



Immsi
Società per Azioni

Share capital €178,464,000 fully paid up

Registered office: Piazza Vilfredo Pareto, 3 – 46100 Mantova

Mantua Register of Companies – Tax code and VAT registration number 07918540019

***Half-year Financial Report
of the
Immsi Group
at
30 June 2020***

This Interim Financial Report as of 30 June 2020 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 2 September 2020 and is available for the public to consult at the Registered Office of the Company, in the centralised storage system www.emarketstorage.com and on the Issuer's website www.immsi.it (section: "Investors/Financial statements and reports/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

BOARD OF STATUTORY AUDITORS

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

INDEPENDENT AUDITORS AUDITORS

PricewaterhouseCoopers S.p.A.	2012 - 2020
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GENERAL MANAGER

Michele Colaninno

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

REMUNERATION COMMITTEE

Daniele Discepolo	Chairman
Paola Mignani	
Rita Ciccone	

INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

Daniele Discepolo	Chairman
Paola Mignani	
Rita Ciccone	

RELATED-PARTY COMMITTEE

Rita Ciccone	Chairman
Paola Mignani	
Patrizia De Pasquale	

COMPLIANCE COMMITTEE

Marco Reboa	Chairman
Giovanni Barbara	
Maurizio Strozzi	

APPOINTMENT PROPOSAL COMMITTEE

Daniele Discepolo	Chairman
Paola Mignani	
Rita Ciccone	

LEAD INDEPENDENT DIRECTOR

Daniele Discepolo

CEO AND GENERAL MANAGER

Michele Colaninno

INTERNAL AUDIT MANAGER

Maurizio Strozzi

FINANCIAL REPORTING OFFICER

Andrea Paroli

INVESTOR RELATIONS

Andrea Paroli

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

Half-Yearly Financial Report of the Immsi Group

The Half-Yearly Financial Report for the six months to 30 June 2020 was prepared in accordance with Legislative Decree No. 58/1998 as amended, and the Consob Regulation on Issuers.

This Report was prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the *International Accounting Standards Board* (IASB), as adopted by the European Union, and according to IAS 34 – *Interim Financial Reporting*, applying the same accounting standards as those adopted when preparing the Consolidated Financial Statements at 31 December 2019 of the Immsi Group (to which reference is made for further details), excluding the indications in the section - *Accounting standards and measurement criteria*, if applicable.

The Group also considered IASB amendments and interpretations applicable as from 1 January 2020 (for more details, reference is made to the Notes to this document), and the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), formerly the Standing Interpretations Committee (“SIC”).

Health emergency - COVID-19

During the first few months of 2020, a factor of macro-economic instability came to the fore, connected with the spread of COVID-19, which initially affected economic activity in China in the first few weeks of the year, and then other countries.

Following the health emergency proclaimed by the World Health Organization (WHO), government authorities in various countries gradually issued orders to stop production and business activities, limiting people's freedom of movement in some cases.

This factor had a considerable impact on the general macroeconomic framework of the first half, particularly affecting the markets where the Immsi Group operates.

Specifically, the measures adopted for each reference sector are analysed below:

Property and holding sector

In March, the Parent Company Immsi S.p.A. adopted operating procedures for its personnel, in line with general rules on protecting public health, and at the same time guaranteed operating continuity by arranging for staff to work at home and optimising activities.

The Company agreed with banks to suspend and re-schedule loan repayments maturing in June and September 2020, while applications to suspend repayments due in December 2020 have already been accepted by some banks, while other applications are still being evaluated.

As for the subsidiary Is Molas S.p.A., activities for the public resumed on 8 May, with only the golf course open. On 1 July, hotels opened, and a request was made to restart food & beverage services, following all applicable guidelines issued by authorities and regulations to protect guests and employees.

Is Molas obtained a deferment from a bank institute on the principal payment due on 30 June 2020, while in August, the bank also said it was in favour of deferring the payment due in December 2020, although this still has to be formalised in writing.

Despite the effects of the COVID-19 pandemic, the Directors of the subsidiary Is Molas S.p.A. believe, also in light of the suspensions obtained for principal repayments, that there are no particular risks at present to the business being a going concern.

Industrial sector

Since the virus first spread, the Piaggio Group has taken all possible precautions to guarantee the safety of its employees' health at its sites. In compliance with the notice issued by the Prime

Minister on 21 March 2020, production at the Group's Italian sites was stopped from 23 March 2020 to 3 May 2020.

In India, based on the lockdown measure issued on 24 March by the Indian government, production was stopped from 25 March 2020 to 18 May 2020, even though the Indian government decided on activities restarting from 4 May in areas less affected by the virus.

In Vietnam, production was never stopped, but measures were necessary to make up for the lack of supplies from China and Malaysia.

Distribution and sales in some countries where the Piaggio group operates were also stopped: Activities started up again from 14 April and have continued based on schedules decided in each of the countries where the group operates.

At the same time, remote working was extended to all employees able to work away from the office.

In economic terms, the effect of the health emergency was significant.

In fact, the performance of all geographic areas in January and February 2020 had been better than the same period of the previous year.

The lockdown periods, which differed depending on the geographic area, generated a cumulative loss in turnover compared to the previous period of an estimated €210 million (-25%). Specifically, the decrease in turnover compared with the previous year, determined based on the number of months' closure by geographic area was considered:

- a. EMEA and Americas: March, April and May
- b. Asia Pacific: April
- c. India: March, April, May and June

Considering that average group margins in terms of EBITDA amounted to approximately 16% in 2019, the decrease in this margin was estimated to be approximately €32 million at 30 June 2020, equal to around 24%.

The group incurred costs for sanitisation, health measures and supplies of personal protective equipment for all employees based on local regulations which, where contemplated by the governments of countries where Piaggio operates, were offset by the use of social shock absorbers.

Negative effects were also recorded in terms of managing net working capital with cash flows used and a consequent worsening in group net debt.

However, in the light of the trend registered in June 2020 and positive signs confirmed in July 2020 (apart from the Indian market which is still affected by intermittent lockdowns), considering the financial structure, compliance with covenants and irrevocable and revocable loans available, there are no doubts as to the business being a going concern.

During this time of economic uncertainty, the Piaggio Group has worked constantly to meet all commitments and to continue to support its customers and dealers as far as possible.

Marine sector

With reference to the health emergency caused by COVID-19, the subsidiary Intermarine S.p.A. promptly took steps to adopt requirements to combat the spread of the virus and protect the community and health of its workers. The subsidiary put in place a company protocol, specific protocols and procedures to tackle the spread of COVID-19, and all internal and external staff were informed about the measures implemented and the conduct to adopt to ensure a correct management of the emergency.

In keeping with Government measures, Intermarine reached agreements with trade union organisations to furlough staff and obtained appropriate authorisations from prefectures to resume production, albeit at a reduced rate.

In economic and financial terms, the emergency caused the operating stages of ongoing contracts to be delayed from March 2020 onwards. The emergency also interrupted or slowed down sales programmes with potential customers.

In terms of loans and credit lines, the company arranged with banks to defer and re-schedule principal repayments due in the next 6-12 months.

The Directors of the subsidiary Intermarine S.p.A., based on the above and on the specific characteristics of the business, consider that at present there are no particular risks to being a going concern, related to the effects of the COVID-19 pandemic.

Information on operations

The first half of 2020 was extremely positive for the Immsi Group, with volumes and financial indicators increasing over the same period of the previous year, while the second part was affected by the world health emergency caused by COVID-19, which led to production activities, sales and services to customers being stopped, particularly in the industrial sector and tourist/hospitality industry.

All indicators were down on the figures for the first half of 2019: Turnover decreased by 26%, EBITDA by 38.8% and the net result including the portion attributable to non-controlling interests recorded a loss of €0.9 million in the first half of 2020, compared to a profit of €25.7 million in the same period of 2019. Net financial debt at 30 June 2020 was equal to €898.8 million, up by 7.2% compared to the first half of the previous year.

Earnings for the period report different trends with reference to the sectors comprising the Group, based on the different business trends of the period in question.

For a clearer interpretation, the following is reported on a preliminary basis:

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

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

Immsi Group at 30 June 2020

In thousands of Euros	<i>Property and holding sector</i>	<i>as a %</i>	<i>Industrial sector</i>	<i>as a %</i>	<i>Marine sector</i>	<i>as a %</i>	<i>Immsi Group</i>	<i>as a %</i>
Net revenues	221		600,084		29,640		629,945	
Operating income before depreciation and amortisation (EBITDA)	-3,230	n/m	83,088	13.8%	3,787	12.8%	83,645	13.3%
Operating income (EBIT)	-3,721	n/m	24,686	4.1%	2,035	6.9%	23,000	3.7%
Profit before tax	-10,887	n/m	15,123	2.5%	965	3.3%	5,201	0.8%
Earnings for the period including non-controlling interests	-8,717	n/m	9,074	1.5%	515	1.7%	872	0.1%
Group earnings for the period (which may be consolidated)	-3,420	n/m	4,556	0.8%	373	1.3%	1,510	0.2%
Net debt	-319,372		-528,548		-50,852		-898,772	
Personnel (number)	79		6,155		261		6,495	

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

Immsi Group at 30 June 2019

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

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

Alternative non-GAAP performance indicators

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

These indicators – 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 2019 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 indicators have been used:

- **EBITDA:** defined as operating income before amortisation/depreciation and impairment costs of intangible assets and property, plant and equipment, as reported in the consolidated income statement;
- **Net financial debt (or net debt):** represented by (current and non-current) financial liabilities, minus cash on hand and other cash and cash equivalents, as well as other (current and non-current) financial receivables. Net financial debt does not include other financial assets and liabilities arising from the fair value measurement of financial derivatives used as hedging, the fair value adjustment of related hedged items, relative deferrals, interest accrued on loans and financial liabilities related to assets held for sale. This Report includes a table indicating the items used to determine the indicator. In this respect, in compliance with CESR recommendation of 10 February 2005 “Recommendations for the consistent implementation of the European Commission’s Regulation on Prospectuses”, the indicator, thus formulated, represents aspects monitored by the Group’s management and differs from recommendations in Consob Communication no. 6064293 of 28 July 2006, as it also includes the non-current portion of financial receivables.

Property and holding sector

In thousands of Euros	30.06.2020	as a %	30.06.2019	as a %	Change	as a %
Net revenues	221		2,121		-1,900	-89.6%
Operating income before depreciation and amortisation (EBITDA)	-3,230	n/m	-1,243	n/m	-1,987	-159.9%
Operating income (EBIT)	-3,721	n/m	-1,735	n/m	-1,986	-114.5%
Profit before tax	-10,887	n/m	-9,676	n/m	-1,211	-12.5%
Earnings for the period including non-controlling interests	-8,717	n/m	-9,373	n/m	656	7.0%
Group earnings for the period (which may be consolidated)	-3,420	n/m	-4,925	n/m	1,505	30.6%
Net debt	-319,372		-372,968		53,596	14.4%
Personnel (number)	79		108		-29	-26.9%

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

Overall, the **property and holding sector** reported a net loss for consolidation purposes in the first half of 2020 of approximately €3.4 million, improving on the loss of €4.9 million recorded in the same period of the previous year.

Net debt of the sector was negative at €319.4 million, compared to €-373 million at 30 June 2019.

The **Parent Company Immsi S.p.A.** recorded a net profit of approximately €11.9 million, compared to €16 million at 30 June 2019; the decrease is mainly due to lower dividends (€6.3 million) distributed by the subsidiary Piaggio & C. S.p.A. during the first half of 2020 compared to the same period of the previous year.

As regards non-financial income components, net revenues were down compared to the first half of 2019 by approximately €1.3 million, due to the absence of revenues from third-party rentals on the property in Rome, sold at the end of 2019.

The net financial position amounted to €11.7 million positive, down by approximately €0.8 million compared to 31 December 2019, mainly because of the capital consolidation of the subsidiaries RCN Finanziaria S.p.A. and ISM Investimenti S.p.A. with reserves for the subscription of future capital increases through waivers of financial receivables with subsidiaries, for a total of €10.4 million, partially offset by cash flows from dividends.

Shareholders' equity of the Parent Company Immsi S.p.A. at 30 June 2020 was equal to €381.6 million, up compared to the balance at the end of 2019, equal to €371.1 million, due to earnings for the period.

When preparing this Half-Yearly Financial Report at 30 June 2020, the Parent Company conducted specific impairment analyses, at a consolidated level, on the carrying amount of goodwill recognised, which did not result in any impairment to enter in the income statement, while it did not conduct specific impairment analyses on the carrying amount of investments held in companies consolidated on a line-by-line basis, as these investments and amendments mainly arise from relative impairment tests that would have been eliminated in full during consolidation.

As regards the subsidiary **Is Molas S.p.A.**, work site activities for the construction of the first 15 holiday villas and the first section of primary services was completed, and the company handed over four finished mock-up villas and the remaining 11 villas in an advanced basic construction stage, in order to enable potential clients to choose the flooring and interior finishings. Commercial activities are continuing to identify possible buyers, also at international level.

Revenues from the tourist/hospitality industry and golfing in the first six months of 2020 (equal to €0.2 million) due to the effects of the pandemic were reduced by approximately €0.8 million compared to the amount posted in the same period of the previous year. In terms of margins, the company recorded an operating loss of approximately €2.1 million and a net loss for consolidation purposes equal to €1.1 million, down on the figure recorded for the same period of 2019.

Net debt of the company amounted to €71.4 million, with a cash flow absorption of €3.1 million compared to 31 December 2019 (when it stood at €68.3 million) due to net cash flows used by operations.

With reference to the Pietra Ligure project, activities aimed at identifying potential parties interested in development of the Project continued.

Net profit for consolidation purposes of **Pietra S.r.l.** in the first half of 2020 substantially broke even and was in line with the result of the same period of the previous year. Net financial debt also remained basically unchanged from 31 December 2019 amounting to €2.8 million. **Pietra Ligure S.r.l.**, a subsidiary of Pietra S.r.l. and which incorporates the property complex of Pietra Ligure with related Planning Permissions and Agreements, recorded an operating loss of €0.3 million (in line with the first half of 2019), and net financial debt amounted to €2.4 million (€2.2 million at 31 December 2019), in addition to financial debt relative to the discounting of cash flows related to the above concession (as provided for in IFRS 16) amounting to approximately €6.1 million.

With reference to the subsidiary **Apuliae S.r.l.**, there are no further updates since the Report of Directors and Financial Statements of the Immsi Group at 31 December 2019, to which reference is made. At 30 June 2020, the company posted a substantial break-even position and net debt that was more or less unchanged compared to 31 December 2019, at a negative value of €0.8 million.

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

- **RCN Finanziaria S.p.A.**, in which Immsi S.p.A. holds 72.51% and Intermarine S.p.A. is the sole member, recorded a net loss for consolidation purposes for the Immsi Group of approximately €2 million (€1.9 million in the first half of 2019), and net financial debt of €124.2 million at 30 June 2020, basically unchanged compared to 31 December 2019;
- **ISM Investimenti S.p.A.** recorded a net loss for consolidation purposes for the Immsi Group of approximately €2 million (down by approximately €0.2 million compared to the first half of 2019), and net financial debt at 30 June 2020 equal to €129.6 million, down by approximately €2.4 million compared to the figure at 31 December 2019, mainly due to

Immsi S.p.A.'s waiver of financial receivables, converting them into reserves for future capital increases.

The company, which is the parent of Is Molas S.p.A., with a 92.59% stake at the end of June, is an investee of Immsi S.p.A. which holds a 72.64% share and of IMI Investimenti S.p.A. that holds 27.36% in terms of voting rights. In this regard, considering the impairment testing 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%, unchanged compared to 30 June and 31 December 2019.

Industrial sector: Piaggio group

In thousands of Euros	30.06.2020	as a %	30.06.2019	as a %	Change	as a %
Net revenues	600,084		816,957		-216,873	-26.5%
Operating income before depreciation and amortisation (EBITDA)	83,088	13.8%	134,283	16.4%	-51,195	-38.1%
Operating income (EBIT)	24,686	4.1%	75,068	9.2%	-50,382	-67.1%
Profit before tax	15,123	2.5%	62,837	7.7%	-47,714	-75.9%
Earnings for the period including non-controlling interests	9,074	1.5%	34,561	4.2%	-25,487	-73.7%
Earnings for the period attributable to the Group (for consolidation purposes)	4,556	0.8%	17,347	2.1%	-12,791	-73.7%
Net debt	-528,548		-418,032		-110,516	-26.4%
Personnel (number)	6,155		6,468		-313	-4.8%

In terms of consolidated turnover, the group ended the first half of 2020 with net revenues down over the same period of 2019 (-26.5%), negatively affected by the COVID-19 health emergency, which led to production and commercial activities closing for several weeks in many countries.

At a geographic level, the downturn concerned, in particular, EMEA and Americas (-21.7%) and India (-49.1%; -47.7% at constant exchange rates), while Asia Pacific was affected only marginally (-4.7%; -6.4% with constant exchange rates).

As regards product type, the decrease was greater for Commercial Vehicles (-43.3%) and more moderate for Two-Wheeler Vehicles (-19.8%). As a result, the percentage of Commercial Vehicles accounting for overall turnover dropped from 28.6% in the first half of 2019 to the current figure of 22.1%; vice versa, the percentage of Two-Wheeler vehicles went up from 71.4% in the first six months of 2019 to the current figure of 77.9%.

During the first half of 2020, the Piaggio Group sold 210,300 vehicles worldwide, recording a decrease of 34.6% compared to the first six months of the previous year, when vehicles sold amounted to 321,500. All markets reported a downturn, as a result of the COVID-19 health

emergency. The decrease was more moderate for Asia Pacific 2W (-9.6%), while in EMEA and Americas, and in India, the number of vehicles sold fell by 22.2% and 56.9% respectively. As regards product type, sales of Commercial Vehicles fell by 55.2% and of Two-Wheelers by 24.5%.

EBITDA of the Piaggio group fell to €83.1 million (from €134.3 million in the first half of 2019). In relation to turnover, EBITDA was equal to 13.8% (16.4% in the first half of 2019). Operating income (EBIT) amounted to €24.7 million, down on the figure for the first six months of 2019; in relation to turnover, EBIT was equal to 4.1% (9.2% in the first half of 2019).

The results for financing activities recorded net costs of €9.6 million (€12.2 million at 30 June 2019) improving compared to the first six months of the previous financial year, despite higher debt, due to a reduction in borrowing costs and a positive contribution from currency operations.

Net profit stood at €9.1 million (1.5% of turnover), also down on the figure for the same period of the previous year which amounted to €34.6 million (4.2% of turnover).

Net financial debt at 30 June 2020 of the Piaggio group was equal to €528.5 million, compared to €429.7 million at 31 December 2019. The increase of approximately €98.8 million is due to cash flow used by net working capital and investments in capitalised development costs and in property, plant and equipment and intangible assets. Borrowing increased by approximately €110.5 million compared to 30 June 2019.

The market

Two-wheeler business

During the first half of 2020, the Piaggio group sold a total of 163,000 two-wheeler vehicles, accounting for a net turnover equal to approximately €467.6 million, including spare parts and accessories (€53.6 million, -20.6%).

The overall downturn recorded in volumes (-24.5%) as well as turnover (-19.8%) was mainly due to the decreases reported in EMEA and Americas (-20.5% volumes; -21.5% turnover) and in India (-58.4%; -49.0% turnover; -47.4% with constant exchange rates). Only the Asia Pacific area managed to limit the downturn (-9.6% volumes; -4.7% turnover; -6.4% with constant exchange rates).

India, the most important two-wheeler market, reported a strong decrease in the first six months of 2020, closing with sales of nearly 4.8 million vehicles, down by 50.4% compared to the first half of 2019.

The People's Republic of China recorded a considerable loss in the first six months of 2020 (-10.0%), closing at just over 2.6 million vehicles sold.

Data available on the Asian area, called Asean 5, report a decrease of approximately 30%, closing with nearly 4.7 million units sold. According to our estimates, Indonesia, the main market in this area, reported a decrease of approximately 36% in the first half of 2020, with over 2 million vehicles sold.

The number of vehicles registered in Vietnam decreased to a more considerable extent (1.25 million units sold; -16.9% compared to the first half of 2019). The other countries in the Asian area (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) overall recorded an increase of approximately 7% compared to the first half of 2019, closing with sales of nearly 700 thousand units. In the first 6 months of the year, the Japanese market reported a 6.6% decrease, selling just under 170 thousand units.

The North American market recorded an increase compared to the first half of 2019 (+6.4%), selling 292,930 thousand vehicles.

Brazil, the leading market in South America, recorded a drop in performance in the first six months of 2020 of 40.2%, closing with 377 thousand vehicles sold.

Europe, which is the reference area for the Piaggio group's operations, reported a decrease in sales on the two-wheeler (-12.8%) compared to the first half of 2019 (-13.0% for the motorcycle segment and -12.5% for the scooter segment). On the scooter market, the over 50cc segment recorded a negative trend in the first half of 2020 (-16.1%), as well as the 50cc segment (-5.7%). Motorcycle segments also reported a negative performance, down by 7.1% for the 50cc segment, and by 13.3% for the over 50cc segment.

