

IMMSI Società per Azioni

Share capital €178,464,000 fully paid up

Registered office: Piazza Vilfredo Pareto, 3 – 46100 Mantova

Mantova Register of Companies – Tax code and VAT registration number

07918540019

Directors' Report and Financial Statements of the Immsi Group As of 31 December 2020

This Annual Financial Report as of 31 December 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 19 March 2021 and is available for the public to consult at the Registered Office of the Company, on the website of the Borsa Italiana S.p.A. www.borsaitaliana.it, in the centralised storage system www.emarketstorage.com and on the Issuer's website www.immsi.it (section: "Investors/Financial statements and reports/2021") according to legislation.

COMPANY BOARDS

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

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

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

INDEPENDENT AUDITORS

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

Michele Colaninno

In accordance with the principles of Corporate Governance recommended by the Self-Regulatory Code for Listed Companies, and pursuant to Legislative Decree 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 RELATOR

Andrea Paroli

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

Directors' Report on Operations

These Financial Statements of the Immsi Group at 31 December 2020 have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and endorsed by the European Union under Regulation (EC) No 1606/2002, as well as in compliance with the provisions established in Article 9 Legislative Decree 38/2005. The interpretations of the Standing Interpretation Committee ("SIC") and the International Financial Reporting Interpretations Committee ("IFRIC") were also considered.

This Report also contains the consolidated financial statements and notes of the Immsi Group ("the Group"), and the financial statements and notes of the Parent Company Immsi S.p.A. (the "Company").

Furthermore, it should be noted that the data contained in this document may in some cases present rounding defects due to the representation in thousands and millions: in this regard, it should be noted that changes and percentages are generally calculated on data expressed in thousands.

Health emergency - COVID-19

From as early on as the first few months of 2020, a factor of macro-economic instability came to the fore, connected with the spread of COVID-19, that has affected global economic activity.

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 in 2020, and particularly affected the markets where the Immsi Group operates.

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

Property and holding sector

The Parent Company Immsi S.p.A. is continuing to use operating procedures for its personnel, in line with general rules on protecting public health, and at the same time is guaranteeing operating continuity.

The Company has agreed with certain banks with which it has amortising credit lines, a moratorium for a period of 12 months on the instalments falling due and the consequent repositioning of the same at the end of the repayment schedule, in line with arrangements provided by the banking system for the majority of companies with credit lines.

As regards the subsidiary Is Molas S.p.A., the pandemic related to COVID-19 had a significant impact on the *business* in which the company operates, in particular on the opening of the hotel, on the general reduction in the flow of customers during opening periods compared to previous years and on the intermittent use of active services. Activities for the public resumed on 8 May, with only the golf course open. From July to mid-October, hotels were open and a request was made to restart food & beverage services, following all applicable guidelines issued by authorities and regulations to protect guests and employees.

To deal with this situation, a number of actions were taken to reduce costs and use the support measures granted by the government for the emergency, and a request was made to and granted by a bank to defer the payment of principal falling due in 30 June and 31 December 2020.

Although the evolution and effects of COVID-19 pandemic are still difficult to determine, the Directors of the subsidiary Is Molas S.p.A. believe, also in the light of the moratorium obtained for the principal repayments of loans in place and the financial support granted by the parent company Immsi, that business continuity is guaranteed at present.

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, and at the same time employees worked remotely.

In India, based on the lockdown instruction 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, with local, intermittent lockdowns put in place for new outbreaks in the last few months.

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 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.

Since late spring, Western markets and China have picked up considerably, enabling a partial recovery in GDP and demand for vehicles. The pandemic curve accelerated again starting from the third quarter in India, and in the autumn in the West. Consequently, in many countries some commercial activities have been closed and the movement of people prohibited, generating a new decline in the general macroeconomic framework.

Against this difficult backdrop, the Piaggio group has concretely demonstrated its ability to respond effectively to an unprecedented health emergency. In the first half year, the group felt the effects of the pandemic (-26.5% decrease in net revenues compared to the first half of 2019), but in the second half of 2020 the group's consolidated net revenues increased by 1.3% compared to the second half of 2019. In the light of the trend registered in the last six months (apart from the Indian market, still affected by intermittent lockdowns), with results above expectations revised at 30 June 2020 and better than the same period of the previous year, 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.

