the granting body.
Furthermore, finance costs on loans acquired to finance the building of assets that require a substantial period of time to be ready for use are capitalised as part of the cost of the assets themselves: in this regard, the Group capitalised finance costs for €182 thousand in the year.

Land and buildings

Land and industrial property refer to production facilities of the Piaggio group located in Pontedera (Pisa), Noale and Scorzè (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India) and Vinh Phuc (Vietnam), to the industrial complex of Intermarine S.p.A. in Sarzana (SP) and to the tourism/hotel structure managed by Is Molas S.p.A. in the Municipality of Pula (Cagliari).
The item also includes a building located in Pisa, used as a warehouse by Piaggio & C. S.p.A.. The Group recognised €7,064 thousand for assets under construction at owned property.

Plant and machinery

The "Plant and machinery" item refers essentially to the production facilities of the Piaggio group located in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam), as well as the structures owned by Intermarine S.p.A. and the facilities located in the tourist/hotel complex managed by Is Molas S.p.A., for a net overall amount (including assets held under leases) of €124,705 thousand. The Group recognised €20,689 thousand for assets under construction and as a whole it uses plant and machinery fully depreciated for a gross value of approximately €23,328 thousand.
This item includes the net value of the assets held through leases of €9,844 thousand, consisting of the Vespa painting plant located in Pontedera.

Industrial and commercial equipment

The item industrial and commercial equipment was equal to €25,827 thousand. The balance includes assets under construction for €5,266 thousand, principally recognised by the Piaggio group.
Main investments in equipment were made by the Piaggio group and concerned moulds for new vehicles launched during the year or scheduled to be launched in the first half of next year, moulds for new engines and specific equipment for assembly lines.

Other assets

The "Other assets" item comprises vehicles, furniture, office fittings and EDP systems. Other assets are recognised for a total value of €14,259 thousand, net of relative depreciation. The Group uses fully depreciated assets belonging to this category for a gross value of €1,563 thousand and recognised assets under construction for €1,639 thousand.

At 31 December 2019, the net value of assets held through lease contracts amounted to €39,171 thousand, including payments paid in advance by Asian companies for concessions on land on which production facilities are located and for the lease of a building. €29,232 thousand refers to rights of use (including the above lease payments) divided between: buildings for €24,000 thousand, concessions for €945 thousand, industrial and commercial equipment for €108 thousand and other assets for €4,179 thousand. 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.

Guarantees

At 31 December 2019, the Group had land and property encumbered by mortgages or pledges in favour of financial institutions to guarantee bank loans, to which reference is made in the paragraph I – Commitments, risks and guarantees.

- F3 -	INVESTMENT PROPERTY	9,203

At 31 December 2019, investment property of the Immsi Group was recognised amounting to €9,203 thousand, attributable to the property, plant and machinery of the Spanish site at Martorelles of the Piaggio group.

With reference to the Parent Company Immsi S.p.A., on 19 December 2019 the ownership of the property located in Via Abruzzi, Rome, was transferred to the real estate fund Investire SGR S.p.A.. The sale price was €62.5 million.
At 31 December 2018 the property was classified as investment property, as defined by IAS 40, at a fair value of €74.7 million; the Parent Company recognised a loss of €12.2 million in the income statement under "Other operating expense" to adjust the value of the investment property to the sale price.
In connection with this transaction, the Parent Company recognised additional selling expenses amounting to approximately €1.4 million under the item "Other operating expense", mainly for commercial intermediation, consultancy and maintenance of the building.
As part of the sale agreements, it was contractually agreed to deposit part of the sale price (€1.5 million) in an escrow account in the name of and managed by the notary, to serve as a guarantee on post-sale obligations borne entirely by the Parent Company. In case of fulfilment or non-fulfilment of the above obligations, the amount will be released by the notary public either to Immsi S.p.A. or to the acquiring counterparty.
The Parent Company Immsi S.p.A. recognised this deposit under current assets in the item "Trade receivables and other receivables" with €1.2 million for the portion relating to obligations to be fulfilled by 31 December 2020, while the remaining €0.3 million for post-sale obligations to be completed after31 December 2020 was recognised under non-current assets.
The property in Rome was encumbered with mortgages for a total of €90 million to guarantee the loan obtained in 2010 and renegotiated at the end of 2015 with Banco BPM (formerly Banco Popolare) for a nominal amount of €31.5 million, which were cancelled on the date of sale of the property when the Company fully repaid the residual debt of the loan mentioned above.
Rental income from third parties, accruing up to the date of the sale, referred to the building and was recognised under operating income, amounting to €2,158 thousand. 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.

As regards the property of the Piaggio group, the carrying amount of the Martorelles site at 31 December 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 €9,203 thousand. In this regard, the valuation took account of the current status of the property, and the project to convert the area, for the development of a retail centre prepared by the Piaggio group, together with comparable transactions. Following the site redevelopment project, an agency management contract was given to a Spanish property company, to seek investors interested in the property.
It should be remembered that the Group applies the fair value model pursuant to IAS 40, so updated valuation involved including in the Income Statement for 2019 a fair value upgrade charge of €1,066 thousand shown among other operating expenses. If the cost criterion had still been used instead of fair value, the value of the Martorelles site would have been equal to €5,935 thousand.

- F4 - EQUITY INVESTMENTS 8,935

The table below details the item Equity investments at 31 December 2019:

In thousands of Euros	Balance 31.12.2018	Increases	Decreases	Reversals / Write-downs	Reclassifications / Exchange differences	Balance 31.12.2019
Equity investments in subsidiaries	20	0	0	(3)	0	17
Equity investments in affiliated companies and joint ventures	7,942	0	0	919	57	8,918
TOTAL	**7,962**					**8,935**

The increase of the above item refers mainly to the equity valuation of the investment in the Zongshen Piaggio Foshan Motorcycles Co. Ltd.

Below is the corresponding table related to changes that occurred during 2018:

In thousands of Euros	Balance 31.12.2017	Increases	Decreases	Reversals / Write-downs	Reclassifications / Exchange differences	Balance 31.12.2018
Equity investments in subsidiaries	22	0	(2)	0	0	20
Equity investments in affiliated companies and joint ventures	7,561	0	0	474	(93)	7,942
TOTAL	**7,583**	**0**	**(2)**	**474**	**(93)**	**7,962**

The table below details Investments at 31 December 2019:

Equity investments	% Group	Carrying amount at 31 December 2019
Accounted for using the equity method:		
Rodriquez Pietra Ligure S.r.l.	100.00%	17
Accounted for using the cost method:		
Total subsidiaries		**17**
Accounted for using the equity method:		
Zongshen Piaggio Foshan Motorcycle Co. LTD.	45.00%	8,753
Total joint-ventures		**8,753**
Accounted for using the equity method:		
S.A.T. Societé d'Automobiles et Triporteurs S.A.	20.00%	0
Depuradora d'Aigües de Martorelles S.C.C.L.	22.00%	23
Pont - Tech, Pontedera & Tecnologia S.c.r.l.	20.44%	124
Accounted for using the cost method:		
Consorzio CTMI – Messina	33.33%	18
Total affiliated companies		**165**
TOTAL		**8,935**

The investment in Zongshen Piaggio Foshan Motorcycles Co. Ltd was classified under "Joint ventures" in relation to the agreement signed on 15 April 2004 between Piaggio & C. S.p.A. and Foshan Motorcycle Plant, on one side, and the Chinese company Zongshen Industrial Group Company Limited on the other side. Piaggio & C. S.p.A.'s investment in Zongshen Piaggio Foshan Motorcycles is equal to 45%, of which 12.5% through the direct subsidiary Piaggio China Company Ltd. The carrying amount of the investment is equal to €8,753 thousand and refers to shareholders' equity pro-rata adjusted to take into account the measurement criteria adopted by the Group.

The table below summarises main financial data of the joint venture:

figures in thousands of Euros	31.12.2019	31.12.2018
Working capital	4,198	2,991
Consolidated debt	1,823	300
Total assets	4,515	6,528
NET CAPITAL EMPLOYED	**10,536**	**9,819**
Provisions	112	94
Consolidated debt	0	0
Shareholders' equity	10,424	9,725
TOTAL SOURCES OF FINANCING	**10,536**	**9,819**
Shareholders' equity attributable to the Group	10,424	9,725
Elimination of margins on internal transactions	(1,671)	(1,939)
Value of the investment	**8,753**	**7,786**

The statement of reconciliation of Shareholders' Equity at the end of 2018 and at 31 December 2019 is presented below:

Opening balance as of 1 January 2019	7,786
Profit (Loss) for the period	638
Other comprehensive income	61
Elimination of margins on internal transactions	268
Closing balance at 31 December 2019	**8,753**

- F5 - OTHER FINANCIAL ASSETS 10,942

- Non-current portion

Other non-current financial assets amounted to €3,512 thousand, of which €3,475 thousand refer to the fair value of hedging derivatives of the Piaggio group, and in particular the long-term portion of the fair value of the cross currency swap on the private debenture loan.
The remaining part is attributable to the carrying amount of equity 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 amounted to €7,430 thousand compared to €5,572 thousand at the end of the previous year.

The item includes the investment (via 279,639 shares) of Immsi S.p.A. in Unicredit S.p.A., with a fair value as at 31 December 2019 of €3,641 thousand, up on 31 December 2018 by €874 thousand.
The Holding Company adjusted the carrying amount of the investment to the value measured at 31 December 2019, recognising the adjustment in other comprehensive income.
Current financial assets also include €3,789 thousand relative to the short-term portion of the fair value of cross currency swaps on a private debenture loan.

- F6 - TAX RECEIVABLES 35,006

Current and non-current tax receivables totalled €35,006 thousand and are broken down as follows:

- Non-current portion

In thousands of Euros	*Balance 31.12.2019*	*Balance 31.12.2018*
VAT receivables	4,209	5,138
Income tax receivables	9,886	12,235
Other tax receivables	19	26
TOTAL	**14,114**	**17,399**

- Current portion

In thousands of Euros	*Balance 31.12.2019*	*Balance 31.12.2018*
VAT receivables	15,067	5,630
Income tax receivables	2,639	2,672
Other tax receivables	3,186	1,644
TOTAL	**20,892**	**9,946**

Tax receivables due after 12 months refer exclusively to receivables of the Piaggio group.
The wholly change is related primarily to an increase in VAT receivables of the Piaggio & C. S.p.A.

Immsi S.p.A. has tax consolidation contracts with the subsidiaries Piaggio & C. S.p.A., Piaggio Concept Store Mantova S.r.l., Aprilia Racing S.r.l., Apuliae S.r.l., Intermarine S.p.A., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l. and Pietra Ligure S.r.l.. As regards contracts signed with these companies, the Parent Company Immsi S.p.A., as consolidating entity, recognised tax receivables for €127 thousand in its financial statements, relative to withholding taxes transferred from companies of the agreement, recognised in the current portion as they concern disposal to subsidiaries pursuant to Article 43-ter of Italian Presidential Decree no. 602/73 to be offset in 2020.

- F7 - DEFERRED TAX ASSETS 134,441

At 31 December 2019, net deferred tax assets that will fall due within 12 months total €11,780 thousand (€7,010 thousand at 31 December 2018) while those falling due beyond 12 months amount to €122,661 thousand (€119,988 thousand at 31 December 2018): these values are recorded net of deferred tax liabilities which are uniform as regards maturity and nature. Deferred tax liabilities were determined applying the tax rate in effect in the year when temporary differences occur.

Deferred tax assets recognised mainly refer to the Piaggio group for €63,190 thousand (€59,250 thousand at 31 December 2018), Intermarine S.p.A. with €46,058 thousand (compared to €48,321 thousand at 31 December 2018) and Is Molas S.p.A. with €16,665 thousand (€15,193 thousand at 31 December 2018). In general, reference is made to temporary differences measured in 2019 and previous years and losses of 2019 and previous years.

As regards the measurements to define the deferred tax assets, the Group mainly took account of i) the tax regulations in the various countries in which it operates; ii) their impact in terms of timing differences and any tax benefits deriving from the use of prior tax losses in consideration of their falling due; iii) the estimated financial results for each individual company; iv) the economic and tax repercussions of the implementation of the reorganisations; and v) of 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.

Gross deferred tax assets are as follows:

In thousands of Euros

	Taxable amount	*Tax effect*	*Recognised*	*Not recognised*
Temporary differences for allocations to provisions	*94,302*	*25,195*	*n/a*	*n/a*
Other differences	*52,742*	*11,607*	*n/a*	*n/a*
Total of provisions and other changes	***147,044***	***36,802***	***34,753***	***2,049***
Tax losses	*497,683*	*120,544*	*100,127*	*20,417*
Grand total at 31 December 2019	***644,727***	***157,346***	***134,880***	***22,466***

Deferred tax assets which are not recognised amounted to €22,466 thousand and refer to previous losses and other temporary differences mainly attributable to the Parent Company Immsi S.p.A. for €1,638 thousand and the Piaggio group for €20,643 thousand.

For comparability, the corresponding table at 31 December 2018 is shown below:

In thousands of Euros

	Taxable amount	*Tax effect*	*Recognised*	*Not recognised*
Temporary differences for allocations to provisions	*90,463*	*27,542*	*n/a*	*n/a*
Other differences	*44,334*	*9,785*	*n/a*	*n/a*
Total of provisions and other changes	***134,797***	***37,327***	***36,068***	***1,259***
Tax losses	*443,590*	*107,501*	*90,930*	*16,571*
Grand total at 31 December 2018	***578,387***	***144,828***	***126,998***	***17,830***

- F8 - TRADE RECEIVABLES AND OTHER RECEIVABLES 144,428

- Non-current portion

Trade receivables and other receivables included under non-current assets total €17,232 thousand against €18,460 thousand at 31 December 2018. The item mainly includes deferred charges for €10,751 thousand, security deposits for €1,521 thousand, receivables to the Fondazione Piaggio for €81 thousand and a receivable of €1,684 thousand recognised by Is Molas and relative to the "Le Ginestre" proceedings.
The item in question includes trade receivables due after 12 months recognised by Intermarine S.p.A. and to this date entirely written down for €1,203 thousand.

- Current portion

Trade receivables and other current receivables are represented by the following:

In thousands of Euros		
	Balance 31.12.2019	***Balance 31.12.2018***
Trade receivables	84,635	105,403
Receivables due from subsidiaries	0	0
Amounts due from affiliated companies	137	220
Receivables due from parent companies	0	0
Amounts due from joint ventures	2,282	2,286
Other receivables	40,142	32,318
TOTAL	**127,196**	**140,227**

The item "Trade receivables" comprises amounts due from normal sales transactions, stated net of a provision for bad debts of €27,861 thousand, which at 31 December 2019 had decreased by €6,863 thousand compared to 31 December 2018.
The following table shows the movements of the current and non-current provision in question during 2019:

In thousands of Euros	
Balance at 31.12.2018	**35,927**
Increases for allocations	183
Decreases for use	(7,046)
Other changes	0
Balance at 31.12.2019	**29,064**

The Piaggio group sells a large part of its trade receivables with and without recourse. The group has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits.
At 31 December 2019, trade receivables still due, sold without recourse, totalled €100,629 thousand: on such receivables, the Piaggio group received payment before the natural expiry of the receivable for €100,525 thousand. At 31 December 2019, the advances received – both from factoring firms and from banks – on disposals of trade receivables with recourse totalled €9,946 thousand and are offset in the corresponding item under current liabilities.

The balance of receivables from affiliated companies refers instead to amounts owing from the Consortium CTMI, while receivables from joint ventures refer to Zongshen Piaggio Foshan Motorcycle Co. Ltd.

"Other receivables" mainly include advances to suppliers for €12,217 thousand, essentially recognised by the subsidiary Intermarine S.p.A., accrued income and deferred charges for a total of €8,372 thousand, advances to employees for €1,249 thousand, security deposits for €302 thousand, receivables concerning ministerial contributions for €433 thousand and other sundry receivables.
Finally other receivables include the equivalent value of works in progress to order net of advances received, referring entirely to the subsidiary Intermarine S.p.A., whose composition is given below.

In thousands of Euros				
	Balance 31.12.2018	***Increases***	***Decreases***	***Balance 31.12.2019***
Contract work in progress gross of advances	**125,192**	61,663	(22,820)	**164,035**
Contractual advances received from customers	127,012			154,697
Contract work in progress net of advances	**(1,820)**			**9,338**
Costs sustained	96,638			121,110
Margins recognised (net of losses)	28,554			42,925

- F9 - ASSETS / LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL 27,436

The net carrying amount of assets held for sale amounts to €27,436 thousand and refers nearly entirely to the property portfolio of Pietra Ligure acquired at the public auction of the State in December 2007 for a total of €19.1 million and recognised under buildings held for disposal in relation to contracts and obligations undertaken by the company.

Gross assets held for disposal amount to €33,442 thousand, increasing by €6,012 thousand 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 2019.

- F10 - INVENTORIES 333,204

Inventories are measured at the lower of cost and market value and totalled €333,204 thousand at the end of the period, comprising:

In thousands of Euros	***Balance at 31.12.2019***			***Balance at 31.12.2018***		
	Cost	***Write-down***	***Net***	***Cost***	***Write-down***	***Net***
Merchandise	0	0	0	0	0	0
Consumables	48	0	48	54	0	54
Raw materials	122,541	(15,201)	107,340	116,699	(13,441)	103,258
Work in progress and semi-finished products	131,561	(12,510)	119,051	126,204	(21,005)	105,199
Finished products	127,807	(21,042)	106,765	144,625	(21,894)	122,731
TOTAL	**381,957**	**(48,753)**	**333,204**	**387,582**	**(56,340)**	**331,242**

The above write-downs were necessary due to stocks of raw materials no longer usable in the production process and obsolete or slow-moving finished products and goods.
At 31 December 2019, the Piaggio group recognised, net of write-downs, inventories for €214,682 thousand referred to components, accessories, 2-wheeler, 3-wheeler and 4-wheeler vehicles. Intermarine S.p.A. contributed €52,558 thousand, mainly concerning raw materials and products in progress for prototypes, own construction and repairs. Finally, Is Molas S.p.A. records €65,964 thousand of inventories at the end of the reporting period relating to the hotel business, as well as work in progress and semi-finished products comprising land, volumes, costs for services and consultancy for the property development project relating to the allotment located in Is Molas - Cagliari.

- F11 - CASH AND CASH EQUIVALENTS 212,596

Cash and cash equivalents at the end of the reporting period totalled €212,596 thousand against €200,450 thousand at 31 December 2018, as detailed in the table below:

In thousands of Euros	*Balance 31.12.2019*	*Balance 31.12.2018*
Cheques	20	5
Cash and cash equivalents	90	117
Securities	62,116	57,396
Receivable due from banks within 90 days	150,370	142,932
TOTAL	**212,596**	**200,450**

The aggregate in question refers to cash, current bank accounts, deposits refundable on demand and other short-term high-liquidity financial investments readily convertible into cash and subject to an insignificant risk of change in value.
The item Securities refers to deposit agreements entered into by the Indian subsidiary of the Piaggio group to effectively use temporary liquidity , while the item receivables due from banks within 90 days (attributable to the Piaggio group for €128,565 thousand), mainly refers to bank and postal deposits.

The table below reconciles the amount of cash and cash equivalents above with cash and cash equivalents recognised in the Statement of Cash Flows.

In thousands of Euros	*Balance 31.12.2019*	*Balance 31.12.2018*
Cash and cash equivalents	212,596	200,450
Current account overdrafts	(541)	(4,482)
TOTAL	**212,055**	**195,968**

- F12 - BREAKDOWN OF RECEIVABLES BY VALUATION METHOD

Information on the carrying amount of financial assets and operating receivables at 31 December 2019 and 31 December 2018, with particular reference to the accounting standards adopted, is given below.

- Operating assets

In thousands of Euros

Values at 31 December 2019	**Assets at FVPL**	**Assets at FVOCI**	**Derivative financial instruments**	**Assets at depreciated/amortised cost**	**Total**
Non-current					
Tax receivables				14,114	14,114
Other receivables				17,232	17,232
Total non-current operating receivables	**0**	**0**	**0**	**31,346**	**31,346**
Current					
Trade receivables				87,054	87,054
Tax receivables				20,892	20,892
Other receivables			123	30,681	30,804
Total current operating receivables	**0**	**0**	**123**	**138,627**	**138,750**

In thousands of Euros					
Values at 31 December 2018	**Assets at FVPL**	**Assets at FVOCI**	**Derivative financial instruments**	**Assets at depreciated/amortised cost**	**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 31 December 2019	**Assets at FVPL**	**Assets at FVOCI**	**Derivative financial instruments**	**Assets at depreciated/amortised cost**	**Total**
Non-current					
Other financial assets	37		3,475		3,512
Total non-current financial assets	**37**	**0**	**3,475**	**0**	**3,512**
Current					
Other financial assets		3,641	3,789		7,430
Cash and cash equivalents				150,480	150,480
Securities				62,116	62,116
Total current financial assets	**0**	**3,641**	**3,789**	**212,596**	**220,026**

In thousands of Euros					
Values at 31 December 2018	**Assets at FVPL**	**Assets at FVOCI**	**Derivative financial instruments**	**Assets at depreciated/amortised cost**	**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 Euros unless otherwise indicated.

- G1 - SHAREHOLDERS' EQUITY 374,313

Shareholders' equity at 31 December 2019 amounted to €374,313 thousand, of which €240,430 thousand referred to consolidated shareholders' equity attributable to the Group and €133,883 thousand referring to capital and reserves of minorities.

Share capital
At 31 December 2019, the share capital of Immsi S.p.A., fully subscribed and paid up, comprised 340,530,000 ordinary shares with no nominal value, for a total of €178,464,000.00.
As already stated, at 31 December 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 unlimited voting rights.

Legal reserve
The legal reserve comprises reserves allocated following the distribution of profits of Immsi S.p.A. from the year 2000 to the year 2018, in accordance with provisions of law and totalled €8,528 thousand at the end of 2019.

Other reserves
The details of the item Other reserves are shown in the table, amounting at end 2019 to €111,554 thousand.

In thousands of Euros	*Share premium reserve / share capital increase*	*IAS transition reserve*	*Reserves as per Law no. 413/91*	*Legal reserves*	*Translation reserves*	*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)***	***(4,615)***	***(29,162)***	***99,158***	***156,731***
Other changes						0		(44,673)	(44,673)
Overall earnings for the period					(145)	(1,287)	928	0	(505)
Balances at 31 December 2019	***94,874***	***5,300***	***4,602***	***1,153***	***(14,723)***	***(5,903)***	***(28,235)***	***54,485***	***111,554***

The share premium reserve includes the consideration of shares underwritten following the increase in share capital of Immsi S.p.A. in 2005 and 2006, net of uses to cover losses for €342 thousand, for a total amount of €94,874 thousand. Other reserves also include the reserve generated from the Group's transition to international accounting standards at 1 January 2004, equal to €5,300 thousand, details of which are in the Report to the Financial Statements at 31 December 2005, also available on the website www.immsi.it. The reserve allocated to the measurement of financial instruments is €28,235 thousand negative, mainly due to: the recognition of the fair value adjustment of financial instruments representing capital held by the Parent Company, namely the investment in UniCredit, in other comprehensive income, equal to negative €11,950 thousand after the positive €874 thousand adjustment in 2019, as well as the investment in Alitalia – CAI, equal to €14,778 thousand, and the recognition of the component attributable to Piaggio of renegotiated financial liabilities, as provided for by IFRS 9, for negative €29 thousand. Other changes primarily include the transfer following the sale of the Parent Company's property in Rome of the investment property valuation reserve to profit reserves.

Retained earnings

Retained earnings amount to €66,005 thousand negative and refer to cumulative Group earnings.

Capital and reserves of minorities

At 31 December 2019 the balance of share capital and reserves attributable to third party shareholders totalled €133,883 thousand, down by €10,506 thousand compared to 31 December 2018.

Statement of Comprehensive Income

At 31 December 2019 the overall Group result for the period showed a profit of €21,175 thousand, with the inclusion of negative components which cannot be reclassified in the future in profit or loss, amounting to €1,609 thousand, mainly due to actuarial losses on defined benefit plans partially offset by the positive effect of the adjustment of the fair value of the instruments representing capital held by the Parent Company, and negative components which can be reclassified in future in profit or loss, amounting to €190 thousand, chiefly relating to translation losses recognised by the Piaggio group.

- G2 -	FINANCIAL LIABILITIES	1,020,145

Financial liabilities at 31 December 2019 amounted to €1,020,145 thousand: the portion recognised as non-current liabilities amounted to €550,280 thousand, compared to 525,858 at 31 December 2018, while the portion recognised as current liabilities amounted to €469,865 thousand, compared to €538,929 thousand at 31 December 2018.

Financial liabilities also include the fair value measurement of financial derivatives used to hedge exchange and interest rate risks and the adjustment of relative items hedged - underwritten by the Piaggio group – for a total of €6,534 thousand, of which €3,269 thousand recognised as non-current liabilities and €3,265 thousand as current liabilities.
At 31 December 2019, total interest expense was recognised by the Group, amounting to €4,619 thousand due to non-controlling interests of Group companies accrued on loans received.
As already stated, net financial debt does not include financial assets and liabilities arising from the fair value measurement of financial derivatives used for hedging, the fair value adjustment of relative hedged items, financial liabilities linked to assets held for disposal, related accruals, and payables for interest expense accrued on loans received.

All financial liabilities are measured in accordance with accounting standards and based on the amortised cost method (except for liabilities with hedging derivatives measured at Fair Value Through Profit & Loss, for which the same measurement criteria used for the derivative are applied). According to this method, the nominal amount of the liability is decreased by the amount of relative costs of issue and/or stipulation, in addition to any costs relating to refinancing of previous liabilities. The amortisation of these costs is determined on an effective interest rate basis, and namely the rate which discounts the future flows of interest payable and reimbursements of principle at the net carrying amount of the financial liability.

The following tables summarise the composition by type of the gross financial debt.