Commercial Vehicles business

During the first half of 2020, the Commercial Vehicles business generated a turnover of approximately €132.4 million including around €17.5 million relating to spare parts and accessories, down by 43.3 % increase compared to the same period of the previous year. During the period, 47,300 units were sold, down by 55.2% compared to the first six months of 2019.

In EMEA and Americas, the decrease in turnover was equal to 23.4%. In India, the Group recorded a 56.3% decrease in sales. The Indian affiliate Piaggio Vehicles Private Limited (PVPL) sold 36,946 three-wheelers on the Indian market (81,723 in the first half of 2019). The same affiliate also exported 4,868 three-wheeler vehicles (13,586 at 30 June 2019).

On the domestic four-wheeler market, PVPL sales in the first half of 2020 fell by 87.2% compared to the first six months of 2019, to 53 units.

In overall terms, the Indian affiliate PVPL registered a turnover of €91.9 million in the first half of 2020, compared to €180.6 million for the same period of the previous year (-49.1%; -47.7% with constant exchange rates).

Europe

In the first six months of 2020, the European light commercial vehicles market (vehicles with a maximum mass less than or equal to 3.5 tons), in which the Piaggio group operates, recorded sales of 729,565 units, a 34.1% decrease compared to the first six months of 2019 (data source ACEA). In detail, the trends of main European reference markets are as follows: France (-31.2%), Germany (-25.1%), Great Britain (-44.6%), Spain (-45.7%) and Italy (-35.9%).

India

Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, went down from 329,995 units in the first six months of 2019 to 142,571 units in the same period of 2020, registering a 56.8% decrease.

In this market, the downturn affected both segments: passenger vehicles, with sales down by 57.4% (112,180 units sold); and the cargo segment, with a drop of 54.4%, from 66,674 units in the first six months of 2019 to 30,391 units in the first six months of 2020. Piaggio Vehicles Private Limited also operates on the four-wheeler light commercial vehicles (LCV) market for goods' transport (cargo). The LCV cargo market, with vehicles with a maximum mass below 2 tons, recorded sales of 41,058 units in the first half 2020, decreasing by 63.2% compared to the first six months of 2019.

The Marine sector: Intermarine

In thousands of Euros	30.06.2020	as a %	30.06.2019	as a %	Change	as a %
Net revenues	29,640		31,916		-2,276	-7.1%
Operating income before depreciation and amortisation (EBITDA)	3,787	12.8%	3,554	11.1%	233	6.6%
Operating income (EBIT)	2,035	6.9%	1,844	5.8%	191	10.4%
Profit before tax	965	3.3%	964	3.0%	1	0.1%
Earnings for the period including non-controlling interests	515	1.7%	481	1.5%	34	7.1%
Group earnings for the period (which may be consolidated)	373	1.3%	349	1.1%	25	7.1%
Net debt	-50,852		-47,163		-3,689	-7.8%
Personnel (number)	261		266		-5	-1.9%

With reference to the economic data of the marine sector, the first half of 2020 saw a decrease of 7.1% in net sales revenues (composed of turnover and changes in contract work in progress) compared with the same period of the previous year; this figure stood at €29.6 million, compared with €31.9 million in the first half of 2019.

Production progress, including research and development, and the completion of constructions and deliveries, concerned in particular:

- the Defence division, with €21.5 million (26 million in the first half of 2019), mainly due to progress with the job order for the modernisation of Gaeta Class minesweepers for the Italian Navy, and the second and third integrated minesweeper platform for an Italian sector operator;
- the Fast Ferries and Yachts divisions, with a total of €8.1 million (5.9 million during the first half of 2019), mainly for activities at the Messina shipyard.

This led to a positive EBIT in the first half of 2020 for €2 (€1.8 million in the same period in 2019), accounting for 6.9% of revenues, and earnings before taxes of €1 million in line with figures for the first half of 2019. Net profit for consolidation purposes for the Immsi Group at 30 June 2020 amounted to €0.4 million, compared to a profit of €0.3 million during the first half of 2019.

The total value of the orders portfolio of the company amounted to €84 million at 30 June 2020 (mainly relative to the Defence division), referring to the remaining part of existing contracts still to be developed in terms of revenues.

In terms of capital, net financial debt, equal to €50.9 million at 30 June 2020, was up slightly compared to the balance at 31 December 2019 and 30 June 2019, equal to €49 and 47.2 million respectively.

Financial situation and financial performance

As described previously in the section "Health emergency - COVID-19", during the first half of 2020, the Immsi Group reported all indicators negatively affected by the COVID-19 health emergency, which led to production and sales activities closing for several weeks.

At 30 June 2020 the structure of the Immsi Group was that attached to this Half-Yearly Financial Report, to which reference is made. The scope of consolidation compared to the Consolidated Financial Statements at 31 December 2019 was unchanged, while the scope changed compared to 30 June 2019 but without affecting to any considerable extent the comparability of business results between the two reporting periods. For further details of changes, see section B of the Notes.

The Group prepares reclassified figures as well as the financial statement schedules required by law. A short description of the main balance sheet and income statement items is provided below the reclassified schedules. Further information on these items may be found in the Notes to the consolidated financial statements. Specific notes referring to the mandatory schedule items are omitted since the main aggregates coincide.

Financial performance of the Group

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

In thousands of Euros	30.06.2020		30.06.2019		Change	
Net revenues	629,945	100%	850,994	100%	-221,049	-26.0%
Costs for materials	375,996	59.7%	499,373	58.7%	-123,377	-24.7%
Costs for services, leases and rentals	98,697	15.7%	138,987	16.3%	-40,290	-29.0%
Employee costs	111,218	17.7%	128,245	15.1%	-17,027	-13.3%
Other operating income	51,720	8.2%	65,604	7.7%	-13,884	-21.2%
Net reversals (write-downs) of trade and other trade receivables	-1,277	-0.2%	-796	-0.1%	-481	-60.4%
Other operating costs	10,832	1.7%	12,603	1.5%	-1,771	-14.1%
OPERATING EARNINGS BEFORE AMORTISATION AND DEPRECIATION (EBITDA)	83,645	13.3%	136,594	16.1%	-52,949	-38.8%
Depreciation and impairment costs of plant, property and equipment	25,171	4.0%	24,757	2.9%	414	1.7%
Impairment of goodwill	0	-	0	-	0	-
Amortisation and impairment costs of intangible assets with a definite useful life	35,474	5.6%	36,660	4.3%	-1,186	-3.2%
OPERATING INCOME	23,000	3.7%	75,177	8.8%	-52,177	-69.4%
Income/(loss) from investments	564	0.1%	385	0.0%	179	-
Financial income	14,108	2.2%	7,872	0.9%	6,236	79.2%
Borrowing costs	32,471	5.2%	29,309	3.4%	3,162	10.8%
PROFIT BEFORE TAX	5,201	0.8%	54,125	6.4%	-48,924	-90.4%
Taxes	4,329	0.7%	28,456	3.3%	-24,127	-84.8%
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS	872	0.1%	25,669	3.0%	-24,797	-96.6%
Gain (loss) from assets held for sale or disposal	0	-	0	-	0	-
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	872	0.1%	25,669	3.0%	-24,797	-96.6%
Earnings for the period attributable to non-controlling interests	-638	-0.1%	12,898	1.5%	-13,536	-104.9%
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	1,510	0.2%	12,771	1.5%	-11,261	-88.2%

Consolidated net revenues of the Immsi Group fell by approximately €221 million (-26%), amounting to €629.9 million, compared to the contribution from the industrial sector of approximately €600.1 million (where it was estimated that the lockdowns related to the health emergency, differentiated by geographic segment, caused an estimated overall loss in turnover yoy of approximately €210 million, equal to -25%) and in the marine sector of approximately €29.6 million. Net revenues of the property and holding sector, amounting to approximately €0.2 million, were down on the same period of the previous year.

Operating costs and other consolidated Group net costs in the first half of 2020 totalled €546.3 million (equal to 86.7% of net revenues), of which €517 million relative to the Piaggio group (86.2% of group net revenues).

Costs for materials totalled €376 million, equal to 59.7% of net revenues. The cost relating to the industrial sector amounted to €366 million, equal to 61% of net revenues of the sector.

Employee costs totalled €111.2 million, equal to 17.7% of net revenues. The largest part, €102.8 million (17.1% of net revenues of the sector), is attributable to the Piaggio group. The average paid workforce totalled 6,690 people compared to 6,849 in the first half of 2019, mainly in the industrial sector, where it was slightly down in all geographic areas, also considering the COVID-19 emergency, with the exception of Vietnam, where production never stopped. During lockdown, the Group obviously used fewer temporary staff. Average employee numbers were affected by seasonal workers in the summer (on fixed-term employment contracts). The Group effectively hires temporary staff to cover peaks in demand typical of the summer months.

EBITDA during the first half of 2020 came to approximately €83.6 million, equal to 13.3% of net revenues, compared to 136.6 million in the first half of 2019 (16.1% of net revenues for the period), with a decrease of €52.9 million (-38.8%).

Depreciation and amortisation for the period stood at €60.6 million (of which €58.4 million relative to the industrial sector), representing 9.6% of turnover, up on the figure of 7.2% for the first half of 2019. Depreciation of property, plant and equipment amounted to €25.2 million (€+0.4 million compared to the figure for the first six months of 2019), while amortisation of intangibles, excluding value adjustments on goodwill, totalled €35.5 million (€36.7 in the first half of 2019).

EBIT amounted to €23 million (€-69.4% compared to the first half of 2019), equal to 3.7% of net revenues, down on the figure of 8.8% for the same period of 2019.

EBIT did not include any impairment of goodwill in the first six months of 2020, nor in the same period of the previous year; as described in more detail in the Notes to the Consolidated Financial Statements at 30 June 2020 (paragraph F1 “Intangible assets”), impairment tests were carried out to verify the recoverability of the carrying amount of goodwill, with no value adjustments to recognised amounts being necessary.

Considering that the analyses conducted to determine the recoverable value of Immsi Group cash-generating units has also been determined based on estimates, the Group cannot guarantee that there will be no goodwill impairment losses in future periods. Owing to the current climate of uncertainty on core and financial markets, the various factors – both inside and outside the cash-generating units identified – used in preparing estimates could be revised in the future: the Group will constantly monitor these factors and the possible existence of future impairment losses.

Net financial income amounted to €17.8 million negative, equal to 2.8% of the Group’s net revenues (compared to €21.1 million negative in the first half of 2019), and consists of negative balances of €9.6 million relative to the industrial sector (compared to €-12.2 million in the first half of 2019), €1.1 million relative to the marine sector (compared to €0.9 million in the first half of 2019) and €7.2 million relative to the property and holding sector (a decrease compared to the first half of 2019, which reported €7.9 million negative). Net financial income improved over the first six months of the previous year, despite the higher debit, thanks to the reduction in borrowing costs and positive contribution from currency operations.

Profit before tax stood at €5.2 million at 30 June 2020, or 0.8% of net revenues, compared to €54.1 million (6.4% of net revenues) at 30 June 2019, with the industrial sector contributing €15.1 million, the marine sector €1 million and the property and holding sector €10.9 million negative. Taxes for the period totalled approximately €4.3 million, compared to 28.5 million at 30 June 2019.

Net profit for the period, after taxation and net of non-controlling interests, totalled €1.5 million (0.2% of net revenues), down compared to the figure of €12.8 million at 30 June 2019 (1.5% of net revenues).

Reclassified financial situation of the Group

In thousands of Euros	30.06.2020	as a %	31.12.2019	as a %	30.06.2019	as a %
Current assets:						
Cash and cash equivalents	179,910	8.4%	212,596	10.1%	173,978	7.9%
Financial assets	0	0.0%	0	0.0%	0	0.0%
Operating activities	558,128	26.1%	488,722	23.2%	586,982	26.5%
Total current assets	738,038	34.6%	701,318	33.3%	760,960	34.3%
Non-current assets:						
Financial assets	0	0.0%	0	0.0%	0	0.0%
Intangible assets	848,889	39.7%	848,853	40.2%	838,615	37.9%
Property, plant and equipment	332,267	15.6%	337,988	16.0%	329,677	14.9%
Other assets	216,553	10.1%	220,879	10.5%	286,290	12.9%
Total non-current assets	1,397,709	65.4%	1,407,720	66.7%	1,454,582	65.7%
TOTAL ASSETS	2,135,747	100.0%	2,109,038	100.0%	2,215,542	100.0%
Current liabilities:						
Financial liabilities	455,470	21.3%	461,981	21.9%	442,370	20.0%
Operating liabilities	612,110	28.7%	634,140	30.1%	707,260	31.9%
Total current liabilities	1,067,580	50.0%	1,096,121	52.0%	1,149,630	51.9%
Non-current liabilities:						
Financial liabilities	623,212	29.2%	547,011	25.9%	569,771	25.7%
Other non-current liabilities	85,896	4.0%	91,593	4.3%	107,596	4.9%
Total non-current liabilities	709,108	33.2%	638,604	30.3%	677,367	30.6%
TOTAL LIABILITIES	1,776,688	83.2%	1,734,725	82.3%	1,826,997	82.5%
TOTAL SHAREHOLDERS' EQUITY	359,059	16.8%	374,313	17.7%	388,545	17.5%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,135,747	100.0%	2,109,038	100.0%	2,215,542	100.0%

Current assets at 30 June 2020 amounted to €738 million, an increase of €36.7 million from 31 December 2019 and a decrease of €22.9 million from 30 June 2019. The increase compared to the end of 2019 is due to the growth in trade and other receivables (€+42.6 million) and inventories (€+28.4 million), mainly referred to the Piaggio group due to the seasonal nature of activities.

Non-current assets at 30 June 2020 stood at €1,397.7 million against 1,407.7 million at 31 December 2019, a decrease equal to €10 million.

In particular, non-current assets include intangible assets amounting to €848.9 million, in line with the figure of 31 December 2019, property, plant and equipment amounting to €332.3 million (down by approximately €5.7 million compared to the end of 2019) and other assets amounting to €216.6 million (compared to €220.9 million at the end of 2019).

Current liabilities at 30 June 2020 amounted to €1,067.6 million, down by €28.5 million compared to 31 December 2019, with a decrease in operating liabilities (€-22 million, of which -21.4 million in the Piaggio group), related primarily to the seasonality of purchases, and to the decrease in current financial liabilities, which went from €462 million to €455.5 million, due to less bank debt posted in the short-term.

Non-current liabilities at 30 June 2020 stood at €709.1 million, up by approximately €70.5 million from €638.6 million at 31 December 2019. Consolidated shareholders' equity attributable to the Group and non-controlling interests totalled €359.1 million at 30 June 2020, of which €125.7 million attributable to non-controlling interests.

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

In thousands of Euros	30.06.2020	as a %	31.12.2019	as a %	30.06.2019	as a %
Current operating assets	558,128	41.5%	488,722	38.7%	586,982	44.0%
Current operating liabilities	-612,110	-45.6%	-634,140	-50.2%	-707,260	-53.0%
Net operating working capital	-53,982	-4.0%	-145,418	-11.5%	-120,278	-9.0%
Intangible assets	848,889	63.2%	848,853	67.2%	838,615	62.9%
Property, plant and equipment	332,267	24.7%	337,988	26.8%	329,677	24.7%
Other assets	216,553	16.1%	220,879	17.5%	286,290	21.5%
Capital employed	1,343,727	100.0%	1,262,302	100.0%	1,334,304	100.0%
Non-current non-financial liabilities	85,896	6.4%	91,593	7.3%	107,596	8.1%
Capital and reserves of non-controlling interests	125,742	9.4%	133,883	10.6%	141,089	10.6%
Consolidated shareholders' equity attributable to the Group	233,317	17.4%	240,430	19.0%	247,456	18.5%
Total non-financial sources	444,955	33.1%	465,906	36.9%	496,141	37.2%
Net financial debt	898,772	66.9%	796,396	63.1%	838,163	62.8%

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

In thousands of Euros	30.06.2020	30.06.2019
Cash generated internally	78,131	111,793
Change in net working capital	-111,275	1,934
Net cash flow generated from operations	-33,144	113,727
Payment of dividends to non-controlling interests by Group companies	-9,779	-16,015
Purchase of intangible assets	-36,284	-41,094
Purchase of property, plant and equipment	-18,204	-20,523
Net decrease from property disposals	309	33
Other net movements	-5,274	277
Change in net debt	-102,376	36,405
Initial net debt	-796,396	-852,029
Change in net debt IFRS 16		-22,539
Closing net debt	-898,772	-838,163

Net financial debt went up from €796.4 million at 31 December 2019 to 898.8 million at 30 June 2020, mainly due to cash generated internally (€+78.1 million), more than offset by the working capital dynamics (€+111.3 million), net investments in property, plant and equipment and intangible assets for the period, almost entirely relating to the Piaggio group (€-54.2 million), and dividends paid to non-controlling interests (€-9.8 million).

It should be noted that the COVID-19 pandemic had negative effects also in terms of managing net working capital with cash flows used and a consequent worsening in Group net debt.

Net financial debt at 30 June 2020 is analysed below and compared to the figures at 31 December 2019 and 30 June 2019.

In thousands of Euros	30.06.2020	31.12.2019	30.06.2019
Short-term financial assets			
Cash and cash equivalents	-179,910	-212,596	-173,978
Financial assets	0	0	0
Total short-term financial assets	-179,910	-212,596	-173,978
Short-term financial payables			
Convertible	11,031	11,022	10,333
Payables due to banks	375,088	382,759	359,448
Lease liabilities	1,170	1,161	8,742
Amounts due to other lenders	68,181	67,039	63,847
Total short-term financial payables	455,470	461,981	442,370
Total short-term financial debt	275,560	249,385	268,392
Medium/long-term financial assets			
Receivables for loans	0	0	0
Other financial assets	0	0	0
Total medium/long-term financial assets	0	0	0
Medium/long-term financial payables			
Convertible	282,830	282,099	292,375
Payables due to banks	316,378	242,560	254,867
Lease liabilities	6,275	6,862	22,388
Amounts due to other lenders	17,729	15,490	141
Total medium/long-term financial payables	623,212	547,011	569,771
Total medium/long-term financial debt	623,212	547,011	569,771
Net financial debt	898,772	796,396	838,163

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

With reference to the breakdown of debt, compared to 31 December 2019, short-term financial debt went up from a balance of €249.4 million to a balance of €275.6 million (i.e. €+26.2 million), with an increase in medium-long term financial debt from €547 million to €623.2 million (€+76.2 million). Further details are provided in the notes to the Condensed Interim Financial Statements.

Research & development

The Immsi Group carries out research and development activities through the Piaggio group and the subsidiary Intermarine S.p.A.. For further details on the activities and resources of research projects, reference is made to the section Products and Services in the Consolidated non-financial report pursuant to Legislative Decree 254/2016 included in the Report and Financial Statements of the Immsi Group at 31 December 2019.

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.

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 the activity of this division to the minimum.

Risk related to the regulatory and legal framework - Numerous national and international laws and regulations on safety, noise levels, consumption and the emission of pollutant gases apply, in particular to Piaggio products. Strict regulations on atmospheric emissions, waste disposal, the drainage and disposal of water and other pollutants also apply to the Group's production sites.

Unfavourable changes in the regulatory and/or legal framework at a national and international level could mean that products can no longer be sold on the market, forcing manufacturers to invest to renew their product ranges and/or renovate/upgrade production plants.

To deal with these risks, the Group has always invested in research and development into innovative products, anticipating any restrictions on current regulations. Moreover, the Group, as one of the sector's leading manufacturers, is often requested to be represented on parliamentary committees appointed to discuss and formulate new laws.

Risks related to natural events - The Group operates through industrial sites located in Italy, India and Vietnam. These sites could be affected by natural events, such as earthquakes, typhoons, flooding and other catastrophes that may damage sites and also slow down/interrupt production and sales.

Continual renewal of the sites prevents these risk scenarios. The potential impact of these risks is mitigated by specific insurance cover taken out for various sites based on their relative importance.

Risks related to the pandemic - If a pandemic spreads and measures are adopted by various governments to contain the virus, the Group could be negatively affected following interruptions to:

- the procurement chain: suppliers might no longer be able to produce/deliver the components necessary to supply production sites;
- production activities: the Group might no longer be able to use the workforce, following government regulations limiting personal movement, or it might be impossible for the company to guarantee a healthy, protected work environment;
- sales activities: measures to contain the spread of the virus could require sales outlets to be closed, or the Group might not be able to supply the sales network.

The Group, and in particular Piaggio have tried and are trying to deal with this risk, which could negatively affect the Group's financial position and performance following a possible decrease in revenues, profitability and cash flows, thanks to a global sourcing policy, a production capacity distributed on different continents and a sales network present in over 100 nations.

Moreover, the Group's sites have adopted measures to guarantee social distancing and promote working from home.

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

Forward in Boston is studying innovative solutions to anticipate and meet future mobility needs.

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

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

Operating risks

Risks related to the product – The Group has to deal with risks related to product defects due to nonconforming quality and safety levels.

The risk for the Piaggio group refers to consequent recall campaigns, that would exposed the group to: the costs of managing campaigns, replacing vehicles, claims for compensation and above all if faults are not managed correctly and/or are recurrent, damage to its reputation. To mitigate these risks, Piaggio has established a Quality Control system, it tests products during various stages of the production process and carefully sources its suppliers based on technical/professional standards. The group has also defined plans to manage recall events and has taken out insurance to protect the group it against events attributable to product defects.