Marine sector

With reference to the health emergency caused by COVID-19, the subsidiary Intermarine S.p.A. took prompt action to implement the provisions aimed at combating the spread of the virus to protect the community and the health of its workers, and adopted all the necessary measures to reduce the risks of contagion, in accordance with the regulations issued by the Government and the relevant authorities. The subsidiary put in place a company protocol and specific protocols 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 during 2020, resuming production, albeit at a reduced rate, only after obtaining appropriate authorisation from the prefecture.

The company constantly maps and monitors the work processes of its staff, in order to establish the need to perform work at the company's premises, activating and promoting, where possible, the use of off-site working.

From an economic and financial point of view, the emergency delayed the processing phases of orders in progress from mid-March 2020 onwards, and in particular postponed the control and acceptance process of the second mine sweeping unit in the portfolio, due to the client's committee being unable to come to Italy, which was postponed to the beginning of July, being deferred by more than 3 months compared to the original schedule, with the consequent deferment of invoicing to the customer and incoming financial flows.

In addition to stoppages, suspensions and postponements of production activities, the COVID-19 emergency also led to the interruption or at least the slowing down of commercial programmes with potential customers.

In terms of loans and credit lines, the company arranged with banks to defer and re-schedule principal repayments by 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 there have not been and at present there are no particular risks to being a going concern, related to the effects of the COVID-19 pandemic.

Information on operations and activities of the Immsi Group

2020 was characterised by the global health emergency caused by the COVID-19 virus, which had a particularly negative impact the Immsi Group, in particular in the industrial sectors and tourist/hospitality industries, production, and sales and services offered to customers.

All ratios were affected in comparison with the previous year, although they recovered significantly in the second half of the year. Turnover decreased by 13.5% (in June it came to -26%), Ebitda by 16.4% (in June it stood at -38.8%), while the Group's net result of €9.8 million was higher than the previous year's result of €7.9 million. The net financial position also recorded a very positive result, in light of the context outlined above, containing cash absorption of approximately €6.5 million to approximately €802.9 million.

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

Alternative non-GAAP performance measures

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

These 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 measures have been used:

- **EBITDA:** defined as “Operating income” before the amortisation/depreciation and impairment costs of intangible assets, property, plant and equipment and rights of use, as resulting from the income statement;
- **Net financial debt (or net debt):** represented by (current and non-current) financial liabilities, minus cash on hand and other cash and cash equivalents, as well as other (current and non-current) financial receivables. Net financial debt does not include other financial assets and liabilities arising from the fair value measurement, financial derivatives used as hedging and otherwise, the fair value adjustment of related hedged items, financial liabilities related to assets held for disposal, related deferrals and interest accrued on loans. The tables in this Report and in the Notes to the consolidated financial statements are included in statements that indicate the items used to determine the measure. In this respect, pursuant to the CESR recommendation of 10 February 2005 “Recommendations for the consistent implementation of the European Commission’s Regulation on Prospectuses”, the indicator thus formulated represents items and trends monitored by Group Management and differs from that suggested by Consob Communication no. 6064293 of 28 July 2006 as it also includes the non-current portion of financial receivables.

Immsi Group at 31 December 2020

In thousands of Euros	<i>Property and holding sector</i>		<i>Industrial sector</i>		<i>Marine sector</i>		<i>Immsi Group</i>	
		<i>as a %</i>		<i>as a %</i>		<i>as a %</i>		<i>as a %</i>
Net revenues	1,455		1,313,690		61,622		1,376,767	
Operating income before depreciation and amortisation (EBITDA)	-5,869	n/m	186,050	14.2%	6,054	9.8%	186,235	13.5%
Operating income (EBIT)	6,930	n/m	70,856	5.4%	2,519	4.1%	66,445	4.8%
Profit before tax	-21,263	n/m	50,166	3.8%	501	0.8%	29,404	2.1%
Earnings for the period including non-controlling interests	-15,708	n/m	31,322	2.4%	192	0.3%	15,806	1.1%
Group earnings for the period (which may be consolidated)	6,113	n/m	15,728	1.2%	139	0.2%	9,754	0.7%
Net debt	-328,820		-423,617		-50,467		-802,904	
Personnel (number)	58		5,856		253		6,167	