- Non-current portion

In thousands of Euros	Balance 31.12.2019	Balance 31.12.2018
Bonds	282,099	291,694
Payables due to banks	242,560	220,599
Amounts due for finance leases	6,862	7,930
Payables for rights of use	15,363	0
Amounts due to other lenders	127	160
TOTAL	**547,011**	**520,383**

- Current portion

In thousands of Euros	Balance 31.12.2019	Balance 31.12.2018
Bonds	11,022	10,325
Payables due to banks	382,759	465,000
Amounts due for finance leases	1,161	1,237
Payables for rights of use	7,741	0
Amounts due to subsidiaries	8	9
Amounts due to other lenders	59,290	55,525
TOTAL	**461,981**	**532,096**

*) not consolidated on a global integration basis

The composition of gross financial debt is as follows:

In thousands of Euros	Balance as of 31.12.2019	Balance as of 31.12.2018	Nominal value as of 31.12.2019	Nominal value as of 31.12.2018
Bonds	293,121	302,019	302,101	312,461
Payables due to banks	625,319	685,599	627,097	688,656
Amounts due for finance leases	8,023	9,167	8,023	9,178
Payables for rights of use	23,104	0	23,104	0
Amounts due to subsidiaries	8	9	8	9
Deferred income to affiliated companies	0	0	0	0
Amounts due to other lenders	59,417	55,685	59,417	55,684
TOTAL	**1,008,992**	**1,052,479**	**1,019,750**	**1,065,988**

*) not consolidated on a global integration basis

The following table shows the reimbursement plan for gross financial debt at 31 December 2019 of the Group:

In thousands of Euros	*Nominal value as of 31.12.2019*	*Portions falling due within 12 months*	*Portions falling due within 31.12.2021*	*Portions falling due within 31.12.2022*	*Portions falling due within 31.12.2023*	*Portions falling due within 31.12.2024*	*Portions falling due beyond*
Bonds	302,101	11,050	11,051	30,000	0	0	250,000
Payables due to banks	627,097	382,805	92,459	109,454	42,379	0	0
Amounts due for finance leases	8,023	1,161	1,182	1,201	1,219	1,267	1,993
Payables for rights of use	23,104	7,789	2,413	5,862	4,306	1,409	1,325
Amounts due to subsidiaries	8	8	0	0	0	0	0
Deferred income to affiliated companies	140	140	0	0	0	0	0
Amounts due to other lenders	59,417	59,290	23	23	23	23	35
TOTAL	**1,019,890**	**462,243**	**107,128**	**146,540**	**47,927**	**2,699**	**253,353**

*) not consolidated on a global integration basis

The following table analyses gross financial debt by currency and interest rate (net of financial payables for rights of use):

In thousands of Euros	*Balance as of 31.12.2018*	*Balance as of 31.12.2019*	*Nominal value as of 31.12.2019*	*Interest rate at 31.12.2019*
Euro	996,026	949,403	960,161	3.10%
Vietnamese Dong	39,286	16,404	16,404	6.57%
Japanese Yen	2,733	2,788	2,788	2.60%
Swiss Franc	0	0	0	n/a
Indian Rupee	24	9	9	n/a
Indonesian Rupiah	0	193	193	n/a
US Dollar	14,410	17,091	17,091	3.03%
TOTAL	**1,052,479**	**985,888**	**996,646**	**3.15%**

Amounts due to banks mainly include the following loans:

Immsi S.p.A.

- 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 €9,707 thousand, of which 4.8 million for instalments repayable within 12 months. This line provides for two covenants to be verified at 31 December each year and respected at the end of 2019 as well as a Loan to Value also respected at the end of 2019;
- a revolving credit line granted until December 2020 by Banca Nazionale del Lavoro for €25 million. Intangible assets with an indefinite useful life are not amortised but are subject to impairment testing. 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, met at the end of 2019, and a Value to Loan also met at 31 December 2019.
- a credit line amortised with Istituto Monte dei Paschi di Siena for a total of €30 million, maturing in June 2022. The agreements have a benchmark rate equal to the Euribor increased by a spread, two covenants and a Value to Loan to verify, and met at 31 December 2019. The loan is recognised according to the amortised cost equal to €17,319 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 €6,140 thousand, of which €3,077 thousand for instalments repayable within 12 months. This loan provides for two covenants to be verified at 31 December each year and respected at the end of 2019 as well as a Loan to Value also respected at 31 December 2019;

- credit lines, maturing in January 2021, granted at the end of 2019 by Intesa Sanpaolo for €15 and 25 million, besides a Bullet – Multi Borrower line with Intesa Sanpaolo, granted for €125 million, of which €82.7 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 plus a spread, as well as compliance with a verified Value to Loan, verified and complied with as at 31 December 2019;
- a revolving credit line, equal to €15 million, disbursed in December 2019 by UniCredit at a benchmark rate equal to the Euribor increased by a spread, maturing at the end of 2020. The agreements include a covenant to be verified quarterly, met at 31 December 2019;
- four amortised credit lines granted between December 2018 and July 2019 by Banco BPM for a nominal amount of €4.5 million maturing in December 2021, €4 million maturing in March 2022, €5 million maturing in June 2022 and €6.5 million maturing in September 2022; all lines disbursed have a benchmark rate equal to Euribor plus a spread and are recognised at amortised cost at the end of 2019 for a total of €16,061 thousand, of which €6.7 million in instalments repayable during 2020. To cover the risk of interest rate fluctuation for cash flows, Immsi S.p.A. signed found interest rate swap hedging contracts, which change the variable rate into a fixed rate for the entire duration of the contract on 50% of associated loans;
- a €10 million bullet loan granted by ING Bank in July 2019, expiring January 2021, with a benchmark rate equal to the Euribor increased by a spread.
- two credit facilities for advances granted by UBI Banca amounting to €5 million in October 2019 with original maturity in January 2020, renewed in September 2020, and for €5 million in December 2019 with maturity in June 2020; both lines accrue interest at 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, envisages a cash collateral from the bank of approximately €4,795 thousand equivalent to the market value of the share at the date of subscription net of a spread, which takes into account any downward fluctuations in the share. The contract, which expires on withdrawal, envisages a fee equal to 0.05% and interest expense equal to the EONIA increased by a spread, calculated on the cash collateral disbursed by Banca Akros. Immsi received a loan without cash collateral from Omniaholding S.p.A. of 300,852 Unicredit shares. These shares were used in loan operations with cash collateral undertaken with Banca Akros. Immsi received a loan without cash collateral from Omniaholding S.p.A.

A further €4.6 million relative to a revolving line of credit granted by Intesa Sanpaolo S.p.A., of which €523 thousand used at the end of the year.

To guarantee the above debt, on 31 December 2019 the Company deposited Piaggio shares for approximately 18.26 million and a further 149.62 million as a lien.

Piaggio group

- €39,940 thousand (nominal value of €40,000 thousand) medium-term loan from the European Investment Bank to finance Research & Development investments planned for the 2016-2018 period. The loan will mature in December 2023 and has a repayment schedule of 7 fixed-rate annual instalments. The contractual terms envisage loan covenants;
- a syndicated loan of €116,326 thousand (nominal value of €117,500 thousand), totalling €250,000 thousand, taken out in June 2018 and consisting of a four-year tranche (with a year's extension at the discretion of the borrower) of €187,500 thousand as a revolving credit line (nominal value of €55,000 thousand used at 31 December 2019) and a tranche of

€62,500 thousand as a five-year loan with amortisation. The contractual terms envisage loan covenants;

- an €8,148 thousand medium-term loan (nominal value of €8,160 thousand) granted by UBI Banca. The loan will fall due at the end of June 2021 and has a repayment plan of quarterly instalments;
- a €17,961 thousand medium-term loan (nominal value of €18,000 thousand) granted by Banca Popolare Emilia Romagna. The loan will fall due in early December 2023 and has a repayment plan of six-monthly instalments;
- a €6,820 thousand loan from Banco BPM with a repayment schedule of six-monthly instalments and last payment in July 2022. This loan has an additional tranche of €12,500 thousand granted as a revolving credit line, entirely drawn at 31 December 2019. The contractual terms envisage loan covenants;
- a €5,472 thousand medium-term loan (nominal value of €5,500 thousand) granted by Interbanca-Banca IFIS. The loan will fall due at the end of September 2022 and has a quarterly repayment plan. The contractual terms envisage loan covenants;
- a medium-term loan of €7,048 thousand (with nominal value of €7,052 thousand) granted by Banca del Mezzogiorno, expiring in early January 2023,with a six-monthly repayment plan; This loan has an additional tranche of €20,000 thousand granted as a revolving credit line, entirely drawn at 31 December 2019. The contractual terms envisage loan covenants;
- a €5,961 thousand medium-term loan for VND 153,473,465 thousand granted by VietinBank to the subsidiary Piaggio Vietnam (for a total amount of VND 414,000,000 thousand) to fund the Research & Development investment plan. The loan matures in June 2021, with a repayment schedule in 7 six-monthly instalments, starting from June 2018, with a fixed rate for the first year, followed by a variable rate;
- €140 thousand – loans from various banks pursuant to Italian Law No. 346/88 on subsidised applied research.

As at 31 December 2019, the loan of €70,000 thousand granted by the European Investment Bank in early July 2019 was not yet disbursed, as decided by Piaggio under the contract flexibility granted. All the above financial liabilities are unsecured. Based on results at 31 December 2019, all covenants on the above loans had been met.

Intermarine S.p.A.

- a loan granted by Intesa Sanpaolo for €12,300 thousand as part of the multi-line credit facility obtained by Immsi S.p.A., guaranteed by a lien on Piaggio shares; this loan falling due at the end of January 2020 has been extended until the end of January 2021;
- *a* revolving credit line with Intesa Sanpaolo up to a maximum of €18 million, of which €14 million used as at 31 December 2019, maturing at the end of January 2020 and extended until the end of January 2021; the line is secured by a lien on Piaggio shares;
- a mortgage loan of €10,000 thousand, with Banca BPER at the end of 2018, maturing in 5 years, with 18 months' pre-amortisation in six-monthly instalments starting from June 2020, secured by a first mortgage on the Sarzana shipyard for €18,000 thousand, with an insurance constraint and a comfort letter from Immsi of €13,000 thousand;
- financial payables to Banca IFIS for advance payments on the Gaeta contract and minesweeper platforms with a ceiling of €27.2 million – the line was used for definitive non-recourse factoring transactions, while no factoring transactions with recourse were outstanding at 31 December 2019;
- financial payables to Banca IFIS for advance payments of the Gaeta contract outstanding at 31 December 2019 for €3.9 million with repayment by the end of December 2022 according to the advances invoiced under the contract. The contract advance line is assisted by a comfort letter from RCN Finanziaria and Immsi;
- financial payables to Banca IFIS for advance payments of the contract for the minesweeper platform outstanding at 31 December 2019 for €5.4 million with repayment in annual

instalments by the end of December 2021 according to the advances invoiced to the client. The contract advance line is assisted by a comfort letter from RCN Finanziaria and Immsi;

- financial payables to Banco BPM of €0.6 million, for a contract advance on two special units, repaid in full in mid-January 2020, backed by an Immsi guarantee;
- line of credit with Banco BPM for advances on invoices on contracts for two special units of up to €10 million, unused at 31 December 2019;
- a loan of €4 million from Banca Nazionale del Lavoro, repayable in quarterly instalments over 24 months, supported by a comfort letter from Immsi;
- €5 million loan granted by Banca Nazionale del Lavoro, revolving for assistance in the management of working capital, fully available as at 31 December 2019, with individual drafts maturing at 180 days, guaranteed by Immsi patronage;
- credit line granted by Banca Carige with a ceiling of €7 million, for advances on invoices, fully available as at 31 December 2019, covered by Immsi patronage;
- a loan of €5 million provided by Credit Agricole Italia, repayable in quarterly instalments over 24 months, of which €4.4 million outstanding at 31 December 2019, supported by a guarantee from Immsi;

Is Molas S.p.A.

- a loan at a variable rate granted by Monte dei Paschi di Siena in December 2017 maturing at the end of December 2022, for €14.25 million at 31 December 2019, with pre-amortisation and subsequent repayment in six-monthly instalments. This loan is assisted by a guarantee issued by Immsi S.p.A..

The item Bonds for €293,121 thousand (nominal value of €302,101 thousand) refers to:

- €22,059 thousand (nominal value of €22,101 thousand) for the debenture loan (US Private Placement) issued in 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 31 December 2019 the fair value measurement of the debenture loan was equal to €28,635 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;
- €29,915 thousand (nominal value of €30,000 thousand) for a five-year private debenture loan issued in June 2017 and wholly subscribed by Fondo Sviluppo Export, the fund set up by SACE and managed by Amundi SGR. The issue has no specific rating or listing on a regulated market;
- €241,147 thousand (with a nominal value of €250,000 thousand) refers to the High Yield debenture loan issued at the end of April 2018, maturing in April 2025 and bearing a fixed annual nominal rate of interest.
  The company may repay in advance:

- all or part of the amount of the high yield debenture loan issued at the end of April 2018, according to the conditions indicated in the indenture. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IAS 9 b4.3.5;
- all or part of the amount of the private placement issued at the end of June 2017, according to the conditions indicated in the contract. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IAS 9 b4.3.5.

Finance lease payables of Euro 8,023 thousand (nominal value of Euro 8,033 thousand) refer to the finance lease of Euro 7,930 thousand (nominal value of Euro 7,940 thousand) granted by Albaleasing in the form of the Sale&Lease back of a production plant of Piaggio & C. S.p.A. and the finance lease of Euro 93 thousand granted by VFS Servizi Finanziari to Aprilia Racing for the use of vehicles (non-current portion of Euro 81 thousand).

Amounts due to other lenders, totalling €59,417 thousand of which €59,290 thousand, falling due within one year, are broken down mainly as follows:

- two shareholder loans of €6,000 and €9,234 thousand respectively granted to RCN Finanziaria S.p.A. by Intesa Sanpaolo (shareholder of the company), which under an agreement made in June 2019 must be 80% repaid within 3 years of the signing of the supplementary agreement;
- a shareholder loan for €34,065 thousand from Intesa Sanpaolo S.p.A. (formerly IMI Investimenti S.p.A.), shareholder of the company, to ISM Investimenti S.p.A. This loan had expired, as of the contract, at the end of 2018, but could no longer be collected as it was subject, as of the clause included in the respective contract, to repayment of the bank loan to ISM Investimenti from Intesa Sanpaolo S.p.A. of €30 million;
- loan of €9 thousand granted by BMW Finance for the purchase of vehicles;
- 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 €127 thousand);
- financial advances from factoring companies and banks for trade receivables assigned with recourse, totalled €9,946 thousand.

Covenants

The main loan agreements entered into by Group companies require – in line with market practices for borrowers with a similar credit standing – compliance with:

- financial covenants, on the basis of which the financed company undertakes to comply with certain levels of contractually defined financial indices, with the most significant - in particular for the Piaggio group - comprising the ratio of net financial debt/gross operating margin (EBITDA), measured on the consolidated perimeter of the Group, according to definitions agreed on with lenders;
- negative pledges according to which the company may not establish collaterals or other constraints on company assets;
- "pari passu" clauses, on the basis of which the loans will have the same repayment priority as other financial liabilities;
- change of control clauses, which are effective if the majority shareholder loses control of the company;
- the cross default clauses, based on which, in the event of default on a loan, the default automatically extends to the other lines;
- limitations on the extraordinary operations the company may carry out.

The high yield debenture loan issued by Piaggio & C. S.p.A. in April 2018 requires compliance with covenants which are typical of international practices on the high yield market. In particular, the company must observe the Ebitda/Net finance costs index, based on the threshold established in the Prospectus, to increase financial debt defined during issue. In addition, the Prospectus includes some obligations for the issuer, which limit, inter alia, the capacity to:

- pay dividends or distribute capital;
- make some payments;
- grant collaterals for loans;
- merge with or establish some companies;
- sell or transfer own assets.

The measurement of financial covenants and other contract commitments is monitored by the Group companies on an ongoing basis. Any failure to comply with these covenants and other contractual commitments applied to the loans mentioned above - if not adequately remedied within the agreed time - could result in the requirement of early repayment of the related outstanding debt.

- G3 - TRADE PAYABLES AND OTHER PAYABLES 592,176

Trade payables and other payables totalled €592,176 thousand, of which €584,726 thousand due after the year.
Trade payables and other current payables are detailed below:

In thousands of Euros	Balance 31.12.2019	Balance 31.12.2018
Trade payables	529,343	485,358
Deferred income to affiliated companies	0	52
Amounts due to parent companies	675	472
Amounts due to joint ventures	5,318	6,671
Other payables	49,390	49,382
TOTAL	**584,726**	**541,935**

With particular reference to the Piaggio group, to facilitate credit conditions for its suppliers, the group has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements.
These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.
At 31 December 2019, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €197,640 thousand (€181,578 thousand at 31 December 2018).

Amounts due to joint ventures at 31 December 2019, equal to €5,318 thousand, mainly refer to purchases made by Piaggio Foshan Motorcycles of the Piaggio group.

The “Other current payables” item is detailed below:

In thousands of Euros	Balance 31.12.2019	Balance 31.12.2018
Amounts due to employees	19,871	19,430
Liabilities connected to hedging instruments	46	40
Advances from customers	19	20
Amounts due to company boards	665	512
Amounts due to social security institutions	9,940	9,767
Other amounts due to third parties	425	299
Other amounts due to affiliated companies	9	5
Other amounts due to joint ventures	26	31
Accrued expenses	4,809	4,442
Deferred income	3,169	4,362
Other payables	10,411	10,474
TOTAL	**49,390**	**49,382**

Amounts due to employees include holidays accrued and not taken and other remuneration to pay, as at 31 December 2019, while amounts due to social security institutions basically refer to amounts owing for items payable by companies and employees relative to salaries and wages as well as sums accrued and not paid.
Payables due to associates refer to various amounts due to the Fondazione Piaggio (Foundation).

- G4 - PROVISIONS FOR SEVERANCE LIABILITIES AND SIMILAR OBLIGATIONS 42,606

The reserve for pensions and similar obligations at 31 December 2019 amounted to €42,606 thousand, down by €2,541 thousand compared to the figure at 31 December 2018.
Below is the breakdown of its composition and movements:

In thousands of Euros	*Balance 31.12.2018*	*Service cost*	*Actuarial (gain) loss*	*Interest cost*	*Uses and other movements*	*Balance 31.12.2019*
Termination benefits	44,378	9,007	2,952	245	(14,844)	41,738
Other funds	769	0	0	0	99	868
TOTAL	**45,147**	**9,007**	**2,952**	**245**	**(14,745)**	**42,606**

The item Other provisions is mainly attributable to the Piaggio group and includes i) provisions for personnel set aside by foreign companies of the group; and ii) the supplementary indemnity fund for customers, that represents the indemnities owing to the agents of the Piaggio group in case of the agency contract winding up due to events not ascribable to them.
Uses refer to the payment of benefits already accrued in previous years and transfers of pension funds, while allocations refer to benefits accrued in the period.
The item Provision for termination benefits comprises termination benefits for employees of Italian companies belonging to the Immsi Group and includes post-employment benefits identified as defined benefit plans.
The economic / technical assumptions used to discount the value by the companies of the Immsi Group operating in Italy are described below:

- Technical annual discount rate 0.17% - 1.04%;
- Annual rate of inflation 1.20% - 1.50% as from 2019
- Annual rate of increase in termination benefits 2.40% - 2.625% as from 2019.

As regards the discount rate, the iBoxx Corporates AA rating (Piaggio group and Intermarine) and iBoxx Corporates A rating (other Group companies) with a duration from 7 to 10+ were used for the evaluation.

The table below shows the effects, in absolute terms, at 31 December 2019, which would have occurred following changes in reasonably possible actuarial assumptions:

In thousands of Euros	Provision for termination benefits
Turnover rate +2%	41,144
Turnover rate -2%	42,084
Inflation rate +0.25%	42,173
Inflation rate - 0.25%	41,012
Discount rate +0.50%	40,610
Discount rate -0.50%	42,604

The average duration of the bond ranges from 6 to 24 years, while future payments estimated in the Group are equal to:

Year	Future amounts
In thousands of Euros	
1	5,944
2	3,195
3	1,969
4	2,407
5	1,306

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

The German and Indonesian subsidiaries of the Piaggio group have provisions for employees identified as defined benefit plans. At 31 December 2019, these provisions amounted to €129 thousand and €187 thousand.

- G5 - OTHER LONG-TERM PROVISIONS 36,707

The balance of other long-term provisions, including the portion due within 12 months, totalled €36,707 thousand at the end of December 2019, registering an increase of €2,507 thousand 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*	*Uses*	*Other movements*	*Balance 31.12.2019*	*Of which current*
Provision for product warranties	19,687	10,646	(8,076)	(295)	21,962	15,125
Provisions for risk on investments	26	0	(4)	0	22	0
Provision for contractual risks	3,025	1,175	(1,233)	896	3,863	863
Other provisions for risks and charges	11,462	1,127	(1,311)	(418)	10,860	6,965
TOTAL	**34,200**	**12,948**	**(10,624)**	**183**	**36,707**	**22,953**

The Provision for product warranties refers to allocations recognised at 31 December 2019 by the Piaggio group for €19,335 thousand and by Intermarine S.p.A. for €2,627 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.

- G6 - DEFERRED TAX ASSETS/LIABILITIES 18,508

The item deferred tax liabilities, down on figures for 2018 by €4,090 thousand, was equal to €18,508 thousand and referred to provisions made by individual companies based on applicable national laws. The balance was offset by €439 thousand by deferred tax assets, of a uniform maturity and type.

The decrease is due to the release of taxes recognised by Immsi S.p.A. against the fair value measurement of the Rome investment property sold in December 2019, only partially offset by the increase due to the recognition of deferred tax liabilities on the reserves that can be distributed by the Indian subsidiary of Piaggio & C. S.p.A., which are under the control of the parent company and that are expected to be distributed as part of the broader liquidity management policy at Piaggio group level.

Deferred tax assets were recognised by the Piaggio group for €7,762 thousand, by the Parent Company Immsi S.p.A. for €10,395 thousand (mainly due to the tax gain realized on the sale of the Rome property taxable for IRES purposes in future years) and by Intermarine S.p.A. for €351 thousand.

- G7 - CURRENT TAXES 18,577

The item Current taxes - which includes tax payables recognised in the financial statements of individual consolidated companies, allocated as regards taxes based on applicable national legislation - increased by €2,417 thousand compared to the end of 2018, and is broken down as follows:

In thousands of Euros	*Balance 31.12.2019*	*Balance 31.12.2018*
Due for income tax	11,153	9,175
VAT payables	1,094	2,023
Amounts due for withholding tax	5,920	4,650
Amounts due for local taxes	134	50
Other payables	276	262
TOTAL	**18,577**	**16,160**

Payables for withheld taxes made refer mainly to withheld taxes 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 at 31 December 2019 and 31 December 2018, with particular reference to the accounting standards adopted, is given below.

- Operating liability

In thousands of Euros

Values at 31 December 2019	**Liabilities at FVPL**	**Derivative financial instruments**	**Liabilities at depreciated/ amortised cost**	**Total**
Non-current				
Other payables			7,450	7,450
Total non-current operating payables	**0**	**0**	**7,450**	**7,450**
Current				
Trade payables			535,336	535,336
Tax payables			18,577	18,577
Other payables		46	49,344	49,390
Total current operating payables	**0**	**46**	**603,257**	**603,303**

In thousands of Euros

Values at 31 December 2018	**Liabilities at FVPL**	**Derivative financial instruments**	**Liabilities at depreciated/ amortised cost**	**Total**
Non-current				
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 liabilities

In thousands of Euros

Values at 31 December 2019	Liabilities at FVPL	Adjustment at FV	Derivative financial instruments	Liabilities at depreciated/ amortised cost	Total
Non-current					
Bank loans				242,560	242,560
Bonds		3,269		282,099	285,368
Other loans				127	127
Leases				28,231	28,231
Hedging derivatives					0
Total non-current financial liabilities	**0**	**3,269**	**0**	**553,017**	**556,286**
Current					
Bank loans				382,759	382,759
Bonds		3,265		11,022	14,287
Other loans				63,917	63,917
Leases				8,902	8,902
Total current financial liabilities	**0**	**3,265**	**0**	**466,600**	**469,865**

In thousands of Euros

Values at 31 December 2018	Liabilities at FVPL	Adjustment at FV	Derivative financial instruments	Liabilities at depreciated/ amortised cost	Total
Non-current					
Bank loans				220,599	220,599
Bonds		5,475		291,694	297,169
Other loans				160	160
Leases				7,930	7,930
Hedging derivatives					0
Total non-current financial liabilities	**0**	**5,475**	**0**	**520,383**	**525,858**
Current					
Bank loans				465,000	465,000
Bonds		2,563		10,325	12,888
Other loans				59,804	59,804
Leases				1,237	1,237
Total current financial liabilities	**0**	**2,563**	**0**	**536,366**	**538,929**

- H - INFORMATION ON THE MAIN INCOME STATEMENT ITEMS

Amounts are stated in thousands of Euros unless otherwise indicated.

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

- H1 - NET SALES 1,590,735

Revenues from sales and services at 31 December 2019 amounted to €1,590,735 thousand, up by 8.6% (€+126,202 thousand) compared to the previous year. The increase is attributable to the industrial sector (+€131,779 thousand, +9.5%) which offset the decline in the real estate and holding sector (-€361 thousand) and the marine sector (-€5,216 thousand).
This item is stated net of premiums given to the customers of the Piaggio group (dealer) and it does not include transport costs recharged to customers and the recovery of advertising costs invoiced, which are shown under other operating income. Moreover, revenues do not include recharges for building service fees, offset with the related costs incurred by the Parent Company Immsi S.p.A..

Below is a division of net sales by business sectors and by geographic segment of destination, that is, referring to the nationality of the customer:

In thousands of Euros	*Year 2019*		*Year 2018*	
	Amount	***%***	***Amount***	***%***
Property and holding sector	4,817	0.3%	5,178	0.4%
Industrial sector	1,521,325	95.6%	1,389,546	94.9%
of which Two-Wheeler business	1,055,100	66.3%	957,900	65.4%
of which Commercial Vehicle business	466,225	29.3%	431,646	29.5%
Shipyard segment	64,593	4.1%	69,809	4.8%
TOTAL	**1,590,735**	**100.0%**	**1,464,533**	**100.0%**

By geographic segment

In thousands of Euros	*Year 2019*		*Year 2018*	
	Amount	***%***	***Amount***	***%***
Italy	287,410	18.1%	230,540	15.7%
Other European countries	584,238	36.7%	545,209	37.2%
Rest of the world	719,087	45.2%	688,784	47.1%
TOTAL	**1,590,735**	**100.0%**	**1,464,533**	**100.0%**

- H2 - COSTS FOR MATERIALS 936,495

Costs for materials totalled €936,495 thousand, compared to €843,470 thousand for the previous year. The percentage of costs accounting for net sales went up compared to the previous year, from 57.6% in 2018 to 58.9% in the current period.

The item includes €14,377 thousand (€20,026 thousand in 2018) for purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan, that are sold on European and Asian markets.
The item in question does not include costs recharged to customers and tenants, for an equal amount, and costs related to assets held for disposal, which are recognised separately in a specific item in the Income Statement. The following table details the content of this item:

In thousands of Euros		
	Year 2019	***Year 2018***
Change in inventories of finished products, work in progress and semi-finished products	3,849	(9,021)
Change in capitalised piecework	0	(586)
Purchase of raw materials and consumables	936,152	865,714
Change in raw materials and consumables	(3,506)	(12,637)
TOTAL	**936,495**	**843,470**

- H3 - COST OF SERVICES AND USE OF THIRD-PARTY ASSETS 273,073

Cost of services and use of third-party assets totalled €273,073 thousand, up by €15,957 thousand over the previous year. Below is a breakdown of this item:

In thousands of Euros		
	Year 2019	***Year 2018***
Transport costs	38,669	36,145
Product warranty costs	2,815	2,352
Advertising and promotion	49,657	40,546
Outsourced manufacturing	32,442	28,287
External maintenance and cleaning costs	11,018	9,857
Employee costs	17,281	16,336
Technical, legal, tax, administrative consultancy, etc.	20,099	20,660
Sundry commercial expenses	9,703	7,937
Energy, telephone, postage costs, etc.	17,746	16,600
Services provided	674	723
Insurance	5,339	4,658
Cost of company boards	5,384	5,001
Sales commissions	840	916
Part-time staff and staff of other companies	4,244	3,055
Bank charges and commission	5,163	6,224
Quality-related events	3,663	3,663
Other expenses	37,144	36,002
TOTAL COSTS FOR SERVICES	**261,881**	**238,962**
TOTAL COSTS FOR LEASES AND RENTALS	**11,192**	**18,154**
TOTAL COSTS FOR SERVICES, LEASES AND RENTALS	**273,073**	**257,116**

Costs for leases and rental costs for 2019 were adjusted down by €7,915 thousand following the adoption of the new accounting standard IFRS 16, which requires operating lease costs to be recognised as depreciation of rights of use and as finance costs relative to the assumed debt.
The item under review includes Related Party Transactions for €443 thousand, which are detailed in a paragraph contained within this Report.