To deal with product risk, the subsidiary Intermarine normally adopts a type of contract that also includes assistance and logistics packages which are formalised in agreements regulating acquired contracts.

Risks related to the production process/business continuity- The Group is exposed to risk connected with possible interruptions to company production, due to the unavailability of raw materials or components, skilled labour, systems or other resources.

To deal with these risks, the Group has necessary maintenance plans, invests in upgrading machinery, has a flexible production capacity and sources from several suppliers of components to prevent the unavailability of one supplier affecting company production.

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

Risks related to the supply chain In carrying out its operations, the Group sources raw materials, semi-finished products and components from a number of suppliers.

As regards the Piaggio group, operations are conditioned by the ability of its suppliers to guarantee the quality standards and specifications requested for products, as well as relative delivery times. To mitigate these risks, the Group qualifies and periodically evaluates its suppliers based on professional/technical/financial criteria in line with international standards.

With reference to the marine sector, Intermarine acquires raw materials, contracts and services from a large number of external suppliers, that have specific competencies, in particular in ship fitting. The close cooperation between producers and suppliers is common in the fields where the company operates and, while it may lead to economic benefits in terms of lower costs and greater flexibility, it also means that companies must rely on these suppliers. Supplier difficulties could have a negative impact, causing interruptions in and/or delays to production activities, with the risk of not meeting deadlines.

Risks related to the environment and health and safety The Group has production sites, research and development centres and sales offices in different nations and so is exposed to the risk of not being able to guarantee a safe working environment, with the risk of causing potential harm to property or people and exposing the Group to legal sanctions, lawsuits brought by employees, costs for compensation payments and reputational harm.

To mitigate these risks, Piaggio adopts a sustainable development model that is based on environmental sustainability, in terms of safeguarding natural resources and the possibility that the ecosystem might absorb the direct and indirect impact of production activities. Specifically, Piaggio seeks to minimise the environmental impact of its industrial activities through careful definition of the technological transformation cycle and using the best technologies and most modern methods of production.

The risks related to accidents/injuries sustained by personnel are mitigated by aligning processes, procedures and structures with applicable Occupational Safety laws, as well as best international standards.

These commitments are set out in the Codes of Ethics of Group companies. For Piaggio, these commitments are also stated by top management in the Group's "environmental policy" which is the basis for environmental certification (ISO 14001) and health and safety certification (BS OHSAS 18001) already awarded and maintained at production sites, is a mandatory benchmark for all company sites no matter where they are working.

Risks related to processes and procedures adopted - The Group is exposed to the risk of shortcomings in planning its company processes or errors and deficiencies in carrying out operations.

To deal with this risk, the Group has established a system of directives comprising organisational notices and Manuals/Policies, Management Procedures, Operating Procedures and Work Instructions. For the Piaggio group, all documents relative to Group processes and procedures are part of the single Group Document Information System, with access that is regulated and managed on the company intranet.

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

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

Risks related to human resources - The main risks the Group is exposed to concerning human resources management include the ability to recruit expertise, professionalism and experience necessary to achieve objectives. To offset these risks, the Group has established specific policies or practices for recruitment, career development, training, remuneration and talent management, which are adopted in all countries where it operates according to the same principles of merit, fairness and transparency, and focusing on aspects that are relevant for the local culture.

The employees of Group companies are protected by laws and collective labour contracts that guarantee them – through local and national representation – the right to be consulted on specific matters, including programmes related to the use of staff in accordance with ongoing job orders.

In Europe, the Piaggio group operates in an industrial context with a strong trade union presence, and is potentially exposed to the risk of strikes and interruptions to production activities.

In the recent past, the Group was not affected by major interruptions to production because of strikes. To avoid the risk of interruptions to production activities, as far as possible, the Group bases its relations with trade union organisations on dialogue.

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

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

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

Risks related to financial disclosure – The Group is exposed to the risk of possible inadequacies in its procedures that are intended to ensure compliance with main Italian and foreign regulations applicable to financial disclosure, running the risk of receiving fines and other sanctions. In particular there is a risk that financial reporting for Group stakeholders is not accurate and reliable due to significant errors or the omission of material facts and that the Group provides disclosure required by applicable laws in a manner which is inadequate, inaccurate or untimely. To deal with these risks, the financial statements are audited by Independent Auditors. Moreover, the control activities required by Law 262/2005 were extended to 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 - The Group is exposed to the risk arising from the production of cash flows that are not sufficient to guarantee payments due, or adequate profitability and growth to achieve strategic objectives. Moreover, this risk is connected with the difficulty the Group may have in obtaining loans or a worsening in conditions of loans necessary to support its operations in appropriate timeframes. The debt indicated above could also negatively affect Group operations in the future, limiting its capacity to obtain further financing or to obtain it at more favourable conditions. In particular, over the next 12 months several credit lines will mature, with renewal which is decisive for being able to operate. A detailed examination of these lines is provided in the Notes.

To face this risk, the Group's cash flows and credit line needs are monitored constantly by management or, in the case of the Piaggio group, managed centrally under the control of the group's Treasury Department, in order to guarantee an effective and efficient management of financial resources, as well as optimise the debt's maturity standpoint.

The Parent Company Immsi S.p.A. where necessary assists its subsidiaries with credit lines, in order to guarantee support for implementing development plans. Piaggio & C. also finances the temporary cash requirements of group companies by providing direct short-term loans regulated in market conditions or through guarantees.

Exchange rate risks – The Group, primarily through the companies of Piaggio group and Intermarine, undertakes operations in currencies other than the Euro and this exposes it to the risk of fluctuating exchange rates of different currencies. Exposure to business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis. With reference to the Piaggio group, the policy is to hedge at least 66% of the exposure of each reference month. Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency. In the first half of 2020, the exchange risk was managed in line with the 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 compared to the annual business budget on the basis of a key change (the so-called “budget change”) and of the transaction 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 30 June 2020, the Immsi Group employed 6,495 staff, of which 79 in the property and holding sector, 6,155 in the industrial sector (Piaggio group) and 261 in the marine sector (Intermarine S.p.A.). The following tables divide resources by category and geographic segment:

Human resources by category

numbers	30.06.2020			
	Property and holding sector	Industrial sector	Marine sector	Group total
Senior management	4	108	6	118
Middle managers and white-collar workers	36	2,337	147	2,520
Blue-collar workers	39	3,710	108	3,857
TOTAL	79	6,155	261	6,495
numbers	31.12.2019			
	Property and holding sector	Industrial sector	Marine sector	Group total
Senior management	5	106	6	117
Middle managers and white-collar workers	35	2,375	147	2,557
Blue-collar workers	28	3,741	109	3,878
TOTAL	68	6,222	262	6,552
numbers	Changes			
	Property and holding sector	Industrial sector	Marine sector	Group total
Senior management	-1	2	0	1
Middle managers and white-collar workers	1	-38	0	-37
Blue-collar workers	11	-31	-1	-21
TOTAL	11	-67	-1	-57

Human resources by geographic segment

numbers	30.06.2020			
	Property and holding sector	Industrial sector	Marine sector	Group total
Italy	79	3,361	261	3,701
Rest of Europe	0	173	0	173
Rest of the World	0	2,621	0	2,621
TOTAL	79	6,155	261	6,495
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	Changes			
	Property and holding sector	Industrial sector	Marine sector	Group total
Italy	11	162	-1	172
Rest of Europe	0	-2	0	-2
Rest of the World	0	-227	0	-227
TOTAL	11	-67	-1	-57

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

During lockdown, the Group obviously used fewer temporary staff.

For further information on Group employees (such as remuneration and training policies, diversity and equal opportunities, safety, etc.), reference is made to the section on the Social Dimension in the Consolidated Non-Financial Statement at 31 December 2019 prepared pursuant to Legislative Decree 254/2016.

Stock options

At 30 June 2020, Immsi S.p.A. had no existing stock option plan.

With reference also to the subsidiary Piaggio & C. S.p.A., at 30 June 2020 there were no incentive plans based on the allocation of financial instruments.

Treasury shares

At 30 June 2020, Immsi S.p.A. held no treasury shares. The share capital of Immsi S.p.A. is unchanged at €178,464,000.00, represented by 340,530,000 ordinary shares with no nominal value.

Furthermore, the Ordinary Shareholders' Meeting of Immsi S.p.A. of 14 May 2020 approved a plan for the purchase and disposal of ordinary shares of the Company, revoking the previous authorisation of the Ordinary Shareholders' Meeting of Immsi S.p.A. of 14 May 2019.

On 14 May 2020, the Board of Directors of Immsi S.p.A. - further to the aforesaid approval of the Shareholders' Meeting, resolved to start a programme to purchase treasury shares, which is a useful strategic investment opportunity for all purposes allowed by applicable laws, including the purposes contemplated in article 5 of Regulation (EU) 596/2014 (Market Abuse Regulation, "MAR"), which contemplate the purchase of treasury shares based on their subsequent annulment, and the practices permitted by Consob in accordance with article 13 of the MAR, where applicable.

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

- the purchase may be for a maximum of 10,000,000 ordinary Immsi shares, with no nominal value indicated, for a maximum value of €10 million;
- the purchase of treasury shares must be within the limits of profit that may be distributed and available reserves as resulting from the last, also interim, financial statements approved at the time the operation takes place;
- treasury shares will be purchased on regulated markets with appropriate procedures that ensure equal treatment for all shareholders pursuant to article 132 of the Consolidated Law on Finance, with a gradual approach that is considered suitable for the interests of the Company and as permitted by applicable laws, according to the procedures established in article 144-bis, paragraph 1, letter b) of Consob Regulation on Issuers, and considering trading conditions as of article 3 of Commission Delegated Regulation (EU) 2016/1052 ("Regulation 1052") implementing the MAR, as well as practices permitted by Consob in accordance with article 13 of the MAR, where applicable (i) at a price higher than the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out, save for the unit amount not being less than 20% and being greater than 10% the arithmetic mean of official prices registered for the Immsi share in the ten trading days prior to each single purchase transaction; (ii) for volumes of more than 25% the average daily volume of Immsi S.p.A. shares traded on a regulated market on which the purchase is carried out, calculated according to the parameters as of article 3 of Regulation 1052;

- the purchase programme may also take place in several tranches, ending by 14 November 2021.

With reference to the subsidiary Piaggio & C. S.p.A., at 30 June 2020, the subsidiary had purchased 1,028,818 treasury shares, equal to 0.2873% of shares issued.

Related Party Transactions

Revenues, costs, payables and receivables at 30 June 2020 involving parent, subsidiary and associate companies, refer to the sale of goods or services which are a part of normal operations of the Group.

Transactions are carried out at normal market values, based on the characteristics of the goods and services provided.

Information on related party transactions, including the information requested from Consob communication no. DEM/6064293 of 28 July 2006, is presented in the notes to the Condensed consolidated interim financial statements at 30 June 2020.

Disputes in progress

For information on disputes taking place at a Group level, reference is made to the Directors' Report on Operations of the Immsi Group at 31 December 2019, in the section entitled "Disputes in progress", with the exception of more important aspects, which are reported below.

As regards the **industrial sector** (Piaggio group):

- Piaggio & C. S.p.A. was 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, 2010-2011, 2011-2012 and 2012-2013 Indian tax periods, involving sums for approximately €1.3 million, €1.1 million, €1 million and €0.9 million respectively, including interest.

As regards disputes relative to the 2009-2010 and 2010-2011 periods, the Indian tax authorities filed an appeal against the first instance decision before the High Court.

The dispute relative to the 2009-2010 period can be considered as settled, as no reply was received from the local tax authorities within the deadlines established by local regulations in response to a request for clarifications made over 700 days previously by the ruling body. In this regard, the Indian tax authorities could request a remittal for the reply, but in the opinion of consultants assisting the Company the likelihood of the High Court granting this is remote. As regards the dispute relative to the 2010-2011 tax period, the date for the hearing still has to be set; as regards the disputes relative to the 2011-2012 and 2012-2013 tax periods, the Company is waiting to see if the local tax authorities decide to appeal against the High Court's decisions, or to abandon the case.

In compliance with local laws, the group has already paid part of the amounts related to the appeals to the Indian tax authorities, for a total of €0.7 million; a part of the above amounts was reimbursed to Piaggio & C. S.p.A. following the first instance rulings in its favour.

Piaggio & C. S.p.A. 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. Therefore, the company considers a favourable outcome of the rulings and subsequent reimbursement of amounts paid with reference to the Indian disputes as likely;

- Moreover, Piaggio & C. S.p.A. 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. A similar order was also notified for the 2011-2012 period. The amount of the dispute including interest is approximately €0.7 million for the 2010-2011 period and €0.6 million for the 2011-2012 period, of which a small part already paid to the Indian Tax Authorities, in compliance with local law. Piaggio & C. S.p.A. decided to appeal against the order relative to the 2010-2011 tax period before the High Court, filing its appeal on 17 June 2019; the Departmental Appellate Authority appealed against the order, in July 2020;
- With reference to PT Piaggio Indonesia, the company appealed against the claim concerning transfer pricing for the 2015 period before the Tax Court, with a ruling of 27 January 2020 against the company only as regards one of the findings of the local tax authorities. On 8 June 2020, the company filed an appeal against this ruling before the Supreme Court; a date for the hearing still has to be set. On 10 October 2019, the Indonesian company also appealed before the Tax Court against the claim concerning withholding taxes, relative to the 2015 tax period; related hearings are now underway;
- As regards the French company, Piaggio France S.A., a favourable ruling was issued in December 2012 by the *Commission Nationale des Impôts 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. Following the hearing on 22 June 2020, the court ruled in favour of the French company, which is now assessing the next steps to take.

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

- with reference to tax disputes with the Revenue Agency concerning Intermarine S.p.A.'s application for the payment of registration tax for the entire 99-year duration of the Pietra Ligure S.r.l. concession; (a concession originally held by Intermarine, subsequently transferred to Pietra Ligure S.r.l. with the demerger in 2015), on 10 July 2020, the appeal sentence was filed confirming, in the first instance, the

- correctness of registration tax being applied on annual payments and not entirely in advance for 99 years; an appeal by the Revenue Agency before the Court of Cassation is possible;
- on 19 March 2020, the appeal ruling was published concerning the application for compensation from a customer regarding a contract of sale for a pleasure boat, against the company for €0.1 million. At the end of April, the company filed an appeal before the Court of Cassation and applied for enforcement of the ruling to be stopped; in view of the arguments made in the appeal, the lawyers assisting the company consider the risk of losing as remote;
 - on 12 June 2020, the company received a summons to appear before the Court of Messina from a supplier of electrical systems of the two UNPAC units, that requested the appointment of an expert witness to recognise the alleged extra costs in relation to the contract signed with the company and the request for compensation, amounting in total to €1.6 million. Intermarine, on its part, had unilaterally terminated the contract, due to breach by the counterparty concerning failure to comply with the delivery times of the systems in relation to estimated dates in the Construction Programme; this contract termination, with the replacement of the contractor, was opted for, to eliminate the risk of not meeting contract obligations with MMI, with the consequent deduction of penalties for late deliveries. On 12 July, the company filed a defence brief and in the hearing of 20 July, the Judge deferred his decision.

Events occurring after 30 June 2020 and operating outlook

During the first few months of 2020, a factor of macro-economic instability came to the fore, connected with the spread of COVID-19, which initially affected economic activity in China and then other countries. As can be seen from six-monthly data available on world economic performance, this factor has had a considerable impact on global prospects for future growth, affecting the general macroeconomic framework and financial and property markets, despite initial decisions already taken by international authorities to support the recovery.

Despite the acute stage of COVID-19 peaking in the second quarter of 2020, with negative effects on some markets continuing due to local lockdowns which are still in place, the results at 30 June clearly and effectively demonstrate the resilience and decisiveness in the response to the crisis affecting the global economy.

Currently, with appropriate evaluations made based on available information, forecasts for the year are still complex as they depend, among others, on developments in the pandemic and the effects in upcoming months of public measures adopted in the meantime and to be adopted in countries where the Group operates.

As regards significant events after 30 June 2020 relative to the **industrial sector**, the Piaggio group signed a joint loan agreement with Banca Monte dei Paschi di Siena and Cassa Depositi e Prestiti for €60 million. The new credit line will support the Piaggio group's investments into research and the development of innovative technological and product solutions, also in active and passive safety, and sustainability (including reductions in consumption and engine emissions), with the aim of consolidating its product ranges of scooters, motorcycles and commercial vehicles. Piaggio is therefore continuing its consolidation and growth strategy as a leader in the mobility sector, and will further consolidate the Group's financial structure.

On 7 August 2020, the Piaggio group was awarded an EU-wide contract from Poste Italiane S.p.A. for the supply of 5,000 three-wheeler scooters for postal services. The overall value of the contract is for more than €31 million. The vehicle to supply is the new Piaggio 3W- Delivery 125cc Euro 5 scooter, specifically designed and developed by the Piaggio group for the transport and delivery needs of company fleets and for typical delivery requests.

As regards outlook, the Piaggio group, in this general context, will continue to work to meet commitments and targets, ensuring all measures adopted to manage the crisis caused by the pandemic are maintained until necessary.

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.

In general, Piaggio is fully committed to limiting any temporary productivity losses due to the COVID-19 emergency, increasing its focus on the efficiency of costs and investments, continuing to adopt all health measures necessary to protect its workers worldwide, while complying fully with the group's ethical principles.

As regards **Intermarine**, in July 2020 a Minesweeper unit was delivered to a leading navy in the Mediterranean.

At the end of July, Intermarine received a notice of application for arbitration overseen by the International Chamber of Commerce of Paris, by foreign banks that had granted an Asian customer a pooled loan for a contract to construct 6 minesweepers for the Navy of an Asian country and to construct a shipyard in a foreign country. The Banks, with whom Intermarine has never had any dealings, requested the arbitration declaring they were standing in for the Asian customer and were therefore applying the arbitration clause in the three contracts (the construction, technology transfer and licence contracts) stipulated between Intermarine and the customer in 2015, subsequently amended and then terminated due to the Asian customer's breach in 2018. In brief, the Banks, claiming the invalidity of the clause in the construction contract (which established that Intermarine, in the case of contract termination due to customer breach was entitled to retain the amounts paid by the customer before termination and to retain the unit, and to claim compensation for further damages), have requested the board of arbitration to rule against Intermarine and order it to return the sums paid by the Asian customer before termination of the contracts and, secondly, to return the unit. At present, based on legal evaluations and the arguments made by respective legal counsels, the subsidiary does not consider that potential probable or possible liabilities exist that can change the financial position and performance at 30 June 2020.

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

As regards the Parent Company **Immsi S.p.A.** and the subsidiary **Is Molas S.p.A.**, during August 2020 a favourable opinion was obtained from MPS as to their application to defer loan principal repayments maturing in December 2020; the agreement will be formalised in September.

As regards operating outlook, with reference to the subsidiary **Is Molas** and taking into account the fact that it is difficult to predict possible developments in the emergency and consequent impacts on the economy, the company is proceeding with commercial activities to identify possible buyers, also internationally.