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

Immsi Group at 31 December 2019

In thousands of Euros	<i>Property and holding sector</i>		<i>Industrial sector</i>		<i>Marine sector</i>		<i>Immsi Group</i>	
		<i>as a %</i>		<i>as a %</i>		<i>as a %</i>		<i>as a %</i>
Net revenues	4,817		1,521,325		64,593		1,590,735	
Operating income before depreciation and amortisation (EBITDA)	-17,446	n/m	227,830	15.0%	12,265	19.0%	222,649	14.0%
Operating income (EBIT)	-18,090	n/m	104,546	6.9%	8,800	13.6%	95,256	6.0%
Profit before tax	-34,200	n/m	80,684	5.3%	6,962	10.8%	53,446	3.4%
Earnings for the period including non-controlling interests	-28,601	n/m	46,749	3.1%	4,826	7.5%	22,974	1.4%
Group earnings for the period (which may be consolidated)	-19,076	n/m	23,466	1.5%	3,499	5.4%	7,889	0.5%
Net debt	-317,656		-429,744		-48,996		-796,396	
Personnel (number)	68		6,222		262		6,552	

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

The property and holding sector

In thousands of Euros	31.12.2020	as a %	31.12.2019	as a %	Change	as a %
Net revenues	1,455		4,817		-3,362	-69.8%
Operating income before depreciation and amortisation (EBITDA)	-5,869	n/m	-17,446	n/m	11,577	66.4%
Operating income (EBIT)	6,930	n/m	-18,090	n/m	11,160	61.7%
Profit before tax	-21,263	n/m	-34,200	n/m	12,937	37.8%
Earnings for the period including non-controlling interests	-15,708	n/m	-28,601	n/m	12,893	45.1%
Group earnings for the period (which may be consolidated)	6,113	n/m	-19,076	n/m	12,963	68.0%
Net debt	-328,820		-317,656		-11,164	-3.5%
Personnel (number)	58		68		-10	-14.7%

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

Overall, the property and holding sector reported a net loss for consolidation purposes in 2020 of approximately €6.1 million, an improvement of around €13 million compared to the same period of the previous year, mainly due to the recognition by the Parent Company in 2019 of a loss on expenses connected to the sale of the property in Rome, via Abruzzi.

The net financial position of the sector was in debt by €328.8 million, compared to €-317.7 million at the end of the previous year. The change of €11.2 million is mainly attributable to the cash absorption of Is Molas for €6.7 million and approximately €3.5 million to ISM Investimenti for capitalised interest expense concerning shareholders.

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

The **Parent Company Immsi S.p.A.** recorded, in its separate financial statements, (gross of intergroup eliminations) a net profit for the period of approximately €4.9 million, compared to a net profit of approximately €9 million at 31 December 2019.

In 2020 the Company posted net financial income (difference between financial income and costs) of €5.5 million. This value includes the adjustment following the impairment test carried out at 31 December 2020 on the carrying amount of the investment in ISM Investimenti S.p.A. for a negative €15 million (€7.9 million in 2019). Approximately €16.5 million in dividends from the subsidiary Piaggio & C S.p.A. were also recorded. (€26 million in 2019).

Net revenues of Immsi S.p.A. during the 2020 financial year from property management and services amounted to €2 million, down by €2.6 million compared to the previous year as a result of the sale at the end of 2019 of the almost fully leased property in Rome.

The net financial position at 31 December 2020 was positive by €6.8 million, down by approximately €5.7 million compared to the figure at 31 December 2019, following the conversion of receivables from subsidiaries into reserves for future capital increases, only partially offset by cash generated internally.

As regards initiatives in the **property sector** and in particular with reference to the subsidiary **Is Molas S.p.A.**, work site activities related to the construction of the first 15 villas and first and second section of primary services were completed and the company handed over the four finished *mock-up villas* and the remaining 11 villas at an advanced construction stage, in such a way as to enable potential customers to select the flooring and interior finishes. The company has considered renting *mock-up villas* to enable end customers, including investors, to better understand the product and its services. At the same time, during 2020, commercial activities were carried out to identify possible buyers also at international level, as far as possible given the constraints related to the COVID-19 health emergency,

With reference to the results for the period, the COVID-19 pandemic had a significant impact on the business in which Is Molas S.p.A. operates, and consequently also on the economic and financial data for this year. In particular, the pandemic impacted the opening of the hotel, the general reduction in the flow of customers during the opening period and the intermittent use of active services. These aspects led to a reduction in turnover from both the tourist/hospitality industries and golfing sector of approximately €1.2 million, bringing revenues to €1.4 million. In terms of margins, EBIT registered a loss of €3.5 million, about €0.5 million worse than the previous year. The net loss for the Immsi Group for consolidated purposes amounted to €2.1 million, up slightly on the previous year.