- H4 - EMPLOYEE EXPENSE 248,165

Employee costs are broken down as follows:

In thousands of Euros	Year 2019	Year 2018
Salaries and wages	185,246	175,136
Social security contributions	47,761	47,551
Termination benefits	9,007	8,897
Personnel restructuring costs	3,718	4,302
Other costs	2,433	1,610
TOTAL	**248,165**	**237,496**

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

	Year 2019	Year 2018
Senior management	116	110
Middle managers and white collars	2,583	2,527
Blue collars	4,081	4,422
TOTAL	**6,780**	**7,059**

Employee costs increased in absolute terms by €10,669 thousand compared to figures for the previous year (+4.5%).
Employee costs include €3,718 thousand relating to costs for mobility plans mainly for the Pontedera and Noale production sites, while in 2018 these costs, relative to the same production sites, were equal to €4,302 thousand.
The average number of employees was affected by seasonal workers in the summer months (with fixed-term contracts and fixed-term service contracts) used to deal with typical peaks in demand in the summer months.
The Group's average number of employees in 2019 was 6,780, down by 279 (-3.9%) compared to 31 December 2018.
As required by international accounting standards, no costs for stock options were recognised under employee costs in 2019, as in 2018.

- H5 - DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT 52,407

Depreciation recognised at 31 December 2019 for property, plant and equipment and impairment costs is listed below, with depreciation rates indicated in the section on accounting standards adopted by the Group:

In thousands of Euros	Year 2019	Year 2018
Depreciation of buildings	10,797	6,292
Depreciation of plant and machinery	22,581	21,926
Depreciation of industrial and commercial equipment	11,039	9,587
Depreciation of assets to be given free of charge	273	60
Depreciation of other assets	7,717	4,514
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	**52,407**	**42,379**

Impairment testing led to the recognition of costs for €2,294 thousand under the item plant, machinery and industrial and commercial equipment in 2019, while in 2018 costs for €622 thousand were recognised under the item buildings.
It should be noted that on the basis of the new accounting standard IFRS 16 - Leasing, the following depreciation relating to rights of use was recorded during the year:

In thousands of Euros	*Year 2019*	*Year 2018*
Depreciation of right of use related to buildings	5,267	0
Depreciation of right of use related to f industrial and commercial equipment	108	0
Depreciation of right of use related to assets to be given free of charge	191	0
Depreciation of right of use related to other assets	1,722	0
DEPRECIATION RIGHT OF USE OF PROPERTY, PLANT AND EQUIPMENT	**7,288**	**0**

- H6 - AMORTISATION OF FINITE LIFE INTANGIBLE ASSETS 74,986

The amortisation of finite life tangible assets and impairment costs is broken down as follows:

In thousands of Euros	*Year 2019*	*Year 2018*
Amortisation of development costs	34,745	34,403
Amortisation of concessions, patents, industrial and similar rights	35,084	30,882
Amortisation of trademarks and licences	4,823	4,827
Amortisation software	113	116
Amortisation of other intangible assets with a finite life	221	101
AMORTISATION OF INTANGIBLE ASSETS	**74,986**	**70,329**

As set out in more detail in the paragraph on intangible assets, as from 1 January 2004, goodwill is no longer amortised, but tested annually for impairment. For further details, readers are referred to Explanatory and Additional Note F1 – Intangible Assets.

Amortisation of intangible assets does not include impairment of goodwill during 2019 or in the previous year, as – based on tests carried out – it was not necessary to carry out impairment because goodwill was considered recoverable through future financial flows relative to the cash generating units the goodwill was allocated to.
This item includes the outcome of impairment testing relative to expenditure costs in development, concessions, patents and similar rights, resulting in the recognition of costs for €2,339 thousand (€2,431 thousand in 2018).

- H7 - OTHER OPERATING INCOME 128,995

The “Other operating income” item comprises:

In thousands of Euros	*Year 2019*	*Year 2018*
Gains on the disposal of property, plant and equipment	124	204
Sponsorships	3,475	2,683
Grants	6,075	6,052
Recovery of sundry costs	34,573	31,027
Licence rights	2,887	2,571
Sale of materials and sundry equipment	1,132	1,368
Insurance settlements	3,043	4,961
Increases in fixed assets from internal work	52,136	47,501
Reversal of provisions for risks and other provisions	1,805	890
Rents received	5,723	4,671
Other operating income	18,022	15,750
TOTAL	**128,995**	**117,678**

The item grants includes €885 thousand for state and EU grants for Piaggio & C. S.p.A. research projects. The grants are recognised in profit or loss, with reference to the amortisation and depreciation of capitalised costs for which the grants were received. This item also includes contributions for exports (€2,180 thousand) received from the Indian subsidiary of the Piaggio group and contributions received from Intermarine for €881 thousand for research projects.
In compliance with paragraph 125 of Law no. 124/2017 of 4 August 2017, details per project of funds received during 2019 are given at the end of this Note.

“Recovery of sundry costs” (less the amount in reduction of costs incurred) are related to transport costs recharged to customers, the charges for which are classified under “Cost of services and use of third-party assets”.

The item under review includes Related Party Transactions for €346 thousand, which are detailed in a paragraph contained within this Report.

- H8 - IMPAIRMENT REVERSALS (LOSSES) NET OF TRADE AND OTHER RECEIVABLES (2,830)

The item amounted to €2,830 thousand at 31 December 2019 for net impairment, and is broken down as follows:

In thousands of Euros	*Year 2019*	*Year 2018*
Release of provisions	12	7
Losses on receivables	131	23
Write-down of receivables in working capital	2,711	2,285
TOTAL	**(2,830)**	**(2,301)**

- H9 - OTHER OPERATING EXPENSE 36,818

The item Other operating expense at 31 December 2019 amounted to €36,518 thousand and is broken down as follows:

In thousands of Euros	Year 2019	Year 2018
Losses on the disposal of property, plant and equipment	12,293	318
Duties and taxes not on income	5,869	5,872
Provisions for product warranty	10,646	5,640
Provisions for future and other risks	2,302	11,156
Other operating expense	5,408	5,533
TOTAL	**36,518**	**28,519**

This item was up €7,999 thousand, primarily due to the capital loss on the sale of the Parent Company's property in Rome, partially offset by lower provisions for future risks in 2019 compared with the previous year.

- H10 RESULTS OF ASSOCIATES 919

The item recorded a positive balance at 31 December 2019 of €919 thousand and mainly refers to the equity measurement of the investment held by the Piaggio group in the joint venture Zongshen Piaggio Foshan Motorcycle Co. Ltd.

- H11 - FINANCE INCOME 15,814

Finance income recognised by the Group in 2019 is detailed below:

In thousands of Euros	Year 2019	Year 2018
Interest income	3,645	2,952
Exchange gains	11,785	15,295
Dividends	111	8
Other income	273	5,147
TOTAL	**15,814**	**23,402**

During 2019, Finance income was lower by €7,588 thousand compared to the figure recorded for the previous year: This decrease is mainly due to non-recurring income recorded in the previous year for €4,431 thousand generated by the liability *management* operation on the "Eur 250 million Piaggio 4.625% due 2021" bond issue.
Lower exchange gains also contributed to the decrease, which were substantially offset by lower exchange losses.

- H12 - FINANCE COSTS 58,543

Finance costs at 31 December 2019 are broken down as follows:

In thousands of Euros	Year 2019	Year 2018
Interest payable on bank loans	20,708	21,533
Interest payable on loans from third parties	8,151	7,595
Interest payable on debenture loans	12,646	17,530
Other interest payable	1,087	1,136
Commissions payable	2,258	2,173
Exchange losses	11,982	15,107
Fair value and interest rate hedging charges	347	0
Charges from “amortisation/depreciation/write-downs” of equity investments (except for associates and others at “FV to equity”)	3	0
Financial component of retirement funds and termination benefits	226	473
Other charges	1,135	372
TOTAL	**58,543**	**65,919**

Finance costs in 2019 went down by €7,376 thousand compared to the previous year, mainly due to the reduction in the average net debt and lower cost of debt resulting from refinancing operations in the previous year and the reduction of exchange rate losses.

- H13 - TAXES 30,472

Taxation on the income of companies consolidated on a line-by-line basis recognised in the Financial Statements at 31 December 2019 amounted to €30,472 thousand, and is broken down as follows:

In thousands of Euros	Year 2019	Year 2018
Current taxes	38,938	32,873
Deferred tax assets/liabilities	(8,466)	273
TOTAL	**30,472**	**33,146**

Taxes for the period fell by €2,674 thousand compared to 31 December 2018. The tax rate was 57% compared to 56.6% in 2018.

The Parent Company Immsi S.p.A., Piaggio & C. S.p.A., Piaggio Concept Store Mantova S.r.l., Intermarine S.p.A., Apuliae S.r.l., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l., Pietra Ligure S.r.l. and Aprilia Racing S.r.l. are party to the National Consolidated Tax Convention, and were therefore able to offset approximately 8.1 million of losses for the year with equal amounts of taxable income.

Below is a reconciliation between the theoretical tax burden and the actual tax burden:

	TOTAL
Profit before tax	*53,446*
Theoretical rate (24%)	
Theoretical income taxes	***12,827***
Effect arising from tax differences and the difference between foreign tax rates and the theoretical rate.	*199*
Tax effect arising from losses for the year not offset	*2,255*
Tax effect arising from deferred taxes	*3,151*
Taxes on income generated abroad	*4,910*
Indian tax on the distribution of dividends	*6,737*
Other differences	*155*
Income tax recognised in the financial statements (IRES)	***30,234***
Regional production tax (IRAP)	*238*
Income taxes recognised in the financial statements	***30,472***

The effect arising from regional production tax was determined separately, as this tax is calculated based on profit before tax.

- H14 - GAIN/LOSS ON THE DISPOSAL OF ASSETS **0**

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

- H15 - EARNINGS FOR THE PERIOD **7,889**

At 31 December 2019, the Immsi Group posted a profit for the period of €7,889 thousand, after allocation profit to non-controlling interests of €15,085 thousand.

- I – COMMITMENTS, RISKS AND GUARANTEES

The main guarantees issued by banks on behalf of Piaggio & C. S.p.A in favour of third parties are listed below:

Type	In thousands of Euros
Guarantee of BCC-Fornacette issued to Pisa Customs Authorities for handling Piaggio goods at the Pisana docks and at Livorno Port	200
Guarantee of BCC-Fornacette issued for Piaggio & C. S.p.A. in favour of Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	1,321
Guarantee of BCC-Fornacette issued in favour of Motoride SpA to reimburse VAT following the deductible tax surplus	298
Guarantee of Banco di Brescia issued in favour of the Municipality of Scorzè, to guarantee the urbanisation and construction of the plant in Scorzè	166
Guarantee of Banca Intesa Sanpaolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	140
Guarantee of Banca Intesa Sanpaolo issued to the Ministry of the Defence National Algeria, to guarantee contract obligations for the supply of vehicles	158
Guarantee of Banca Nazionale del Lavoro issued in favour of Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles (5,000 tricycles)	475
Guarantee of Banca Nazionale del Lavoro issued in favour of Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	112
Guarantee of Banca Nazionale del Lavoro issued in favour of Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	459

The main guarantees given to third parties recorded by Intermarine are detailed below:

Subject	In thousands of Euros
Italian public entities for minesweepers and lookouts	15,439
Italian operator for the supply of integrated minesweeper platforms	21,455
Ministries for research projects	3,383
Foreign public entity of Arab countries	1,702
Como S.r.l.	2,700
Various minor items	1,531

Guarantees to third parties referred to above are mainly relate to guarantees issued for contracts ongoing with the following customers:
A guarantee of the amount owing to BPER of €10 million was secured by a first mortgage on the Sarzana shipyard for €18 million.

With reference to the company Is Molas S.p.A., €7.4 million were recognised relative to the value of the commitment undertaken with the Municipality of Pula on 26 March 2015, following the stipulation of the New Additional Planning Act.

With reference to the subsidiaries **Pietra S.r.l.** and **Pietra Ligure S.r.l.** , two guarantees were issued on their behalf, the first by Intesa Sanpaolo in favour of the Municipality of Pietra Ligure and the State Property Agency of Genoa for €302 thousand, and the second by Unicredit in favour of the State Property Agency of Genoa for €288 thousand..

With reference to the **Parent Company Immsi S.p.A.**, and the guarantees issued in favour of Group companies, see the section “Commitments, risks and guarantees” in the “Notes to the Financial Statements at 31 December 2019” of the separate financial statements of Immsi S.p.A..

- L – TRANSACTIONS WITH RELATED PARTIES

Reference should be made to the relevant paragraph as regards the main business relations of Group companies
with related parties.

- M – NET FINANCIAL POSITION

Net financial debt of the Immsi Group at 31 December 2019 is shown below. Further details of the main components are provided in the tables in the Report on Operations and the related information below them:

(in thousands of Euros)	***31.12.2019***	***31.12.2018***
Cash and cash equivalents	-212,596	-200,450
Other short-term financial assets	0	0
Medium/long-term financial assets	0	0
Short-term financial payables	461,981	532,096
Medium/long-term financial payables	547,011	520,383
Net financial debt *)	**796,396**	**852,029**

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

- N – DIVIDENDS PAID

The Parent Company did not distribute dividends during 2019 or 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.

	Year 2019	Year 2018
Net profit attributable to ordinary shareholders (in thousands of Euros)	7,889	12,863
Average weighted number of shares in circulation during the year	340,530,000	340,530,000
Basic earnings per share	**0.023**	**0.038**

Diluted earning per share

Diluted earning per share is calculated by dividing the net income/loss for the year attributable to parent Company Ordinary Shareholders by the average weighted number of shares in issue during the year, taking account of the diluting effect of potential shares. Any treasury shares held are excluded from this calculation.

The Company had no category of potential ordinary shares at 31 December 2019, therefore the diluted income per share coincides with the basic earning per share indicated above.

- P – INFORMATION ON FINANCIAL INSTRUMENTS

Information on financial instruments, the risks connected with them, as well as “sensitivity analysis” in accordance with requirements of IFRS 7 that came into force on 1 January 2007, is given below.

Financial and operational assets and liabilities are described in full in sections F and G of the Notes, to which reference is made.

Lines of credit

At 31 December 2018 the Immsi Group had irrevocable credit lines available until maturity amounting to €878.1 million. For further details reference is made to the Note G2 on Financial liabilities.

Management of financial risks

The financial risks to which the Immsi Group believes to be potentially exposed to are:

- the management of capital and the liquidity risk;
- the exchange risk;
- the interest rate risk; and
- the credit risk.

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

Capitals management and liquidity risk

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

The **Parent Company Immsi S.p.A.** provides financing for the Group’s subsidiaries and/or issues guarantees to facilitate their funding: these operations are regulated under normal market conditions.

With particular reference to the Piaggio group, to face such a risk, cash flows and the company’s

credit line needs are monitored and/or managed centrally under the control of the Group's Treasury Department, in order to guarantee an effective and efficient management of the financial resources as well as optimise the debt's maturity standpoint. Moreover, Piaggio & C. S.p.A. finances the temporary cash requirements of Group companies by providing direct or indirect short-term loans regulated in market conditions or through guarantees. A cash pooling zero balance system is used between Piaggio & C. S.p.A. and European subsidiaries to reset the receivable and payable balances of subsidiaries on a daily basis, for a more effective and efficient management of liquidity in the Eurozone.
For greater coverage of the risk of liquidity, at 31 December 2019 the Immsi Group had unused credit lines available for €389.5 million (€326.2 million at 31 December 2018) of which €173.7 million maturing within 12 months and €215.8 million maturing at a later date.

As regards financial requirements for the next 12 months, considering credit lines that are due to mature over the year and the Group's financial commitments to support the development of its initiatives, the Directors have taken and will take in the next few months, actions to find solutions that guarantee a financial balance, while considering the possible risk of future trends in weak equity markets, that represent an element of uncertainty as to the scale of credit lines granted at present to the Group, also in the light of the content of "Significant events occurring after the reporting period" the in relation to the Covid-19 pandemic.

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 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:

- the transaction exchange risk: the policy wholly covers this risk which arises from differences between the recognition exchange rate of receivables or payables in foreign currency in the financial statements and the recognition exchange rate of actual 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;
- the translation exchange 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 group does not impose the hedging of such a kind of exposure;
- the economic exchange risk: arises from changes in company profitability in relation to annual figures planned in the economic budget on the basis of a reference change (the "budget change") and is covered by derivatives. The items of these hedging operations are therefore represented by foreign costs and revenues forecast by the sales and purchases budget. The total of forecast costs and revenues is processed monthly and relative hedging is positioned exactly on the average weighted date of the economic event, recalculated based on historical criteria. The economic occurrence of future receivables and payables will occur during the budget year.

Cash flow hedging related to the Piaggio group

As of 31 December 2019, the Group had undertaken the following futures transactions (recognised based on the regulation date) relative to payables and receivables already recognised to hedge the transaction exchange risk:

In thousands

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
Piaggio & C.	Purchase	CAD	200	137	31/01/2020
Piaggio & C.	Purchase	CNY	47,000	6,015	7/02/2020
Piaggio & C.	Purchase	JPY	220,000	1,832	8/02/2020
Piaggio & C.	Purchase	SEK	4,500	424	3/01/2020
Piaggio & C.	Purchase	USD	12,000	10,809	13/02/2020
Piaggio & C.	Sale	SEK	2,000	191	3/01/2020
Piaggio & C.	Sale	USD	56,650	50,778	19/03/2020
Piaggio Vietnam	Sale	USD	18,000	419,613,000	5/02/2020
Piaggio Vietnam	Purchase	€	4,500	116,550,500	8/2/2020
Piaggio Vespa BV	Sale	GBP	361	423	25/03/2020
Piaggio Vespa BV	Sale	SGD	800	528	25/03/2020
Piaggio Vespa BV	Sale	USD	9,850	8,714	21/4/2020
Piaggio Vehicles Private Limited	Sale	USD	7,667	548,684	3/02/2020
Piaggio Vehicles Private Limited	Sale	€	5,182	416,278	1/03/2020

At 31 December 2019, the group had the following transactions to hedge the business risk:

In thousands

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
Piaggio & C.	Purchase	CNY	211,000	26,494	05/07/2020
Piaggio & C.	Sale	GBP	11,550	13,496	06/07/2020

To hedge the business risk, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders. As at 31 December 2019 the overall fair value of hedging instruments for foreign exchange risks shown using the hedge accounting method was positive at €78 thousand. During 2019, profit under other components of the Statement of comprehensive income was recognised amounting to €78 thousand and profit from other components of the Statement of comprehensive income was reclassified under profit/loss for the period amounting to €89 thousand.

The net balance of cash flows during 2019 is shown below, divided by main currency:

	Amounts in millions of Euros
	Cash-flow 2019
Pound Sterling	17.8
Indian Rupee	(14.2)
Swedish Krone	4.3
US Dollar	57.9
Canadian Dollar	7.0
Indonesian Rupiah	32.4
Vietnamese Dong	(53.9)
Chinese Yuan*)	(55.1)
Japanese Yen	(3.6)
Singapore dollar	(2.5)
Total cash flow in foreign currency	**(9.9)**

*) flow partially settled in euro

The subsidiary Intermarine also hedges risks arising from fluctuating exchange rates through specific operations related to single orders that require invoicing in currencies other than the euro. In particular, the policy concerning the exchange risk adopted by the group totally eliminates any risk by defining a fixed forward exchange rate to hedge fluctuating exchange rates. At 31 December 2019 there was no hedging on interest or exchange rates.

In view of the above, a hypothetical 3% appreciation/depreciation of the Euro would generate, respectively, potential profits of €288 thousand and losses of €306 thousand.

Management of the interest rate risk

The exposure to interest rate risk arises from the necessity to fund operating activities, both industrial and financial, of Group companies and to use available liquidity. Changes in interest rates may affect the costs and returns of investment and financing operations: this risk arises from fluctuations in interest rates and the impact this may have on future cash flows arising from floating rate financial assets and liabilities. Therefore, the Group regularly measures and controls its exposure to interest rates changes with the aim of reducing the fluctuation of finance costs limiting the risk of a potential rise in interest rates: this objective is achieved through an adequate mix of fixed and variable rate exposure, and the use of derivatives, mainly interest rate swaps and cross currency swaps.

With reference to the Piaggio group, at 31 December 2019, the following hedging derivative instruments were recognised:

Fair value hedging derivatives (fair value hedging and fair value options)
A Cross Currency Swap to hedge the private debenture loan issued by Piaggio & C. S.p.A. for a nominal amount of USD 32,000 thousand. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. At 31 December 2019, the fair value of the instrument was equal to €6,946 thousand. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €-347 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 €8 thousand and €-8 thousand respectively, assuming constant exchange rates; assuming a 1% appreciation and depreciation of the exchange rates, the sensitivity analysis identified a

potential impact on the income statement, net of the related tax effect, of €-6 thousand and €6 thousand respectively.

In thousands of Euros	FAIR VALUE
Piaggio & C. S.p.A.	
Cross Currency Swap	6,946

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 31 December 2019, the fair value of the instruments was negative at €13 thousand. In 2019, profit amounting to €11 thousand was recognised in other components of the statement of comprehensive income.

Management of the credit risk

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

In thousands of Euros	*31 December 2019*	*31 December 2018*
Bank funds and securities	212,506	200,333
Financial assets	10,942	11,601
Tax receivables	35,006	27,345
Trade and other receivables	144,428	158,687
Total	***402,882***	***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, whose business typically means that receivables are concentrated with a few customers, the most significant customers in quantitative terms are public organisations: moreover, in general production to order requires substantial advance payments by the customer as works progress, thereby reducing the credit risk.

With reference to the other companies of the Immsi Group, there is currently no significant exposure to credit risk.

Hierarchical fair value valuation levels

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

- level 1: quoted prices in active markets for assets or liabilities measured;
- level 2: directly (prices) or indirectly (price-derived) observable market inputs other than level 1 inputs;
- 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 companies.

IFRS 7 also requires the fair value of debts recognised on an amortised cost basis to be measured, for disclosure purposes only.

The table below shows the figures regarding the financial debt of the Piaggio group:

In thousands of Euros	Nominal value	Carrying amount	Fair Value *
High yield debenture loan	250,000	241,147	264,388
Private debenture loan 2021	22,101	22,059	21,436
Private debenture loan 2022	30,000	29,915	30,629
EIB (fin. R&D 2016-2018)	40,000	39,940	39,701
Loan from Banca Pop. Emilia Romagna	18,000	17,961	17,753
Loan from Banco BPM	6,820	6,820	7,204
Revolving syndicated loan	55,000	54,163	54,792
Syndicated loan maturing in 2023	62,500	62,163	62,245
Loan from UBI	8,160	8,148	8,145
Loan from MCC	7,052	7,048	7,011
Loan from Banca IFIS	5,500	5,472	5,648
VietinBank medium-term loan	5,961	5,961	5,930

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

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

The table below shows the assets and liabilities valued at fair value at 31 December 2019, by fair value measurement hierarchical level.

In thousands of Euros	*Level 1*	*Level 2*	*Level 3*
			0
Assets measured at fair value	3,641	0	0
Hedging financial derivatives		6,946	0
Investment property		0	9,203
Other assets		123	37
Total assets	***3,641***	***7,069***	***9,240***
Liabilities measured at fair value		(28,635)	0
Hedging financial derivatives		(13)	0
Other liabilities		(46)	0
Total liabilities	***0***	***(28,694)***	***0***
Balance at 31 December 2019	***3,641***	***(21,625)***	***9,240***

Hierarchical level 1 includes the carrying amount of the investment held by Immsi S.p.A. in Unicredit S.p.A., up by €874 thousand compared to 31 December 2018 following an increase in the share price recorded during the year.

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

Lastly hierarchical level 3, under investment property mainly includes the fair value of the investment property relating to the former Spanish premises of Piaggio group in Martorelles, Spain.

The following table highlights changes that occurred within various levels during 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		(323)	*(13,238)*
Gain (loss) recognised in the statement of comprehensive income	874	76	0
Increases/(Decreases)	0	10,360	(62,478)
Balance at 31 December 2019	***3,641***	***(21,625)***	***9,240***

Q – INFORMATION PURSUANT TO LAW 124/2017

Law 124 of 4 August 2017 requires disclosure to be provided on funding, contributions, paid appointments and financial benefits of any kind received at national level from the public administration. In this regard, the next table shows the funding received by the Immsi Group during 2019:

Beneficiary body	**Project**	**Funding entity**	**Funds** (in thousands of Euros)
Piaggio group	C-Mobile	European Commission	52.2
Piaggio group	Safe-Strip	European Commission	21.1
Piaggio group	eCaiman	European Commission	121.4
Piaggio group	Resolve	European Commission	74
Piaggio group	Centauro	Artea	143.2
Piaggio group	FUTURE-RADAR	European Commission	9.5
Piaggio group	Drive2thefuture	European Commission	105
Piaggio group	Adamo	Artea	93.8
Piaggio group	Safe	Inea	12.6
Intermarine S.p.A.	Training and safety	Fondimpresa	11
Intermarine S.p.A.	Skills development	Fondimpresa	7
Intermarine S.p.A.	Training	Fondimpresa	6
Intermarine S.p.A.	Hybrid hydrofoil wings	Ministry of Infrastructure	59
Total			**715.8**

For the purposes of Law 124/2017, considering the specific transparency obligations that already exist as regards public contracts, the provisions in paragraph 125 on disclosure to include in the notes, only refer to positions that do not entail remuneration for business services, but which instead entail financial benefits / donations.

R – SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

At the date of preparation of these financial statements, the Group is monitoring the evolution of some potential causes of instability that have recently emerged, such as the Covid 19 (hereinafter "Coronavirus") emergency which, in the early weeks of 2020, initially impacted economic activity in China and then spread to other countries. The economic consequences are currently difficult to quantify and assess. These factors are therefore considered to be events that do not require adjustments to be made to the financial statement balances pursuant to paragraphs IAS 10 § 21. This is because even though the Coronavirus initially manifested in China close to the end of the reporting period, it was only at the end of January that an international emergency was declared. However, if these factors were to manifest in a significant way, they could also have a major impact on the prospect of future growth, impacting the economy as a whole and the financial markets.