Immsi Group

***Condensed Interim Financial
Statements***

at

30 June 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

in thousands of Euros

ASSETS		30 June 2020	31 December 2019
NON-CURRENT ASSETS			
<i>Intangible assets</i>	F1	848,889	848,853
<i>Property, plant and equipment</i>	F2	332,267	337,988
<i>Investment property</i>	F3	7,257	9,203
<i>Investments</i>	F4	9,357	8,935
<i>Other financial assets</i>	F5	3,496	3,512
<i>Tax receivables</i>	F6	11,020	14,114
<i>Deferred tax assets</i>	F7	133,100	134,441
<i>Trade receivables and other receivables</i>	F8	18,885	17,232
<i>- of which with Related Parties</i>		81	81
TOTAL NON-CURRENT ASSETS		1,364,271	1,374,278
ASSETS HELD FOR DISPOSAL	F9	33,438	33,442
CURRENT ASSETS			
<i>Trade receivables and other receivables</i>	F8	173,916	127,196
<i>- of which with Related Parties</i>		2,688	2,419
<i>Tax receivables</i>	F6	16,892	20,892
<i>Inventories</i>	F10	361,576	333,204
<i>Other financial assets</i>	F5	5,744	7,430
<i>Cash and cash equivalents</i>	F11	179,910	212,596
TOTAL CURRENT ASSETS		738,038	701,318
TOTAL ASSETS		2,135,747	2,109,038
LIABILITIES		30 June 2020	31 December 2019
SHAREHOLDERS' EQUITY			
<i>Consolidated shareholders' equity attributable to the Group</i>		233,317	240,430
<i>Capital and reserves of non-controlling interests</i>		125,742	133,883
TOTAL SHAREHOLDERS' EQUITY	G1	359,059	374,313
NON-CURRENT LIABILITIES			
<i>Financial liabilities</i>	G2	626,601	550,280
<i>- of which with Related Parties</i>		977	358
<i>Trade payables and other payables</i>	G3	7,351	7,450
<i>Retirement fund and similar obligations</i>	G4	40,966	42,606
<i>Other long-term provisions</i>	G5	14,129	13,754
<i>Deferred tax liabilities</i>	G6	13,936	18,508
TOTAL NON-CURRENT LIABILITIES		702,983	632,598
LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL	F9	6,125	6,006
CURRENT LIABILITIES			
<i>Financial liabilities</i>	G2	463,473	469,865
<i>- of which with Related Parties</i>		367	270
<i>Trade payables</i>	G3	513,800	535,336
<i>- of which with Related Parties</i>		7,809	6,101
<i>Current taxes</i>	G7	12,879	18,577
<i>Other payables</i>	G3	56,625	49,390
<i>- of which with Related Parties</i>		7	12
<i>Current portion of other long-term provisions</i>	G5	20,803	22,953
TOTAL CURRENT LIABILITIES		1,067,580	1,096,121
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,135,747	2,109,038

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Immsi Group

Condensed Interim Financial Statements and Notes

CONSOLIDATED INCOME STATEMENT AT 30 JUNE 2020

in thousands of Euros

		1st half of 2020	1st half of 2019
Net revenues	H1	629,945	850,994
- of which with Related Parties		25	39
Costs for materials	H2	375,996	499,373
- of which with Related Parties		8,569	9,681
Costs for services, leases and rentals	H3	98,697	138,987
- of which with Related Parties		194	142
Employee costs	H4	111,218	128,245
Depreciation and impairment costs of plant, property and equipment	H5	25,171	24,757
Impairment of goodwill		0	0
Amortisation and impairment costs of intangible assets with a definite useful life	H6	35,474	36,660
Other operating income	H7	51,720	65,604
- of which with Related Parties		276	126
Net reversals (write-downs) of trade and other receivables	H8	(1,277)	(796)
Other operating costs	H9	10,832	12,603
- of which with Related Parties		0	1
OPERATING INCOME		23,000	75,177
Income/(loss) from investments	H10	564	385
Financial income	H11	14,108	7,872
Borrowing costs	H12	32,471	29,309
- of which with Related Parties		14	31
PROFIT BEFORE TAX		5,201	54,125
Taxes	H13	4,329	28,456
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS		872	25,669
Gain (loss) from assets held for sale or disposal	H14	0	0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS		872	25,669
Earnings for the period attributable to non-controlling interests		(638)	12,898
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	H15	1,510	12,771

EARNINGS PER SHARE

In Euros

	1st half of 2020	1st half of 2019
From continuing and discontinued operations:		
Basic	0.004	0.038
Diluted	0.004	0.038

	1st half of 2020	1st half of 2019
From continuing operations:		
Basic	0.004	0.038
Diluted	0.004	0.038

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 30 JUNE 2020

in thousands of Euros

	30.06.2020	30.06.2019
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	872	25,669
Items that will not be reclassified in the income statement		
<i>Profit (losses) arising from the fair value measurement of assets and liabilities recognised in the statement of comprehensive income</i>	(1,351)	228
<i>Actuarial gains (losses) on defined benefit plans</i>	120	(2,285)
Total	(1,231)	(2,057)
Items that may be reclassified in the income statement		
<i>Effective portion of profit (losses) from instruments to hedge cash flows</i>	102	135
<i>Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency</i>	(5,001)	1,586
Total	(4,899)	1,721
Other Consolidated Comprehensive Income (Expense)	(6,130)	(336)
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD	(5,258)	25,333
<i>Comprehensive earnings for the period attributable to non-controlling interests</i>	(2,999)	12,648
COMPREHENSIVE EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	(2,259)	12,685

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

STATEMENT OF CONSOLIDATED CASH FLOWS AT 30 JUNE 2020

in thousands of Euros

		30.06.2020	30.06.2019
Operating activities			
Profit before tax		5,201	54,125
Depreciation of plant, property and equipment (including investment property)	H5	25,171	24,757
Amortisation of intangible assets	H6	35,474	36,377
Provisions for risks and for severance indemnity and similar obligations	H4 - H9	8,145	10,438
Write-downs (reversals of fair value measurements)	H7 - H8 - H9	3,184	2,068
Losses / (Gains) on the disposal of property, plant and equipment (including investment property)	H7 - H9	2	17
Financial income	H11	(861)	(2,499)
Dividend income	H11	0	(18)
Borrowing costs	H12	22,414	23,636
Amortisation of grants	H7	(2,387)	(2,753)
Portion of earnings before taxes of affiliated companies (and other companies accounted for using the equity method)	H10	(564)	(385)
Change in working capital:			
(Increase) / Decrease in trade receivables	F8	(45,517)	(51,908)
(Increase)/Decrease in inventories	F10	(28,372)	(22,680)
Increase / (Decrease) in trade payables	G3	(14,161)	120,612
(Increase) / Decrease in contract work in progress	F8	(4,094)	(6,682)
Increase / (Decrease) in provisions for risks	G5	(5,699)	(6,020)
Increase / (Decrease) in reserves for severance indemnity and similar obligations	G4	(5,689)	(2,077)
Other changes		3,560	(25,860)
Cash generated from operating activities		(4,193)	151,148
Interest paid		(17,262)	(20,987)
Taxes paid		(11,189)	(14,758)
Cash flow from operations		(32,644)	115,403
Investing activities			
Acquisition of subsidiaries, net of cash and cash equivalents	F4	(217)	(148)
Investment in property, plant and equipment (including investment property)	F2	(18,204)	(20,523)
Sale price, or repayment value, of plant, property and equipment (including investment property)	F2	250	19
Investments in intangible assets	F1	(36,284)	(41,094)
Sale price, or repayment value, of intangible assets	F1	5	11
Collected interests		146	361
Sale price from assets held for sale or disposal		0	(3)
Other flows from assets held for disposal or sale		91	0
Grants received		796	1,413
Dividends from investments	H10 - H11	0	18
Cash flow from investing activities		(53,417)	(59,946)
Financing activities			
Loans received	G2	126,147	43,968
Outflow for repayment of loans	G2	(57,904)	(111,635)
Repayment of finance leases and for rights of use	G2	(4,370)	(3,604)
Outflow for dividends paid to non-controlling interests		(9,779)	(16,015)
Cash flow from financing activities		54,094	(87,286)
Increase / (Decrease) in cash and cash equivalents		(31,967)	(31,829)
Opening balance		212,055	195,968
Exchange differences		(178)	999
Closing balance		179,910	165,138

Changes in working capital include higher trade payables and other payables due to Related Parties for €1,703 thousand and higher trade receivables and other receivables due from Related Parties for €269 thousand. For greater details on the relations between Related Parties taking place during the first half of 2020, reference is made to the tables at the end of this Report.

This table indicates the changes in cash and cash equivalents, which amounted to €179.9 million at 30 June 2020. No short-term bank overdrafts were recorded at 30 June 2020, while at 30 June 2019 this item amounted to €8.8 million.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 30 JUNE 2020

in thousands of Euros

	Share capital	Reserves and retained earnings(losses)	Earnings for the period	Shareholders' equity attributable to the Group	Capital and reserves of non-controlling interests	Shareholders' equity attributable to the Group and non-controlling interests
Balances at 31 December 2018	178,464	26,684	29,838	234,986	144,389	379,375
Allocation of Group earnings to the Legal Reserve		337	(337)	0		0
Allocation of Group earnings to Dividends				0	(16,015)	(16,015)
Allocation of Group earnings to Retained Earnings/Losses		29,501	(29,501)	0		0
Purchase of treasury shares by Piaggio & C. S.p.A.		(74)		(74)	(74)	(148)
Other changes		(141)		(141)	141	0
Overall earnings for the period		(86)	12,771	12,685	12,648	25,333
Balances at 30 June 2019	178,464	56,221	12,771	247,456	141,089	388,545

In thousands of Euros

	Share capital	Reserves and retained earnings(losses)	Earnings for the period	Shareholders' equity attributable to the Group	Capital and reserves of non-controlling interests	Shareholders' equity attributable to the Group and non-controlling interests
Balances at 31 December 2019	178,464	54,076	7,889	240,429	133,884	374,313
Allocation of Group earnings to the Legal Reserve		450	(450)	0		0
Allocation of Group earnings to Dividends				0	(9,779)	(9,779)
Allocation of Group earnings to Retained Earnings/Losses		7,439	(7,439)	0		0
Purchase of treasury shares by Piaggio & C. S.p.A.		(109)		(109)	(108)	(217)
Other changes		(4,744)		(4,744)	4,744	0
Overall earnings for the period		(3,769)	1,510	(2,259)	(2,999)	(5,258)
Balances at 30 June 2020	178,464	53,343	1,510	233,317	125,742	359,059

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2020

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- A - GENERAL ASPECTS

Immsi S.p.A. (the “Company”) is a limited company established under Italian law with its registered office at P.zza Vilfredo Pareto, 3, Centro Direzionale Boma, Mantova. The main activities of the Company and its subsidiaries (the “Immsi Group”), and information on significant events after 30 June 2020 and operating outlook are described in the Half-Yearly Financial Report. At 30 June 2020, Immsi S.p.A. was directly and indirectly controlled, pursuant to article 93 of the Consolidated Law on Finance by Omniaholding S.p.A., a company wholly owned by the Colaninno family, through the subsidiary Omniainvest S.p.A.

The condensed interim financial statements of the Immsi Group include the financial statements of the Parent Company Immsi S.p.A. and the Italian and international companies directly and indirectly controlled by it, approved by the relevant corporate functions of the respective companies, suitably reclassified and adjusted where necessary to adapt them to the Group’s accounting principles. The financial statements are expressed in Euro since that is the currency in which most of the Group’s transactions take place.

The amounts in the above schedules and in the Notes on the consolidated financial statements are stated in thousands of Euros (if not otherwise indicated).

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

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

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

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

The information provided in the Half-Year Report should be read together with the Consolidated Financial Statements at 31 December 2019, prepared according to IFRS.

The financial statements are prepared using the going concern assumption. The Directors considered that despite the extraordinary uncertainty caused by the global health emergency of COVID-19 and all its consequences, currently available funds, in addition to those that will be generated from operating and financing activities, will enable the Group to meet its own needs arising from investments, management of working capital and repayment of debts, and will ensure an adequate level of operational and strategic flexibility.

As regards financial requirements over the next few months, considering the credit lines expiring in the year and the Group’s financial commitments undertaken to support the development of its initiatives, the Directors have adopted, and will adopt in the next few months, actions to seek

solutions that guarantee a financial balance that takes into account the possible risk of future weak share market trends, that represent an element of uncertainty as regards the extent of credit lines currently granted to Immsi; specifically, current Piaggio share prices can guarantee coverage and compliance with the VTL of loans granted to the Parent company and subsidiaries.

Specifically, the Parent Company Immsi S.p.A. and the subsidiaries Intermarine S.p.A. and Is Molas S.p.A., considering this extraordinary period of uncertainty, have requested some banks to temporarily put upcoming principal payments on hold over the next few months and/or to suspend checks on the guarantee values of Piaggio shares pledged for various credit lines. At present, some applications have already been approved, even for amounts maturing at the end of December 2020, while other cases are being evaluated.

The preparation of the interim financial statements requires the company Management to make estimates and assumptions that affect, among other things, the reported amounts of revenues, expenses, assets and liabilities recorded and disclosure of contingent assets and liabilities at the date of the end of the period. If in the future such estimates and assumptions, carried out by the management, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances may occur to change.

For a more detailed description of the most significant measurement methods of the Group, reference is made to the section "*Accounting standards and measurement criteria – Use of estimates*" in the Consolidated Financial Statements of the Immsi Group at 31 December 2019.

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

In particular, following the health emergency caused by COVID-19, the Group tested the recoverability of goodwill for impairment. Analyses did not identify any impairment losses. Therefore not impairment was recorded in consolidated data at 30 June 2020, as explained in the section on intangible assets.

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

No significant, non-recurring operations, as defined by Consob Communication DEM/6064293 of 28 July 2006 took place during the first half of 2020 and in 2019.

Moreover, there were no significant atypical transactions during the first half of 2020 and of the corresponding period of the previous year, as defined in Consob Communication no. DEM/6037577 of 28 April 2006 and no. DEM/6064293 of 28 July 2006.

Consolidated income statement (reclassified)

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

Consolidated Statement of Comprehensive Income

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

Consolidated statement of financial position

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

Consolidated Statement of Cash Flows

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

Statement of changes in consolidated shareholders' equity

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

Other information

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

	Exchange rate at 30 June 2020	Average exchange rate 1st half of 2020	Exchange rate at 31 December 2019	Average exchange rate 1st half of 2019
US Dollar	1.1198	1.10205	1.1234	1.12978
Pound Sterling	0.91243	0.874632	0.85080	0.873632
Indian Rupee	84.6235	81.70462	80.1870	79.12400
Singapore Dollar	1.5648	1.54107	1.5111	1.53560
Chinese Yuan	7.9219	7.75091	7.8205	7.66778
Croatian Kuna	7.5708	7.53364	7.4395	7.41999
Japanese Yen	120.66	119.26683	121.94	124.28360
Vietnamese Dong	25,358.66	25,116.58619	25,746.15	26,065.46833
Canadian Dollars	1.5324	1.50326	1.4598	1.50688
Indonesian Rupiah	16,259.50	16,111.50198	15,573.69	16,046.66230
Brazilian Real	6.1118	5.41039	4.5157	4.34174

- B - SCOPE OF CONSOLIDATION

At 30 June 2020, the Immsi Group structure was that attached at the end of these Notes. The scope of consolidation at 30 June 2020 had not significantly changed compared to the Consolidated Financial Statements at 31 December 2019 and 30 June 2019:

- the consolidated portion of shareholders' equity of the Piaggio group, which amounted to 50.21% at 30 June 2020, was equal to 50.20% at 31 December 2019 and 50.19% at 30 June 2019. The changes are due to the purchase of treasury shares by the subsidiary;
- the liquidation of the company Piaggio Group Canada on 25 October 2019.

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

- C - CONSOLIDATION PRINCIPLES

In preparing these Condensed Interim Financial Statements of the Immsi Group, drawn up in compliance with IAS 34 – Interim Financial Reporting, the accounting standards used to prepare the Consolidated Financial Statements at 31 December 2019, to which reference is made for more details, were adopted, save for information in the next section on Accounting standards and measurement criteria.

- D - ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

New accounting standards, amendments and interpretations adopted from 1 January 2020

Amendments to IAS 1 and IAS 8 - In October 2018, the IASB published some amendments to IAS 1 and IAS 8 that provide clarifications on the definition of "materiality".

Amendments to IFRS 9, IAS 39 and IFRS 7 - 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.

Amendments to IFRS 3 - In October 2018, the IASB published some amendments to IFRS 3 that amend the definition of "business".

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 January 2020, the IASB published some amendments to IAS 1 that clarify the definition of "current" or "non-current" liabilities based on rights existing at the reporting date. These amendments will apply from 1 January 2022.
- In May 2020, the IASB published an amendment to IFRS 16, which provides a practical expedient for the evaluation of lease agreements, if lease payments are renegotiated following COVID-19. The lessee may opt to recognise the concession in the accounts as a variable lease payment in the period when a lower payment is recognised.

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

- E - SEGMENT REPORTING

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

Information by business areas

Income statement

	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Marine sector</i>	<i>Immsi Group</i>
In thousands of Euros				
Net revenues to non-controlling interests	221	600,084	29,640	629,945
Intercompany net revenues				0
NET REVENUES	221	600,084	29,640	629,945
OPERATING INCOME	-3,721	24,686	2,035	23,000
Income/(loss) from investments	0	564	0	564
Financial income				14,108
Borrowing costs				32,471
PROFIT BEFORE TAX				5,201
Taxes				4,329
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS				872
Gain (loss) from assets held for sale or disposal				0
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS				872
Earnings for the period attributable to non-controlling interests				-638
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP				1,510

Statement of Financial Position

	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Marine sector</i>	<i>Immsi Group</i>
In thousands of Euros				
Segment assets	314,077	1,651,535	169,953	2,135,565
Investments in affiliated companies	0	164	18	182
TOTAL ASSETS	314,077	1,651,699	169,971	2,135,747
TOTAL LIABILITIES	353,102	1,283,385	140,201	1,776,688

Other information

	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Marine sector</i>	<i>Immsi Group</i>
In thousands of Euros				
Investments in property, plant and equipment and intangible assets	1,237	52,821	430	54,488
Depreciation, amortisation and write-downs	491	61,016	2,322	63,829
Cash flow from operating activities	-20,296	-20,807	-1,404	-42,507
Cash flow from investing activities	8,717	-51,941	-330	-43,554
Cash flow from financing activities	5,598	40,846	7,650	54,094

Information by geographic segments

The following table presents the Group income statement and balance sheet figures for the first half of 2020 in relation to the geographic segments "of origin", that is, with reference to the country of the company which received the revenues or which owns the assets.

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

Income statement

In thousands of Euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Net revenues to non-controlling interests	381,388	14,324	107,110	25,583	101,540	629,945
Intercompany net revenues						0
NET REVENUES	381,388	14,324	107,110	25,583	101,540	629,945

Statement of Financial Position

In thousands of Euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Segment assets	1,718,193	26,979	192,259	51,006	147,128	2,135,565
Investments in affiliated companies	152	30	0	0	0	182
TOTAL ASSETS	1,718,345	27,009	192,259	51,006	147,128	2,135,747

In thousands of Euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Total receivables *	92,550	14,690	55,050	8,457	8,621	179,368
Total payables **	380,631	32,457	92,389	4,742	67,557	577,776

* Contract works in progress and tax receivables are not included.

** Financial liabilities and current tax payables are not included.

Other information

In thousands of Euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Investments in property, plant and equipment and intangible assets	40,246	181	8,221	3,219	2,621	54,488
Depreciation, amortisation and write-downs	46,882	2,630	7,716	1,361	5,240	63,829

For comparability, the corresponding tables referring to 30 June 2019 are shown below:

Information by business areas

Income statement

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

Statement of Financial Position

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

Other information

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

Information by geographic segments

Income statement

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

Statement of Financial Position

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

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

* Contract works in progress and tax receivables are not included.

** Financial liabilities and current tax payables are not included.

Other information

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

- F - INFORMATION ON THE MAIN ASSET ITEMS

Amounts are stated in thousands of Euro unless otherwise indicated.

- F1 - INTANGIBLE ASSETS **848,889**

Net intangible assets at 30 June 2020 amounted to €848,889 thousand, in line with 31 December 2019. Investments were made in the half-year period, mainly by the Piaggio group, offset by amortisation.

Changes in this item are presented below:

In thousands of Euros	<i>Development costs</i>	<i>Concessions, patents, industrial and similar rights</i>	<i>Trademarks and licences</i>	<i>Goodwill</i>	<i>Other intangible assets</i>	<i>TOTAL</i>
Gross amounts at 31 December 2018	318,493	420,141	128,147	625,421	9,894	1,502,096
Increases	18,090	22,649	0	0	355	41,094
Change in the scope of consolidation	0	0	0	0	0	0
Other movements	6,068	(220)	(1)	0	297	6,144
Gross amounts at 30 June 2019	342,651	442,570	128,146	625,421	10,546	1,549,334
Accumulated depreciation at 31 December 2018	229,712	328,368	88,961	11,439	9,811	668,291
Depreciation	16,699	17,190	2,411	0	77	36,377
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	6,212	(239)	0	0	78	6,051
Accumulated depreciation at 30 June 2019	252,623	345,319	91,372	11,439	9,966	710,719
Net amounts at 30 June 2019	90,028	97,251	36,774	613,982	580	838,615
Gross amounts at 31 December 2019	363,381	468,789	190,862	625,421	10,824	1,659,277
Increases	16,923	19,329	0	0	32	36,284
Change in the scope of consolidation	0	0	0	0	0	0
Other movements	(5,177)	(498)	0	0	103	(5,572)
Gross amounts at 30 June 2020	375,127	487,620	190,862	625,421	10,959	1,689,989
Accumulated depreciation at 31 December 2019	269,725	362,446	156,500	11,439	10,314	810,424
Depreciation	15,756	17,145	2,411	0	162	35,474
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	(4,458)	(444)	0	0	104	(4,798)
Accumulated depreciation at 30 June 2020	281,023	379,147	158,911	11,439	10,580	841,100
Net amounts at 30 June 2020	94,104	108,473	31,951	613,982	379	848,889

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

Development costs

Development costs mainly include costs for products and engines in projects for which there is an expectation for the period of the useful life of the asset to see net sales at such a level as to allow the recovery of the costs incurred. This item includes assets under construction for €43.9 million which instead represent costs for which the conditions for capitalisation exist, but refer to products that will go into production in future years.

With regard to the Piaggio group, during the first half of 2020, development costs of approximately

€7.1 million were charged directly to the income statement.

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

With reference to the marine sector, the item at 30 June 2020 includes investments in research projects, under intangible assets, net of amortisation, for €4.3 million.

Concessions, patents, industrial and similar rights

The net balance of this item, equal to €108,473 thousand at 30 June 2020 including assets under construction for €57,623 thousand, mainly refers to the Piaggio group (€108,277 thousand). Increases for the period mainly refer to new calculation, design and production techniques and methodologies developed by the group, referring to main new products in the 2020-2021 range. Industrial patent and intellectual property rights costs are amortised over a period from three to five years.