The net financial position of the company showed debt of €75.1 million compared to €68.3 million at 31 December 2019. During 2020, the net cash flow absorbed by operations was entirely financed by the Parent Company Immsi S.p.A..

With reference to the **Pietra Ligure** project, activities aimed at identifying potential parties interested in development of the Project continued. The net result for consolidation purposes of **Pietra S.r.l.** in 2020 was equal to €-0.1 million and in line with the result related to the same period of the previous year, while net financial debt was substantially stable compared to 31 December 2019 and equal to €2.8 million. The economic result for consolidation purposes of **Pietra Ligure S.r.l.**, which is controlled by Pietra S.r.l. and includes the Pietra Ligure real estate complex with related Concession and Planning Act, was a negative €0.3 million (compared to a loss of €0.5 million at 31 December 2019) and net financial debt amounted to €2.8 million (€2.2 million at 31 December 2019).

With reference to the subsidiary **Apuliae S.r.l.**, renovation work that began in March 2005 is suspended, following investigations by the legal authorities and pending the final decision of outstanding matters. For updates on the matter, see the paragraph "Disputes in progress" below. At 31 December 2020, the company showed a slight loss in earnings (€0.1 million) and a net financial debt of approximately €0.8 million, in line with 2019.

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

- **RCN Finanziaria S.p.A.**, in which Immsi S.p.A. holds a 72.51% stake, and sole shareholder of Intermarine S.p.A., reported a net loss for consolidation purposes for the Immsi Group equal to approximately €3.5 million (€-3.9 million in 2019) and net financial debt at 31 December 2020 amounting to €125.9 million, an increase of approximately €1.7 million compared to 31 December 2019.
- **ISM Investimenti S.p.A.**, held 72.64% by Immsi S.p.A. in terms of voting rights and the parent company of Is Molas S.p.A., with a share of 92.59% at 31 December 2020, reported a net loss for the Immsi Group for consolidation purposes of approximately €3.5 million (-€3.6 million in 2019) and a net financial debt at 31 December 2020 equal to €128.1 million, down by approximately €3.9 million compared to the figure at 31 December 2019, mainly as a result of the waiver by Immsi of receivables from ISM Investimenti S.p.A. for approximately €15.8 million converted into a shareholders' equity reserve intended for a future capital increase, an operation aimed at strengthening the subsidiary's shareholders' equity, partially offset by the disbursements of loans that took place during 2020 and the capitalisation of interest expense on certain outstanding loans.

Industrial sector: Piaggio group

In thousands of Euros	31.12.2020	as a %	31.12.2019	as a %	Change	as a %
Net revenues	1,313,690		1,521,325		-207,635	-13.6%
Operating income before depreciation and amortisation (EBITDA)	186,050	14.2%	227,830	15.0%	-41,780	-18.3%
Operating income (EBIT)	70,856	5.4%	104,546	6.9%	-33,690	-32.2%
Profit before tax	50,166	3.8%	80,684	5.3%	-30,518	-37.8%
Earnings for the period including non-controlling interests	31,322	2.4%	46,749	3.1%	-15,427	-33.0%
Group earnings for the period (which may be consolidated)	15,728	1.2%	23,466	1.5%	-7,738	-33.0%
Net debt	-423,617		-429,744		6,127	1.4%
Personnel (number)	5,856		6,222		-366	-5.9%

As regards the **industrial sector**, the Piaggio group sold 482,700 vehicles worldwide in 2020, with a decrease in volumes of approximately 21.0% compared to the previous year, when 611,300 vehicles were sold. All markets, with the exception of Asia Pacific 2W (+9.4%) declined as a result of the COVID-19 health emergency. The decline was more limited in EMEA and Americas (-1.7%), while in India the number of vehicles sold fell by 49.6%. As regards product type, sales of commercial vehicles fell by 53.7% and of two-wheelers by 3.7%.

Consolidated turnover for the period was negatively affected by the health emergency, which led to the repeated closure of production and commercial activities in many countries. The Piaggio group therefore closed the 2020 financial year with net revenues down compared to the same period in 2019 (-13.6%). The downturn concerned India in particular (-45.8%; -42.1% at constant exchange

rates) and the EMEA and Americas markets (-4.2%). Instead, the Asia Pacific area recorded a positive performance (+11.8%; +13.9% with constant exchange rates).