At present, having carried out the necessary assessments, it is not possible to predict the course of this phenomenon, including in Italy nor, consequently, the impact that it will have on the economy and on our Group. Therefore, it is not possible to quantify any negative impact on finances and income that could affect the first part of the year and subsequently the whole of 2020, considering that the emergency could return in the following months, depending on the containment measures put in place by the governments and central banks of the countries affected by the spread of the virus. As such, even though at present it is impossible to make predictions about the possible evolution of the emergency and its consequent impact on the economy, there are currently no factors that could jeopardise the Group's business continuity albeit not excluding slowdowns in some areas of operations.

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND INVESTMENTS AT 31 DECEMBER 2019

Pursuant to Consob Resolution no. 11971 of 14 May 1999 as amended (article 126 of the Regulations), a list of Immsi Group companies and its material investments is set out below. The list states the companies, divided according to consolidation procedure.

The following are also shown 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. Mantua (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. Mantua (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. Mantua (MN) – Italy Investment of Pietra S.r.l. 100.00%	Euro	10,000.00	100.00%	
Immsi Audit S.c.a r.l. Mantua (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. Mantua (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%	
Nacional Motor S.A. Barcelona – Spain Piaggio & C. S.p.A. investment: 100.00%	Euro	60,000.00	100.00%	

Company name	Currency	Share Capital (subscribed and paid-up)	% of Share Capital owned	% votes (if different)
Piaggio Asia Pacific PTE Ltd. Singapore – Singapore Piaggio Vespa B.V. investment: 100.00%	SGD	100,000.00	100.00%	
Piaggio Advanced Design Center Corp. California – USA Piaggio & C. S.p.A. investment: 100.00%	USD	100,000.00	100.00%	
Piaggio China Co. LTD Hong Kong – China Piaggio & C. S.p.A. investment: 100%	USD	12,120,000.00	100%	
Piaggio Concept Store Mantova S.r.l. Mantua – Italy Piaggio & C. S.p.A. investment: 100%	Euro	100,000.00	100.00%	
Piaggio Deutschland GmbH Düsseldorf – Germany Piaggio Vespa B.V. investment: 100.00%	Euro	250,000.00	100.00%	
Piaggio España S.L.U. Alcobendas – Spain Piaggio & C. S.p.A. investment: 100.00%	Euro	426,642.00	100.00%	
Piaggio Fast Forward Inc. Boston – USA Piaggio & C. S.p.A. investment: 84.00%	USD	12,738.00	86.08%	
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%	RMB	255,942,515.00	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.

* * *

This document was published on 23 April 2020 by authorisation of the Chairman of the Company, Roberto Colaninno.

Certification of the Consolidated Financial Statements pursuant to article 154-bis of Italian Legislative Decree no 58/98

The undersigned Roberto Colaninno, as Chairman of the Board of Directors, Michele Colaninno, as Chief Executive Officer and Andrea Paroli, as Financial reporting officer of Immsi S.p.A., certify, also taking into account provisions of article 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998:

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

of the administrative and accounting procedures for preparing the consolidated financial statements at 31 December 2019.

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

In addition, it is certified that the consolidated financial statements at 31 December 2019:

- were drawn up in compliance with applicable international accounting standards recognised by the European Union in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to accounting records;
- are adequate for giving a true and fair view of the financial position, performance and cash flows of the Issuer and of companies included in the scope of consolidation.

The Report on Operations includes reliable analysis of operations, as well as the situation of the Issuer and of companies included in the scope of consolidation, along with a description of the main risks and uncertainties to which they are exposed.

25 March 2020

The Chairman
Roberto Colaninno

Financial Reporting
Officer
Andrea Paroli

Chief Executive Officer
Michele Colaninno

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of IMMSI SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of IMMSI Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2019, the consolidated income statement, statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and supplementary notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of IMMSI SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Assessment of the recoverability of deferred tax assets *Note F7 to the consolidated financial statements "Deferred tax assets"* Deferred tax assets in the consolidated financial statements of the IMMSI Group as of 31 December 2019 amounts to Euro 134,411 thousand, equal to 6,4% of total assets, and primarily relates to prior years' tax losses as well as to temporary differences on provisions and other temporary differences. Management's main assumptions in the assessment of the recoverability of deferred tax assets relate to forecasts of future economic and market situation and of future taxable profits of the consolidated companies. Assessing the recoverability of deferred tax assets is a key audit matter given the significant of their amounts and the complexity of the valuation process.	We obtained an understanding and evaluated the procedures adopted by the Group in order to determine the recoverability of the carrying amount of deferred tax assets. Our audit procedures consisted of assessing the reasonableness of the estimates made by management in forecasting the future taxable profits of the IMMSI Group companies utilized to assess the recoverability of the carrying amount of deferred tax assets related to prior years' tax losses and other temporary differences.
Assessment of the recoverability of goodwill *Note F1 to the consolidated financial statements "Intangible assets"* Goodwill, which amounts to Euro 613,982 thousand, equal to 29,1% of total assets as of 31 December 2019 is allocated to cash generating units identified on a business segment basis and is primarily related to the "industrial" sector - Piaggio Group (Euro 579,492 thousand) and to the "marine" sector – Intermarine SpA (Euro 34,492 thousand). Impairment testing of goodwill is required at least once a year, even if there are no indicators suggesting that impairments might exist. As of 31 December 2019 the Group carried out specific impairment tests determined on the basis	We obtained an understanding and evaluated the allocation process of goodwill to cash generating units on the basis of the current organizational structure, which did not change compared to previous years. We evaluated the estimates made by management with regard to the expected cash flows inferred from budget data for 2020 and supplemented by forecast data for 2021-2023 as regards goodwill allocated to cash generating unit related to "industrial" sector, and by forecast data for 2021-2024 as regards goodwill allocated to cash generating unit related to "marine" sector. Furthermore, with the support of PwC network experts, we retraced the methods

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
of discounted value of expected cash flows from use of the assets related to each single cash generating unit (Unlevered Discounted Cash Flow Method), compared to the carrying amount of assets and liabilities attributed to the respective cash generating unit. Management's main estimates relate to forecasts of future economic and market situation, especially in relation to expected future cash flows and to calculation of the discount rate applied. Assessment of the recoverability of goodwill is a key audit matter considering the complexity of the evaluation process that requires a significant level of estimation by management.	used to calculate the discount rate and the steady growth rate of financial cash flows beyond the time period of the plan approved by management of Piaggio & C SpA for the "industrial" sector and by management of Intermarine SpA for the "marine" sector. The analysis was specifically focused on the cash generating units identified by management, verifying also the correct determination of the carrying amount of assets and liabilities attributed to each single cash generating unit. We conducted sensitivity analyses in relation to the significant assumptions adopted by management, also with the support of PwC network experts, in order to determine whether there was any impairment of investments in subsidiaries and in order to evaluate the effects of changes in significant assumptions on the results of the impairment test. In addition, in order to assess the ability of management to make reliable forecasts, we compared the final figures as at 31 December 2019 with the related budget data. Finally, we verified the information included in the notes to the financial statements as of 31 December 2019.
Verification of the capitalisation criteria related to investments in development costs, industrial patent and intellectual property rights	
Note F1 to the consolidated financial statements "Intangible assets" With reference to the "industrial" sector, during the financial year 2019 the Group made investments amounting to Euro 89,4 million, mainly in relation to the study of new vehicles and new engines, which feature and will feature as the future products in the 2019-2021 range. The net book value as of 31 December 2019 of development costs and industrial patent rights	We obtained an understanding and evaluated the procedure adopted by the Group for capitalizing development costs, industrial patent and intellectual property rights. We then obtained details of the costs capitalized by project, and analyzed on a sample basis, the increases and decreases during the year with particular attention to compliance with the requirements of international accounting standard "IAS 38 – intangible assets" adopted by the European

Key Audit Matters	Auditing procedures performed in response to key audit matters
amounts to Euro 199,9 million, equal to approximately 9,5% of total assets. Given the size of the annual investments and the high degree of professional judgement required to verify the compliance with the requirements of international accounting standard "IAS 38 – intangible assets" adopted by the European Union, we considered it necessary to focus on this specific financial statement area. Management's main estimates relate to the technical feasibility and the availability of adequate resources, including financial resources, to complete the product being developed, the intention to complete the product for sale, as well as the verification of the existence of future cash flows from the sale of the product that are adequate to support the future recoverability of the costs capitalized and recorded in the consolidated financial statements.	Union for the capitalization of internally generated intangible assets. Our procedures included discussion with management aimed at understanding the characteristics of the various projects. We also verified, on a sample basis, the estimated future cash flows and management's subsequent monitoring of the estimated future cash flows, which occurs at least once a year.
Short-term net financial debt of the Parent Company *Note A to the consolidated financial statements "General aspects" and note G2 to the consolidated financial statements "Financial liabilities"* Short term net financial debt of the Parent Company IMMSI SpA amounts to Euro 185,4 million. As of 31 December 2019 the Parent Company granted 167,88 million shares of Piaggio & C SpA as collateral for existing loans and credit lines, which require the compliance to financial covenants and Value to Loan to be monitored on a regular basis. Due to the significant amount of the Parent Company's exposure toward the banking system and to the uncertainty related to the stock price of shares used to guarantee this exposure, as well as the importance of the information included by management in the notes to the financial statements regarding this aspect, the	We obtained and analyzed the calculation of the net financial position of the Parent Company, the calculation of the financial covenants and the calculation of the Value to Loan ratios, and we verified the compliance with them as of 31 December 2019. We obtained management's forecasts regarding the financial needs of the Parent Company for the next twelve months and we analyzed the actions taken and to take by them in order to ensure the financial stability of the Parent Company also through specific discussions and critical analyses. We obtained audit evidence regarding the existing relationship of the Parent Company with the banking system, in particular obtaining and analyzing the documentation related to the facilities, the terms of the contracts, the existing guarantees, also through receiving specific data and

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
understanding and the analysis of management's forecasts regarding the financial needs of the Parent Company for the next twelve months and of the actions taken and to take by them in order to ensure the financial stability of the Parent Company is a key audit matter.	information directly from the banks. We verified the information included by management in the supplementary notes to the consolidated financial statements, and the correspondence and adequacy with respect to the elements used by them to evaluate the financial stability of the Parent Company for the next twelve months.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate IMMSI SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 11 May 2012, the shareholders of IMMSI SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2012 to 31 December 2020.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of IMMSI SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the IMMSI Group as of 31 December 2019, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the IMMSI Group as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of IMMSI SpA as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of IMMSI SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Verona, 23 April 2020

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

IMMSI S.p.A.

Financial Statements at 31 December 2019

Immsi S.p.A. Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Shareholders' Equity, detailing amounts attributable to Related-Party and intergroup transactions:

Statement of Financial Position

In thousands of Euros

ASSETS	Notes	31/12/2019	31/12/2018
NON-CURRENT ASSETS			
Intangible assets		1	0
Property, plant and equipment	C1	1,392	238
Investment Property	C2	0	74,650
Equity investments in subsidiaries and associates	C3	302,431	307,331
Other financial assets	C4	291,502	260,580
- of which related parties and intergroup		*291,502*	*260,580*
Tax receivables	C5	0	0
Deferred tax assets	C6	0	0
Trade receivables and other receivables	C7	13,254	12,726
- of which related parties and intergroup		*12,823*	*12,720*
TOTAL NON-CURRENT ASSETS		**608,580**	**655,525**
ASSETS HELD FOR DISPOSAL		0	0
CURRENT ASSETS			
Trade receivables and other receivables	C7	6,318	8,647
- of which related parties and intergroup		*4,654*	*8,386*
Tax receivables	C5	211	268
Inventories		0	0
Works in progress to order		0	0
Other financial assets	C4	4,886	2,767
- of which related parties and intergroup		*1,245*	*0*
Cash and cash equivalents	C8	14,444	2,865
TOTAL CURRENT ASSETS		**25,859**	**14,547**
TOTAL ASSETS		**634,438**	**670,072**

LIABILITIES	Notes	31/12/2019	31/12/2018
SHAREHOLDERS' EQUITY			
Share capital		178,464	178,464
Reserves and retained earnings		183,680	176,073
Net profit for the period	E10	8,994	6,746
TOTAL SHAREHOLDERS' EQUITY	D1	**371,138**	**361,283**
NON-CURRENT LIABILITIES			
Financial liabilities	D2	43,184	0
- of which related parties and intergroup		*202*	*0*
Trade payables and other payables	D5	13	162
Provisions for severance liabilities and similar obligations	D3	380	333
Other long-term provisions		0	0
Deferred tax assets/liabilities	D4	10,395	19,447
TOTAL NON-CURRENT LIABILITIES		**53,973**	**19,942**
LIABILITIES ON DISCONTINUED OPERATIONS		0	0
CURRENT LIABILITIES			
Financial liabilities	D2	201,131	282,689
- of which related parties and intergroup		*158*	*0*
Trade payables	D5	3,427	2,118
- of which related parties and intergroup		*813*	*605*
Current taxes	D6	2,983	576
Other payables	D5	1,787	3,463
- of which related parties and intergroup		*176*	*2,002*
Current portion of other non-current provisions		0	0
TOTAL CURRENT LIABILITIES		**209,328**	**288,847**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**634,438**	**670,072**

Income Statement

In thousands of Euros

	Notes	2019	2018
Finance income	E1	38,126	27,126
- of which related parties and intergroup		*37,875*	*27,030*
Finance costs	E2	(18,791)	(19,768)
- of which related parties and intergroup		*(7,956)*	*(9,540)*
Results of associates		0	0
Operating income	E3	4,564	4,516
- of which related parties and intergroup		*2,350*	*2,358*
Costs for materials		(20)	(29)
Cost of services and use of third-party assets	E4	(3,234)	(3,521)
- of which related parties and intergroup		*(208)*	*(384)*
Employee expense	E5	(1,134)	(1,137)
Depreciation of property, plant and equipment	E6	(403)	(50)
Amortisation of goodwill		0	0
Amortisation of intangible assets with a definite life		0	0
Other operating income	E7	124	217
- of which related parties and intergroup		*80*	*85*
Impairment reversals (losses) net of trade and other receivables			
Other operating expense	E8	(14,357)	(752)
PROFIT BEFORE TAX		**4,873**	**6,602**
Taxes	E9	4,120	143
- of which related parties and intergroup		*0*	*0*
EARNINGS AFTER TAX FROM OPERATING ACTIVITIES		**8,994**	**6,746**
Profit (loss) for the period from discontinued operations		0	0
NET PROFIT FOR THE PERIOD	E10	**8,994**	**6,746**

Statement of Comprehensive Income

In thousands of Euros

	Notes	2019	2018
NET PROFIT FOR THE PERIOD	E10	**8,994**	**6,746**
Items that may be reclassified to profit or loss:			
Effective portion of profit (losses) from instruments to hedge cash flows		10	130
Items that may not be reclassified to profit or loss:			
Gains (losses) from the fair value measurement of financial assets		874	(1,591)
Actuarial gains (losses) relative to defined benefit plans		(23)	9
TOTAL GAINS (LOSSES) OF THE PERIOD	D1	**9,855**	**5,294**

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

Statement of Cash Flows

In thousands of Euros

This table shows the changes in cash and cash equivalents, net of short-term bank overdrafts (equal to €523 thousand at 31 December 2019 and €4,128 thousand at 31 December 2018).

	Notes	31/12/2019	31/12/2018
Operating activities			
Profit before tax	E10	4,874	6,602
Depreciation of property, plant and equipment	E6	403	50
Amortisation of intangible assets		-	-
Provisions for risks and for severance indemnity and similar obligations	D3	65	65
Write-downs / (Reversals)	C3-C4	7,900	3,000
Capital losses / (Gains) on the disposal of property, plant and equipment (incl. Investment Property)		12,172	(23)
Losses / (Gains) on the disposal of securities			-
Finance income (1)	E1	(12,123)	(10,762)
Dividend income (2)		(26,003)	(9,863)
Finance costs	E2	10,891	10,268
Change in working capital			
(Increase) / Decrease in trade receivables (3)	C7	4,314	2,889
Increase / (Decrease) in trade payables (4)	D5	(515)	3,090
Increase / (Decrease) in provisions for severance liabilities and similar obligations	D3	(18)	(46)
Other changes		6,686	10,853
Cash generated from operating activities		**8,646**	**16,123**
Net finance costs paid	E2	(9,252)	(9,537)
Taxes paid		(126)	(74)
Cash flow from operations		**(732)**	**6,512**
Investing activities			
Investments in property, plant and equipment (inc. Investment Property)	C1-C2	(215)	(780)
Sale price, or repayment value, of property, plant and equipment (incl. Investment Property)	C2	62,500	37
Investment in intangible assets		(1)	-
Loans provided and interest accrued (5)	C4	(37,682)	(23,150)
Purchase of financial assets	C4	-	(13)
Finance income received		80	94
Dividends from investments (2)		26,003	9,863
Cash flow from investing activities		**50,685**	**(13,949)**
Financing activities			
Loans received	D2	27,102	47,500
Outflow for repayment of loans	D2	(60,607)	(43,089)
Reimbursement for rights of use	D2	(1,264)	-
Outflow for dividends paid			-
Cash flow from financing activities		**(34,769)**	**4,411**
Increase / (Decrease) in cash and cash equivalents		15,184	(3,026)
Opening balance		(1,263)	1,763
Exchange differences		-	-
Closing balance		**13,921**	**(1,263)**

(1) of which Euro 11,872 thousand deriving from loans, subleases of rights of use and guarantees granted to Group companies;

(2) dividends paid out by Piaggio & C. S.p.A.;

(3) of which €3,650 thousand decreased for receivables from companies in the Group;

(4) of which a €205 thousand increase related to payables to companies in the Group and other Related Parties;

(5) entirely relating to loans granted to subsidiaries;

Changes in Shareholders' Equity

Note D1

In thousands of Euros	Share capital	Share premium reserve A – B	Reserves for the fair value measurement of financial assets	Reserves for the fair value measurement of hedging instruments	Reserve for the measurement of entities under common control	Investment Property Revaluation reserve	Actuarial evaluation reserve on defined benefit plans	Revaluation reserve A – B – D	Legal reserve A	Other legal reserves A – B – D	IAS transition reserve	Earnings reserve	Earnings for the period	Shareholders' equity
Balances at 31 December 2017	**178,464**	**94,874**	**(25,284)**	**(153)**	**65,087**	**42,838**	**(31)**	**4,602**	**8,039**	**1,153**	**(1,614)**	**(15,030)**	**3,044**	**355,989**
Allocation of earnings to legal reserve									152				(152)	0
Allocation of earnings to dividends														0
Allocation of earnings to retained earnings/losses												2,892	(2,892)	0
Comprehensive income			(1,591)	130			9						6,746	5,294
Balances at 31 December 2018	**178,464**	**94,874**	**(26,875)**	**(23)**	**65,087**	**42,838**	**(21)**	**4,602**	**8,191**	**1,153**	**(1,614)**	**(12,138)**	**6,746**	**361,283**

In thousands of Euros	Share capital	Share premium reserve A – B	Reserves for the fair value measurement of financial assets	Reserves for the fair value measurement of hedging instruments	Reserve for the measurement of entities under common control	Investment Property Revaluation reserve	Actuarial evaluation reserve on defined benefit plans	Revaluation reserve A – B – D	Legal reserve A	Other legal reserves A – B – D	IAS transition reserve	Earnings reserve	Earnings for the period	Shareholders' equity
Balances at 31 December 2018	**178,464**	**94,874**	**(26,875)**	**(23)**	**65,087**	**42,838**	**(21)**	**4,602**	**8,191**	**1,153**	**(1,614)**	**(12,138)**	**6,746**	**361,283**
Allocation of earnings to legal reserve									337				(337)	0
Allocation of earnings to dividends														0
Allocation of earnings to retained earnings/losses												6,409	(6,409)	0
Other changes						(42,838)						42,838		0
Comprehensive income			874	10			(23)						8,994	9,855
Balances at 31 December 2019	**178,464**	**94,874**	**(26,001)**	**(13)**	**65,087**	**0**	**(44)**	**4,602**	**8,528**	**1,153**	**(1,614)**	**37,109**	**8,994**	**371,138**

Available for:
A: Cover losses B: Share capital increase
C: Distribution to shareholders D: Distribution to shareholders under tax suspension

Notes to the financial statements at 31 December 2019

Note	Description
A	**General aspects**
B	**Accounting standards and measurement criteria**
C	**Information on main assets**
C1	Property, plant and equipment
C2	Investment Property
C3	Equity investments in subsidiaries and associates
C4	Other financial assets
C5	Tax receivables
C6	Deferred tax assets
C7	Trade receivables and other receivables
C8	Cash and cash equivalents
W	**Information on main liabilities**
D1	Shareholders' equity
D2	Financial liabilities
D3	Provisions for severance liabilities and similar obligations
D4	Deferred tax assets/liabilities
D5	Trade payables and other payables
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E	**Information on main Income Statement items**
E1	Finance income
E2	Finance costs
E3	Operating income
E4	Cost of services and use of third-party assets
E5	Employee expense
E6	Depreciation of property, plant and equipment
E7	Other operating income
E8	Other operating expense
E9	Taxes
E10	Net profit for the period
F	**Commitments, risks and guarantees**
G	**Net financial position**
H	**Dividends paid**
I	**Proposal to allocate profit for the period**
L	**Group and Related-Party Transactions**
M	**Risks and uncertainties**
N	**Auditing costs**
O	**Significant events occurring after the reporting period**

A – General aspects

Immsi S.p.A. (the Company) is a limited company established under Italian law and has registered offices in Mantua - P.zza Vilfredo Pareto, 3 and sub-offices in via Abruzzi, 25 – Rome and via Broletto, 13 – Milan. The main activities of the Company and its subsidiaries (the Group) are described in the first section of the Directors' Report on operation.
At 31 December 2019, Immsi S.p.A. was directly and indirectly controlled, pursuant to article 93 of the TUF, by Omniaholding S.p.A., a company wholly owned by the Colaninno family, through the subsidiary Omniainvest S.p.A.. As per article 2427, comma I of the Civil Code, Omniholding S.p.A. (with registered office in Mantua - Via Marangoni 1/E) is the entity that prepares the consolidated financial statements of the largest group of companies in which the issuer is a subsidiary. The consolidated financial statements of Omniaholding S.p.A. are available at the company's registered office.

Following the coming into force of European Regulation no. 1606 in July 2002, Immsi S.p.A. has adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission, the updates of those pre-existing ones (IAS), as well as the documents of the International Financial Reporting Interpretations Committee (IFRIC) deemed applicable to the transactions carried out by the Company.
The financial statements of Immsi S.p.A. are drawn up in compliance with Legislative Decree no. 58/1998, as well as in compliance with provisions issued pursuant to article 9 of Italian Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated 27/07/06 containing "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated 27/07/06 containing "Changes and additions to the Regulation on Issuers" adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28/07/06 containing "Corporate reporting required in accordance with article 114, paragraph 5 of Italian Legislative Decree no. 58/98"). The Company did not consider presentation of segment reporting, as established in IFRS 8, as significant.
The currency used in preparing these financial statements is the euro and amounts are expressed in and rounded to thousands of Euro (unless otherwise indicated).
Information regarding important events after the close of the period and the foreseeable development of operations is set out in the Directors Report on Operations as at 31 December 2019.
These Financial Statements are audited by PricewaterhouseCoopers S.p.A. pursuant to the appointment granted by the Shareholders' Meeting on 11 May 2012 for the period 2012-2020.

Presentation of Financial Statements

The Financial Statements of Immsi S.p.A. consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Shareholders' Equity and the Notes.
As provided for by Consob Ruling no. 15519 of 27 July 2006, the financial statements include specific evidence of related-party and intergroup transactions.

In relation to options in IAS 1 "Presentation of Financial Statements", Immsi S.p.A. opted to present the following types of accounting statements:

- **Statement of Financial Position:** The Statement of Financial Position is presented in sections with Assets, Liabilities and Shareholders' Equity indicated separately. Assets and Liabilities are shown in the financial statements on the basis of their classification as current and non-current;

- **Income statement:** The Income Statement is presented with the items classified by kind of costs. The Company, in view of the economic importance of the financial component in relation to the real estate and services component, has adopted a format for the Income Statement which shows the main activity of Immsi S.p.A. at the top of the statement;
- **Statement of Comprehensive Income:** The Statement of Comprehensive Income is presented in accordance with the provisions of IAS 1 revised, net of a possible tax component. I components shown under Other overall profits/(losses) are grouped together according to whether or not they can be reclassified subsequently in the Income Statement;
- **Cash Flow Statement:** The Cash Flow Statement is presented divided into areas generating cash flows, as indicated by international accounting standards. The Statement adopted by Immsi has been prepared using the indirect method;
- **Statement of Changes in Shareholders' Equity:** The Statement of Changes in Shareholders' Equity is presented as required by the IAS 1 revised. It includes the Statement of Comprehensive Income. Reconciliation between the opening and closing balance of each item for the period is presented.

B - Accounting standards and measurement criteria

The directors have drawn up the financial statements on the basis of historic cost, taking into account, where appropriate, adjustments to value, with the exception of financial statement items which according to IFRS must be shown at fair value, as set out in the valuation criteria.
The financial statements have been prepared on a going concern basis with reference to a future period of 12 months from 31 December 2019.
With reference to the above, at 31 December 2018, as regards the short-term reclassification of the entire debt of Immsi S.p.A. following some financial covenants not being met, the situation has been remedied and the settlement dates restored in the financial statements.
As regards financial requirements for the next 12 months, considering credit lines that are due to mature over the year and the Group's financial commitments to support the development of its initiatives, the Directors have taken and will take in the next few months, actions to find solutions that guarantee a financial balance, while considering the possible risk of future trends in weak equity markets, that represent an element of uncertainty as to the scale of credit lines granted at present to Immsi, also in the light of the content of "Significant events occurring after the reporting period" in relation to the Covid-19 pandemic. In this regard, it should be noted that the current share price of Piaggio stock used as collateral on loans – which has fallen significantly as a result of recent market volatility due to the ongoing health emergency – is not considered representative of the actual value of IMMSI SpA's shareholding. Despite the uncertainty of the situation, it is reasonable to assume that the share price will gradually recover, also in view of the results of impairment testing.

The accounting standards adopted in preparing these financial statements are the same as those adopted for preparing the financial statements at 31 December 2018, except for the adoption of IFRS 16 "Leases" in the section on main accounting standards adopted as from 1 January 2019.

There were no atypical or unusual transactions during 2019 and the corresponding period of the previous year, as defined in Consob Communication no. DEM/6037577 of 28 April 2006 and no. DEM/6064293 of 28 July 2006.
In 2019 the Company disposed of its property in Rome, classified as Investment Property. The sale, carried out in December 2019, was concluded with the real estate fund Investire Sgr S.p.A. at a price of €62.5 million. The property was booked at approximately €74.7 million, so the Company recorded a capital loss of approximately €12.2 million, in addition to additional selling expenses of approximately €1.4 million. As part of the agreements between the parties, €1.5 million was deposited with the notary public as a guarantee for the performance, within a certain period, of post-sale obligations. Upon the sale, Immsi paid off the mortgage on the property to guarantee for a

residual amount of approximately €31.5 million.
The operation is classified under significant non-recurrent transactions, as defined by Consob Communication No. DEM/6064293 of 28 July 2006.
The international accounting standards adopted are listed and summarised below.