Trademarks and licences

Trademarks and licences with a finite life, totalling €31,951 thousand, are broken down as follows:

<i>In thousands of Euros</i>	At 30 June 2020	At 31 December 2019	Change
Guzzi trademark	10,562	11,375	(813)
Aprilia trademark	20,755	22,351	(1,596)
Foton licence	611	611	(0)
Minor trademarks	23	25	(2)
Total Trademark	31,951	34,362	(2,411)

The Aprilia and Guzzi trademarks are amortised over a period of 15 years, expiring in 2026.

Goodwill

The goodwill registered by the Group is unchanged compared to 31 December 2019 and is broken down in the following table:

<i>In thousands of Euros</i>	Net Balance at 30.06.2020
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 Rodriguez Cantieri Navali S.p.A. by RCN Finanziaria S.p.A. (in 2004)	30,337
Acquisition of 33.51% of Rodriguez Cantieri Navali S.p.A. by RCN Finanziaria S.p.A. (in 2005)	2,001
Acquisition of 2.37% of RCN Finanziaria S.p.A. by Immsi S.p.A. (in 2007)	1,286
Other acquisitions / changes	1,026
TOTAL	613,982
- of which allocated to Piaggio group cash-generating unit	579,492
- of which allocated to Intermarine cash-generating unit	34,428

Goodwill derives from the greater value paid compared to the corresponding portion of the investee companies' shareholders' equity at the time of the purchase, reduced by the related cumulative amortisation until 31 December 2003. In adopting international accounting standards for the first

time, the Group chose not to apply IFRS 3 – Business Combinations retrospectively to acquisitions carried out prior to 1 January 2004. Accordingly, the goodwill generated by acquisitions made prior to the date of adoption of IFRS was left unchanged as previously calculated under Italian GAAP, subject to determination and reporting of any impairment losses. At 1 January 2004 goodwill is no longer amortised: the recoverable value of the cash-generating unit to which the goodwill was allocated is verified by determining the recoverable value (value in use) and submitted to an impairment test, applying the method required by the International Accounting Standard IAS 36. Such value has been estimated on the basis of:

- the present value of future financial flows over a multi-year forecasting period that are estimated to be generated by the continuous use of the assets relating to individual cash generating units (“Discounted Cash Flow” method in its “Unlevered” version); and
- by the terminal value attributable to them (estimated according to the perpetual growth method), so as to reflect the residual value that each cash-generating unit is expected to generate beyond the planning timeframe and which is representative of the current value of future cash flows after the specific period of forecast financial data.

The recoverability of goodwill is verified at least once a year (at 31 December), even in the absence of possible impairment indicators.

Considering the particular situation caused by COVID-19, the recoverability of goodwill was also tested at 30 June 2020.

When preparing the Financial Statements of the Immsi Group at 30 June 2020, with reference to Piaggio group cash-generating units, impairment testing was arranged in-house by Immsi S.p.A. company management, to produce an impairment report supporting the Parent Company’s Board of Directors in application of the procedure required by IAS 36.

For the **Piaggio group**, it has been deemed reasonable to consider the Piaggio group cash-generating unit as coinciding with the Piaggio group as a whole (Piaggio & C. S.p.A. and its subsidiaries): Therefore, all considerations relating to the estimated value in use of the cash-generating unit and its use for impairment test purposes were developed by considering the Piaggio group at consolidated level. It should be noted that the book value of the goodwill allocated to such cash-generating unit is equal to around €579.5 million.

Directors approved a new impairment test, based on the decisions made by the Board of Directors of the subsidiary on 27 July 2020 and in particular the revision of the main elements underlying the test:

- a. the WACC discount rate differentiated by internal group CGU that reflects current market valuations of the cost of money and takes into account the specific risks of the activity and geographic area where the cash generating unit operates. The construction logics have not changed compared to the past;
- b. the growth rate beyond the specific period (g rate) differentiated by internal group CGU, determined to reflect the different growth potential of each unit. In this case as well, the construction logics have not changed compared to the past.

The Directors of the subsidiary then estimated the effects of the health emergency on the original plan approved by the Board of Directors of Piaggio & C. on 24 February 2020, also considering the final decrease at 30 June 2020.

At present, no updated market studies are available in order to devise a new long-term plan, which will be prepared in the next few months. In view also of this point, the following aspects were considered when producing the evaluated scenario and impairment test, to determine impacts in the period, as well as the considerations made previously:

- a. the performance of the reference market where the Group operates, identified in June 2020, along with an estimate of the trend identified in July, with figures being finalised, and the portfolio of orders already obtained by the group, with the “EMEA and Americas” and “Asia Pacific 2W” internal CGUs, which is even better than figures recorded in the previous year, while the India CGU has still been affected by some intermittent lockdowns ordered by the Indian government;
- b. the reference sector is robust, as demonstrated by surveys conducted, the world population is now seeking independent mobility over public transport;
- c. analysts' expectations for the Piaggio Group (source: Analyst Reports 2019-2020).

A long-term forecast was therefore reprocessed, which also updates the estimated growth coefficients and the WACC, which changed from 6.34% to 7.13%, and confirms that the value in use is higher than the net carrying amount tested, therefore no write-down were recognised in these Consolidated Financial Statements of the Immsi Group.

Regarding the Intermarine cash-generating unit, **Intermarine S.p.A.** coincides with the “marine sector” identified by the Immsi Group in its segment reporting in accordance with *IFRS 8 – Operating Segments*: the carrying amount of goodwill allocated to the cash-generating unit is equal to approximately €34.4 million.

With reference to the Intermarine cash generating unit as well, considering the particular situation caused by the COVID-19 health emergency, the recoverability of goodwill was also tested at 30 June 2020.

The main hypotheses and assumptions used in determining this recoverable value refer to: i) the use of 2021-2025 revised economic and financial forecasts approved by the Board of Directors of the company on 27 July 2020, that amend those approved on 6 March 2020, relative to the 2021-2024 period, in order to estimate the possible impacts of the health emergency related to the pandemic on the reference market and therefore on future contracts; ii) the revision of the main elements underlying the test including in particular the WACC discount rate which changed from 8.41% to 8.29%, that reflects current market evaluations of the cost of money and takes account of specific activity risks. The construction logics have not changed compared to the past.

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 30 June 2020. The impairment tests are based on forecast data – uncertain and variable by nature – that reflect changes in the company's orders portfolio, as well as its future industrial and commercial strategies. This data, in particular, is essentially based on the acquisition of future contracts, in relation to which negotiations are currently underway with several foreign navies. In this regard, during previous years, the final results of Intermarine indicated deviations from the financial forecasts used; given the intrinsically uncertain nature of the forward-looking data considered, it cannot be ruled out that these variances may continue to occur in the future.

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

- F2 - PLANT, PROPERTY AND EQUIPMENT

332,267

Net property, plant and equipment at 30 June 2020 totalled €332,267 thousand, including assets under construction for approximately €36.2 million, compared to €337,988 thousand at 31 December 2019, and comprise assets mainly recognised by the Piaggio group for €293,775 thousand, Intermarine S.p.A. for €17,514 thousand, and Is Molas S.p.A. for €19,751 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 2018	44,708	191,567	524,553	522,681	15,493	59,911	1,358,913
Increases	231	1,520	9,230	5,646	21	3,868	20,516
Decreases	0	0	(511)	(1)	0	(1,206)	(1,718)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other movements	0	26,288	2,600	0	801	5,251	34,940
Gross amounts at 30 June 2019	44,939	219,375	535,872	528,326	16,315	67,824	1,412,651
Accumulated depreciation at 31 December 2018	0	87,958	407,151	497,563	14,475	50,906	1,058,053
Depreciation	0	5,573	10,880	4,796	97	3,381	24,727
Applications	0	0	(510)	0	0	72	(438)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	90	1,829	0	(115)	(1,172)	632
Accumulated depreciation at 30 June 2019	0	93,621	419,350	502,359	14,457	53,187	1,082,974
Net amounts at 30 June 2019	44,939	125,754	116,522	25,967	1,858	14,637	329,677
Gross amounts at 31 December 2019	45,324	224,747	538,308	524,774	16,479	68,420	1,418,052
Increases	466	6,124	8,137	5,141	0	3,457	23,325
Decreases	0	(36)	(183)	(174)	0	(114)	(507)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other movements	0	(1,269)	(4,693)	8	1	(269)	(6,222)
Gross amounts at 30 June 2020	45,790	229,566	541,569	529,749	16,480	71,494	1,434,648
Accumulated depreciation at 31 December 2019	0	98,783	413,603	498,947	14,570	54,161	1,080,064
Depreciation	0	5,784	10,946	4,983	125	3,301	25,139
Applications	0	(3)	(18)	(108)	0	0	(129)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	(423)	(2,006)	5	1	(270)	(2,693)
Accumulated depreciation at 30 June 2020	0	104,141	422,525	503,827	14,696	57,192	1,102,381
Net amounts at 30 June 2020	45,790	125,425	119,044	25,922	1,784	14,302	332,267

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

Property, plant and equipment primarily relate to the Intermarine S.p.A. industrial facility at Sarzana (La Spezia), the hotel and resort managed by Is Molas S.p.A. in Pula (Cagliari) and the Piaggio group's production plants located in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam). The increases mainly relate to the construction of moulds for new vehicles launched during the period.

Property, plant and equipment at 30 June 2020 include €1,784 thousand relative to freely transferable assets wholly owned by Intermarine S.p.A., consisting of light constructions, property

and related restructuring costs, built on State land in the Municipality of Messina. Buildings constructed on State land are depreciated according to the residual duration of the concession: following the renewal of the concession for that area, the company adjusted the depreciation calculation based on the new information available. These assets, held because of a concession agreement, at its expiry, must be freely and in a perfect state of operation transferred to the granting body.

Finally, the assets described below – lands excluded – are depreciated at rates considered appropriate to represent their useful life and in any case according to a straight-line depreciation plan, for details of which reference is made to the Annual Report of the Immsi Group at 31 December 2019, in the section on “Accounting standards and measurement criteria”.

Borrowing costs relative to loans for the construction of assets that are long-term prior to being ready for use are capitalised as a part of the cost of the actual assets.

At 30 June 2020 the net value of assets held through lease agreements amounted to €39.6 million, of which €22.5 million for rights of use relating to operating liabilities, broken down as follows: buildings for €17.9 million, concessions for €0.9 million and other assets for €3.7 million. This value refers to the adoption of IFRS 16, which requires the recognition of rights of use relating to operating liabilities, equal to the discounted value of payments due, under the item Property, Plant and Equipment. Future lease commitments are detailed in the section on financial liabilities.

The Group also uses fully depreciated property, plant and equipment for approximately €26.1 million, of which €23.3 million relative to plant and machinery, €1.2 million relative to industrial and commercial equipment, and €1.6 million relative to other assets.

Guarantees

At 30 June 2020, the Group had land and property encumbered by mortgages or pledges in favour of financial institutions to guarantee bank borrowings. For more information, reference is made to the Annual Report of the Immsi Group at 31 December 2019, in the section on “Commitments, risks and guarantees”.

- F3 - INVESTMENT PROPERTY

7,257

At 30 June 2020, investment property was recognised relative to property, plant and equipment of the Piaggio group's Spanish site of Martorelles, where production was stopped in March 2013 and relocated to Italian sites.

The carrying value at 30 June 2020 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 €7,257 thousand.

The Group uses the “fair value model” as provided for in IAS 40. Therefore, the measurement updated in 2020 resulted in a charge of €1,946 thousand, adjusted to fair value, being recognised under other costs in the income statement for the period.

As regards the Parent Company Immsi S.p.A., the property located in Rome - Via Abruzzi, previously recognised under investment property, was sold in December 2019 to the property fund Investire SGR S.p.A..

For further details on the method used by the Group to measure investment property, reference is made to the Consolidated Financial Statements and Notes at 31 December 2019.

The information required under IFRS 7 concerning the fair value measurement, as well as sensitivity to the variables used as a basis for the assessment, can be found in section P – Information on financial instruments.

- F4 - INVESTMENTS
9,357

The balance of €9,357 of the item Investments mainly refers to the measurement of the portion of shareholders' equity in the Zongshen Piaggio Foshan joint venture of the Piaggio group, which has a 45% stake.

The carrying amount of investments held by Immsi S.p.A. in wholly consolidated subsidiaries – equal to €312.8 million at 30 June 2020 – is fully eliminated on consolidation.

Main financial data of the joint venture

	Financial Statements at 30 June 2020		Financial Statements at 31 December 2019	
<i>In thousands of Euros</i>		45%		45%
Working capital	8,619	3,879	9,327	4,198
Financial position	6,222	2,800	4,052	1,823
Total assets	9,180	4,131	10,034	4,515
Net capital employed	24,021	10,810	23,413	10,536
Provisions	245	110	248	112
Financial position	0	0	0	0
Shareholders' equity	23,777	10,700	23,165	10,424
Total sources of financing	24,021	10,810	23,413	10,536
Shareholders' equity attributable to the Group		10,700		10,424
Elimination of margins on internal transactions		(1,542)		(1,671)
Value of the investment		9,158		8,753

Reconciliation of Shareholders' Equity

<i>In thousands of Euros</i>	
Opening balance at 1 January 2020	8,753
Profit (Loss) for the period	418
<i>Other comprehensive income</i>	(142)
Elimination of margins on internal transactions	129
Closing balance at 30 June 2020	9,158

The item Investments includes other investments in subsidiaries and associates for €199 thousand. The increase of €17 thousand compared to 31 December 2019 is due to the net effect arising from the adjustment of the value of investments in affiliated companies to the corresponding value of shareholders' equity.

- F5 - OTHER FINANCIAL ASSETS **9,240**

- Non-current portion

Other non-current financial assets amounted to €3,496 thousand, and refer nearly entirely to the fair value of hedging derivatives of the Piaggio group, and in particular to the fair value of the cross currency swap on a private debenture loan.

The remaining part is attributable to the carrying amount of investments held in other smaller companies by the Piaggio group for an overall amount of approximately €37 thousand.

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

- Current portion

Other current financial assets totalled €5,744 thousand at 30 June 2020, a decrease of €1,686 thousand compared to 31 December 2019.

The item includes the investment of 279,639 shares held by Immsi S.p.A. in Unicredit S.p.A.. As provided for by IFRS 9, the Company measured at fair value the equity package at 30 June 2020, equal to €2,290 thousand, recognising the adjustment, down by €1,351 thousand compared to the end of 2019, in other comprehensive income. These adjustments will not be subsequently transferred to operating profit (loss), but the Company may transfer the accumulated loss or profit to shareholders' equity, when the investment is sold.

Current financial assets also include €3,454 thousand relative to the short-term portion of the fair value of cross currency swaps on a private debenture loan.

- F6 - TAX RECEIVABLES **27,912**

Current and non-current tax receivables total €27,912 thousand, down by €7,094 thousand compared to the end of 2019, due mainly to lower VAT receivables recognised by the Piaggio group.

- Non-current portion

In thousands of Euros	<i>Balance 30.06.2020</i>	<i>Balance 31.12.2019</i>
VAT receivables	1,213	4,209
Income tax receivables	9,788	9,886
Other tax receivables	19	19
TOTAL	11,020	14,114

- Current portion

In thousands of Euros	<i>Balance 30.06.2020</i>	<i>Balance 31.12.2019</i>
VAT receivables	11,482	15,067
Income tax receivables	3,504	2,639
Other tax receivables	1,906	3,186
TOTAL	16,892	20,892

- F7 - DEFERRED TAX ASSETS 133,100

Deferred tax assets at 30 June 2020 amounted to €133,100 thousand, a decrease of €1,341 thousand compared to 31 December 2019. The portion due in 12 months totals €10,330 thousand, while the portion due after 12 months amounts to €122,770 thousand.

Deferred tax assets of the Piaggio group were recognised for €60,967 thousand, of Intermarine S.p.A. for €40,979 thousand, and of Is Molas S.p.A. for €17,405 thousand. The remaining share of €13,749 thousand is recorded by the other companies belonging to the property and holding sector, net of eliminations and consolidation adjustments.

As regards the measurements to define the deferred tax assets, the Group mainly took account of i) the tax regulations in the various countries in which it operates; ii) their impact in terms of timing differences and any tax benefits deriving from the use of prior tax losses; iii) the estimated financial results over the medium/long term, for each individual company. In this regard, the plans resulting from the June 2020 reprocessing and revision of the plans of subsidiaries approved by respective Boards of Directors at the start of the year, in view of the health emergency, were used as the reference; iv) the tax rate in effect in the year when temporary differences occur; and v) the agreements and plans of national tax consolidation over a timeframe until December 2025.

In view of the above considerations and also for the sake of prudence, the tax benefits deriving from the losses carried forward and from temporary differences were not fully recognised.

- F8 - TRADE RECEIVABLES AND OTHER RECEIVABLES 192,801

Trade receivables and other receivables included under non-current assets total €18,885 thousand (net of the corresponding provisions for write-down of €1,203 thousand), against €17,232 thousand at 31 December 2019.

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

In thousands of Euros	<i>Balance 30.06.2020</i>	<i>Balance 31.12.2019</i>
Trade receivables	126,946	84,635
Amounts due from affiliated companies	104	137
Amounts due from joint ventures	2,584	2,282
Other receivables	44,282	40,142
TOTAL	173,916	127,196

Current third party trade receivables amounted to €126,946 thousand at 30 June 2020, an increase of around €42,311 thousand compared to the value recorded at 31 December 2019: as already mentioned, the growth in this value is mainly linked to the seasonality of Piaggio group sales, which are mainly concentrated in the spring and summer months.

The item Trade receivables comprises amounts due from normal sales transactions, stated net of a provision for bad debts of €28,143 thousand, up by €282 thousand compared to 31 December 2019.

The balance of receivables from associated companies refers entirely to receivables from Consorzio CTMI, while receivables from joint ventures (equal to €2,584 thousand at 30 June 2020) refer to receivables from Zongshen Piaggio Foshan Motorcycle Co. Ltd., as detailed in the statement of intercompany and related party transactions at the end of this document.

It should also be remembered that the Piaggio group transfers on a regular basis a large part of its trade receivables mainly with “without recourse” and “with recourse” clauses. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. At 30 June 2020, trade receivables not yet due and assigned without recourse totalled €138,690 thousand. Of these receivables, Piaggio received payment before natural settlement for €126,070 thousand. At 30 June 2020, advances received – both from factoring firms and from banks – on “with recourse” disposals of trade receivables totalled €11,849 thousand and are offset in current liabilities. In June 2020, the subsidiary Intermarine sold receivables without recourse to Banca Ifis, with inflows of €10.3 million.

Other receivables mainly refer to advances to suppliers for €9,047 thousand, recognised for the most part by the subsidiary Intermarine S.p.A., accrued income and deferred changes for €11,643 thousand and the deposit guaranteeing post-closing obligations of the Parent Company for €1.1 million relative to obligations to meet by 31 December 2020 under agreements for the sale of the property located in Rome, in late 2019.

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

In thousands of Euros				
	<i>Balance 31.12.2019</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance 30.06.2020</i>
Contract work in progress gross of advances	164,035	49,357	(43,165)	170,227
Contractual advances received from customers	154,697			156,795
Contract work in progress net of advances	9,338			13,432
Costs sustained	121,110			120,187
Margins recognised (net of losses)	42,925			50,040

- F9 -	ASSETS/LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL	27,313
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The net carrying amount of assets held for disposal amounts to €27,313 thousand, basically unchanged compared to 31 December 2019, and refers nearly entirely to the property portfolio of Pietra Ligure acquired at the public auction of the State in December 2007 for a total of €19.1 million and recognised under buildings held for disposal.

Gross assets held for sale in the half-year period amounted to €33.4 million, basically unchanged compared to the end of 2019. Due to the adoption of IFRS 16, the right of use of the area was recognised under assets for a value equal to the present value of the state concession payments

for the concession held by Pietra Ligure S.r.l., while the financial liability related to the present value of future payments was 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 361,576

Inventories are measured at the lower of cost and market value and totalled €361,576 thousand at the end of the period, comprising:

In thousands of Euros	<i>Balance at 30.06.2020</i>			<i>Balance at 31.12.2019</i>		
	<i>Cost</i>	<i>Write-down</i>	<i>Net</i>	<i>Cost</i>	<i>Write-down</i>	<i>Net</i>
Consumables	54	0	54	48	0	48
Raw materials	140,291	(15,872)	124,419	122,541	(15,201)	107,340
Work in progress and semi-finished products	129,003	(10,444)	118,559	131,561	(12,510)	119,051
Finished products	137,315	(18,771)	118,544	127,807	(21,042)	106,765
TOTAL	406,663	(45,087)	361,576	381,957	(48,753)	333,204

The increase compared to the figure at 31 December 2019 (€+28,372 thousand) is mainly due to the Piaggio group, and is in line with the expected trend of production volumes and future sales. The above write-downs were necessary due to stocks of raw materials no longer usable in the production process and obsolete or slow-moving finished products and goods.

At 30 June 2020, the Piaggio group recognised, net of write-downs, inventories for €241,251 thousand referred to components, accessories, two-wheeler, three-wheeler and four-wheeler vehicles. Intermarine S.p.A. contributed €54,320 thousand, mainly concerning raw materials and products in progress for prototypes, own construction and repairs. Finally, Is Molas S.p.A. recorded €66,005 thousand of inventories at the half-year end relating to the hotel business, as well as work in progress and semi-finished products represented by land, volumes, costs for services and consultancy for the property development project relating to the allotment located in Is Molas - Cagliari.