As regards product type, the decrease in turnover was greater for commercial vehicles (-41.5%) and more moderate for two-wheeler vehicles (-1.3%). As a result, the percentage of commercial vehicles accounting for overall turnover dropped from 30.6% in 2019 to the current figure of 20.8%; vice versa, the percentage of two-wheelers rose from 69.4% in 2019 to the current figure of 79.2%.

Operating income including amortisation, depreciation and impairment costs of intangible assets and property, plant and equipment (EBITDA) for the year 2020 amounted to approximately €186.1 million (€227.8 million in 2019). In relation to turnover, EBITDA was equal to 14.2% (15% in 2019). In terms of Operating Income (EBIT), performance was better in 2020 compared to 2019, with a consolidated EBIT equal to €70.9 million, down by €33.7 million compared to 2019; in relation to turnover, EBIT was equal to 5.4% (6.9% in 2019).

The result of financing activities improved compared to the previous year by €3.2 million, with net charges amounting to €20.7 million (€23.9 million in 2019). This improvement was thanks to the positive contribution of currency management and reduction in the cost of debt, which more than offset the effects of higher average debt.

Taxes for the period were equal to €18.8 million, while they amounted to €33.9 million in 2019. In 2020 the impact of taxes on profit before tax was estimated as equal to 37.6% (42.1% in 2019). The decrease is mainly due to the reduction in the tax burden on income produced in India over the course of the year.

Adjusted net profit stood at €31.3 million (2.4% of turnover), down on the figure for the previous year of €46.7 million (3.1% of turnover).

Net financial debt at 31 December 2020 amounted to €423.6 million, compared to €429.7 million at 31 December 2019. The decrease is due to the good performance of operations, which allowed for the payment of dividends and the financing of the investment programme.

Two-wheeler business

Two-wheeler vehicles can mainly be grouped into two product segments, scooters and motorcycles. In addition to the related spare parts and accessories business, the sale of engines to third parties, involvement in main two-wheeler sports championships and technical service.

The world two-wheeler market comprises two macro areas, which clearly differ in terms of characteristics and scale of demand: economically advanced countries (Europe, United States, Japan) and emerging nations (Asia Pacific, China, India, Latin America).

Revenues for the period were negatively affected by the COVID-19 health emergency, which led to the closure of production and commercial activities for several weeks in many countries.

During 2020, the Piaggio group sold a total of 384,700 two-wheeler vehicles worldwide, accounting for a net turnover equal to approximately €1,040.9 million, including spare parts and accessories (€119.4 million, -9.6%).

The overall downturn recorded in volumes (-3.7%) as well as turnover (-1.3%) was mainly due to the decreases reported in India (-33.0%; +24.2% turnover; -18.7% with constant exchange rates) and in EMEA and Americas (+0.6% volumes; -3.3% turnover). Only the Asia Pacific area managed to react positively (+9.4% volumes; +11.8% turnover; +13.9% with constant exchange rates).

India, the most important two-wheeler market, reported a significant decrease in 2020, closing with less than 14.3 million vehicles sold, down by 23.2% compared to 2019.

The People's Republic of China continued to decline (-9.9%), closing at just under 5.9 million units sold.

The Asian area, termed Asean 5, reported a downturn in 2020 (-30.1% compared to 2019) ending the period with nearly 9.6 million units sold.

The North American market reported an increase (+11.3%) compared to 2019 (578,916 vehicles sold in 2020).

Brazil, the leading market in South America, reversed the positive trend and, with a decrease in sales (-16.3%), closed at almost 933 million vehicles sold in 2020.

Europe, the reference area for Piaggio group activities, performed well in 2020, with an overall increase of 5.1% in sales compared to 2019 (+5.5% for the motorcycle segment and +4.6% for scooters), ending the period with approximately 1.454 million units sold.

In 2020, the Piaggio group further consolidated its leadership position on the European market, reaching an overall share of 14.2% (14.1% in 2019). The group, with its own sites in India and Vietnam, also operates in the "premium" segment of the Indian market and in Asia Pacific countries. In particular, Piaggio is one of the leading segment operators in Vietnam, which is the group's main market in the Asian area.