Intangible assets

An intangible asset is recorded only if it is identifiable, verifiable and it is likely to generate future economic benefits and its costs can be reliably determined.
These assets are recognised at acquisition or production cost and amortised on a straight line basis over their estimated useful life, if they have a definite useful life. Intangible assets with an indefinite useful life are not amortised but are subject to impairment testing.
The amortisation period for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period: if the expected useful life proves different from previous estimates, the amortisation period is changed accordingly.

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost, including directly related charges, net of accumulated depreciation and impairment losses. For an asset that justifies capitalisation, the cost also includes any finance costs that are directly attributable to acquisition, construction or production of the asset.
The costs incurred following the purchase are capitalised only if they increase the future economic benefits inherent in the asset to which they refer. All other costs are recorded in the income statement when they are incurred.
Property, plant and equipment in progress are valued at cost and are depreciated from the period in which they come into operation.
Depreciation is determined on a straight-line basis over the estimated useful life of the assets or, in the case of disposal, until the end of the previous year.
Land is not depreciated.
Profits and losses arising from the sale or disposal of assets are measured as the difference between the sales revenues and net carrying amount of the asset and are recognised in profit or loss for the period.
At 31 December 2019, the Company did not hold any assets under finance lease agreements.
Other property, plant and equipment are depreciated applying the rates indicated below, reduced by half for fixed assets acquired during the year:

Plant and machinery	from 15% to 30%
Furniture and fittings, electrical machines	12%
Personal computers, hardware, EDP and telephone systems	20%
Vehicles	25%
Other equipment	15%

Lease agreements as lessor

Lease agreements for property, plant and machinery entered into as lessor require the recognition of an asset representing the right of use of the leased asset, and a financial liability for the obligation to undertake contract payments. In particular, the lease liability is initially recognised as being equal to the present value of future payments to make, adopting a discount rate equal to the implicit interest rate of the lease, of if this cannot easily be determined, by using the incremental financing rate of the lessor. After initial recognition, the lease liability is recognised at amortised cost using the effective interest rate and is redetermined following contract renegotiation, changes in rates, or changes in the recognition of any contract options.
The right of use, recognised in the item "Property, plant and equipment", is initially recorded at cost

and then adjusted to take into account recognised depreciation charges, any impairment losses and effects related to any redetermination of lease liabilities.
The Company has opted for some simplifications, allowed by the Standard, excluding agreements of less than 12 months (short term, calculated on the residual duration, on first-time adoption), and of a value below €5 thousand (low value).
In the event of a partial sublease of property rental contracts, the Company does not register the related right of use in the "Tangible Assets" but highlights a financial asset for leasing corresponding to the portion of the main contract subleased to a third party.

Investment Property

As provided for by IAS 40, a non-instrumental property owned in order to obtain rent and/or for the appreciation of the property is measured at fair value.
Investment property is not amortised and is eliminated from the financial statements when sold or when the investment property is unusable in the longer term and no future economic benefits are expected from its sale.
The Company annually revises the carrying amount of investment property held or more frequently if required by facts or circumstances.

Equity investments

Equity investments in subsidiaries and affiliated companies are recorded at cost adjusted for any impairment.
Purchase and sale flows relative to investments are based on the FIFO criterion.

Impairment

Property, plant and equipment and equity investments in subsidiaries and affiliated companies are tested for impairment annually, or more frequently. If there is evidence that such assets have suffered a prolonged or significant loss in value, the asset's recoverable amount is estimated to determine the amount of the impairment and it is immediately observed in the Income Statement. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the asset's cash generating unit. The recoverable amount is the higher of an asset's fair value less costs to sell (if available) and its value in use. In evaluating the value in use, estimated future cash flows are discounted to the present value, which reflects current market valuations of the actual value of money and specific risks of the asset.
If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset is land or buildings other than investment property recognised at revalued amounts, in which case the loss is charged to the respective revaluation reserve.

As regards the measurement of equity investments, if any portion belonging to losses of the investee attributable to the Company exceeds the carrying amount of the investment and the Company is liable for them, the value of the investment is reset and the portion of any further losses is recorded as a provision in liabilities.
Should the recorded write-down no longer be valid, the book value of the asset is increased to the new value arising from the estimate made of its recoverable value, but not more than the net carrying amount that the asset would have had if the write-down for impairment losses had not been made. The restored value is posted to the Income statement.

Receivables

Trade receivables and other receivables are initially recognised at fair value and subsequently recognised based on the amortised cost method, net of the provisions for write-downs. The provisions of IFRS 9 introduce a method of impairment that takes account of expected credit losses. For trade receivables, the Company adopts the simplified approach allowed by the new standard, measuring the credit loss allowance for an amount equal to the losses expected over the full lifetime of the credit.

Cash and cash equivalents

This item includes cash in hand, on demand deposit accounts and other highly-liquid short-term financial investments, which are readily convertible into cash and have an insignificant risk of losing value.

Financial assets

Financial assets are recognised in and deleted from the financial statements based on the settlement date.
IFRS 9 requires the entity to test the business model relative to financial management and contractual cash flows and classify financial assets accordingly. The standard defines the three categories in which financial assets are classified:

a) financial assets measured at amortised cost (AC);
b) financial assets measured at fair-value-through-other comprehensive income (FVTOCI);
c) financial assets measured at fair-value-through-profit-or-loss (FVTPL).

Under IFRS 9, the requirements for classifying a financial asset at AC or FVTOCI are tested; if a financial asset cannot be classified as either AC or FVTOCI, it is classified as FVTPL.
Immsi S.p.A. adopts the following business models:
- a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (the “hold to collect and sell” business model), measured at amortised cost;
- a business model whose objective is to hold financial assets intended for collecting contractual cash flows (the “hold to collect” business model), measured at fair value through other comprehensive income.

As regards the procedure for the impairment of financial assets established by IFRS 9, the provision to recognise to hedge losses is determined considering full lifetime expected credit losses, using a method that considers whether, at the end of the reporting period, the credit risk relative to a financial instrument has increased considerably after initial recognition or otherwise.

Financial liabilities

Financial liabilities include loans that are recognised at the original sums received and are recognised and reversed from the financial statements on the basis of their trade date. Non- current financial liabilities which differ from financial liabilities measured at fair value and recognised in the Income statement, are entered net of the accessory acquisition fees and, subsequently, are measured with the amortised cost method, using the effective interest rate.
The Company's activities are exposed primarily to financial risks from changes in interest rates. The Company uses derivative instruments to hedge risks arising from changes in interest rates on certain irrevocable commitments and planned future transactions. Derivatives are initially measured at fair value represented by the initial amount.
Derivative financial instruments are used solely for hedging purposes, in order to hedge against fluctuations in interest rates. In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated.

Financial liabilities hedged with derivative instruments are booked according to the methods established for hedge accounting, applicable to the cash flow hedge: the profit and loss portion on the hedging instrument that is considered actual coverage is charged in the prospectus of the Statement of Comprehensive Income, the aggregate gain or loss is removed from Shareholders' equity and recognised in profit or loss in the same period during which the hedged transaction is recognised. The ineffective portion of the profits and losses on the hedging instrument is entered in the Comprehensive Income.
If a hedging instrument or hedge relationship is terminated, but the hedged transaction has not yet been completed, the aggregate gains and losses, up to that moment recorded in Shareholders' equity, are recognised in profit or loss at the moment when the related transaction takes place. If the hedged transaction is no longer expected to occur, the unrealised gains or losses suspended in Shareholders' equity are recognised immediately in the Income statement.

Payables

Payables are shown at fair value and subsequently valued on the basis of the amortised cost method, which coincides with the nominal value of trade payables with due dates within the norm for commercial transactions.

Employee benefits

With the adoption of the IFRS, termination benefits accrued up to 31 December 2006, that will now be held by the company, is considered a defined benefit obligation to be recorded in accordance with IAS 19 “Employee Benefits”, consequently, it must be recalculated using the projected unit credit method, by undertaking actuarial valuations at the end of each period.
Liabilities for employee termination benefits recognised in the financial statements represent the present value of liabilities for defined benefit plans adjusted to take account of actuarial gains and losses and unrecorded costs related to previous employment services.
The cost components of defined benefits are recognised as follows:

- costs relative to services are recognised in profit or loss under employee expense;
- net finance costs of liabilities or assets with defined benefits are recognised in profit or loss as finance income/(finance costs), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking account of the payment of contributions and benefits during the period;
- the remeasurement components of net liabilities, which include actuarial gains and losses, returns on assets (excluding interest income recognised in profit or loss) and any change in the limit of the assets, are immediately recognised as Other total profits (losses). These components must not be reclassified to the Income Statement in a subsequent period.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated on all temporary taxable differences between the carrying amount and their tax value.
Deferred tax assets on tax losses are recognised only to the extent that the existence of adequate future taxable income of the Group against which to use this positive balance is considered likely. The value of deferred tax assets is revised annually and is reduced to the extent to which the existence of sufficient taxable income to allow the whole or partial recovery of such assets is no longer probable.
Deferred tax assets and the provision for deferred tax liabilities are offset when there is a legal right to offset them and when the taxes are due to the same tax authority.
Deferred taxation is determined on the basis of the tax rates which are expected to be applied in the periods in which such temporary differences will occur or be extinguished.
Deferred taxes may not be discounted and are classified as non-current assets and liabilities.

Finance income and costs

Finance income and costs are recorded on an accrual basis.
Finance income includes dividends, interest income on invested funds and income arising from financial instruments.
Interest income is charged to the Income statement as it accrues, considering the effective yield. Interests due on financial payables are calculated using the effective interest rate method.
Dividends in the Income statement are recognised when, following the resolution by an investee company to distribute a dividend, the relative credit right arises.

Operating revenues and costs

Costs and revenues from the sale of assets are recognised in the financial statements only when the risks and related benefits of ownership of the assets are transferred while, as concerns services, costs and revenues, they are recognised in profit or loss with reference to their progress and the benefits achieved at the date of the financial statements.

The reporting criteria required by IFRS 15 are applied to one or more operations as a whole when they are so closely connected that the commercial result cannot be valued without making reference to such operations as to a single whole, therefore the income from re-charging costs for materials and services sustained by Immsi S.p.A. on behalf of companies in the Group or third parties is not recognised in profit or loss as it is offset against the relative costs that generated it.

Current taxes

Income taxes for the year are calculated using the tax rates in force at end of the reporting period and are recognised in profit or loss, except for items directly charged or debited to Shareholders' equity, in which case the tax effect is recognised directly as a reduction or increase in the Shareholders' equity item.
Other taxation unrelated to income is included in other operating expense.
Income tax for regional production tax is recognised in the amounts due to the tax authorities net of advances. While as for Italian Tax on Corporate Income it is noted, that since 2007 the Company has signed a national consolidated tax convention with some companies of the Group, therefore the payables, advance payments and withholdings suffered were transferred at the end of the year to the fiscal consolidated company. Immsi, as the consolidating company, has recognised in its own financial statements the net effect of the amount due to companies transferring tax losses and tax receivables, and the receivable due from companies transferring a taxable amount with a counter entry of the cumulative receivable or payable vis-à-vis the tax authorities.

Use of estimates

The preparation of the financial statements and notes in compliance with IAS/IFRS requires Management to make estimates and assumptions that have an impact on the values of assets and liabilities in the financial statements and on disclosure relating to contingent assets and liabilities at the reporting date. Actual results could differ from estimates. Estimates are used, among others, to evaluate activities subject to impairment testing, and to identify provisions for bad debts, amortisation and depreciation, impairment losses of assets, employee benefits, taxes and other provisions and reserves. Estimates and assumptions are periodically revised and the effects of any change are recognised in profit or loss.
It should be pointed out that, in particular, considering the current global economic and financial crisis, assumptions about future trends reflect a significant degree of uncertainty. Consequently, the Group cannot rule out the possibility that next year's results will differ from estimates and may require adjustments that are even considerable and which are not foreseeable and cannot be estimated at present.

New accounting standards applicable as from 1 January 2019

IFRS 16 "Leases"
In 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 (on balance sheet) and an operating lease (off balance sheet). With IFRS 16, operating leases are treated for accounting purposes as finance leases. According to the new standard, an asset representing the right of use of the leased asset is recognised, as well as a financial liability for the obligation to make lease payments. In particular, the lease liability is initially recognised as being equal to the present value of future payments to make, adopting a discount rate equal to the implicit interest rate of the lease, of if this cannot easily be determined, by using the incremental financing rate of the lessor. After initial recognition, the lease liability is recognised at amortised cost using the effective interest rate and is redetermined following contract renegotiation, changes in rates, or changes in the recognition of any contract options.
The right of use is initially recorded at cost and then adjusted to take into account recognised depreciation charges, any impairment losses and effects related to any redetermination of lease liabilities.
The IASB has provided for the optional exemption for certain leasing contracts and low value and short-term leases.
The standard will mainly have an effect on the recognition of the Company's operating leases.
The Company opted to use the simplified transition approach, and therefore comparative amounts of the year prior to first-time adoption were not modified. Assets recognised for rights to use are measured for the amount of the lease debt at the time of adoption.
As from 1 January 2019, the adoption of the new standard resulted in the following - with reference to the financial statements:

- in the balance sheet, the recognition of rights of use in tangible fixed assets and of the corresponding financial assets and liabilities in financial items;

	AS OF 31 DECEMBER 2018
In milions of euros	
(+) Commitments for operating leases	1,6
(-) short-term operating leases	-
(-) operating leases of a moderate value	-
(-) operating leases, no IFRS16 compliance	-
(-) discounting effect	(0,1)
Total Right of Use	**1,5**

- in the income statement, the recognition of operating costs of the depreciation of rights of use, and in the financial section of interest income expense on the corresponding financial items, unless capitalised, replacing operating lease agreements (with the exception of short-term and low value agreements), previously recognised as operating costs.
- in the cash flow statement, the recognition of reimbursements of lease liability principal in net cash flows from financing activities, while interest income and expense is recorded in net cash flows from operations if recognised in the income statement.

The effects of adopting IFRS 16 on the financial statements at 31 December 2019 are summarised in the following table.

In thousands of Euros	2019 published	Impact of IFRS 16	2019 without adoption of IFRS 16
Property, plant and equipment	1,392	1,291	101
Other non-current financial assets	291,502	4,516	286,986
Other current financial assets	4,886	1,245	3,641
Non-current financial liabilities	43,184	5,450	37,734
Current financial liabilities	201,131	1,619	199,512
Depreciation of property, plant and equipment	(403)	(355)	(48)
Cost of services and use of third-party assets	(3,234)	381	(3,615)
Net finance income	38,126	141	37,985
Net finance costs	(18,791)	(183)	(18,608)
Effect on the income statement before taxes	4,873	(16)	4,889

IFRS 9 "Financial Instruments"

In October 2017, the IASB published an amendment to IFRS 9 “Prepayment features with negative compensation". The amendment confirms that when a financial liability recognised at amortised cost is changed without this resulting in de-recognition, the relative profit or loss must be immediately recognised in profit or loss. The profit or loss are measured as the difference between the previous cash flow and the flow redetermined based on the change. This amendment, applicable from 1 January 2019, did not have a significant impact on the financial statements or disclosure.

IAS 28

The amendments issued in October 2017 clarify that entities must apply the provisions of IFRS 9 ”Financial instruments” to non-current investments in associates and joint ventures for which the equity method is not applied. The amendments are applicable from 1 January 2019 and did 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 its annual improvements to IFRS 2015–2017 (IFRS 3, IFRS 11, IAS 12 and IAS 23). The amendments are applicable from 1 January 2019 and did 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 finance costs at each change of the plan. The amendments are applicable from 1 January 2019 and did 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 became effective on 1 January 2019 and did not have a significant impact on the financial statements or on disclosure.

New accounting standards not yet adopted

At the date of these Financial Statements, competent bodies of the European Union had not completed the approval process necessary for the 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.
- In September 2019, the IASB published some amendments to IFRS 9, IAS 39 and IFRS 7 with some findings on the reform determining interbank rates. The findings concern the recognition of hedging and imply that a change in the interbank rate (IBOR) should not generally cause the accounting closure of hedging operations. However, the effects of all ineffective hedging should continue to be recognised in the income statement. Given the extensive nature of hedging that involves contracts based on interbank rates, the findings will concern companies from all sectors. These amendments will apply from 1 January 2020.

The Company 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.

C – Information on main assets

C1	Property, plant and equipment	1,392

Changes in property, plant and equipment are broken down as follows:

Assets at 31.12.18	**238**
- Capital amount	1,505
- Accumulated depreciation	-1,267
Increases in rights of use 1.1.2019	**1,458**
Increases for investments	**193**
Decreases for depreciation	**-403**
Decreases for disposals	**-94**
- (Capital amount)	-104
- Accumulated depreciation	10
Assets at 31.12.19	**1,392**
- Capital amount	3,052
- Accumulated depreciation	-1,660

The item includes rights of use, plant, furniture and fittings, office and electronic machinery, cars and various equipment.

C2	Investment Property	-

On 19 December 2019 the Company sold the property located in Via Abruzzi, Rome, to the real estate fund Investire SGR S.p.A.. The sale price was €62.5 million.
At 31 December 2018 the property was classified as investment property, as defined by IAS 40, at a fair value of €74.7 million; the Company recognised a loss of €12.2 million in the income statement under "Other operating expense" to adjust the value of the investment property to the sale price.
In connection with this transaction, the Company recognised additional selling expenses amounting to approximately €1.4 million under the item "Other operating expense", mainly for commercial intermediation, consultancy and maintenance of the building.
As part of the sale agreements, it was contractually agreed to deposit part of the sale price (€1.5 million) in an escrow account in the name of and managed by the notary, to serve as a guarantee on post-sale obligations borne entirely by the Company. In case of fulfilment or non-fulfilment of the above obligations, the amount will be released by the notary public either to the Company or to the acquiring counterparty.
The Company Immsi S.p.A. recognised this deposit at 31 December 2019 under current assets in the item "Trade receivables and other receivables" with €1.2 million for the portion relating to obligations to be fulfilled by 31 December 2020, while the remaining €0.3 million for post-sale obligations to be completed after31 December 2020 was recognised under non-current assets. In March 2020, the notary released the first €0.4 million to the Company following the fulfilment of part of the agreed obligations within the established deadlines.
The property in Rome was encumbered with mortgages for a total of €90 million to guarantee the loan obtained in 2010 and renegotiated at the end of 2015 with Banco BPM (formerly Banco Popolare) for a nominal amount of €31.5 million, which were cancelled on the date of sale of the property when the Company fully repaid the residual debt of the loan mentioned above.
Rental income accruing up to the date of the sale, referred to the building and was recognised under operating income, amounting to €2,549 thousand. 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.

C3	Equity investments in subsidiaries and associates	302,431

The total value of equity investments in subsidiaries and associated companies totalled €302,431 thousand, down €4.9 million compared to the value recognised at 31 December 2018 due to the write-down (-€7.9 million) of the investment in ISM Investimenti S.p.A. net of the contributions for future capital increase (€3 million) made in December 2019 in the subsidiaries ISM Investimenti S.p.A. and RCN Finanziaria S.p.A.

The main data from the last financial statements approved by the Boards of subsidiaries are given below.

Company Name and Head office	Share capital	Shareholders' equity	Net profit	% of Share Capital owned	Pro rata shareholders' equity	Difference between pro rata shareholders' equity and carrying amount	No. of shares	Carrying amount
Apuliae S.r.l. Lecce	500	228	-88	85.69%	195	-1,144	n/a	1,339
ISM Investimenti S.p.A. Mantua	6,655	653	-8,547	72.64%	474	-5,586	6,654,902	6,060
Piaggio & C. S.p.A. Pontedera (Pisa) *	207,614	309,325	46,211	50.20%	155,270	-87,985	358,153,644	243,255
RCN Finanziaria S.p.A. Mantova *	1,000	1,192	-5,351	72.51%	864	-32,142	2,000,000	33,006
Pietra S.r.l. Milan	40	24,880	-155	77.78%	19,352	591	n/a	18,761
Immsi Audit S.C. a R.L. Mantova	40	40	0	25.00%	10	0	n/a	10

*) percentage net of treasury shares.

APULIAE S.r.l.

The investment in Apuliae S.r.l. is shown at the value subscribed at incorporation in December 2003 increased by advances for a future capital increase in January 2004 of €2 million and of €92 thousand in December 2012. As a consequence of the extended suspension of the restructuring activities relating to the "ex Colonia Scarciglia" building in Santa Maria di Leuca (Lecce), during 2006 Immsi wrote down its shareholding by €2,453 thousand. The Extraordinary Shareholders Meeting of Apuliae in 2008 passed a resolution to partially cover losses up to 31 December 2007 of €2,490 thousand by reduction of the share capital and zeroing the reserve of €2 million paid by Immsi. The General Meeting in late 2012 resolved to partially cover the accumulated losses at 30 September 2012 amounting to €620 thousand through a reduction of the share capital. In light of the losses due to the continuing suspension of activities, the Extraordinary Shareholders Meeting of Apuliae S.p.A. held in February 2017 decided on a further reduction in share capital by a sum corresponding to the losses as at 31 December 2016 of €497 thousand and simultaneously to transform the company into a Private Limited Company pending the potentially positive outcome of ongoing disputes and the resumption of business.

For an update on the progress of the assessment ordered by the Judicial Authorities leading to the suspension of restructuring activities in March 2005, see the sections dealing with the Property sector and holding company as well as Ongoing disputes in the Directors Report as at 31 December 2019.

ISM INVESTIMENTI S.p.A.

The company ISM Investimenti S.p.A. with IMI Investimenti S.p.A. as its minority shareholder, after a capitalisation operation, acquired from Immsi S.p.A. shares, equal to 60% of the capital, relative to the investment in Is Molas S.p.A., previously held directly by Immsi S.p.A., paying an amount equal to €84 million. The operation was in line with Immsi's strategy to concentrate some of the Group's tourist-real estate development activities in a specific company, with the objective of associating partners with these initiatives to strengthen the asset base. On the basis of agreements between the shareholders, Immsi S.p.A. has maintained control of Is Molas S.p.A..

After the conversion into shares in 2013 of the convertible financial instruments issued and subscribed by partners in 2010, Immsi S.p.A. holds 4,834,175 category A shares, while IMI Investimenti S.p.A. holds 1,820,727 category B shares, with investments (in terms of voting rights) equal to 72.64% and 27.36% respectively. In this regard, considering the analyses of the impairment tests carried out at the end of 2019 and the different equity rights of the two shareholders established by the co-investment and shareholders agreement signed at the time of the initial investment as supplemented and amended in 2013 - the portion of shareholders' equity of ISM Investimenti S.p.A. consolidated by Immsi S.p.A. was estimated to be 41.81% at 31 December 2019, unchanged compared to 2018.

In December 2019, to strengthen ISM Investimenti's capital base, the Company waived a receivable for interest accrued worth €2 million, contributing it to the shareholders' equity of the subsidiary, which recognised it in a special reserve, called Immsi, for future capital increases.

The value of the investment is €5.6 million greater than the pro-rata shareholders' equity. The recoverable value of the investment in ISM Investimenti S.p.A. was determined via an impairment test carried out on 31 December 2019 as "value in use", using the Unlevered Discounted Cash Flows Method actualising the anticipated cash flows of Is Molas S.p.A..

As regards the discount rate for the present value discounting of the estimated expected cash flows of Is Molas, a discount rate was used that reflects current market evaluations of the cost of money and takes account of the specific risks of the business segment in which the company operates. In particular, the cost of equity ("Ke") was determined according to the CAPM ("Capital Asset Pricing Model"). For this purpose, we considered a) a long-term risk-free rate; b) a market risk premium in an unconditional form (normal long-term premium); c) a Beta coefficient calculated by taking into account also the Beta coefficient of a sample of companies comparable to the company. For the purpose of estimating the aforementioned rate, a specific risk premium considered suitable to reflect the elements of risk included windy in the forecasts assumptions used in the 2020-2026 was also considered. The cost of debt ("Kd") was estimated taking account of the expected financial structure of a panel of listed companies comparable to Is Molas as well as – prudentially in order to mitigate the positive impact of the current expansive monetary policy - a long-term risk-free rate. The discount rate ("WACC") used for the purposes of the impairment test before tax was therefore estimated as being equal to approximately 10.45%.

The terminal value was determined by calculating the present residual value of the existing resort facilities at the end of the plan period, determined by valuing the resort facilities solely construction cost and the villas at a list price discounted by 5% that are expected to still be unsold by the end of 2026.

The impairment testing also considered the shareholder agreements between the two shareholders of ISM Investimenti S.p.A. (Immsi S.p.A. and IMI Investimenti S.p.A.) in force since 2008, and subsequently modified, which include the provision of a precise hierarchy in the repayment of the company's sources of financing, both with regard to capital and to loans.

These analyses revealed that the value in use of this equity investment was largely in line with its carrying amount at 31 December 2019.

The directors, on the basis of the contents of the joint Bank of Italy/Consob/Isvap document, no. 2

dated 6 February 2009, and Bank of Italy/Consob/Isvap document no. 4 dated March 2010, carried out a sensitivity analysis was on the results of the test based on varying assumptions such as the actualisation rate net of tax and the discount rate on the list price used to estimate the value of the unsold villas at the end of the period of the plan, which determine the estimate of the value used for the investment being tested. The sensitivity analysis on the worsening of the discount rate by one percentage point (11.45%), shows an impairment loss compared to the original valuation of about €7.9 million.
From a prudential point of view, given some slowdowns in commercial activity compared to what was originally budgeted, the Company has decided to adjust the book value of the investment at 31 December 2019 by recording a write-down of €7,900 thousand in the income statement.
Updates, revisions or negative developments relative to the aforesaid assumptions and forecasts occurring after the reporting period of this evaluation could influence, even significantly, the results of impairment testing. Given the intrinsically uncertain nature of the forward looking data considered, we cannot exclude that these variances may continue to take place even in the future with respect to the forward looking data used with reference to the assessments carried out at 31 December 2019.
Given that the analyses conducted to determine the recoverable amount were also carried out on the basis of estimates, the existence of adequate cash flows to allow the recovery of the carrying amount of the equity investment and the period within which those flows will be produced, is dependent on the outcome of initiatives provided within the forecast data of Is Molas S.p.A.. Given the current crisis in the reference markets and the financial markets, the Company can not guarantee that there will be no impairment loss of the equity investment in future periods: in view also of the fact that a number of factors - both internal and external to Is Molas - considered in the calculation of the estimates could be revised in the future, the company will constantly monitor these factors and the possible existence of future impairment losses.

Reference is made to the sections on the Property and holding sector and Disputes in progress in the Directors' Report and the Financial Statements of the Immsi Group at 31 December 2019 for an update on the Is Molas real estate project.

PIAGGIO & C. S.p.A.
Immsi S.p.A.'s investment in Piaggio & C. S.p.A. was recognised under assets at 31 December 2019 for €243,255 thousand, and remained unchanged compared to 31 December of the previous year. As a result of the buyback of 105,000 shares by Piaggio & C. S.p.A. in 2019, Immsi's ownership stake changed from 50.18% on 31 December 2018 to 50.20% on 31 December 2019.
The value of the investment calculated based on the specific listing at December 2019 amounted to €492,795 thousand.