- F11 - CASH AND CASH EQUIVALENTS 179,910

Cash and cash equivalents at the end of the period totalled €179,910 thousand against €212,596 thousand at 31 December 2019, as detailed in the table below:

In thousands of Euros	<i>Balance 30.06.2020</i>	<i>Balance 31.12.2019</i>
Cheques	3	20
Cash and cash equivalents	98	90
Securities	0	62,116
Receivable due from banks within 90 days	179,809	150,370
TOTAL	179,910	212,596

This item covers cash, current bank accounts, deposits refundable on demand and other short-term high-liquidity financial investments readily convertible into cash and subject to an insignificant risk of variation in value. For details of changes during the first half of 2020 in the item in question, reference is made to the Statement of Consolidated Cash Flows at 30 June 2020.

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

- F12 - BREAKDOWN OF RECEIVABLES BY VALUATION METHOD

Information on the carrying amount of financial assets and operating receivables relative to balances at 30 June 2020 and 31 December 2019, with particular reference to accounting policies adopted, is presented below.

- Operating assets

In thousands of Euros

	Assets at	Assets at	Financial	Assets at	Total
	FVPL	FVOCI	derivatives	amortised	
Values at 30 June 2020				cost	
Non-current					
Tax receivables				11,020	11,020
Other receivables				18,885	18,885
Total non-current operating receivables	0	0	0	29,905	29,905
Current					
Trade receivables				129,634	129,634
Tax receivables				16,892	16,892
Other receivables			453	30,397	30,850
Total current operating receivables	0	0	453	176,923	177,376

In thousands of Euros

	Assets at	Assets at	Financial	Assets at	Total
	FVPL	FVOCI	derivatives	amortised	
Values at 31 December 2019				cost	
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

- Financial assets

In thousands of Euros

	Assets at	Assets at	Financial	Assets at	Total
	FVPL	FVOCI	derivatives	amortised	
Values at 30 June 2020				cost	
Non-current					
Other financial assets	37		3,459		3,496
Total non-current financial assets	37	0	3,459	0	3,496
Current					
Other financial assets		2,290	3,454		5,744
Cash and cash equivalents				179,910	179,910
Securities				0	0
Total current financial assets	0	2,290	3,454	179,910	185,654

In thousands of Euros

	Assets at	Assets at	Financial	Assets at	Total
	FVPL	FVOCI	derivatives	amortised	
Values at 31 December 2019				cost	
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

- G - INFORMATION ON THE MAIN LIABILITY ITEMS

Amounts are stated in thousands of Euro unless otherwise indicated.

- G1 - SHAREHOLDERS' EQUITY 359,059

Shareholders' equity at 30 June 2020 amounted to €359,059 thousand, of which €233,317 thousand relative to consolidated shareholders' equity attributable to the Group and €125,742 thousand to capital and reserves of non-controlling interests.

Share capital

At 30 June 2020, the share capital of Immsi S.p.A., fully subscribed and paid up, comprised 340,530,000 ordinary shares without par value, for a total of €178,464,000.00. At 30 June 2020, Immsi S.p.A. held no treasury shares.

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

Legal reserve

The legal reserve comprises reserves allocated following the distribution of profits from the year 2000 to the year 2019, in accordance with provisions of law and totalled €8,978 thousand at the end of June 2020, an increase compared to 31 December 2019 of €450 thousand.

Other reserves

This item totalled €103,040 thousand, down by €8,514 thousand compared to the figure at 31 December 2019.

The details of the item "Other reserves" are shown below:

In thousands of Euros									
	Share premium reserve / share capital increase	IAS transition reserve	Reserves as per Law no. 413/91	Legal reserves	Translation reserves	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 2019	94,874	5,300	4,602	1,153	(14,723)	(5,903)	(28,235)	54,485	111,554
Other changes						0		(4,745)	(4,745)
Overall earnings for the period					(2,539)	68	(1,298)	0	(3,769)
Balances at 30 June 2020	94,874	5,300	4,602	1,153	(17,262)	(5,835)	(29,532)	49,740	103,040

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

Other reserves included the reserve created by the transition to international accounting standards made by the Group on 1 January 2004, totalling €5,300 thousand at the end of June 2020 and unchanged since 31 December 2019. For more details, reference is made to the Financial Statements at 31 December 2005, available on the website www.immsi.it.

The reserve for the measurement of financial instruments was negative by €29,532 thousand, mainly due to: the recognition of the fair value adjustment of financial instruments representing capital not available for sale, held by the Parent Company as an investment in UniCredit, in other comprehensive income, equal to €10,990 thousand, as well as the investment in Alitalia – CAI, equal to €14,778 thousand, and the recognition of the component attributable to Piaggio reclassifying renegotiated financial liabilities, as provided for by IFRS 9, for €3,764 thousand.

Retained earnings

Retained earnings total €58,675 thousand and represent the accumulated losses of the Group.

Capital and reserves of non-controlling interests

At 30 June 2020 the balance of share capital and reserves attributable to non-controlling interests totalled €125,742 thousand, a €8,141 thousand decrease compared to 31 December 2019.

- G2 -	FINANCIAL LIABILITIES	1,090,074
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Financial liabilities totalled €1,090,074 thousand at 30 June 2020, up by €69,929 thousand compared to the value recorded at 31 December 2019. The portion recorded under non-current liabilities amounts to €626,601 thousand, against 550,280 at 31 December 2019, while the portion included among current liabilities totals €463,473 thousand, compared to €469,865 thousand at the end of 2019.

Financial liabilities also include the fair value measurement of financial derivatives to hedge exchange risk and interest rate risk and the adjustment of related hedged items – underwritten by the Piaggio group – for a total of €6,773 thousand (of which 3,389 in the current portion), an increase of €239 thousand compared to 31 December 2019. As already mentioned, according to the Consob Communication of 28 July 2006 and in compliance with the CESR Recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", net financial debt does not include financial assets and liabilities arising from the fair value measurement of derivative financial instruments designated as hedges, the fair value adjustment of relative hedged items, relative accruals, interest expense accrued on loans received (equal to 4,619 at the end of June 2020) and financial liabilities related to assets held for disposal.

The attached tables summarise the financial liabilities by type of financial debt:

- Non-current portion

In thousands of Euros	<i>Balance 30.06.2020</i>	<i>Balance 31.12.2019</i>
Convertible	282,830	282,099
Payables due to banks	316,378	242,560
Finance lease liabilities	6,275	6,862
Financial liabilities for rights of use	17,614	15,363
Amounts due to other lenders	115	127
TOTAL	623,212	547,011

The item Payables due to banks and the item Non-current bonds include loans treated, in accounting terms, according to the criterion of amortised cost. According to this criterion the nominal amount of the liability is decreased by the amount of the relative issuing and/or stipulation costs in addition to any costs linked to refinancing previous liabilities. The amortisation of these costs is determined on an effective interest rate basis, and namely the rate which discounts the future flows of interest expense and repayments of principle at the net carrying amount of the

financial liability. Furthermore, some financial liabilities attributable to the Piaggio group are entered at fair value with recognition of the relative effects in the Income Statement.

- Current portion

In thousands of Euros	Balance 30.06.2020	Balance 31.12.2019
Convertible	11,031	11,022
Payables due to banks	375,088	382,759
Finance lease liabilities	1,170	1,161
Financial liabilities for rights of use	6,977	7,741
Amounts due to subsidiaries (*)	8	8
Amounts due to other lenders	61,196	59,290
TOTAL	455,470	461,981

*) not consolidated on a global integration basis

The composition of the gross Financial debt is the following:

In thousands of Euros	Balance at 30.06.2020	Balance at 31.12.2019	Nominal value at 30.06.2020	Nominal value at 31.12.2019
Convertible	293,861	293,121	302,101	302,101
Payables due to banks	691,466	625,319	693,063	627,097
Finance lease liabilities	7,445	8,023	7,453	8,023
Financial liabilities for rights of use	24,591	23,104	24,591	23,104
Amounts due to subsidiaries (*)	8	8	8	8
Amounts due to other lenders	61,311	59,417	61,311	59,417
TOTAL	1,078,682	1,008,992	1,088,527	1,019,750

*) not consolidated on a global integration basis

The following schedule shows the repayment plan for the gross financial debt of the Immsi Group at 30 June 2020:

In thousands of Euros	Nominal value at 30.06.2020	Portions falling due within 12 months	Portions falling due within 30.06.2022	Portions falling due within 30.06.2023	Portions falling due within 30.06.2024	Portions falling due within 30.06.2025	Portions falling due Beyond
Convertible	302,101	11,051	11,050	30,000	0	250,000	0
Payables due to banks	693,063	375,315	114,922	121,974	45,852	11,667	23,333
Finance lease liabilities	7,453	1,171	1,190	1,210	1,265	1,235	1,382
Financial liabilities for rights of use	24,591	6,977	4,740	5,863	4,306	1,897	808
Amounts due to subsidiaries (*)	8	8	0	0	0	0	0
Amounts due to other lenders	61,311	61,196	23	23	23	23	23
TOTAL	1,088,527	455,718	131,925	159,070	51,446	264,822	25,546

*) not consolidated on a global integration basis

The following table analyses the gross Financial debt, excluding rights of use, by currency and interest rate:

In thousands of Euros	Balance at 31.12.2019	Balance at 30.06.2020	Nominal value at 30.06.2020	Interest rate at 30.06.2020
Euros	949,403	1,005,654	1,015,499	3.07%
Vietnamese Dong	16,404	23,795	23,795	5.92%
Japanese Yen	2,788	2,818	2,818	2.95%
Indian Rupee	9	2,365	2,365	n/a
Indonesian Rupiah	193	1,599	1,599	n/a
US Dollar	17,091	17,860	17,860	1.65%
TOTAL	985,888	1,054,091	1,063,936	3.11%

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 originally 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 €9,719 thousand, of which 4.8 million for instalments repayable within 12 months. This line has two covenants, to be verified at 31 December of each year, as well as a Value to Loan to verify every six months. Following Immsi's application to defer repayments following the exceptional events of 2020 related to the COVID-19 emergency, the bank granted a suspension on the amount maturing on 30 June 2020, therefore the loan maturity has been extended to 30 June 2022;
- a revolving credit line granted until December 2020 by Banca Nazionale del Lavoro for €25 million. This loan has a benchmark rate equal to the variable Euribor increased by a spread. Moreover, it provides for a minimum listing of the Piaggio share and compliance with two covenants, to be verified at 31 December of each year, as well as a Loan to Value to verify monthly;
- a credit line amortised with Istituto Monte dei Paschi di Siena for a total of €30 million, originally maturing in June 2022. The agreements have a benchmark rate equal to the Euribor increased by a spread, two covenants to verify at 31 December of each year, and a Value to Loan to verify every six months. The loan is recognised according to the amortised cost equal to €17,363 thousand, of which €7 million for instalments repayable within 12 months. Following Immsi's application to defer repayments following the exceptional events of 2020 related to the COVID-19 emergency, the bank granted a suspension on the amount maturing on 30 June 2020, therefore the loan maturity has been extended to 31 December 2022. As indicated previously, in August 2020, MPS approved the extension of the repayment due to the end of December 2020, with an agreement to formalise in September;
- a loan from Banca Ifis for a nominal amount of €10 million originally 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 €5,376 thousand, of which €2,308 thousand for instalments repayable within 12 months. This loan has two covenants, to be verified at 31 December of each year, as well as a Value to Loan to verify monthly. Following Immsi's application to defer repayments following the exceptional events of 2020 related to the COVID-19 emergency, the bank granted a suspension on the repayments maturing on 30 June 2020 and 30 September 2020, therefore the loan maturity has been extended to 30 June 2022;
- 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 increased by a spread, as well as a Loan to Value to verify quarterly;
- 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 require a covenant to be met, which is verified quarterly, and a Loan to Value to be met, which is verified monthly;
 - four amortised credit lines granted between December 2018 and July 2019 by Banco BPM for: a nominal amount of €4.5 million, originally maturing in December 2021, €4 million originally maturing in March 2022, €5 million originally maturing in June 2022 and €6.5 million originally maturing in September 2022; all lines disbursed have a benchmark rate equal to the Euribor increased by a spread and are recognised at amortised cost for a total of €14,411 thousand, of which €1.7 million for repayments due within 12 months. The contracts require a Loan to Value to be met, which is verified monthly. Following Immsi's application to defer repayments following the exceptional events of 2020 related to the COVID-19 emergency, the bank granted a suspension on the repayments maturing from 30 June 2020 to 31 March 2021, therefore the loan maturities have been extended by 12 months. To cover the risk of interest rate fluctuation for cash flows, Immsi S.p.A. signed four interest rate swap hedging contracts, which change the variable rate into a fixed rate for the entire duration of the contract on 50% of related loans;
 - a 12-month, €10 million bullet loan granted by ING Bank in July 2019, maturing in January 2021, with a benchmark rate equal to the Euribor increased by a spread. The contract requires a Loan to Value to be met, which is verified monthly;
 - two credit lines were opened in advance by UBI Banca for €5 million in October 2019, originally maturing in January 2020, renewed to September 2020 and for €5 million in December 2019, maturing in September 2020; both lines accrue interest at a benchmark rate equal to the Euribor increased by a spread and require a Value to Loan to be met;
 - 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 €3,648 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 payable equal to the EONIA increased by a spread, calculated on the cash collateral disbursed by Banca Akros. Immsi received 300,852 Unicredit shares as a loan without cash collateral from Omniaholding S.p.A.. The latter 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., undrawn at 30 June 2020.

Piaggio Group

- a medium-term loan, amortised in annual instalments, for a total of €35,661 thousand, and a nominal amount of €35,714 thousand, from the European Investment Bank to finance Research & Development investments planned for the 2016-2018 period. The loan matures in December 2023 and has a fixed rate. The contractual terms envisage loan covenants;
- a medium-term loan, amortised in annual instalments, for a total of €69,605 thousand, and a nominal amount of €70,000 thousand, from the European Investment Bank to finance Research & Development investments planned for the 2019-2021 period. The loan matures in February 2027 and has a fixed rate. The contractual terms envisage loan covenants;
- a financial payable of €116,559 thousand (nominal value of €117,500 thousand) relative to syndicated loan totalling €250,000 thousand undersigned in June 2018 comprising a four-year tranche (with a year's extension at the discretion of the borrower) of €187,500

- thousand, granted in the form of a revolving credit line (of which a nominal value of €5,000 thousand had been used at 30 June 2019), and a tranche of €62,500 thousand amortised over five years. The contractual terms envisage loan covenants;
- a medium-term loan granted by Banca Nazionale del Lavoro for €19,931 thousand (nominal value of €20,000 thousand), maturing in June 2022 and with a 12-month repayment schedule of quarterly payments;
 - a medium-term loan granted by UBI Banca for €5,433 thousand (nominal value of €5,440 thousand), maturing in June 2021 and with a repayment schedule of quarterly payments;
 - a €15,966 thousand medium-term loan (nominal value of €16,000 thousand) granted by Banca Popolare Emilia Romagna. the loan is amortised in six-monthly instalments and matures in December 2023;
 - a loan granted by Banco BPM comprising a tranche of €12,500 thousand granted as a revolving credit line (undrawn at 30 June 2020), and a tranche granted as a loan with amortisation of €5,684 thousand, maturing in July 2022. The contractual terms envisage loan covenants;
 - a medium-term loan of €6,056 thousand granted by Banca del Mezzogiorno comprising a tranche of the same amount maturing in January 2023 and a repayment schedule with six-monthly instalments and a tranche of €20,000 thousand as a revolving credit line, undrawn at 30 June 2020. The contractual terms envisage loan covenants;
 - a medium-term loan for €4,477 thousand (nominal value of €4,500 thousand), granted by Interbanca-Banca Ifis maturing in September 2022 and with a repayment schedule of quarterly payments. The contractual terms envisage loan covenants;
 - a medium-term loan for 102,315,643 thousand Vietnamese Dong, of which €7,780 thousand recognised, granted by VietinBank to the Piaggio Vietnam subsidiary (for a total amount of 414,000,000 thousand Vietnamese Dong) to finance the R&D investments plan. The loan matures in June 2021, with a repayment schedule in six-monthly instalments, a fixed rate for the first year, followed by a variable rate;
 - loans from Intesa Sanpaolo pursuant to Italian Law No. 346/88 on subsidised applied research amounting to €95 thousand.

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

Intermarine S.p.A.

- a Bullet – Multi Borrower loan from Intesa Sanpaolo granted to Immsi S.p.A. for a total of €130 million, guaranteed by Piaggio shares, of which €12,300 thousand granted to Intermarine S.p.A., maturing in January 2021;
- a revolving credit line from Intesa Sanpaolo for €18,000 thousand, of which €18,000 used at 30 June 2020, guaranteed by Piaggio & C. S.p.A. shares, held by Immsi S.p.A. and maturing in January 2021;
- a mortgage loan for €10,000 thousand, signed with Banca Bper maturing in 5 years, with 18 months' pre-amortisation, six-monthly repayments starting from December 2020, secured by a first-level mortgage on the Sarzana shipyard for €18,000 thousand, an insurance constraint and comfort letter issued by Immsi for €13,000 thousand; during the first half of 2020, with an application to defer interest payments, the repayment maturing at 30 June 2020, equal to €0.2 million, was deferred, and an additional deferment of the principal repayment of €1.4 million maturing on 6 December 2020 is being approved;
- a credit line granted by Banca Ifis for the remaining €10,500 thousand for a contract advance used at 30 June 2020 for €5,419 thousand, with a comfort letter issued by RCN Finanziaria and Immsi, with repayment in annual instalments by December 2021, based on works' progress invoiced to the customer; during the first half of 2020, with an application to defer repayments, the amounts due in 2020 were deferred, with new maturities starting from January 2021;

- a credit line granted by Banca Ifis for the remaining €4,500 thousand for a contract advance used at 30 June 2020 for €3,937 thousand, with a comfort letter issued by RCN Finanziaria and Immsi, with repayment in annual instalments by December 2021, based on works' progress invoiced to the customer; during the first half of 2020, with an application to defer repayments, the amounts due in 2020 were deferred, with new maturities starting from January 2021;
- a credit line granted by Banca Ifis with a limit of €24,000 thousand, for advances and/or sales without recourse on contract invoices, used at 30 June 2020 for €10,309 thousand, mainly for sales without recourse;
- an unsecured loan stipulated with Banca Carige in March 2020 for €2,000 thousand, maturing on 30 September 2021, secured by a comfort letter from Immsi and six-monthly repayments starting from 30 September 2020;
- a €5,000 thousand loan granted by Banca Nazionale del Lavoro, for working capital management, of which €4,000 thousand used at 30 June 2020, with individual repayments maturing at 180 days, secured by a comfort letter from Immsi;
- loans for an original amount of €4,000 thousand granted by Banca Nazionale del Lavoro of which €3,500 thousand drawn at 30 June 2020, secured by a comfort letter from Immsi; during the first half of 2020, following the deferment application, the final maturity of quarterly repayments was deferred to 18 May 2022 (6 months), with the consequent deferment of 2 principal repayments of €0.5 million maturing on 18 May and 18 August 2020;
- a loan of an original amount of €5,000 thousand granted by Credite Agricole Italia, secured by a guarantee from Immsi, amounting to €3,143 thousand at 30 June 2020; during the first half of 2020, following the deferment application, the final maturity of quarterly repayments was deferred to 30 April 2022 (9 months), with the consequent deferment of 3 principal repayments of €0.6 million maturing on 30 April and 30 October 2020, and on 30 January 2021;
- the short-term account overdrafts with various banks for a total amount of approximately €2,235 thousand, undrawn at the end of June 2020.

Is Molas S.p.A.

- a variable rate loan granted by Monte dei Paschi di Siena to Is Molas S.p.A., maturing in December 2022, for €14,250, with pre-amortisation and subsequent repayment in six-monthly instalments. This loan is secured by a guarantee furnished by Immsi and requires covenants to be met; during the first half of 2020, following the COVID-19 emergency, the bank granted the subsidiary a deferment of the six-monthly repayment maturing on 30 June 2020. As indicated previously, in August 2020, MPS approved the extension of the repayment due to the end of December 2020, with an agreement to formalise in September.

The item Bonds, recognised by the Piaggio group for €293,861 thousand (nominal value of €302,101 thousand) refers to:

- €22,077 thousand (nominal value of €22,101 thousand) for the debenture loan (US Private Placement) issued on 25 July 2011 for \$75,000 thousand, fully subscribed by an American institutional investor repayable in five annual instalments starting from July 2017, with semi-annual coupon. At 30 June 2020 the fair value measurement of the debenture loan was equal to €28,874 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;
- €29,932 thousand (nominal value of €30,000 thousand) for a five-year private debenture loan issued on 28 June 2017 and wholly subscribed by Fondo Sviluppo Export, the fund set

- up by SACE and managed by Amundi SGR. The issue has no specific rating or listing on a regulated market;
- €241,852 thousand (nominal value equal to €250,000 thousand) refers to the high yield debenture loan issued on, 30 April 2018 for €250,000 thousand maturing in April 2025 and with semi-annual coupon at a fixed annual nominal rate.
Piaggio & C. S.p.A. may repay in advance:
 - all or part of the amount of the high yield debenture loan issued on 30 April 2018, according to the conditions indicated in the indenture. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IFRS 9 b4.3.5;
 - all or part of the amount of the private placement issued on 28 June 2017, according to the conditions indicated in the contract. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IFRS 9 b4.3.5.

Liabilities for operating and finance leases total €32,036 thousand, and break down as follows:

- finance leases for €7,358 thousand (of a nominal value of €7,454 thousand) granted by Albaleasing as a Sale&Lease back on a production site of Piaggio & C. S.p.A. The agreement is for ten years, with quarterly repayments (non-current portion equal to €6,200 thousand);
- a finance lease for €87 thousand granted by VFS Servizi Finanziari for the use of vehicles (non-current portion equal to €75 thousand);
- financial liabilities for a total of €24,591 thousand (non-current portion of €17,614 thousand) related to future payments of operating lease agreements. Liabilities for rights of use related to assets held for disposal, referred solely to the company Pietra Ligure S.r.l., are recognised under item F9 – assets/liabilities related to assets held for disposal.

Overall, amounts due to other lenders are equal to €61,311 thousand, nearly entirely falling due within the year. The main components are the following:

- two shareholder loans for €6,000 and €9,234 thousand respectively granted to RCN Finanziaria S.p.A. by Intesa Sanpaolo (shareholder of the company) renewed on June 2019 and repayable within 3 years based on agreements signed between shareholders;
- a shareholders' loan for €34,065 thousand granted by Intesa Sanpaolo S.p.A. (formerly IMI Investimenti S.p.A.), a shareholder of the company, to ISM Investimenti S.p.A. This line expired as per the contract at the end of 2018, but is not yet collectible, as it is subject to the repayment of the multi-line bank loan paid to ISM Investimenti by Intesa Sanpaolo for €30 million, pursuant to the clause indicated in the contract;
- financial advances from factoring companies and banks for trade receivables assigned with recourse, totalled €11,849 thousand and refer to the Piaggio group;

To guarantee a part of the debt of the Company and the subsidiaries Intermarine S.p.A. and ISM Investimenti S.p.A., at 30 June 2020 Immsi S.p.A. pledged approximately 168.7 Piaggio million shares, while an additional 10.6 million Piaggio shares are unencumbered.

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

- G3 - TRADE PAYABLES AND OTHER PAYABLES 577,776

Trade payables and other payables amounted to €577,776 thousand (compared to €592,176 thousand at 31 December 2019), of which €570,425 thousand (€584,726 thousand at 31 December 2019) due within a year.

The following is a breakdown of the trade payables and other current payables:

In thousands of Euros	<i>Balance 30.06.2020</i>	<i>Balance 31.12.2019</i>
Trade payables	506,150	529,343
Amounts due to parent companies	422	675
Amounts due to joint ventures	7,228	5,318
Other payables	56,625	49,390
TOTAL	570,425	584,726

To facilitate credit conditions for its suppliers, the Group has always used some factoring agreements, mainly supply chain financing and reverse factoring agreements. These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.

At 30 June 2020, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €166,106 thousand (€197,640 thousand at 31 December 2019).

Amounts due to joint ventures at 30 June 2020 primarily refer to the purchase of vehicles by the Piaggio group from the Chinese joint venture Zongshen Piaggio Foshan Motorcycle Co. Ltd.

The "Other current payables" item is detailed below:

In thousands of Euros	<i>Balance 30.06.2020</i>	<i>Balance 31.12.2019</i>
Amounts due to employees	23,919	19,871
Liabilities connected to hedging instruments	955	46
Advances from customers	64	19
Amounts due to company boards	278	665
Amounts due to social security institutions	7,969	9,940
Other amounts due to third parties	533	425
Other amounts due to affiliated companies	0	9
Other amounts due to joint ventures	26	26
Accrued expenses	8,910	4,809
Deferred income	5,807	3,169
Other payables	8,164	10,411
TOTAL	56,625	49,390

Amounts due to employees mainly refer to holidays accrued and not taken and other salary components to pay.

Liabilities related to hedging derivatives mainly refer to the fair value of hedging derivatives relative to the exchange risk on forecast transactions recognised on a cash flow hedge basis.

- G4 - RESERVES FOR SEVERANCE INDEMNITY AND SIMILAR OBLIGATIONS 40,966

The reserve for pension and similar obligations amounted to €40,966 thousand at 30 June 2020, a decrease of €1,640 thousand compared to the figure at 31 December 2019.

The reserve is detailed below:

In thousands of Euros	Balance 31.12.2019	Service cost	Actuarial (gain) loss	Interest cost	Uses and other changes	Balance 30.06.2020
Termination benefits	41,738	4,049	(252)	140	(5,610)	40,065
Other provisions	868	0	0	0	33	901
TOTAL	42,606	4,049	2,952	140	(8,781)	40,966

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

The item “Other provisions” is mainly attributable to the Piaggio group and includes i) provisions for personnel made by international companies of the group and ii) additional customer indemnity provisions, which represent the compensation due to agents in the case of the agency contract being terminated for reasons beyond their control. Uses refer to the payment of benefits already accrued in previous years, while allocations refer to benefits accrued in the period.

The economic / technical assumptions used to discount the value by the companies of the Immsi Group operating in Italy are described below:

- Technical annual discount rate 0.17% - 1.10%;
- Annual rate of inflation 1.20%
- Annual rate of increase in termination benefits 2.40%

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

The table below shows the effects, in absolute terms, at 30 June 2020, which would have occurred following changes in reasonably possible actuarial assumptions:

	Provision for termination benefits
<i>In thousands of Euros</i>	
Turnover rate +2%	39,523
Turnover rate -2%	40,351
Inflation rate + 0.25%	40,471
Inflation rate - 0.25%	39,367
Discount rate + 0.50%	38,986
Discount rate - 0.50%	40,880

The average duration of the bond ranges from 6.2 to 24 years, while future payments estimated in the Group are equal to:

Year	Future amounts
	<i>In thousands of Euros</i>
1	5,980
2	2,146
3	2,645
4	1,704
5	1,501

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

- G5 - OTHER LONG-TERM PROVISIONS **34,932**

The balance of other long-term provisions, including the portion falling due within 12 months, totalled €34,932 thousand at the end of June 2020, a €1,775 thousand decrease compared to 31 December 2019.

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

In thousands of Euros	<i>Balance 31.12.2019</i>	<i>Allocations</i>	<i>Applications</i>	<i>Other movements</i>	<i>Balance 30.06.2020</i>	<i>Of which current</i>
Provision for product warranties	21,962	4,037	(3,052)	(165)	22,782	15,482
Provisions for risk on investments	22	0	0	0	22	0
Provision for contractual risks	3,863	4	0	6	3,873	873
Other provisions for risks and charges	10,860	55	(1,578)	(1,082)	8,255	4,448
TOTAL	36,707	4,096	(4,630)	(1,241)	34,932	20,803

The Provision for product warranties refers to allocations recognised at 30 June 2020 by the Piaggio group for €20,007 thousand and by Intermarine S.p.A. for €2,775 thousand for technical warranty operations on products covered by warranties, which are expected to be carried out in the contractual warranty period. As regards – in particular – the forecasts made by the Piaggio group, this period varies according to the type of goods sold and the market, and is also determined by the customer take-up to commit to planned maintenance. With reference to Intermarine S.p.A., the company allocates this reserve for maintenance under warranty to be carried out in the future years on naval vessels under construction, delivered during the year and/or in previous years, determined on the basis of the estimate of costs incurred in the past for similar vessels.

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

Other provisions for risks and charges include the provision for labour disputes and other legal and tax disputes for €2,249 thousand, and the provision for marine sector job orders for €4,774 thousand, which includes the estimates of costs and contractual expenses for job orders being completed.

- G6 - DEFERRED TAX LIABILITIES 13,936

The “Deferred tax liabilities” item refers to tax payables provisioned by the individual companies on the basis of applicable national laws. The balance was offset by €270 thousand by deferred tax assets, of a uniform maturity and type.

Deferred tax assets were recognised by the Piaggio group for €4,275 thousand, by the Parent Company Immsi S.p.A. for €9,308 thousand (mainly concerning the capital gain realised on the sale in December 2019 of the property situated in Rome, taxable for corporate income tax purposes over several financial years) and by Intermarine S.p.A. for €353 thousand.

- G7 - CURRENT TAXES 12,879

The item Current taxes, which includes tax payables allocated in relation to tax charges for individual companies under applicable national laws, decreased by €5,698 thousand compared to the end of 2019. A breakdown of this item is given below:

In thousands of Euros	<i>Balance 30.06.2020</i>	<i>Balance 31.12.2019</i>
Amounts due for income tax	6,369	11,153
VAT payables	1,203	1,094
Amounts due for withholding tax	4,838	5,920
Amounts due for local taxes	66	134
Other payables	403	276
TOTAL	12,879	18,577

The item in question, which refers for €9,017 thousand to the Piaggio group, includes tax payables recorded in the financial statements of each consolidated company, allocated in relation to tax charges referring to individual companies on the basis of applicable national laws, whereas amounts due for withholding tax are mainly recorded against withholdings on employee salaries, termination payments and self-employed income.

Payables for tax withholdings made refer mainly to withholdings on employees’ earnings, on employment termination payments and on self-employed earnings.

- G8 - BREAKDOWN OF PAYABLES BY VALUATION METHOD

Information on the carrying amount of financial liabilities and operating payables relative to balances at 30 June 2020 and 31 December 2019, with particular reference to accounting policies adopted, is presented below.

- Operating liability

In thousands of Euros

	Liabilities measured at FVPL	Financial derivatives	Liabilities at amortised cost	Total
Values at 30 June 2020				
Non-current				
Tax payables				0
Other payables			7,351	7,351
Total non-current operating payables	0	0	7,351	7,351
Current				
Trade payables			513,800	513,800
Tax payables			12,879	12,879
Other payables		955	55,670	56,625
Total current operating payables	0	955	582,349	583,304

In thousands of Euros

	Liabilities measured at FVPL	Financial derivatives	Liabilities at amortised cost	Total
Values at 31 December 2019				
Non-current				
Tax payables				0
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

- Financial liability

In thousands of Euros

	Liabilities measured at FVPL	FV adjustment	Financial derivatives	Liabilities at amortised cost	Total
Values at 30 June 2020					
Non-current					
Bank borrowings				316,378	316,378
Convertible		3,389		282,830	286,219
Other loans				115	115
Leases				30,014	30,014
Hedging derivatives				0	0
Total non-current financial liabilities	0	3,389	0	629,337	632,726
Current					
Bank borrowings				375,088	375,088
Convertible		3,384		11,031	14,415
Other loans				65,823	65,823
Leases				8,147	8,147
Total current financial liabilities	0	3,384	0	460,089	463,473
Values at 31 December 2019					
	Liabilities measured at FVPL	FV adjustment	Financial derivatives	Liabilities at amortised cost depreciated/amortised	Total
Non-current					
Bank borrowings				242,560	242,560
Convertible		3,269		282,099	285,368
Other loans				127	127
Leases				28,231	28,231
Hedging derivatives				0	0
Total non-current financial liabilities	0	3,269	0	553,017	556,286
Current					
Bank borrowings				382,759	382,759
Convertible		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

- H - INFORMATION ON THE MAIN INCOME STATEMENT ITEMS

Amounts are stated in thousands of Euro unless otherwise indicated.

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

- H1 - NET REVENUES 629,945

Revenues from sales and services of the Immsi Group at 30 June 2020 totalled €629,945 thousand (down by €221,049 thousand compared to the same period of the previous year, or -26%), of which €600,084 thousand attributable to the industrial sector (€-216,873 thousand, or -26.5%), €29,640 thousand to the marine sector (€-2,276 thousand or -7.1%) and the remaining part to the property and holding sector (€221 thousand compared to €2,121 thousand at 30 June 2019).

This item is stated net of premiums given to the customers of the Piaggio group (dealers) and it does not include transport costs recharged to customers and the recovery of advertising costs invoiced, which are shown under Other operating income. Moreover, revenues do not include recharges for building service fees, offset with the related costs incurred by the Parent Company Immsi S.p.A. (with reference to the 2019 financial year).

Below is a division of the revenues by business sectors and by geographical area of destination, that is, referring to the nationality of the customer.

By business segment

In thousands of Euros	First half of 2020		First half of 2019	
	Amount	%	Amount	%
Property and holding sector	221	0.0%	2,121	0.2%
Industrial sector	600,084	95.3%	816,957	96.0%
of which Two-Wheeler business	467,600	74.2%	583,400	68.6%
of which Commercial Vehicle business	132,484	21.0%	233,557	27.4%
Shipyards segment	29,640	4.7%	31,916	3.8%
TOTAL	629,945	100.0%	850,994	100.0%

By geographic segment

In thousands of Euros	First half of 2020		First half of 2019	
	Amount	%	Amount	%
Italy	114,496	18.2%	159,009	18.7%
Other European countries	278,601	44.2%	342,508	40.2%
Rest of the World	236,848	37.6%	349,477	41.1%
TOTAL	629,945	100.0%	850,994	100.0%

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

- H2 - COSTS FOR MATERIALS 375,996

Costs for materials total €375,996 thousand, compared to €499,373 thousand in the same period of the previous year: this item does not include the costs recharged to customers and tenants, for the same amount, or costs relating to assets held for disposal, recorded separately in the specific income statement item.

The percentage accounting for net revenues at 30 June 2020 is slightly higher than the same period of the previous year, accounting for 59.7%.

The item costs for materials decreased in the Piaggio group, from 494,214 in the first half of 2019 to 366,006 in the same period of 2020, going down by €128,208 thousand (-25.9%).

The item includes €8,569 thousand (€9,681 thousand in the first half of 2019) for purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan, which are sold on European and Asian markets.

The table below details the contents of the item under examination:

In thousands of Euros	First half of 2020	First half of 2019
Change in inventories of finished products, work in progress and semi-finished products	(16,930)	(7,329)
Purchase of raw materials and consumables	403,575	521,466
Change in raw materials and consumables	(10,649)	(14,764)
TOTAL	375,996	499,373

- H3 - COSTS FOR SERVICES, LEASES AND RENTALS 98,697

Costs for services, leases and rentals total €98,697 thousand. Below is a breakdown of this item:

In thousands of Euros	First half of 2020	First half of 2019
Transport costs	16,741	19,695
Product warranty costs	511	1,120
Advertising and promotion	11,626	22,703
Outsourced manufacturing	13,531	21,391
External maintenance and cleaning costs	4,804	5,034
Employee costs	4,305	8,646
Technical, legal, tax, administrative consultancy, etc.	7,307	10,067
Sundry commercial expenses	2,286	5,053
Energy, telephone, postage costs, etc.	7,023	9,561
Services provided	352	255
Insurance	2,515	2,562
Cost of company boards	2,441	2,428
Sales commissions	171	251
Part-time staff and staff of other companies	1,180	2,343
Bank charges and commission	2,364	2,976
Quality-related events	2,757	615
Other expenses	13,655	18,749
TOTAL COSTS FOR SERVICES	93,569	133,449
TOTAL COSTS FOR LEASES AND RENTALS	5,128	5,538
TOTAL COSTS FOR SERVICES, LEASES AND RENTALS	98,697	138,987

- H4 - EMPLOYEE COSTS 111,218

Employee costs are broken down as follows:

In thousands of Euros	<i>First half of 2020</i>	<i>First half of 2019</i>
Salaries and wages	84,137	97,241
Social security contributions	20,760	25,175
Termination benefits	4,049	4,095
Personnel restructuring costs	1,494	699
Other costs	778	1,035
TOTAL	111,218	128,245

In the first half of 2020, employee costs went down by €17 million (-13.3%) compared to the same period of the previous year.

Under employee costs, €1,494 thousand was recorded for charges related to mobility plans applied to the Piaggio group production sites in Pontedera and Noale.

Average employee numbers were affected by seasonal workers in the summer (on fixed-term employment contracts). The Group effectively hires temporary staff to cover peaks in demand typical of the summer months. In the first half of 2020, the average headcount was down slightly in all geographic areas, also considering the COVID-19 emergency, with the exception of Vietnam, where production never stopped. During lockdown, the Group obviously used fewer temporary staff.

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

numbers	<i>First half of 2020</i>	<i>First half of 2019</i>
Senior management	116	115
Middle managers and white-collar workers	2,540	2,580
Blue-collar workers	4,034	4,154
TOTAL	6,690	6,849

- H5 - DEPRECIATION AND IMPAIRMENT COSTS OF PROPERTY, PLANT AND EQUIPMENT 25,171

The depreciation of property, plant and equipment at 30 June 2020 is summarised below:

In thousands of Euros	<i>First half of 2020</i>	<i>First half of 2019</i>
Depreciation of buildings	5,784	5,573
Depreciation of plant and machinery	10,946	10,880
Depreciation of industrial and commercial equipment	4,983	4,796
Depreciation of assets to be given free of charge	157	127
Depreciation of other assets	3,301	3,381
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	25,171	24,757

The above item includes depreciation for rights of use in the first half of 2020 equal to €4,509 thousand.

- H6 - AMORTISATION AND IMPAIRMENT COSTS OF FINITE LIFE INTANGIBLE ASSETS 35,474

During the first half of 2020, amortisation of intangible assets with a finite life amounted to €35,474 thousand.

In thousands of Euros	First half of 2020	First half of 2019
Amortisation of development costs	15,756	16,982
Amortisation of concessions, patents, industrial and similar rights	17,089	17,134
Amortisation of trademarks and licences	2,411	2,411
Amortisation software	56	56
Amortisation of other intangible assets with a finite life	162	77
AMORTISATION OF INTANGIBLE ASSETS	35,474	36,660

Since 1 January 2004, goodwill has no longer been amortised but has been subjected to impairment tests at least annually: see the note on intangible assets for details of the activities carried out. It should be noted that amortisation does not include the impairment of goodwill in the first six months of 2020, and in the same period of the previous year, as the impairment tests conducted at 30 June 2020 did not identify the need for any write-down, as the goodwill is considered to be recoverable through future cash flows.

Considering that the analyses conducted to estimate the recoverable value for the Immsi Group cash-generating unit were also determined based on estimates, the Group cannot guarantee that there will be no goodwill impairment losses in future periods. Owing to the current climate of uncertainty on core and financial markets, the various factors – both inside and outside the cash-generating units identified – used in preparing estimates could be revised in the future: the Group will constantly monitor these factors and the possible existence of future impairment losses.

- H7 - OTHER OPERATING INCOME 51,720

The “Other operating income” item comprises:

In thousands of Euros	First half of 2020	First half of 2019
Gains on the disposal of property, plant and equipment	1	14
Sponsorships	0	1,484
Grants	2,387	2,753
Recovery of sundry costs	15,828	19,782
Licence rights	1,251	1,122
Sale of materials and sundry equipment	271	574
Insurance settlements	2,385	800
Increases in fixed assets from internal work	23,188	27,107
Reversal of provisions for risks and other provisions	1,083	1,784
Rents received	256	2,230
Other operating income	5,070	7,954
TOTAL	51,720	65,604

Other operating income decreased compared with the corresponding period of the preceding year by €13,884 thousand (-21.2%).

- H8 - NET REVERSALS (WRITE-DOWNS) OF TRADE AND OTHER RECEIVABLES (1,277)

At 30 June 2020 this item amounted to €1,277 thousand for net write-downs and is broken down as follows:

In thousands of Euros	First half of 2020	First half of 2019
Release of provisions	58	91
Losses on receivables	97	96
Write-down of receivables in working capital	1,238	791
TOTAL	(1,277)	(796)

- H9 - OTHER OPERATING COSTS 10,832

The item Other operating costs totalled €10,832 thousand at 30 June 2020 and comprises the following:

In thousands of Euros	First half of 2020	First half of 2019
Losses on the disposal of property, plant and equipment	3	31
Duties and taxes not on income	2,542	2,947
Provisions for future and other risks	4,096	6,343
Other operating costs	4,191	3,282
TOTAL	10,832	12,603

At 30 June 2020, the item Other operating costs included a loss of €1,946 thousand from the change in fair value of investment property due to the lower value recognised by the expert valuation of the Spanish site of Martorelles.

- H10 - INCOME/(LOSS) FROM INVESTMENTS 564

Income from investments is due to the portion attributable to the Group of the Zongshen Piaggio Foshan Motorcycle Co. Ltd joint venture (€547 thousand) and affiliated company Pontech (€17 thousand) measured at equity.

- H11 - FINANCIAL INCOME 14,108

Financial income recognised by the Group at 30 June 2020 is detailed below:

In thousands of Euros	First half of 2020	First half of 2019
Interest income	860	2,137
Exchange gains	13,247	5,355
Income from fair value hedging and interest rates	0	271
Dividends	0	18
Other income	1	91
TOTAL	14,108	7,872

The increase of €6,236 thousand is attributable to greater exchange gains offset by greater exchange losses.

- H12 - BORROWING COSTS	32,471
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Borrowing costs at 30 June 2020 are detailed below:

In thousands of Euros	<i>First half of 2020</i>	<i>First half of 2019</i>
Interest payable on bank loans	9,730	10,577
Interest payable on loans from third parties	3,711	4,168
Interest payable on debenture loans	6,217	6,392
Other interest expense	1,746	543
Commissions payable	780	1,134
Exchange losses	10,057	5,673
Financial component of retirement funds and termination benefits	132	172
Other charges	98	650
TOTAL	32,471	29,309

Borrowing Costs at 30 June 2020 increased by €3,162 thousand compared to the same period of the previous year. This change is mainly due to greater exchange losses offset by greater exchange gains; vice versa interest expense for the period was down overall, due to interest.