The portion of share capital at 31 December 2019 was €87,985 thousand more than the pro-rata shareholders' equity. This difference is considered by the Directors to be recoverable in relation to the development plans of the Piaggio group as backed up by the impairment test carried out on 31 December 2019. Analyses conducted did not highlight any impairment loss as regards the carrying amount of the investment held by Immsi S.p.A. in Piaggio & C. S.p.A..
In particular, with the values considered for the main basic assumptions adopted for impairment testing (i.e. weighted average “g rate” for the Piaggio group equal to approximately 1.33% and average weighted WACC for the Piaggio group estimated to be approximately 6.34%), the test concerning the value in use of the investment held in the Piaggio group was passed with a broad margin. In addition, also on the basis of the indications contained in the Document Banca d’Italia/Consob/Isvap no. 2 of 6 February 2009 and in the document Banca d’Italia/Consob/Isvap no. 4 of March 2010, sensitivity analysis was carried out on the test results compared to the basic assumptions used such as the perpetual growth rate used to process the final value (“g rate”) and the discount rate (“WACC”), that affect the estimate of the value of use of the cash-generating unit Piaggio group. the impairment test was passed in all reasonably considered cases. In this regard, changes in values assigned to basic assumption considered reached the worst case scenario of a reduction in

the perpetual growth rate ("g rate") of one percent, and an increase in the WACC of one percent. For more details on impairment testing and the relative underlying assumptions, see the Notes to the consolidated financial statements of the Immsi Group.

Lastly, of the 179,328,621 Piaggio shares held by Immsi S.p.A. at 31 December 2019, 161,067,962 thousand Piaggio shares were filed to guarantee loans granted by banks to Group companies.

RCN Finanziaria S.p.A.

The equity investment in RCN Finanziaria S.p.A. is recognised in the financial statements at the end of the reporting period for €33,006 thousand, up by €1 million compared to the figure at 31 December 2018.
Following the purchase by the RCN Finanziaria of all the ordinary shares of the company held by the minority shareholder GE Capital Equity Holdings LLC in 2016, the stake held by Immsi S.p.A. was equal to 72.51%.
In December 2019, to strengthen RCN Finanziaria's capital base, the Company waived a receivable for interest accrued worth €1 million, contributing it to the shareholders' equity of the subsidiary, which recognised it in a special reserve, called Immsi, for future capital increases.

The portion of share capital at 31 December 2019 was €32,142 thousand more than the pro-rata shareholders' equity. This difference is considered by the Directors to be recoverable in relation to development plans of the indirect subsidiary Intermarine S.p.A. as backed up by the impairment test carried out on 31 December 2019.
The main hypotheses and assumptions used in determining the recoverable value of the stake, based on the Unlevered Discounted Cash Flows Method, related to i) the use of forecast economic and asset data of Intermarine S.p.A., a 100% subsidiary of RCN Finanziaria S.p.A.; ii) the discount rate used for discounting estimated expected cash flows; and iii) the expected growth rate for calculating the terminal value, consistently with the approach of discounting back the "perpetual growth". The discount rate ("WACC") used for the purposes of the impairment test net of taxes is therefore estimated at approximately 8.41% (8.67% as at 31 December 2018). For further details regarding the assumptions underlying the determination of the WACC, readers are referred to the comments made in the Notes on the Immsi Group's consolidated financial statements. These analyses revealed that the value in use of this equity investment was the same as its carrying amount at 31 December 2019. In addition, also on the basis of the indications contained in the Banca d'Italia/Consob/Isvap joint document no. 2 of 6 February 2009 and in the Document Banca d'Italia/Consob/Isvap no. 4 of March 2010, sensitivity analysis has been carried out on the results of the test in relation to the change in basic assumptions such as the WACC and the forecast perpetual growth rate ("g rate"), which condition the estimate of the value in use of the investment tested. Under improved scenarios, sensitivity analysis indicates carrying amount reinstatement opportunities and under worsening scenarios the risk of recovering less value i.e. of a write-down of the investment held in RCN Finanziaria S.p.A.
The forecast data considered – uncertain and variable by nature – reflect the evolution of the company's order portfolio as well as its future industrial and commercial strategies. Updates, revisions or negative developments relative to the aforesaid assumptions and forecasts occurring after the reporting period of this evaluation, could influence, even significantly, the results of impairment testing. In this regard, – in the course of previous periods – the final results of Intermarine S.p.A. were significantly different from the financial forecasts, partly as a result of exceptional, unforeseeable events. Given the intrinsically uncertain nature of the forward looking data considered, we cannot exclude that these variances may continue to take place even in the future with respect to the forward looking data used with reference to the assessments carried out at 31 December 2019. Final data for 2019 mainly confirm estimates in the 2019 budget and indicate that in 2019 economic and financial balance was maintained, chiefly due to the orders acquired by the Defence business and reductions in indirect costs and overheads.

Lastly, an impairment loss for the investment was recorded in the past amounting to €22,607 thousand, based on the results of impairment testing carried out in 2010, 2011, 2012 and 2013, reinstated in 2017 and 2018 for a total amount of €11.5 million.
Given that the analyses conducted to determine the recoverable amount were also carried out on the basis of estimates, the existence of adequate cash flows to allow the recovery of the carrying amount of the equity investment and the period within which those flows will be produced, is dependent on the outcome of initiatives provided within the forecast data of Intermarine S.p.A.. Given the current difficulties in the reference markets and the financial markets, the management of the Company can not guarantee that there will be no impairment loss of the equity investment in future periods: as a number of factors - both internal and external to Intermarine S.p.A. - considered in the calculation of the estimates could also be revised in the future, the Company will constantly monitor these factors and the possible existence of future impairment losses.

PIETRA S.r.l.
At the end of 2006, Immsi S.p.A. acquired a 77.78% investment in Rodriquez Pietra Ligure S.r.l., which was then transformed into Pietra S.r.l., recognised in the financial statements for a total of €18,761 thousand, corresponding to the amount paid on the initial underwriting and at subsequent capital increases.
This company, originally established by Rodriquez Cantieri Navali S.p.A. (now Intermarine S.p.A.), was then sold to the two current shareholders (Immsi S.p.A. and Intesa San Paolo S.p.A.), in order to sign an agreement to sell the future receivable relating to the Pietra Ligure shipyard project with Rodriquez Cantieri Navali S.p.A..
At the same time as the sale of the receivable, Rodriquez Cantieri Navali S.p.A. granted Pietra S.r.l. subscription rights for the acquisition of the entire stake in the Pietra Ligure S.r.l, the newco assigned the industrial complex along with the area transferred from the State, at the price of €300 thousand. The option was exercised at the end of May 2015.
This project refers to the shipyard area located in Pietra Ligure (Savona) that – in the intentions of the subsidiary – would be turned into a property complex with apartments, a hotel, mooring places, shops and other services. The area concerned was acquired during a public auction in 2007. Reference is made to the sections on the Property and holding sector and Disputes in progress in the Directors' Report and the Financial Statements at 31 December 2019 for an update on the situation.

Lastly, in 2008, a company was established called IMMSI Audit Società Consortile di Internal Auditing del Gruppo Immsi a R.L. (IMMSI Audit S.c.a r.l.), with Immsi S.p.A. subscribing 25% of the share capital, equal to €10 thousand.

C4	Other financial assets	296,388

Below is a breakdown of other financial assets held by Immsi S.p.A.:

In thousands of Euros	2019	2018
Other non-current financial assets:	**291,502**	**260,580**
Financial assets fair value to OCI	-	-
Financial receivables due from Group companies	291,502	260,580
Other current financial assets:	**4,886**	**2,767**
Financial assets fair value to OCI	3,641	2,767
Financial receivables due from Group companies	1,245	-
Total other financial assets	**296,388**	**263,347**

Non-current financial assets include the reclassification of the loans granted by Immsi S.p.A. to Group companies, in addition to the related accrued interest, carried out in light of the budget forecasts of these same subsidiaries that do not allow for repayment in the course of 2020. These financial receivables amounted to €286,986 thousand and included €50,419 thousand from interest accruing at the end of 2019.
In particular, the Company has receivables amounting to €142,276 thousand due from RCN Finanziaria S.p.A. (including €34,438 thousand maturing on agreed loans) which include, among others, two convertible shareholder loans subscribed by the Parent Company, of €29.2 million and €12 million respectively, maturing in June 2022 on the basis of shareholders' agreements signed in June 2019 with the minority shareholder Intesa Sanpaolo S.p.A. (formerly IMI Investimenti S.p.A.).
As commented on the previous item "Investments", in December 2019, the Company waived €1 million in receivables due for interest accrued on existing loans to RCN Finanziaria, contributing it to the subsidiary's shareholders' equity to underwrite future capital increases.
The Company has receivables with ISM of €71,367 thousand, of which €31.8 million granted to enable the subsidiary to join in the operations to increase the share capital of Is Molas S.p.A., and including €3,385 thousand for interest accrued on the loans granted. The shareholders' loan (originally €18 million) is contractually due at the end of 2018 but is not due as it is subject, together with the loan of the other minority shareholder Intesa Sanpaolo S.p.A. (formerly IMI Investimenti S.p.A.), as per the clause included in the respective contracts, to the repayment of the bank loan of €30 million granted to ISM Investimenti by Intesa Sanpaolo S.p.A..
In April and December 2019, the Company assigned ISM financial receivables due from Is Molas S.p.A. for a total of €11 million, increasing the amount it is owed by ISM by the same amount; the subsidiary holding 92.6% of the capital of Is Molas waived these receivables, contributing them to the shareholders' equity of Is Molas by setting up an optional reserve for the subscription of future capital increases.
As commented on the previous item "Equity investments", in December 2019, the Company waived €2 million in receivables due for interest accrued on existing loans to ISM, contributing it to the subsidiary's shareholders' equity to underwrite future capital increases.
Receivables from Is Molas S.p.A. amount to €66,334 thousand (of which € 54,996 thousand for loans and €11,338 thousand for interest accrued on the loans granted).
Lastly receivables referring to Pietra S.r.l. and Pietra Ligure S.r.l. amounted to €6,147 thousand (of which €4,988 thousand for loans and €1,159 thousand for interest accrued) and to Apuliae S.r.l. for €863 thousand (of which €764 thousand for loans and €99 thousand for interest).
The interest receivable at the end of 2019 on loans granted to Group companies, despite their financial nature, do not contribute to the determination of the net financial position.

Other non-current financial assets include €4,516 thousand in financial receivables due from the subsidiaries Piaggio & C. S.p.A. and Intermarine S.p.A. which, by virtue of the application of IFRS16 "Leases", represent the discounted value of sub-lease payments for property rights-of-use due after 31 December 2020.
It should be noted that the value of the sub-lease payments, relating to IFRS16 contracts, was equal to €1,068 thousand during the 2019 financial year.

Non-current financial assets also include the investment held in Alitalia – CAI by Immsi S.p.A., which has remained unchanged compared to 31 December 2018, 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.

Other-current financial assets amounting to €4,886 thousand at 31 December 2019 include €1,245 thousand in financial receivables due from the subsidiaries Piaggio & C. S.p.A. and Intermarine S.p.A. which, by virtue of the application of IFRS16 "Leases", represent the discounted value of sub-lease payments for property rights-of-use due before 31 December 2020, and €3,641 for the investment in UniCredit.

In relation to the investment in Unicredit, at 31 December 2019 the Company holds 279,639 shares and has adjusted the carrying amount of the holding to the value at 31 December 2019, equal to €3,641 thousand, recognising the adjustment in other comprehensive income for €874 thousand. As per IFRS 9, 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..
Lastly, it should be pointed out that Unicredit shares referred to above are bound up to 31 December 2019 as a result of a security loan contract guaranteed by cash collateral that the Company undersigned with Banca Akros as from December 2007 and periodically renewed. Contractually the agreements between the parties only transfer the rights and duties deriving from their possession for the duration of the contract, therefore the shareholding is registered in the assets of Immsi for a liability equal to the liquidity disbursed by the Bank as collateral.

C5	Tax receivables	211

The Company opted to be a part of the Group taxation system, as provided for by articles 117 et seq. of the Consolidated Income Tax Act (National Consolidated Tax Convention) along with the subsidiaries Piaggio & C.. S.p.A., Aprilia Racing S.r.l., Apuliae S.r.l., Intermarine S.p.A., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l., Pietra Ligure S.r.l. and Piaggio Concept Store Mantova S.r.l.. For the agreements underwritten with these companies, as the consolidating company, Immsi S.p.A., included in its financial statements current tax receivables of €127 thousand and the withholding tax paid and transferred by the companies involved. The remainder is made up of IRAP receivables.

C6	Deferred tax assets	0

The Company recorded assets for gross advance taxes of €439 thousand, exclusively relating to temporary differences for costs deductible in future periods. The Company did not prudently record advance taxation against tax losses.
Deferred tax assets were offset by deferred tax liabilities as they refer to the same income tax owing to the tax authorities and may be recovered in similar times.

C7	Trade receivables and other receivables	19,572

Current trade receivables and other receivables refer to trade receivables from third parties and from Group companies for lease contracts, fees paid for positions held by employees of the Parent Company, interest, fees on guarantees and expenses charged for activities managed by Immsi S.p.A. on behalf of subsidiaries. This item includes receivables due from companies belonging to the Immsi Group for €13,728 thousand, and namely Is Molas for €6,250 thousand, RCN Finanziaria for €5,628 thousand, Piaggio for €505 thousand, ISM Investimenti for €894 thousand, Intermarine for €400 thousand and the remainder from other group companies.

The Company prudently recognised trade receivables and other receivables for €12,823 thousand from other Group companies, whose budget estimates did not reasonably expect repayment during 2020, in the non-current portion.

Other current receivables of Immsi S.p.A., as the consolidating company, defined in the national consolidated tax convention, include the net receivable from companies party to the convention, for a total amount of €3,749 thousand.

Trade receivables are recorded net of a bad debt reserve prudently allocated for €750 thousand against the uncertain recoverability of approximately €690 thousand receivables due to Immsi S.p.A. from Volare Group relative to the rental of a portion of the property of Via Pirelli – Milan sold by Immsi during 2005. In this respect, the Volare Group has been in receivership since the end of 2004 and Immsi, proving its debts, has been admitted to the benefit. The filing of the plan to distribute assets relative to privileged creditors pursuant to article 2764 of the Italian Civil Code (receivables of lessors of property) is pending.

As indicated in the previous note "Investment property", it should be noted that part of the sale price of the property located in Via Abruzzi in Rome was deposited in an escrow account in the name of and managed by the notary public (€1.5 million) as a guarantee for post-sale obligations borne by the Company. Of this deposit, €1,200 thousand was recognised as current portion as it relates to obligations to be completed by 31 December 2020, while the remaining €300 thousand was recognised as non-current as it relates to obligations to be completed by a deadline after 31 December 2020.
It should be noted that during the month of March 2020, the Company collected €400 thousand released by the notary public in the margin of the fulfilment of part of obligations.

The Company does not have any receivables from foreign companies and receivables with a residual duration of more than 5 years.

C8	Cash and cash equivalents	14,444

This item covers cash and current bank accounts. The increase compared to 31 December 2018 is mainly due to the collection of the sale price of the property in Via Abruzzi, net of the repayment of the mortgage loan with Banco BPM and the partial repayment of principal on other loans.

D - Information on main liabilities

D1	Shareholders' equity	371,138

Share capital

At 31 December 2019, the share capital of Immsi S.p.A. totalled €178,464,000.00, fully subscribed and paid up, and represented by 340,530,000 ordinary shares with no nominal value.

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

As regards proxies to increase share capital and authorisations to purchase treasury shares, see the 2019 Report on Corporate Governance and Ownership.

Other reserves and retained earnings

The item Other reserves at 31 December 2019 is broken down as follows:

- legal reserve comprising provisions approved following the distribution of the profit for the year for €8,528 thousand;
- legal reserves for a total of €1,153 thousand;
- revaluation reserve for property, plant and equipment, established in accordance with Law no. 413/91 by Sirti and transferred to Immsi following the demerger for €4,602 thousand;
- share premium reserve that includes the increases in share capital of €44,880 thousand in early 2005, as well as €50,336 thousand in 2006, net of uses of €342 thousand to cover losses in 2014;
- evaluation reserve under common control equal to €65,087 thousand, in compliance with guidelines as of OPI (Assirevi preliminary guidelines on IFRS) no. 1, whose underlying operation, concerning the subsidiaries Is Molas S.p.A. and ISM Investimenti S.p.A., is commented on in the Investments item.

The fair value valuation reserve for investment property, amounting at 31 December 2018 to €42,838 thousand, was reclassified to earnings reserves following the sale of the investment property held in Via Abruzzi in Rome, the fair value adjustment of which originated the reserve itself.
Other reserves include, on the negative side, the component arising from the retrospective valuation of actuarial profit/loss regarding bonds with defined benefits of €44 thousand, revision according to fair value of financial assets of €26,001 thousand, the reserve for the transition to international accounting standards of €1,614 thousand and the reserve relating to fair value of the Interest Rate Swap hedging instruments of €13 thousand.

No other changes are recorded in the three previous years' reserves to cover losses, increase capital or distribute profit to shareholders.

As a result, the Shareholders' Equity of the Company includes profits carried forward for €37,109 thousand. the increase compared to the negative balance as at 31 December 2018 of €12,138 thousand (the portion of the loss accrued in 2012 not yet covered) is due to the resolution to allocate the earnings for the previous year (€6,409 thousand) and the reclassification of the fair value reserve for investment property, commented above.

Statement of Comprehensive Income

During 2019, the Statement of comprehensive income shows a profit for the period of €9,855 thousand, against a positive variation of the fair value of the Interest Swap hedging instruments of

€10 thousand, a negative adjustment of €23 thousand to the valuation of defined benefit plans relating to the actuarial loss generated in 2019 and the lower value of the investment in Unicredit against the value at the end of 2018 of €874 thousand.

D2	Financial liabilities	244,315

The item at 31 December 2019 included bank borrowings of €237,245 thousand, of which €199,512 thousand recognised under current liabilities, and payables for rights of use, recognised in accordance with the new IFRS16 "*Leases*", totalling €7,070 thousand, of which €1,619 thousand due by 31 December 2020.
With reference to the above, at 31 December 2018, as regards the short-term reclassification of the entire debt of Immsi S.p.A. following some financial covenants not being met, the situation has been remedied and the settlement dates restored in the financial statements.
Below is the detail of the breakdown of bank debt:

- 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 €9,707 thousand, of which 4.8 million for instalments repayable within 12 months. This line provides for two covenants to be verified at 31 December each year and respected at the end of 2019 as well as a Loan to Value also respected at the end of 2019;
- a revolving credit line granted until December 2020 by Banca Nazionale del Lavoro for €25 million. Intangible assets with an indefinite useful life are not amortised but are subject to impairment testing. 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, met at the end of 2019, and a Value to Loan also met at 31 December 2019.
- a credit line amortised with Istituto Monte dei Paschi di Siena for a total of €30 million, maturing in June 2022. The agreements have a benchmark rate equal to the Euribor increased by a spread, two covenants and a Value to Loan to verify, and met at 31 December 2019. The loan is recognised according to the amortised cost equal to €17,319 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 €6,140 thousand, of which €3,077 thousand for instalments repayable within 12 months. This loan provides for two covenants to be verified at 31 December each year and respected at the end of 2019 as well as a Loan to Value also respected at 31 December 2019;
- credit lines, maturing in January 2021, granted at the end of 2019 by Intesa Sanpaolo for €15 and 25 million, besides a Bullet – Multi Borrower line with Intesa Sanpaolo, granted for €125 million, of which €82.7 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 plus a spread, as well as compliance with a verified Value to Loan, verified and complied with as at 31 December 2019;
- a revolving credit line, equal to €15 million, disbursed in December 2019 by UniCredit at a benchmark rate equal to the Euribor increased by a spread, maturing at the end of 2020. The agreements include a covenant to be verified quarterly, met at 31 December 2019;
- four amortised credit lines granted between December 2018 and July 2019 by Banco BPM for a nominal amount of €4.5 million maturing in December 2021, €4 million maturing in March 2022, €5 million maturing in June 2022 and €6.5 million maturing in September 2022; all lines disbursed have a benchmark rate equal to Euribor plus a spread and are recognised at amortised cost at the end of 2019 for a total of €16,061 thousand, of which €6.7 million in

instalments repayable during 2020. To cover the risk of interest rate fluctuation for cash flows, Immsi S.p.A. signed found interest rate swap hedging contracts, which change the variable rate into a fixed rate for the entire duration of the contract on 50% of associated loans;

- a €10 million bullet loan granted by ING Bank in July 2019, expiring January 2021, with a benchmark rate equal to the Euribor increased by a spread.
- two credit facilities for advances granted by UBI Banca amounting to €5 million in October 2019 with original maturity in January 2020, renewed in September 2020, and for €5 million in December 2019 with maturity in June 2020; both lines accrue interest at 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, envisages a cash collateral from the bank of approximately €4,795 thousand equivalent to the market value of the share at the date of subscription net of a spread, which takes into account any downward fluctuations in the share. The contract, which expires on withdrawal, envisages a fee equal to 0.05% and interest expense equal to the EONIA increased by a spread, calculated on the cash collateral disbursed by Banca Akros. Immsi received a loan without cash collateral from Omniaholding S.p.A. of 300,852 Unicredit shares. 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 S.p.A., of which €523 thousand used at the end of the year.

To guarantee the above debt, on 31 December 2019 the Company deposited Piaggio shares, free of limit, for approximately 18.26 million while further 149.62 million Piaggio shares deposited as a lien.

Nominal financial payables, by contractual due date, are shown below:

In thousands of Euros	Within 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
Payables to banks	199,512	31,744	6,291	-	-	-	237,547
Payables for rights of use	1,806	1,756	1,713	1,551	374	362	7,562
Total	**201,318**	**33,500**	**8,400**	**1,551**	**374**	**362**	**245,109**

D3	Provisions for severance liabilities and similar obligations	380

Liabilities only include the reserve for termination benefits totalling €380 thousand at the end of 2019. As provided for by Legislative Decree no. 252/2005 and by Law no. 296 of 27 December 2006, since Immsi has fewer than 50 employees, the termination benefit of employees that did not opt to assign the benefit to other types of supplementary welfare schemes, continued to be managed by the company, unless otherwise indicated by personnel.

New IFRS identify the liability relating to termination benefits using the actuarial measurement method. An estimate is made of the probable employment period in the company for each employee. For this period, annual salaries were revalued based on an inflation rate of 1.50% and a quota (at the legal rate) was set aside for TFR.
The portion of termination benefit already accrued, and which will accrue at the foreseeable date of termination of employment, is revised as required by law and discounted by a rate equal to 1.04%. As regards the discount rate, the iBoxx Corporates A rating with a 10+ duration at 31 December 2018 was used as the valuation reference.
The annual rate used for the increase in TFR was 2.40%, and the rate for the increase in salaries was 1.50%.
The table below shows the effects, at 31 December 2019, which would have occurred following changes in reasonably possible actuarial assumptions:

In thousands of Euros	**Provision for termination benefits**
Turnover rate +2%	374
Turnover rate -2%	389
Inflation rate +0.25%	387
Inflation rate - 0.25%	374
Discount rate +0.50%	363
Discount rate -0.50%	399

Estimated future payments are shown below:

In thousands of Euros	**Future amounts**
1	64
2	20
3	20
4	20
5	20

The average duration of the bond is 12.5 years.

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

Movements in the fund during the year are shown below:

In thousands of Euros	
Balance at 31.12.2018	**333**
Service cost	19
Interest cost	5
Actuarial (gain)/loss	23
Balance at 31.12.2019	**380**

As foreseen by the amendment to IAS 19, the cost components relating to the provision of work and net finance costs, equal to €24 thousand, were directly recognised in profit or loss, whereas the recognition of actuarial loss arising from the remeasurement each year of liabilities, equal to €23 thousand, was recorded in the Statement of Comprehensive Income.

D4	Deferred tax liabilities	10,395

Deferred tax liabilities at 31 December 2019 totalled €10,834 thousand, net of the portion of deferred tax assets allocated for temporary differences in that they are consistent by nature and tax authority. Gross deferred tax liabilities primarily consist of €10,047 thousand for IRES (Italian Tax on Corporate Income) for four-fifths of the tax gain realized on the sale of the investment property in Via Abruzzi, Rome, which is taxable in future years in accordance with the law.

D5	Trade payables and other payables	5,227

Other non-current payables of €13 thousand represent the *mark to market* at the end of 2019 of four *interest rate swap* (IRS) contracts entered into with Banco BPM during the year to specifically hedge the risk of interest rate fluctuations with regard to 50% of the loan agreements with Banco BPM falling due between 31 December 2021 and 30 September 2022. As at 31 December 2019 the total notional amount of IRS contracts was €8,063 thousand; since the contracts are designated as hedge accounting, the related change in fair value is recorded in the Statement of Comprehensive Income in a specific equity reserve.

Current trade payables refer to invoices received and not yet paid and to invoices to be received recognised on an accrual basis and total €3,247 thousand, of which €813 thousand to Related Parties and other companies of the Group.

Other current payables mainly include payables to social security institutes for €69 thousand, payables to employees and company bodies for €780 thousand, accrued liabilities and deferred income for €593 thousand, of which €176 thousand intercompany. This also includes €345 thousand payable to the counterparty purchasing the investment property in Via Abruzzi, Rome, for adjustments to lease payments, deposits and securities to be transferred as required.

At the end of 2019, no trade payables and other payables due to foreign companies or payables due after 5 years were recognised.

D6	Current taxes	2,983

Current taxes at 31 December 2019 refer to taxes withheld on the income of employees and freelance workers amounting to €151 thousand, tax payables for VAT amounting to €6 thousand and payables for Regional Tax on Productive Activities of €2,827 thousand against the Company's estimated taxable income for the year, net of tax receivables due.

E - Information on the main Income Statement items

E1	Finance income	38,126

Details of finance income for 2019 and a relative comparison with the previous year are given below:

In thousands of Euros	2019	2018
Dividends from subsidiaries	26,003	9,863
Gains from the sale of subsidiaries' shares	-	-
Interests and commission from subsidiaries	11,872	10,667
Reinstatement of the value of subsidiaries	-	6,500
Other finance income	251	96
Total	**38,126**	**27,126**

The increase in finance income compared to the previous year is mainly due to the higher dividend flow paid by the subsidiary Piaggio & C. S.p.A. Moreover, in 2018, on the basis of the impairment test performed, the reversal of €6.5 million of the investment in RCN Finanziaria S.p.A. was recognised.

E2	Finance costs	18,791

Finance costs, down from the balance in 2018, amounted to €18,791 thousand and mainly include interest and commissions accrued on bank borrowings, of which €646 thousand relating to the amortised cost of medium/long-term loans. As mentioned under "Equity investments", on the basis of the impairment test carried out at 31 December 2019, the Company wrote down the investment in ISM Investimenti S.p.A. by €7.9 million. (€9.5 million in previous financial year).