- H13 - TAXES	4,329
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The expected tax expense on the income of companies consolidated with the line by line consolidation method in the financial statements at 30 June 2020 amounted to €4,329 thousand, with a percentage of income before taxes of 83.2% (52.6% in the first half of 2019).

- H14 - GAIN/(LOSS) FROM ASSETS HELD FOR DISPOSAL OR SALE	0
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At the end of the reporting period, there were no gains or losses from assets held for disposal or sale, as well as for the corresponding period of the previous year.

- H15 - EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	1,510
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Earnings for the period of the Immsi Group were positive amounting to €1,510 thousand, after allocating a loss of €638 thousand to non-controlling interests.

- I - COMMITMENTS, RISKS AND GUARANTEES

For main commitments, risks and guarantees, where not specifically updated in these Notes, reference is made to the Notes to the Consolidated Financial Statements at 31 December 2019 for a general overview of the Group.

- L - TRANSACTIONS WITH RELATED PARTIES

As regards information to be provided on related party transactions of the Group, in accordance with IAS 24 – *Related Parties Disclosures*, related party transactions took place in normal market conditions or as laid down by specific laws. No atypical or unusual transactions were carried out during the period to 30 June 2020. In compliance with Regulation no. 17221 on transactions with Related Parties issued by Consob on 12 March 2010 as amended, the Company adopted a new procedure to regulate procedures to approve related-party transactions, available on the website of the Issuer www.immsi.it, in the section Governance -Procedures.

The following table shows the main financial effects of related party transactions and their impact on each financial statement item as of consolidated data of the Immsi Group at 30 June 2020: the financial effects arising from consolidated intergroup operations were eliminated during consolidation.

For comparative purposes, the following table shows income statement data at 30 June 2019 and balance sheet data at 31 December 2019.

Main economic and financial items	Amounts in thousands of Euro 30.06.2020	% accounting for financial statement items	Description of the nature of transactions	Comparable amounts in thousands of Euros
Transactions with Related Parties:				
<i>Current trade payables</i>	110	0.0%	<i>Tax advisory services provided by St. Girelli & Ass. to the Group</i>	91
<i>Costs for services, leases and rentals</i>	94	0.1%	<i>Tax advisory services provided by St. Girelli & Ass. to the Group</i>	82
Transactions with Parent companies:				
<i>Non-current financial liabilities</i>	977	0.1%	<i>Rental of offices provided by Omniaholding S.p.A. to the Group</i>	358
<i>Current financial liabilities</i>	359	0.1%	<i>Rental of offices provided by Omniaholding S.p.A. to the Group</i>	262
<i>Current trade payables</i>	442	0.1%	<i>Rental of offices provided by Omniaholding S.p.A. to the Group</i>	692
<i>Costs for services, leases and rentals</i>	40	0.0%	<i>Rental of offices provided by Omniaholding S.p.A. to the Group</i>	0
<i>Borrowing costs</i>	14	0.0%	<i>Costs related to the equity loan from Omniaholding S.p.A. in favour of Immsi and rental of offices provided by Omniaholding S.p.A. to the Group</i>	31
Transactions with Subsidiaries, Affiliated Companies, Joint Ventures:				
<i>Trade receivables and other non-current receivables</i>	81	0.4%	<i>Receivables from Fondazione Piaggio</i>	81
<i>Current trade receivables and other receivables</i>	104	0.1%	<i>Receivables due from Consorzio CTMI</i> <i>Receivables from Piaggio Foshan</i>	137
	2,584	1.5%		2,282
<i>Current trade payables</i>	7,237	1.4%	<i>Trade payables to Piaggio Foshan and Fondazione Piaggio Onlus</i> <i>Trade payables to Consorzio CTMI</i>	5,318
	20	0.0%		0
<i>Net revenues</i>	25	0.0%	<i>Sales to Piaggio Foshan</i>	39
<i>Costs for materials</i>	8,569	2.6%	<i>Purchases from Piaggio Foshan</i>	9,681
<i>Costs for services, leases and rentals</i>	60	0.1%	<i>Costs for services rendered by Consorzio CTMI</i>	60
<i>Other operating income</i>	276	0.5%	<i>Income from Piaggio Foshan</i>	123

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

- M - FINANCIAL POSITION

The Immsi Group net financial debt at 30 June 2020 is shown below, compared with corresponding data at 31 December 2019 and at 30 June 2019. Further details of the main components are provided in the tables in the Half-Yearly Financial Report and related information below them:

(in thousands of Euros)	30.06.2020	31.12.2019	30.06.2019
Cash and cash equivalents	-179,910	-212,596	-173,978
Other short-term financial assets	0	0	0
Medium/long-term financial assets	0	0	0
Short-term financial payables	455,470	461,981	442,370
Medium/long-term financial payables	623,212	547,011	569,771
Net financial debt *)	898,772	796,396	838,163

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

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

- N - DIVIDENDS PAID

As proposed by the Board of Directors on 25 March 2020 and approved by Ordinary Shareholders’ Meeting on 14 May 2020, the Parent Company did not distribute dividends during the first half of 2020, nor in the first half of 2019.

- O - EARNINGS PER SHARE

Earnings per share

Earnings per share are calculated by dividing the income or loss attributable to parent company shareholders by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares. The average number of shares in circulation is calculated by using the principle of retrospectively applying the changes in the number of shares in circulation.

	First half of 2020	First half of 2019
Net profit attributable to ordinary shareholders (in thousands of Euro)	1,510	12,771
Average weighted number of shares in circulation during the year	340,530,000	340,530,000
Basic earnings per share (in Euro)	0.004	0.038

Diluted earning per share

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

The Company has no category of potential ordinary shares at 30 June 2020, therefore the diluted income per share coincides with the above basic earning per share.

- P - INFORMATION ON FINANCIAL INSTRUMENTS

Below we summarise the information on financial instruments, the risks connected with them, as well as the “sensitivity analysis” in accordance with the requirements of IFRS 7. The following table shows the financial instruments of the Immsi Group registered in the financial statements at 30 June 2020 and at 31 December 2019:

In thousands of Euros	30 June 2020	31 December 2019
ASSETS		
NON-CURRENT ASSETS		
Other financial assets	3,459	5,992
Financial receivables	0	0
Financial assets	3,459	5,992
CURRENT ASSETS		
Other financial assets	5,744	5,572
Financial receivables	0	0
Financial assets	5,744	5,572
LIABILITIES		
NON-CURRENT LIABILITIES		
Financial liabilities	626,601	525,858
Convertible	282,830	291,694
Payables due to banks	316,378	220,599
Lease liabilities	23,889	7,930
Amounts due to other lenders	115	160
Financial liabilities for hedging instruments	3,389	5,475
CURRENT LIABILITIES		
Financial liabilities	458,854	534,659
Convertible	11,031	10,325
Payables due to banks	375,088	465,000
Lease liabilities	8,147	1,237
Amounts due to subsidiaries	8	9
Amounts due to other lenders	61,196	55,525
Financial liabilities for hedging instruments	3,384	2,563

Financial assets

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

Financial liabilities

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

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

- 1) financial covenants based on which the company is committed to meeting certain contractually agreed financial ratios. The most common and significant covenants include the ratio of net financial debt to EBITDA, net debt to shareholders’ equity and EBITDA/net

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

The high yield debenture loan issued by Piaggio in April 2018 provides for compliance with covenants which are typical of international practices on the high yield market. In particular, the company must observe the EBITDA/Net borrowing costs index, based on the threshold established in the Prospectus, to increase financial debt defined during issue. In addition, the Prospectus includes some obligations for the issuer, which limit, inter alia, the capacity to:

- 1) pay dividends or distribute capital;
- 2) make some payments;
- 3) grant collaterals for loans;
- 4) merge with or establish some companies;
- 5) sell or transfer own assets.

The measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis, in particular, based on results at 30 June 2020, all covenants had been fully met.

Failure to comply with the covenants and other contract commitments of the loan and debenture loan, if not remedied in agreed times, may give rise to an obligation for the early repayment of the outstanding amount of the loan. For more details, see the information in Note G2 – Financial liabilities.

Lines of credit

At 30 June 2020 the Immsi Group had irrevocable credit lines up to expiry amounting to €1,063.7 million (€1,066.4 million at 31 December 2019), details of which are given in the Note G2 – *Financial liabilities*.

Management of financial risks

The financial risks to which the Immsi Group believes to be potentially exposed to are:

- the management of capital and the liquidity risk;
- the exchange risk;
- the interest rate risk; and
- the credit risk.

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

Capitals management and liquidity risk

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

The **Parent Company Immsi S.p.A.** provides financing for the Group's subsidiaries and/or issues

guarantees to facilitate their funding: these operations are regulated under normal market conditions.

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

For a greater coverage of liquidity risk, at 30 June 2020 the Immsi Group had unused credit lines available for €376.3 million (€389.5 million at 31 December 2019), of which €152.5 million due within 12 months and €223.8 million due after 12 months.

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

Exchange rate risk management

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

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

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

Cash flow hedging relating to the Piaggio group

At 30 June 2020, the Group had undertaken the following futures operations (recognised based on the settlement date), relative to payables and receivables already recognised to hedge the transaction exchange risk:

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			<i>In thousands</i>	<i>In thousands</i>	
Piaggio & C.	Purchase	CAD	2,050	1,338	08/07/2020
Piaggio & C.	Purchase	CNY	102,000	12,935	17/07/2020
Piaggio & C.	Purchase	JPY	105,000	881	20/08/2020
Piaggio & C.	Purchase	SEK	6,000	571	03/07/2020
Piaggio & C.	Purchase	USD	19,100	17,287	12/08/2020
Piaggio & C.	Sale	CAD	4,250	2,780	26/07/2020
Piaggio & C.	Sale	JPY	20,000	167	02/09/2020
Piaggio & C.	Sale	USD	50,850	45,364	1/09/2020
Piaggio Vietnam	Purchase	€	3,500	89,925,000	15/07/2020
Piaggio Vietnam	Sale	JPY	150,000	32,145,000	29/07/2020
Piaggio Vietnam	Sale	USD	34,000	795,598,000	5/09/2020
Piaggio Indonesia	Purchase	USD	2,264	32,493,104	30/08/2020
Piaggio Vespa BV	Sale	SGD	400	253	22/07/2020
Piaggio Vehicles Private Limited	Sale	USD	6,000	456,158	31/08/2020

At 30 June 2020, the Group had undertaken the following hedging transactions on the exchange risk:

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			<i>In thousands</i>	<i>In thousands</i>	
Piaggio & C.	Purchase	CNY	582,000	72,115	16/04/2021
Piaggio & C.	Sale	GBP	5,570	6,493	26/09/2020

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. At 30 June 2020, the overall fair value of hedging instruments on the exchange risk recognised on a hedge accounting basis was positive, amounting to €195 thousand. During the first half of 2020, profits recognised in other comprehensive income amounted to €160 thousand, while losses of €42 thousand were reclassified from other comprehensive income to profit/loss for the period.

The net balance of cash flows during the first half of 2020 is shown below in the main currencies:

<i>In millions of Euros</i>	Cash flow for the 1st half of 2020
Canadian Dollar	3.1
Pound Sterling	6.0
Swedish corona	2.9
Japanese Yen	(1.0)
US Dollar	31.3
Indian Rupee	(90.5)
Croatian Kuna	1.5
Chinese Yuan*	(12.5)
Vietnamese Dong	(43.3)
Singapore Dollar	(1.2)
Indonesian Rupiah	5.3
Total cash flow in foreign currency	(98.4)

*cash flow partially in USD

The subsidiary **Intermarine S.p.A.** generally hedges the risks deriving from exchange rate fluctuations through specific operations linked to individual orders that require billing in currencies other than the Euro. At 30 June 2020, no forward sales contracts were ongoing.

In view of the above, a hypothetical 3% appreciation/depreciation of the Euro would generate, respectively, potential profits of €2,870 thousand and losses of €3,047 thousand.

Management of the interest rate risk

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

With reference to the **Piaggio group**, at 30 June 2020, the following hedging derivatives were taken out:

Fair value hedging derivatives (fair value hedging and fair value options): a Cross Currency Swap to hedge the private debenture loan issued by Piaggio & C. S.p.A. for a nominal amount of USD 75,000 thousand. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to Euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. At 30 June 2020, the fair value of the instrument was €6,913 thousand. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €-273 thousand; the sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the interest rates curve, showed a potential impact on the income statement, net of the related tax effect, of practically zero, assuming constant exchange rates; assuming a 1% appreciation and depreciation of the exchange rates, the sensitivity analysis identified a potential impact on the income statement, net of the related tax effect, of €-31 thousand and €+29 thousand respectively.

<i>In thousands of Euros</i>	<i>Fair value</i>
<i>Piaggio & C. S.p.A.</i>	
Cross Currency Swap	6,913

Moreover, the Parent Company **Immsi S.p.A.** activated an interest rate swap to change a part of flows for interest relative to loans with Banco BPM from a variable to a fixed rate. At 30 June 2020, the fair value of the instruments was negative at €9 thousand. In the half year, profit amounting to €4 thousand was recognised in other components of the statement of comprehensive income.

Credit risk

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

<i>In thousands of Euros</i>	<i>30 June 2020</i>	<i>31 December 2019</i>
Bank funds and securities	179,812	200,333
Financial assets	9,240	11,601
Tax receivables	27,912	27,345
Trade receivables and other receivables	192,801	158,687
Total	409,765	397,966

In particular, the **Piaggio group** monitors or manages credit centrally by using established policies and guidelines. The portfolio of trade receivables shows no signs of concentrated credit risk in light of the broad distribution of its own licensee or distributor network. In addition, most trade receivables are short-term. In order to optimise credit management, Piaggio & C. S.p.A. has established revolving programmes with some primary factoring companies for selling its trade receivables without recourse in Europe and the United States.

With reference to the subsidiary **Intermarine S.p.A.**, which in view of the nature of its business can present receivables concentrated among a few customers, it is noted that the most significant customers in quantitative terms are represented by public bodies: moreover, in general production to order requires substantial advance payments by the customer as works progress, thereby reducing the credit risk.

With reference to the other companies of the Immsi Group, there is currently no significant exposure to credit risk.

Hierarchical fair value valuation levels

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

The standard defines a fair value hierarchy:

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

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

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

<i>in thousands of Euros</i>	Nominal value	Carrying amount	Fair Value *
<i>Piaggio group</i>			
High yield debenture loan	250,000	241,852	248,658
Private debenture loan 2022	30,000	29,932	29,943
EIB (R&D loan 2016-2018)	35,714	35,661	35,863
Loan from B. Pop. Emilia Romagna	16,000	15,966	17,753
Loan from Banco BPM	5,684	5,684	6,040
<i>Revolving</i> syndicated loan 2023	55,000	54,329	55,242
Syndicated loan 2023	62,500	62,230	62,759
MCC loan	6,060	6,056	6,057
Banca Ifis loan	4,500	4,477	4,616

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

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

The table below shows the assets and liabilities measured at fair value at 30 June 2020, based on fair value hierarchical levels:

<i>In thousands of Euros</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Assets measured at fair value			0
Hedging financial derivatives	2,290	0	0
Investment property		6,913	0
Other assets		0	7,257
Total assets	2,290	7,366	7,294
Liabilities measured at fair value		(28,874)	0
Hedging financial derivatives		(9)	0
Other liabilities		(955)	0
Total liabilities	0	(29,838)	0
Balance at 30 June 2020	2,290	(22,472)	7,294

Hierarchical level 1 includes the carrying amount of the investment held by Immsi S.p.A. in Unicredit S.p.A., down by €1,351 thousand compared to 31 December 2019 following a decrease in the share price recorded at the end of June 2020.

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

Lastly, Hierarchical level 3 includes the fair value of the former Spanish site of Martorelles of the Piaggio group under Investment Property.

The following table highlights the changes that occurred during the first half of 2020:

In thousands of Euros	Level 1	Level 2	Level 3
<i>Balance at 31 December 2019</i>	3,641	(21,625)	9,240
Gain and (loss) recognised in profit or loss		(949)	(1,946)
Gain (loss) recognised in the statement of comprehensive income	(1,351)	102	0
Increases/(Decreases)	0	0	0
Balance at 30 June 2020	2,290	(22,472)	7,294

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND INVESTMENTS AT 30 JUNE 2020

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

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

Company name	Currency	Share Capital (subscribed and paid-up)	% of Share Capital owned	% votes (if different)
LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS ON A LINE-BY-LINE BASIS				
Immsi S.p.A. Mantova (MN) – Italy Parent Company	Euros	178,464,000.00		
Apuliae S.r.l. Lecce (LE) – Italy Immsi S.p.A. investment: 85.69%	Euros	220,000.00	85.69%	
ISM Investimenti S.p.A. Mantova (MN) – Italy Immsi S.p.A. investment: 72.64%	Euros	6,654,902.00	72.64%	
Is Molas S.p.A. Pula (CA) – Italy ISM Investimenti S.p.A. investment: 92.59%	Euros	10,398,437.00	92.59%	
Pietra S.r.l. Milan (MI) – Italy Immsi S.p.A. investment: 77.78%	Euros	40,000.00	77.78%	
Pietra Ligure S.r.l. Mantova (MN) – Italy Investment of Pietra S.r.l.: 100.00%	Euros	10,000.00	100.00%	
Immsi Audit S.c.a r.l. Mantova (MN) – Italy Immsi S.p.A. investment: 25.00% Is Molas S.p.A. investment: 25.00% Piaggio & C. S.p.A. investment: 25.00% Intermarine S.p.A. investment: 25.00%	Euros	40,000.00	100.00%	
RCN Finanziaria S.p.A. Mantova (MN) – Italy Immsi S.p.A. investment: 63.18%	Euros	1,000,000.00	63.18%	
Intermarine S.p.A. Sarzana (La Spezia) – Italy RCN Finanziaria S.p.A. investment: 100.00%	Euros	2,060,214.00	100.00%	
Piaggio & C. S.p.A. Pontedera (PI) – Italy Immsi S.p.A. investment: 50.07%	Euros	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%	Euros	250,000.00	100.00%	
Aprilia World Service Holding do Brasil Ltda.*) San Paolo – Brazil Piaggio group Americas Inc. investment: 99.99995%	R\$	2,028,780.00	99.99995%	
Foshan Piaggio Vehicles Technology Research & Development Co. Ltd Foshan City – China Piaggio Vespa B.V. investment: 100.00%	RMB	10,500,000.00	100.00%	

Company name	Currency	Share Capital (subscribed and paid-up)	% of Share Capital owned	% votes (if different)
Nacional Motor S.A. Barcelona – Spain Piaggio & C. S.p.A. investment: 100.00%	Euros	60,000.00	100.00%	
Piaggio Asia Pacific PTE Ltd. Singapore – Singapore Piaggio Vespa B.V. investment: 100.00%	SGD	100,000.00	100.00%	
Piaggio Advanced Design Center Corp. Pasadena – 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	12,136,000.00	100.00%	
Piaggio Concept Store Mantova S.r.l. Mantova – Italy Piaggio & C. S.p.A. investment: 100%	Euros	100,000.00	100.00%	
Piaggio Deutschland GmbH Düsseldorf – Germany Piaggio Vespa B.V. investment: 100.00%	Euros	250,000.00	100.00%	
Piaggio España S.L.U. Alcobendas – Spain Piaggio & C. S.p.A. investment: 100.00%	Euros	426,642.00	100.00%	
Piaggio Fast Forward Inc. Boston – USA Piaggio & C. S.p.A. investment: 86.08%	USD	14,753.30	86.08%	
Piaggio France S.A.S. Clichy Cedex – France Piaggio Vespa B.V. investment: 100.00%	Euros	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 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%	Euros	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%	Euros	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% Piaggio China Co. Ltd. investment: 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%	Euros	20,000.00	100.00%	
Depuradora d’Aigües de Martorelles S.C.C.L. Barcelona – Spain Nacional Motor S.A. equity investment: 22.00%	Euros	60,101.21	22.00%	
Pont – Tech, Pontedera & Tecnologia S.c.r.l. Pontedera (PI) – Italy Piaggio & C. S.p.A. investment: 20.45%	Euros	469,069.00	20.45%	
S.A.T. Société 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: 34.21%	Euros	18,145.26	34.21%	
Fondazione Piaggio Pontedera (PI) – Italy Piaggio & C. S.p.A. investment: 66.67%	Euros	103,291.38	66.67%	

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

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

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

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

of the administrative and accounting procedures for the preparation of the condensed interim financial statements in the course of the first half of 2020.

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

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

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

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

2 September 2020

The Chairman
Roberto Colaninno

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

Chief Executive Officer
Michele Colaninno



REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
IMMSI SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of IMMSI SpA and its subsidiaries (the IMMSI Group) as of 30 June 2020, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of consolidated cash flows, the statement of changes in consolidated shareholders' equity and related notes. The directors of IMMSI SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of the IMMSI Group as of 30 June 2020 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Verona, 3 September 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

PricewaterhouseCoopers SpA

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