E3	Operating income	4,564

Operating income, equal to €4,564 thousand, includes €2,015 thousand referred to service contracts with Group companies and revenues accrued (until 19 December 2019) for approximately €2,549 thousand from the lease on the property in Rome, of which €335 thousand to Group companies;

Revenues from recharging costs for materials and services sustained by Immsi S.p.A. on behalf of Group companies and tenants are not recognised in profit or loss as they are offset by relative costs generating them, as provided for by IFRS 15, according to which the commercial result of operations that in their entirety are strictly related, may not be measured without referring to such operations as a whole.

E4	Cost of services and use of third-party assets	3,234

Cost of services and use of third-party assets, net of costs recharged in accordance with IFRS 15 as described above, total €3,234 thousand, of which approximately €208 thousand deriving from intergroup transactions and with related parties, the details of which are provided at the end of these Notes.

Cost of services and use of third-party assets are broken down as follows:

In thousands of Euros	2019	2018
External maintenance and cleaning expenses	187	214
Employee costs	94	102
Technical, legal, tax, administrative consultancy, etc.	574	656
Energy, telephone, postal costs, etc.	71	73
Insurance	36	37
Board of Directors operating costs	1,783	1,523
Board of Statutory Auditors operating costs	147	155
Communication and publication costs	11	9
Certification fees	77	100
Listing rights and Securities Centralised Administration	104	102
Building service fees, security and porter costs	50	49
Bank charges	10	11
Expenses for website handling and maintenance	5	13
Charges for property rentals	2	402
Charges for rents and other rentals	64	59
Miscellaneous expenses	19	16
Total	**3,234**	**3,521**

The decrease in the item "Charges for property rentals" is due to the entry into force of IFRS 16 "Leases" which, with reference to operating leases, led to the recognition of the rights of use in the balance sheet under property, plant and equipment and the associated liability under financial payables, with the associated depreciation and financial expenses recognised in the income statement instead of the operating lease payments.

E5	Employee expense	1,134

Employee expense recognised in 2019 refer to salaries for approximately €848 thousand, social security contributions for €220 thousand and provisions as termination benefit for €65 thousand. For more details on the latter item, see the item Provisions for severance liabilities and similar obligations.

Immsi S.p.A. currently has no employee stock option plan.
As required by paragraph 1-bis of article 78 of the Consob Regulation on Issuers, the Company did not carry out operations for the purchase or subscription of shares by employees pursuant to article 2358 of the Italian Civil Code.

The average workforce paid in the year is 11 employees, of which 2 senior managers.

E6	Depreciation of property, plant and equipment	403

Depreciation of property, plant and equipment recognised in 2019 amounted to €403 thousand and refers to electronic machines, hardware, vehicles, furniture and fittings and miscellaneous equipment as well as the depreciation of rights of use (€355 thousand) recognised in accordance with the application of the new accounting standard IFRS 16 "*Leases*".
As regards investments during the year, it was deemed appropriate to apply the depreciation rates reduced by 50% due to their limited use. The Company also fully depreciated those assets of minor value whose use had essentially ended during the year.

E7	Other operating income	124

This item amounted to €124 thousand, net of income generated from recharged costs as provided for by IFRS 15, and basically refers to income for fees repaid by Company employees for corporate offices held within the Group, gains on the sale of capital goods, contingent items and the recovery of insurance costs and compensation.

E8	Other operating expense	14,357

Details of other operating expense are indicated below:

In thousands of Euros	2019	2018
losses on the disposal of investment property	12,172	-
ancillary charges for the sale of the investment property	1,362	-
Municipal property tax	523	541
other taxes and duties	226	191
other operating charges	74	20
Total	**14,357**	**752**

As mentioned in "Investment property", on 19 December 2019 the Company sold the property located in Via Abruzzi, Rome, to the real estate fund Investire SGR S.p.A.. The transaction resulted in the recognition in the income statement of a capital loss of €12.2 million corresponding to the fair value adjustment to the disposal value of the property; in addition, provisions for additional selling expenses of €1.4 million were made for commercial intermediation, consultancy and maintenance of the building.

E9	Taxes	(4,120)

Income tax for the year recognised in 2019 showed tax income of €4,120 thousand.
Taxes primarily include the estimated cost of the 2019 IRES (Italian Tax on Corporate Income) of €1,944 thousand, the estimated cost of the 2019 IRAP (Regional Tax on Productive Activities) of €3,011 thousand, entirely offset by the net positive effect of €9,025 thousand reversed to the income statement of deferred tax liabilities recognised in previous years on the revaluation of the investment property in Rome Via Abruzzi, which was sold on 19 December 2019
The tax gain realised on the sale of the property in Rome, amounting to €52.3 million, is taxable for IRES purposes on a straight-line basis over this year and the next four tax years, while for IRAP purposes it is fully taxable in 2019.

The item profit before tax, in terms of the portion comprising financial items, accounted for a minimum part of taxable income as regards income tax, because most components comprise tax-neutral items; these are commented on under the item Financial Income.

By participating in the Group's national tax consolidation as consolidating company, the Company has fully offset its income taxable for IRES purposes, as mentioned above, with tax losses contributed by the other participating subsidiaries.

The reconciliation between the theoretical tax burden and actual tax burden is shown below:

IRES	Income		Taxes	
In thousands of Euros	Earnings	Temporary components	Current	Deferred
Profit before tax	4,873			
Theoretical tax charge (benefit)			1,170	
Temporary differences taxable in subsequent years	-345	-345	-83	83
Temporary differences deductible in subsequent years	1,025	-1,025	246	-246
Tax effect of disposal of investment property	22,637	-22,637	5,433	-5,433
Reversal of temporary differences arising in previous years	-651	651	-156	156
Permanent differences that will not be annulled in subsequent years	-19,439	0	-4,665	0
Total differences	-4,673	-23,356	774	-5,440
Taxable income	8,100			
Total tax expense (benefit) on income for the period			1,944	-5,440
Other amendments			-23	
Total tax expense (benefit) on income recognised in the financial statements			**1,921**	**-5,440**

IRAP	Income		Taxes	
In thousands of Euros	Earnings	Temporary components	Current	Deferred
Value of gross production	-317			
Theoretical tax charge (benefit)			-18	
Finance income/costs	434	0	24	0
Timing differences taxable / deductible in later years	368	-368	20	-20
Tax effect of disposal of investment property	52,327	-64,498	2,915	-3,592
Reversal of temporary differences arising in previous years	0	0	0	0
Permanent differences that will not be annulled in subsequent years	1,241	0	69	0
Total differences	54,370	-64,866	3,028	-3,612
Taxable income/Value of net production	54,053			
Total tax expense (benefit) on income for the period			**3,011**	**-3,612**
Other amendments				0
Total tax expense (benefit) on income recognised in the financial statements			**3,011**	**-3,612**

E10	Net profit for the period	8,994

Immsi S.p.A. reported a net profit of €8,994 thousand, mainly due to the financial components recorded in 2019, partially offset by the capital loss and ancillary charges on the sale of the investment property located in Rome.

F – Commitments, risks and guarantees

As part of the sale agreement for the Rome property with the counterparty Investire SGR S.p.A., it was contractually agreed to deposit part of the sale price (€1.5 million) in an escrow account in the name of and managed by the notary, to serve as a guarantee on post-sale obligations borne entirely by the Company. In case of fulfilment or non-fulfilment of the above obligations, the amount will be released by the notary public either to the Company or to the acquiring counterparty.
During the month of March 2020 the Company collected €0.4 million.

On 19 December 2019 the Company signed a lease agreement with Investire SGR S.p.A. for a portion of the property (for office use) located on the 4th floor of the building in Rome - Via Abruzzi; as a security deposit, the Company paid Investire SGR S.p.A. €125 thousand, corresponding to four months' rent.

Intesa Sanpaolo has issued a revocable signed credit line equal to €400 thousand, of which Immsi used €350 thousand for the Cassa di Previdenza Integrativa (supplementary social security fund) of personnel of Istituto San Paolo di Torino, with which Immsi stipulated a lease contract in December 2008 for the property located in Milan – via Broletto 13.

As regards the credit lines and bank loans received, the Company deposited 18.26 million Piaggio shares as a guarantee, and approximately 149.62 million Piaggio shares as a lien (for further details, see the item Financial liabilities), in addition to 11.45 million Piaggio shares to guarantee the loan given to a Group company.

As part of the supply contract for five catamarans to the Sultanate of Oman, for which Intermarine stipulated a signature line of agreement with a pool of banks for an amount of 84.5 million US dollars to guarantee payment of the consideration envisaged in the contract signed with the Sultanate of Oman for 90 million US dollars, Immsi counter-guaranteed the "pre-delivery performance bond", "advanced payment bond" and "post-delivery bond" issued by the above banks for a maximum amount of 60 million US dollars by issuing a bank guarantee, and a letter of patronage for any part exceeding such amount in relation to Intermarine S.p.A.'s obligations to channel payments.
At the end of 2019, with all vessels completed, the actual exposure of Intermarine S.p.A. to banks for the post-delivery bond was equal to $1.9 million. The guarantor banks granted an extension of the relative guarantees up to September 2020.

Immsi also issued a surety in favour of Banco BPM for advances on a contract and as a counter guarantee for the sureties that this bank has issued to the Italian Navy for advances paid to Intermarine. The amount guaranteed at the end of 2019 is €1.6 million.

The subsidiary pays remuneration to Immsi for the issue of these guarantees, in proportion to the amounts guaranteed.

Immsi S.p.A. has issued a letter of patronage on the surety issued by Banco BPM (Efibanca) in favour of the company Como for the down payment of €2.7 million paid by it to Intermarine S.p.A.
Another comfort letter was issued by Immsi in favour of Banca Carige in relation to credit facilities and to guarantee a loan granted to Intermarine S.p.A., used at the end of 2019 in the amount of €0.3 million. An equivalent guarantee was issued in favour of Banca BPER for the loan disbursed to Intermarine, amounting to €10 million at the end of 2019.

Immsi S.p.A. has also issued patronage to guarantee the loans granted by BNL to Intermarine for a total of €9 million.

In relation to the line of credit in place between Intermarine S.p.A. and Banca IFIS S.p.A., in the form of an advance on contract and factoring for the sale of receivables from the Italian Navy arising from the refitting contract of the Gaeta Minesweeper, and in regard to the advance on the contract for the sale of receivables due from an Italian group operating in the sector for the construction of integrated platforms, Banca IFIS was issued letter of patronages by the direct parent company RCN Finanziaria S.p.A. confirmed by Immsi S.p.A.. The value of the guarantees at the end of 2019 was €10.7 million in total.

In the month of July 2019, Immsi issued a bank guarantee in favour of Credit Agricole guaranteeing the loan issued by the bank to Intermarine S.p.A. of €5 million. As at 31 December 2019, the amount of the guarantee was equal to €4.4 million and the subsidiary pays Immsi a remuneration proportionate to the amount guaranteed.

In December 2017, Immsi issued a guarantee for €10 million in favour of MPS to guarantee the loan it furnished to Is Molas for €20 million, for which the subsidiary paid remuneration to Immsi in proportion to the guaranteed amount.

Lastly, Immsi, in relation to the €30 million loan granted to ISM Investimenti S.p.A. by Intesa Sanpaolo, undertook, in the interests of IMI Investimenti S.p.A., to grant a shareholder loan for the amount necessary to enable ISM to repay its debt in full, if it fails to refinance this amount due to Intesa Sanpaolo on the market.

G – Net financial position

The composition of net financial position at 31 December 2019 of Immsi S.p.A. is shown below.
Net financial position is represented by (current and non-current) financial liabilities, minus cash on hand and other cash and cash equivalents, as well as other (current and non-current) financial receivables. Net financial position does not include other financial assets and liabilities arising from the fair value measurement of financial derivatives used as hedging and interest accrued on investments The tables below show the items used to determine the indicator. 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 Company'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.

In thousands of Euros	31/12/2019	31/12/2018
Cash and cash equivalents	14,444	2,865
Other short-term financial assets	1,245	0
Medium/long-term financial assets	241,084	214,862
Short-term financial payables	(201,131)	(282,689)
Medium/long-term financial payables	(43,184)	0
Net financial position	**12,458**	**(64,962)**

The net financial position at 31 December 2019 showed net cash of €12,458 thousand compared to net debt of €64,962 thousand at the end of the previous year.

In thousands of Euros	31/12/2019	31/12/2018
Cash generated internally	14,804	(5,883)
Change in net working capital	3,332	15,184
Net cash flow generated from operations	**18,136**	**9,301**
Acquisition of intangible assets	(1)	0
Purchase of property, plant and equipment	(215)	(780)
Net decrease from property disposals	62,500	14
Acquisition of non-controlling investments, net of disposal	0	(13)
Acquisition of controlling investments, net of disposal	(3,000)	0
Change in net financial position	**77,420**	**8,522**
Initial net financial position	**(64,962)**	**(73,484)**
Closing net financial position	**12,458**	**(64,962)**

H - Dividends paid

Immsi S.p.A. did not distribute dividends in 2019 or 2018.

I - Proposed allocation of the profit/loss for the year

The Financial Statements as at 31 December 2019 record a profit for the year equal to €8,993,671. The Company Board of Directors recommends allocating the profits to the earnings reserve, after deduction of 5% equal to €449,684 to be allocated the Legal Reserve.

L - Group and Related-Party Transactions

As regards disclosure on related-party transactions as of IAS 24 undertaken by Immsi S.p.A., the transactions undertaken with these entities were carried out in normal market conditions or according to specific regulatory provisions.

Pursuant to Regulation no. 17221 regarding transactions with Related Parties issued by Consob on 12 March 2010 and subsequently integrated and amended, the Company adopted a procedure aimed at governing the approval process for transactions with Related Parties, as set out in greater detail on the website www.immsi.it under Governance.

The main economic effects (excluding revenues to deduct from subsidiaries and parent companies in compliance with IFRS 15) and financial effects of Related-Party transactions and their impact on financial statement items of Immsi S.p.A. at 31 December 2019, compared to the amount recognised for the same related parties in 2018, are shown below:

Main economic and financial items	2019 amounts in thousands of Euros	% accounting for financial statement items	Description of the nature of transactions	2018 amounts in thousands of Euros
Transactions with Related Parties:				
Current trade payables	*36*	*1.0%*	*Tax advisory services provided by Studio Girelli e Associati*	*33*
Cost of services and use of third-party assets	*58*	*1.8%*	*Tax advisory services provided by Studio Girelli e Associati*	*55*
Transactions with Parent companies:				
Non-current financial liabilities	*202*	*0.5%*	*Financial liabilities on Omniaholding S.p.A. lease rights-of-use*	-
Current financial liabilities	*158*	*0.1%*	*Financial liabilities on Omniaholding S.p.A. lease rights-of-use*	-
Current trade payables	*328*	*9.6%*	*Rental of offices in Mantova provided by Omniaholding S.p.A. and commission on the loan of securities*	*187*
Cost of services and use of third-party assets	*26*	*0.8%*	*Building service fees for offices in Mantova provided by Omniaholding S.p.A.*	*206*
Finance costs	*35*	*0.3%*	*Finance costs for rights of use and Commission on the Loan of Securities*	*22*
Transactions with Subsidiaries:				
Trade receivables and other receivables non-current	*5,628* *6,250* *894* *52*	*42.5%* *47.2%* *6.7%* *0.4%*	*Amounts due from RCN Finanziaria S.p.A. for recharged costs* *Receivables due from Is Molas S.p.A. for recharged costs and a consulting agreement* *Amounts due from ISM Investimenti S.p.A. for recharged costs and interest* *Receivables from Pietra S.r.l., Pietra Ligure S.r.l. and Apuliae S.r.l. for recharged costs*	*8,138* *6,192* *863* *36*
Current trade receivables and other receivables	*400*	*6.3%*	*Amounts due from Intermarine S.p.A. for recharged costs, rental of offices in Rome, interest, fees and a consultancy contract*	*225*
	505	*8.0%*	*Receivables due from Piaggio & C. S.p.A. for expenses charged, advisory contracts and the payment of fees*	*1,628*
	3,749	*59.3%*	*Amounts due from the national consolidated tax convention*	*6,533*
Other non-current financial assets	*142,276* *66,334* *71,367* *6,147* *863* *4,516*	*48.8%* *22.8%* *24.5%* *2.1%* *0.3%* *1.5%*	*Loans granted to RCN Finanziaria S.p.A. and interest* *Loans granted to Is Molas S.p.A. and interest* *Loans granted to ISM Investimenti S.p.A. and interest* *Loans granted to Pietra S.r.l. and Pietra Ligure S.r.l. and interest* *Loans granted to Apuliae S.r.l. and interest* *Financial receivables on sublease rights of use from Piaggio & C. S.p.A. and Intermarine S.p.a.*	*136,072* *59,359* *56,892* *4,978* *766* -
Other current financial assets	*1,245*	*25.5%*	*Financial receivables on sublease rights of use from Piaggio & C. S.p.A. and Intermarine S.p.a.*	-
Current trade payables	*435* *14*	*12.7%* *0.4%*	*Payables due to Piaggio & C. S.p.A. for expenses charged* *Amounts due to Immsi Audit S.c. a r.l. for internal audit activities*	*356* *30*
Other current payables	*176* -	*9.8%* -	*Deferred income from Piaggio & C. S.p.A.* *Deferred income from Intermarine*	*1,000* *1,002*

Main economic and financial items	2019 amounts in thousands of Euros	% accounting for financial statement items	Description of the nature of transactions	2018 amounts in thousands of Euros
Finance income	*26,003*	*68.2%*	*Dividends from Piaggio & C. S.p.A.*	*9,863*
	141	*0.4%*	*Interest on sublease rights of use from Piaggio & C. S.p.A.*	*-*
	4,619	*12.1%*	*Interest income from RCN Finanziaria S.p.A.*	*4,489*
	206	*0.5%*	*Interest on sublease rights of use and guarantee fees from Intermarine S.p.A.*	*164*
	2,420	*6.3%*	*Interest income and guarantee fees from Intermarine S.p.A.*	*2,099*
	4,248	*11.1%*	*Interest income from ISM Investimenti S.p.A.*	*3,719*
	205	*0.5%*	*Interest income from Pietra S.r.l.*	*167*
	33	*0.1%*	*Interest income from Apuliae S.r.l.*	*30*
Operating income	*1,324*	*29.0%*	*Consultancy and assistance contract and rental of offices in Rome rented to Piaggio & C. S.p.A.*	*1,328*
	1,011	*22.2%*	*Consultancy & assistance contract and rental of offices in Rome rented to Intermarine S.p.A.*	*1,015*
	15	*0.3%*	*Service contract with Immsi Audit S.c.a.r l.*	*15*
Cost of services and use of third-party assets	*66*	*2.0%*	*Internal auditing services by Immsi Audit S.c.a r.l.*	*64*
	58	*1.8%*	*Amounts recharged from Piaggio & C. S.p.A.*	*59*
Finance costs	*21*	*0.2%*	*Interest payable to Piaggio & C. S.p.A.*	*17*
Other operating income	*80*	*64.8%*	*Payment of fees from Piaggio & C. S.p.A.*	*80*

Figures including non-deductible VAT.

As regards relations, guarantees and commitments ongoing with Group companies, see item F - Commitments, Risks and Guarantees.

M - Risks and uncertainties

Financial instruments

With reference to financial instruments, already commented on in the Notes, the Parent Company did not recognise any differences between the fair value and the carrying amount for all items in question, excluding investments in Unicredit, the details of which are included in the section on financial assets. At 31 December 2019, the Company had no long-term fixed rate assets and/or liabilities for which it is necessary to recalculate the relative value according to current market rates.

In thousands of Euros	31.12.2019	31.12.2018
ASSETS		
NON-CURRENT ASSETS		
Other financial assets	**291,502**	**260,580**
Financial receivables	291,502	260,580
Financial assets	0	0
CURRENT ASSETS		
Other financial assets	**4,886**	**2,767**
Financial receivables	1,245	0
Financial assets	3,641	2,767
LIABILITIES		
NON-CURRENT LIABILITIES		
Financial liabilities	**43,184**	**0**
Payables due to banks	37,733	0
Other financial payables	5,451	0
CURRENT LIABILITIES		
Financial liabilities	**201,131**	**282,689**
Payables due to banks	199,512	282,689
Other financial payables	1,619	0

Interest Rate Risk

Variations in interest rates on the market can impact the fair value of a financial asset or liability.
Exposure to market risk arising from the variation in interest rates is mainly connected to medium and long-term loans.
The following table shows the nominal value of the Company's financial assets and liabilities, that

are exposed to interest rate risk, divided depending on whether they are contractually subject to fixed or variable rates (net of any specific hedging instruments for interest rate changes).

In thousands of Euros	Total
Total fixed rate	**-8,031**
Total variable rate	**7,354**

An increase or decrease of 1% of the Euribor with reference to the net specific exposure of Immsi S.p.A. would have produced greater or lesser interest for approx. €74 thousand per year.

Price Risk
Concerning the price risk on investments held by the Company and classified as other financial assets available for sale, see the comments in this Note.

Credit risk
The following table analyse by maturity the item of Trade receivables, including written-down or guaranteed payables, with comments in the Notes to the financial statements.

In thousands of Euros	31.12.2019	31.12.2018
Receivables past due:		
0-30 days	576	1,685
30-60 days	27	22
60-90 days	100	115
> 90 days	986	906
Total receivables past due	**1,689**	**2,728**
Total receivables maturing	15	28
Total	**1,704**	**2,756**

Tax receivables were not used in the first few months of 2020 while other receivables mainly comprising accruals and deferrals and €1,500 thousand by the escrow deposit set up with the notary public to guarantee post-sale obligations on the sale of the investment property in Via Abruzzi in Rome; during the first quarter of 2020 the notary released part of €400 thousand of the deposit on the basis of obligations fulfilled by the Company within the terms.

Liquidity Risk
The Company could suffer from possibly critical situations concerning the subsidiaries, especially those for which it has granted financing. Immsi S.p.A. in fact provides loans and issues guarantees in favour of the Group's subsidiaries to facilitate their funding; these operations are regulated under normal market conditions.
As regards debt, the Company renewed expired credit lines in 2019 with new loans.
Liquidity risk arises from the possibility of the available financial resources being insufficient to meet future payments under financial obligations at the scheduled time and in the specified manner.

At the end of 2019, the Company had unused credit lines amounting to €4.1 million in the form of a revolving credit line granted by Intesa Sanpaolo.

As regards financial requirements for the next 12 months, considering credit lines that are due to mature over the year and Immsi S.p.A.'s financial commitments to support the development of its initiatives, the Directors have taken and will take in the next few months, actions to find solutions that guarantee a financial balance, while considering the possible risk of future trends in weak equity markets, that represent an element of uncertainty as to the scale of credit lines granted at present, also in the light of the content of “Significant events occurring after the reporting period” in relation to the Covid-19 pandemic.

Hierarchical fair value valuation levels

As regards financial instruments recognised at fair value in the Statement of Financial Position, IFRS 7 requires these values to be classified on the basis of hierarchical levels which reflect the significance of the inputs used in determining fair value. These levels are as follows:

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

With reference to assets measured at fair value that have quotations on an active market held by Immsi S.p.A. (level 1) Unicredit shares in the portfolio at 31 December 2019 were equal to 279,639 shares, for a total value at that date of €3,641 thousand. The fair value of the investment, represented by the share price at the end of 2019, is up compared to the end of the previous year, by approximately €874 thousand.

As at 31 December 2019, non-current liabilities include the negative fair value, totalling €13 thousand, of four interest rate swaps (IRS) entered into during 2019 to hedge 50% of the nominal value of loans with Banco BPM (formerly Banco Popolare) falling due between 31 December 2021 and 30 September 2022. At the end of 2019, the total notional amount of IRS contracts was approximately €8.1 million (level 2 financial instruments).

Financial assets measured at fair value for which there are no observable market data include the investment held in Alitalia - Compagnia Aerea Italiana S.p.A., whose value has been fully written down as described above.

As per IFRS 7, which requires the fair value of debts recognised to be measured on an amortised cost basis for disclosure purposes only, it is believed that this fair value substantially equals the nominal value of the liability.

N - Auditing costs

In relation to the reporting obligations pursuant to section 149-duodecies of the Consob Regulation on Issuers, regarding fees for the period for the appointment by Immsi S.p.A. of an independent auditor, in 2019 fees to PricewaterhouseCoopers S.p.A. amounted to €56,684 for the auditing of the accounts and the “limited assurance engagement” for the Consolidated Non-financial Statement.
The Shareholders' Meeting of 11 May 2012 appointed PricewaterhouseCoopers S.p.A. as independent auditors for the 2012-2020 period.

O - Significant events occurring after the reporting period

At the date of preparation of these financial statements, the Company is monitoring the evolution of some potential causes of instability that have recently emerged, such as the Covid 19 (hereinafter "Coronavirus") emergency which, in the early weeks of 2020, initially impacted economic activity in China and then spread to other countries. The economic consequences are currently difficult to quantify and assess. These factors are therefore considered to be events that do not require adjustments to be made to the financial statement balances pursuant to paragraphs IAS 10 § 21. This is because even though the Coronavirus initially manifested in China close to the end of the reporting period, it was only at the end of January that an international emergency was declared. However, if these factors were to manifest in a significant way, they could also have a major impact on the prospect of future growth, impacting the economy as a whole and the financial markets.

At present, having carried out the necessary assessments, it is not possible to predict the course of this phenomenon, including in Italy nor, consequently, the impact that it will have on the economy and on our Company. Therefore, it is not possible to quantify any negative impact on finances and income that could affect the first part of the year and subsequently the whole of 2020, considering that the emergency could return in the following months, depending on the containment measures put in place by the governments and central banks of the countries affected by the spread of the virus.

As such, even though at present it is impossible to make predictions about the possible evolution of the emergency and its consequent impact on the economy, there are currently no factors that could jeopardise the Company's business continuity albeit not excluding slowdowns in some areas of operations.

* * *

This document was published on 23 April 2020 by authorisation of the Chairman of the Company, Roberto Colaninno.

Certification of the financial statements pursuant to article 154-bis of the Legislative Decree no. 58/98

The undersigned Roberto Colaninno, as Chairman of the Board of Directors, Michele Colaninno, as Chief Executive Officer and Andrea Paroli, Financial reporting officer of Immsi S.p.A., certify, also taking account provisions of article 154-bis, paragraphs 3 and 4 of the Italian Legislative Decree no. 58 of 24 February 1998:

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

of the administrative and accounting procedures for preparing the financial statements during 2019.

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

In addition, it is certified that the Financial Statements at 31 December 2019:

- were drawn up in compliance with applicable international accounting standards recognised by the European Union in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to accounting records;
- are adequate for giving a true and fair view of the financial position, performance and cash flows of the Issuer.

The Report on Operations includes reliable analysis of operations, as well as the situation of the Issuer, along with a description of the main risks and uncertainties to which they are exposed.

25 March 2020

The Chairman
Roberto Colaninno

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

Chief Executive Officer
Michele Colaninno

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of IMMSI SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of IMMSI SpA (the Company), which comprise the statement of financial position as of 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	***Auditing procedures performed in response to key audit matters***
Recoverability of investments in subsidiaries	
Note C3 to the financial statements "Investments in subsidiaries and associates" The carrying amount of investments in subsidiaries and associates as at 31 December 2019 is Euro 302,431 thousand, equal to 47,7% of total assets. The amount is composed mainly of: a) Investment in Piaggio & C SpA for Euro 243,255 thousand, equal to 50,20% of the share capital; b) Investment in ISM Investimenti SpA (the Company which controls IS Molas SpA) for Euro 6,060 thousand, equal to 72,64% of the share capital; c) Investment in RCN Finanziaria SpA (the Company which controls Intermarine SpA) for Euro 33,006 thousand, equal to 72,51% of the share capital. Investments in subsidiaries are accounted for using the cost method adjusted for any impairment. Their carrying amount is tested for impairment at least once a year. As at 31 December 2019, the Company prepared specific impairment test reports based on the discounted future cash flows that are expected to flow from the investments. The valuation of the recoverable amount of Investments in subsidiaries and associates is a key audit matter considering that it depends on estimates based on inputs not always based on observable market data.	We obtained an understanding and evaluated the procedures adopted by the Company in order to determine the recoverability of the carrying amount of investments in subsidiaries. We evaluated the estimates made by management with regard to the expected cash flows inferred from budget data for 2020 and supplemented by forecast data for 2021-2023 as regards Investment in Piaggio & C SpA, by forecast data for 2021-2026 as regards Investment in ISM Investimenti SpA, and by forecast data for 2021-2024 as regards Investment in RCN Finanziaria SpA. Furthermore, also with the support of PwC network experts, we retraced the methods used to calculate the discount rate and the steady growth rate of financial cash flows beyond the time period of the plan approved by management of the subsidiaries. We conducted sensitivity analyses in relation to the significant assumptions adopted by management, also with the support of PwC network experts, in order to determine whether there was any impairment of investments in subsidiaries and in order to evaluate the effects of changes in significant assumptions on the results of the impairment test. In addition, in order to assess the ability of management to make reliable forecasts, we compared the final figures as at 31 December 2019 with the related budget data. Finally, we verified the information included in the notes to the financial statements as of 31 December 2019.
Short-term net financial debt	
Note B to the financial statements "Accounting	We obtained and analyzed the calculation of

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
standards and measurement criteria" and note D2 to the financial statements "Financial liabilities" Short term net financial debt of IMMSI SpA amounts to Euro 185,4 million. As of 31 December 2019 the Company granted 167,88 milion shares of Piaggio & C SpA as collateral for existing loans and credit lines, which require the compliance to financial covenants and Value to Loan to be monitored on a regular basis. Due to the significant amount of the Company's exposure toward the banking system and to the uncertainty related to the stock price of shares used to guarantee this exposure, as well as the importance of the information included by management in the notes to the financial statements regarding this aspect, the understanding and the analysis of management's forecasts regarding the financial needs of the Company for the next twelve months and of the actions taken and to take by them in order to ensure the financial stability of the Company is a key audit matter.	the net financial position of the Company, the calculation of the financial covenants and the calculation of the loan to value ratios, and we verified the compliance with them as of 31 December 2019. We obtained management's forecasts regarding the financial needs of the Company for the next twelve months and we analyzed the actions taken and to take by them in order to ensure the financial stability of the Company also through specific discussions and critical analyses. We obtained audit evidence regarding the existing relationship with the banking system, in particular obtaining and analyzing the documentation related to the facilities, the terms of the contracts, the existing guarantees, also through receiving specific data and information directly from the banks. We verified the information included by management in the notes to the financial statements, and the correspondence and adequacy with respect to the elements used by them to evaluate the financial stability of the Company for the next twelve months.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 11 May 2012, the shareholders of IMMSI SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2012 to 31 December 2020.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of IMMSI SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of IMMSI SpA as of 31 December 2019, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of IMMSI SpA as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of IMMSI SpA as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Verona, 23 April 2020

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

Report of the Board of Statutory Auditors to the General Shareholders' Meeting

of Immsi S.p.A.

pursuant to art. 153 of Legislative Decree 58/98 and art. 2429 of the Civil Code

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Dear Shareholders,

Submitted for your approval are the financial statements of Immsi S.p.A. for the year ended 31 December 2019, prepared in accordance with IAS/IFRS international accounting standards, which present a net profit of 8,993,671 euros, compared to 6,745,721 euros in the previous year.

Also submitted are the Consolidated Financial Statements for the year 2019, showing a profit of 22,974,000 euros (compared to 25,412,000 euros in the previous year), divided into profit attributable to non-controlling interests of 15,085,000 euros and profit attributable to the Group of 7,889,000 euros. The Company has also prepared the Consolidated Non-Financial Statements, written in compliance with Legislative Decree 254/2016.

The financial statements of the Company and consolidated financial statements of the Group, as well as the Consolidated Non-Financial Report, prepared by the Directors pursuant to legislation, were duly notified to the Board of Statutory Auditors together with the Directors' Report on Operations and the Corporate Governance and Share Ownership Report, as well as the Remuneration Report. The Board has also acquired the Independent Auditors' reports.

To the best of our knowledge, the Directors did not depart from legislation relating to the formation of the financial statements and took into account, in preparing the financial reports, the measures issued implementing art. 9 of Legislative Decree 38/2005, the IFRIC (formerly "SIC") interpretations, as well as Bank of Italy/Consob/ISVAP documents no. 2 of

6 February 2009 and no. 4 of 3 March 2010. With reference to the Consolidated Non-Financial Statements as a section of the Report on Operations, this Board, based on provisions of art. 3, paragraph 4, of Legislative Decree 254/2016, verified – consistent with what the independent auditors said in their report on 23 April 2020 pursuant to art. 3, paragraph 10, of Legislative Decree 254/2016 and art. 5 of Consob regulation no. 20267/2018 – their compliance with legislation and the reporting criteria, including the note on methods for those statements, and found nothing worthy of mention.

The Board of Statutory Auditors, during 2019, carried out the supervisory activities required by law, also taking into account the Consob communications on corporate controls and related to Board of Statutory Auditors' activities. It therefore monitored: (i) compliance with the law and the memorandum of association, (ii) compliance with the principles of proper management, (iii) adequacy of the organisational structure of the company for the issues for which it is responsible, the internal control system and the administrative accounting system, as well as the reliability of the latter in correctly representing operations, (iv) procedures for effective implementation of the corporate governance rules provided for by the Corporate Governance Code of the Corporate Governance Committee of listed companies, which the Company has adhered to, and (v) adequacy of the instructions given to the subsidiaries pursuant to art. 114, paragraph 2, of the Consolidated Law on Finance. In addition, the Board Of Statutory Auditors, in its capacity as the Internal Control Committee pursuant to art. 19 of Legislative Decree no. 39 of 27 January 2010, carried out monitoring under the first paragraph, letters a), b), c), d), e) and f), of this article, as amended by Legislative Decree 135/2016.

The Board, in accordance with art. 2429 of the Civil Code and art. 153 of Legislative Decree 58/98, and in regard to the information provided in Consob communication no. DEM/1025564 of 6 April 2001, as amended by communication no. 6031329 of 7 April 2006, therefore reports as follows.

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1. The most significant economic, financial and equity transactions put in place by the Company in 2019 have been comprehensively described by the Directors in the Report on Operations. The Board of Statutory Auditors became aware of the same by attending Board of Directors' meetings, as well as by meetings with the Company's management. The Board was able to ascertain that the transactions put in place were not imprudent, risky, in conflict of interest, contrary to shareholders' resolutions and the Articles of Association or otherwise prejudicial to the integrity of corporate assets.

2. In 2019 there were no atypical and/or unusual transactions, neither with third parties nor with Group companies or with related parties, as also attested by the Directors in the section "Form and content of the consolidated financial statements" of the Notes to the consolidated financial statements; for the list of ordinary transactions between the Group or the Parent Company Immsi and related parties or other Group companies, please refer to the Directors' Report under "Group and Related-Party Transactions", with regard to the Group, and in the Notes in section I "Group and Related-Party Transactions", concerning Immsi alone. These transactions mainly concern trade and financial receivables/payables, supply of materials, financial, tax and contractual advisory services, leasing, and financial charges. To the Parent Company alone, receivables and income from subsidiaries, be they dividends, interest or other income, are relevant, along with other income and various charges like receivables and payables of various kinds. The same documents also illustrate in detail the related economic effects, with the clarification that the transactions are governed by normal market conditions or specific regulatory provisions. The Board of Statutory Auditors believes that such transactions are appropriate and that they are in the corporate interest. The report also illustrates that, in accordance with Regulation No. 17221 on related-party transactions issued by Consob on 12 March 2010, as amended, the Company has adopted the procedure aimed at regulating the procedures for approval of related-party transactions. The report on operations and the notes on the consolidated statements, along with the notes on the separate financial statements, take into account the non-recurring operation of selling the site on Via Abruzzi, Rome, and its effects on the figures in the financial statements. The Board agrees with these representations and asserts that the above operations were done in the interests of the Group.

3. The Board deems the disclosure provided by the Directors in the Report on Operations and in the explanatory notes to the separate financial statements, concerning intercompany and related-party transactions, to be adequate.

4. The independent auditors, PricewaterhouseCoopers S.p.A., have audited the financial statements and, on 23 April 2020, issued the related reports, which contain no findings or requests for disclosures. They declare that the separate financial statements and the consolidated financial statements provide a truthful, correct presentation of the financial position of the Company and the Group as at 31 December 2019, of the earnings and cash flows for the year closed at that date in compliance with the International Financial Reporting Standards adopted by the European Union and provisions issued in implementation of article 9 of Legislative Decree 38/05. Each of the documents also contains the "report on other legal and regulatory instructions", with the related judgments pursuant to art. 14, paragraph 2, letter e), of Legislative Decree 39/10 and art. 123-*bis*, paragraph 4, of Legislative Decree 58/98, which did not result in any findings. Finally, the Board examined the report from PricewaterhouseCoopers S.p.A. on the Consolidated Financial Statements published on 23 April 2020 under art. 3, paragraph 10, of Legislative Decree 254/2016 and art. 5 of

Consob regulation no. 20267/2018, for which there were no findings or requests for information.

5. In the year 2019 the Board of Statutory Auditors did not receive any complaints under art. 2408.

6. In 2019, no petitions were received by the Board of Statutory Auditors.

7. The independent auditor PricewaterhouseCoopers S.p.A. issued a report pursuant to art. 6, paragraph 2), letter a), of EU Regulation 537/2014 in compliance with paragraph 17 of ISA Italia 260. The Board of Statutory Auditors carried out checks – including at a Group level – which showed that PricewaterhouseCoopers was paid 43,253 euros for "statutory auditing services" only for Immsi and 618,210 euros for the rest of the Group (of which 369,314 euros was for the subsidiary Piaggio & C. S.p.A. and 148,571 euros was for Piaggio subsidiaries). Analysis shows that the Independent auditors performed – for the Group's subsidiaries – "certification services" for 50,000 euros (wholly attributable to the subsidiary Piaggio & C. S.p.A.), auditing services for the "Consolidated Non-Financial Statements" and the Corporate Social Responsibility Report (for Immsi S.p.A., for 13,431 euros and Piaggio & C. S.p.A., for 54,000 euros), as well as "other services" for 233,000 euros (for Piaggio & C. S.p.A.). In this statement, the Independent Auditors certified that from 1 January 2019 to the date of the report the ethical principles set forth in art. 9 and 9-*bis* of Legislative Decree 39/2010 were respected and there were no situations compromising independence pursuant to arts. 10 and 17 of Legislative Decree 39/2010 and arts. 4 and 5 of EU Regulation 537/2014.

Also, the Board made note of the transparency report written by the independent auditors and published on their website pursuant to art. 13 of EU Regulation 537/2014.

8. Investigations also showed that the PricewaterhouseCoopers Network received payments related to "auditing services" entirely from Piaggio & C. S.p.A. subsidiaries for the amount of 394,332 euros. The network was also paid 65,513 euros by Piaggio & C. S.p.A. subsidiaries for “certification services”.

Also in the light of the above comments and those contained in point 7 above, and given the international dimension of the Group, the Board deems that no critical aspects emerged concerning the independence of the Independent Auditors.

9. During 2019, the Board of Statutory Auditors provided, when necessary, opinions and comments provided for by law. The content of these opinions did not conflict with the subsequent resolutions adopted by the Board of Directors.

10. The Board of Directors met six times in 2019, at meetings which the Board of Statutory Auditors always attended; the Internal Control and Risk Management Committee met six times; the Remuneration Committee met once; the Appointment Committee did not need to meet in 2019, but the Board of Statutory Auditors met 10 times, including with the independent auditors PricewaterhouseCoopers S.p.A.. Control and Risks Committee meetings are normally extended to the entire Board of Statutory Auditors, in order to ensure the sharing of information flows within the company.

11. It is deemed that the Company complied with the principles of proper administration and that the decisions of the Board of Directors were taken in the corporate interest.

12. The Board of Statutory Auditors, in matters for which it is responsible, believes that the Company's organisational structure is adequate, including with regard to actual business operations, primarily as a holding company of a group which includes about 40 companies in diversified sectors, (including 33 consolidated in the Group financial statements) in particular industrial (especially in the “two-wheeler" and "commercial vehicles" businesses), marine and real estate/holding companies. Operations are mainly directed to financing subsidiaries, as well as managing and developing these investments. With regard to this activity, the direct presence of Immsi's directors on the boards of Group companies strengthens control over them. The Board of Statutory Auditors monitored the organisational structure of the Company as part of its periodic verifications, and also monitored the organisational chart of the Group, with particular regard to the administrative area. The Board of Statutory Auditors – together with the Internal Control and Risk Management Committee – receives periodic, systematic information from Group Internal Audit in relation to subsidiaries. The Board of Statutory Auditors entertains relationships with its equivalents at the subsidiaries, the companies Piaggio & C. and Intermarine, Pietra and Pietra Ligure, which also benefit from the presence of some members of the Board of Statutory Auditors of the Parent Company. This has led to an exchange of useful information for assessing topics of common interest. The Board received information on the financial position and performance of sub-groups, some of which (marine and property sub-groups) received financial support from Immsi and necessary guarantees to carry out their business activities, as explained in the section “The marine sector: Intermarine”, and in the section “The property and holding sector” of the Directors' Report on Operations. The net debt trend and the financial situation as a whole – summed up in the paragraph “Financial position and performance of the Group” (in the Directors’ Report) – were systematically overseen by the Board of Statutory Auditors in its meetings, including in relation to coverage guaranteed to financial institutions with securities owned by Immsi. The Board was regularly updated throughout the year on the evolution of this situation – which benefited from the sale both of the building on Via Abruzzi, Rome, and the share price of the listed subsidiary Piaggio & C. S.p.A. until the effects of Covid-19 – and had regular meetings on the topic with the Administrative Director of Immsi, to ascertain the financial strategies of the Group and the results of the monitoring of the net debt, along with liquidity, including by individual sector. The Chairman of the Control and Risks Committee, and Deputy Chairman of the Company and/or entire Control and Risks Committee, generally attended these meetings. As regards these aspects, the Board of Statutory Auditors also met with the CEO, to get news on his discussions with financial institutions. The Board confirms the attention of the Directors on this matter and the adequacy of the organisational and administrative structure with regard to the monitoring process. The notes to the consolidated statements, in paragraph G2 "Financial liabilities", and the notes to the separate financial statements, in paragraph D2 "Financial liabilities", indicate the composition of bank debt, by bank and credit line, and relative maturities. Those paragraphs present a synthetic and analytical picture of the situation, the conditions of compliance with applicable covenants and – for the Parent Company, in the above section D2 – the amount of debts payable to banks separated by contractual due date (within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years, over 5 years), highlighting the composition of Parent Company bank payables as at 31 December 2019.

13. The Board of Statutory Auditors supervised the adequacy of the internal control system, gathering information, inter alia, from the Directors, the independent auditors, the head of the internal audit function and the Chief Executive Officer of Immsi Audit S.C. a r.l.

Immsi likewise made recourse to Immsi Audit S.C. a r.l. for the outsourcing of internal auditing services, as did the other Group companies and, in particular, also the main subsidiary Piaggio & C. S.p.A.. IMMSI Audit S.C. a r.l. also monitored the organisational-management model to support the Supervisory Body pursuant to Legislative Decree 231/01 and monitored outsourcing controls for the checks required by Law 262/05 and the activities of the Financial Reporting Officer. The Board of Statutory Auditors interacted with the internal audit officer, in charge of the audit function, with regard to which it obtained very positive feedback (as already emerging in previous years) on the activities carried out and the effectiveness of the same, from which – with regard to the corporate cycles and functions controlled in 2019 – no shortcomings on the Company's part worthy of mention here emerged. The Board of Statutory Auditors continually monitored the risks control system, which the head of Internal Audit reports on in its report for 2019.

The Board also points out that Immsi Audit S.C. a r.l., for the period 2018-2020, submitted an audit plan for Immsi S.p.A. with a view to verifying, over this three-year period, all significant corporate activities and processes at least once. This plan was approved by Immsi's Board of Directors on 1 March 2018.

The activities actually performed in 2019 – the subject of a detailed report examined by the Control and Risks Committee and the Board of Statutory Auditors – were positively evaluated by the Board, which had summary feedback on the audit work carried out for both the parent company and subsidiaries, also with the expression of an opinion on the issues highlighted and on their removal or mitigation. It should be noted that at the Group level, for the listed subsidiary Piaggio & C. S.p.A., the horizon is defined by the 2019–2020 plan, which, along with the 2018 plan, sets out a three-year scheme of audits for the Enterprise Risk Management project, done by Piaggio's Risk Manager.

In 2019 (from September to December), the Group's internal audit function was subjected to a quality assessment review by external, independent auditors, the results of which not only showed general conformity with IIA standards to be very good, but also revealed a fruitful path that will take this function beyond the phase of full maturity. The report also pointed to potential steps for further growth, which were examined by the Board of Statutory Auditors and the Internal Control and Risk Management Committee at their joint meetings.

The Board reached a judgment of adequacy with regard to the control system. The Board of Statutory Auditors, in its capacity as "Internal Control Committee", liaised with a continuous flow of information with the Control and Risks Committee, constituted by Directors, also extending the meetings to all members of the Board of Statutory Auditors.

Finally, the Board of Statutory Auditors talked with the Supervisory Body – which includes members of the former – including about the Organisation, Management and Control Model under Legislative Decree 231/2001.

During Control and Risks Committee meetings no aspects emerged worthy of further mention here.

In view of the above, the Board of Statutory Auditors deems that the internal control system is, at present, adequate.

14. The Board of Statutory Auditors, for the issues for which it is responsible, deems the administrative/accounting system to be adequate and deems it appropriate to correctly represent operations. On this point, the Board of Statutory Auditors was informed periodically of activities supporting the Manager in charge of preparing company accounts (for which the Company also availed itself – as was said above – of Immsi Audit S.c. a r.l. related to assessments to be performed in compliance with Law 262/2005), which implied analysing company areas considered important and assessing related risks, also considering the process to mitigate those risks. From the exchange of information with the CFO and from meetings with the Independent Auditors, the Board ascertained the validity of the functioning of such system. The Chairman of the Company, the CEO and the financial reporting officer issued the certifications provided for in art. 154-*bis,* paragraph 5, of Legislative Decree 58/1998. The Control and Risks Committee, in advance with respect to the Board of Directors which approved the financial statements, examined the results of the impairment procedures and discussed them with the Independent Auditors, in the presence of the Board of Statutory Auditors.

15. Pursuant to art. 114 of Legislative Decree 58/98, the Company issues adequate instructions to its subsidiaries in order to obtain the information necessary to fulfil the disclosure requirements provided for by law. The aforementioned presence of Directors of the Company on the Boards of the main subsidiaries is also recalled here.

16. During 2019 and up to the date of this report, the Board of Statutory Auditors regularly met with the independent auditors PricewaterhouseCoopers to exchange data and information for performing their respective duties as required by point 3 of art. 150 of Legislative Decree 58/98; no findings emerged from these meetings. The Board of Statutory Auditors stresses that it had the opportunity to analyse, with the independent auditors, issues (referred to as “key issues” in the report on the “Internal Control Committee and auditing of accounts”, which will be addressed shortly) relating to: i) the recoverability of the carrying amount for investments in subsidiaries and the recoverability of goodwill, ii) the recoverability of advance taxes, iii) investments in development, industrial patent rights and rights of use for engineering works, iv) short-term net financial debt of the Parent Company, including in relation to the Group. Moreover, including to further analyse issues under art. 19, paragraph 1, point c), of Legislative Decree 39/2010 (as renewed by Legislative Decree 135/2016), the Board of Statutory Auditors examined the important aspects of the audit plan, including an examination of significant risks and related audit responses. This examination also included a discussion – with the Independent Auditors – of the main types of risk. In addition to the above, the Board of Statutory Auditors considered the "areas of emphasis" highlighted by the Independent Auditors and represented by: (a) adoption of IFRS 16; (b) state of progress of the negotiations for acquiring new orders in the ship-building sector; (c) assessment of the potential effects of Covid-19 and information provided in Subsequent Events. The Board also examined the report produced by the independent auditors in compliance with art. 11 of EU Regulation 537/204 – including discussing it with the independent auditors themselves – in which PricewaterhouseCoopers declares that: a) no material deficiencies had been identified in the internal control system in relation to the financial disclosure process which, according to the professional opinion of this Company – are sufficiently important to be brought to the attention of the Internal Control and Audit Committee.

b) in terms of auditing accounts, it found no significant uncertainties on the business continuity of the Company and Group; c) there were no cases, confirmed or suspected, of fraud; b) no matters deemed significant were identified related to non conformities, effective or presumed, with laws and regulations or statutory provisions, to be submitted to the attention of the internal control committee, which also covers auditing of accounts. The Board of Statutory Auditors, in carefully examining this report – including the "key aspects" in the report on the separate financial statements and the consolidated financial statements addressed above – made note of its contents, which comprise: 1) the contents of the audit report, 2) the auditor's approach, 3) the results of auditing activities and 4) the auditing team and independence. That report is transmitted to Directors by the Board of Statutory Auditors with its comments.

17. The Directors, in the "Report on Corporate Governance and Corporate Ownership" pursuant to art. 123-*bis* of the Consolidated Law on Finance, in support of the financial statement dossier, provide detailed information regarding the corporate governance system, highlighting the degree of alignment with the indications provided by the Corporate Governance Code. In particular, the Company established the Directors' Remuneration Committee, the Control and Risks Committee, the Appointments Committee, the Lead Independent Director, the Manager appointed to the internal control and risk management system. The Company has a "procedure for communicating price-sensitive information to the general public", a "procedure for the management of the register of persons with access to price-sensitive information" and a "procedure to comply with internal dealing obligations". The Company updated the procedure for regulating the approval and management of related-party transactions, pursuant to art. 4 of Consob regulation no. 17221 of 12 March 2010, put in place by Immsi, including through its subsidiaries. The permanence of the related parties committee is linked to the existence of at least three independent directors:

this occurred on a continual basis during 2019. The independent directors' compliance with the independence requirements referred to in art. 3 of the Corporate Governance Code and art. 148, paragraph 3, letters b) and c), of Legislative Decree 58/98 was confirmed during 2019 by the Board of Directors on 25 March 2019 and verified again during the approval of the governance report on 25 March 2020. The Board of Statutory Auditors certifies that the criteria and review procedures used by the Board of Directors to evaluate independence requirements had been correctly adopted. The Board of Statutory Auditors also verified the independence requirements of its members based on the same criteria and communicated such verification to the Board of Directors. On this point, it is acknowledged that the Board of Directors' meetings of 16 March 2015, 13 May 2015, 23 March 2016, 23 March 2017, 21 March 2018, 10 May 2018 and 25 March 2019 – recently reiterated on 25 March 2020 – concerning members of control bodies, resolved, without prejudice to the assessment of the competence of Board of Statutory Auditors in relation to its own composition: (i) to consider it appropriate, in the interest of the Company, not to apply criterion 3.C.1 point e) of the Corporate Governance Code with regard to the Statutory Auditor Alessandro Lai; (ii) to recognise the fulfilment of the requirements of independence pursuant to article 148, paragraph 3, of the Consolidated Law on Finance and article 3 of the Corporate Governance Code by all the members of the Board of Statutory Auditors. The individual members of the Board also attest to its compliance with the limits on the number of offices pursuant to art. 148-*bis*, paragraph 1, of Legislative Decree 58/98. The members of the Board of Statutory Auditors shared the need, in the case of transactions for which they have an interest on their own behalf or on that of others, to report this situation to the Board of Directors and the other members of the Board itself.

The Company has for some time now had a Code of Ethics, an Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 and a Supervisory Board, of which the Board of Statutory Auditors was part in 2019. The Company updates these documents, especially adapting those related to Legislative Decree 231/2001 with regard to rules on new offences added to the law.

The Company proposes to the Shareholders' Meeting a report on the remuneration policy and compensation paid to Immsi S.p.A. (the "Remuneration Report"), written pursuant to art. 123-*ter* of Legislative Decree 58/1998 and art. 84-*quater* of Consob regulation 11971/1999 and in compliance with annex 3A, tables 7-*bis* and 7-*ter* of that regulation.

The Remuneration Report was recently updated in order to take into account the modifications made by Legislative Decree no. 49 of 10 May 2019, to enact European Parliament and Commission directive 2017/828 of 17 May 2017 (the "Shareholders' Rights Directive II"), which modifies Directive 2007/36/EC on the exercise of certain rights by shareholders of listed companies in relation to encouraging long-term commitment by shareholders.

In 2019 the Board of Statutory Auditors shared its proposal to bring ahead the selecting process for assigning responsibility for legal auditing for the period 2021–2029. This process ended with the proposal put forward by the Board of Statutory Auditors on 19 March 2020, which will be brought to the attention of the Shareholders' Meeting.

18. The Board of Statutory Auditors, in the course of the verification carried out during the year, did not find any omissions, misconduct or serious irregularities and, therefore, does not deem it necessary to make any report to the control bodies or to the Shareholders' Meeting as provided for by paragraph 1 of art. 153 of Legislative Decree 58/98.

19. The Board of Statutory Auditors has no proposal to submit to the Shareholders' Meeting, pursuant to art. 153, paragraph 2, of Legislative Decree 58/98, unless otherwise stated below with regard to the approval of the financial statements.

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The Board of Statutory Auditors finds that in the chapter "Significant events occurring after the reporting period and outlook of operations for 2020", the Directors take into account the monitoring of the instability caused by the Covid-19 emergency, both in terms of the general situation and the sectors in which the Group is active, identifying certain commitments and key objectives. The Board of Statutory Auditors agrees with the Directors' assertions: *"As such, even though at present it is impossible to make predictions about the possible evolution of the emergency and its consequent impact on the economy, there are currently no factors that could jeopardise the Group's business continuity albeit not excluding slowdowns in some areas of operations."*

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The Board of Statutory Auditors, in light of the considerations made and the topics for which it is responsible, has no reason to object to the approval of the financial statements at 31 December 2019 and adheres to the proposal of the Board of Directors regarding allocation of the operating profit.

Mantua, 23 April 2020.

For the Board of Statutory Auditors– The Chairman

(Alessandro Lai)

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