On the North American market, Piaggio consolidated its position, from 23.7% in 2019 to 28.2% in 2020.

Commercial vehicles business

The Commercial vehicles business includes three- and four-wheelers with a maximum mass below 3.5 tons (category N1 in Europe) designed for commercial and private use, and related spare parts and accessories. Revenues from the commercial vehicles business were negatively affected by the COVID-19 health emergency, which led to the closure of production and commercial activities for several weeks in many countries.

In 2020, the turnover amounted to approximately €272.8 million, including approximately €38.4 million related to spare parts and accessories, registering a 41.5% decrease over 2019. During the period, 98,000 units were sold, down by 53.7% on 2019.

On the EMEA and Americas market, the Piaggio group sold 13,800 units, generating a total net turnover of approximately €88.4 million (down by 11.6%), including spare parts and accessories for €13.5 million.

The Indian affiliate Piaggio Vehicles Private Limited (PVPL) sold 72,534 three-wheelers on the Indian market (164,515 in 2019).

The same affiliate also exported 11,620 three-wheeler vehicles (27,502 in 2019).

On the domestic 4-wheeler market, PVPL sales fell 89.2% compared to 2019 to 53 units. In overall terms, the Indian affiliate PVPL registered a turnover of €184.4 million in 2020, compared to €366.2 million in the previous year (-49.6%; -46.2% with constant exchange rates).

The Piaggio group operates in Europe and India on the light commercial vehicles market, with vehicles designed for short-range mobility in urban areas (European range) and suburban areas (the product range for India).

In Europe, the group acts as operator on these markets in a niche segment (urban mobility), thanks to its range of low environmental impact products.

On the Indian three-wheeler market, Piaggio Vehicles Private Limited increased its market share in 2020, to 27.9% (23.9% in 2019). Detailed analysis of the market shows that Piaggio Vehicles Private Limited maintained its market leader position in the goods transport segment (cargo segment) with a share of 46.8% (41.8% in 2019). In the Passenger segment, its share instead was 19.7% (20% in 2019).

The Marine sector: Intermarine

In thousands of Euros	31.12.2020	as a %	31.12.2019	as a %	Change	as a %
Net revenues	61,622		64,593		-2,971	-4.6%
Operating income before depreciation and amortisation (EBITDA)	6,054	9.8%	12,265	19.0%	-6,211	-50.6%
Operating income (EBIT)	2,519	4.1%	8,800	13.6%	-6,281	-71.4%
Profit before tax	501	0.8%	6,962	10.8%	-6,461	-92.8%
Earnings for the period including non-controlling interests	192	0.3%	4,826	7.5%	-4,634	-96.0%
Group earnings for the period (which may be consolidated)	139	0.2%	3,499	5.4%	-3,360	-96.0%
Net debt	-50,467		-48,996		-1,471	-3.0%
Personnel (number)	253		262		-9	-3.4%

With reference to the **marine sector**, net sales revenues (comprising turnover and works in progress to order) fell during 2020, and were equal to €61.6 million, compared to the figure of €64.6 million for the same period of the previous year. Production activities, including research and development and the completion of construction work and deliveries concerned in particular:

- the Defence division, with €48.8 million (€54 million in 2019), mainly for the construction of the units and the logistics package for the Guardia di Finanza [Italian financial police] (approximately €1.2 million), for the Gaeta Italian Navy operations (approximately €7.3 million), for the construction of the integrated platforms for the Italian group operating in the sector (approximately €39.1 million), for the development of the contract for the Italian Navy at the Sarzana shipyard for 2 special high-speed vessels and related logistics package (approximately €1.3 million), and for other contracts and income (approximately €3.9 million);
- the Fast Ferries and Yacht divisions, with €12.8 million (10.6 million in 2019), mainly for development of the Italian Navy contract at the Messina shipyard for 2 special, high-speed units (approximately €2.4 million), for the construction of two units for the Harbour Offices (approximately €9.3 million) and for repairs and research projects.

The figures for the 2020 financial year show a positive EBITDA of €6.1 million, a positive EBIT of €2.5 million, a positive pre-tax result of €0.5 million and a net profit of €0.2 million. From an economic point of view, these figures reflect the production values and margins of the contract related to the production progress of contracts acquired, the effects of the slowdown in production and postponed acquisition of new orders due to the COVID-19 pandemic, and structural costs substantially in line with the previous year.

From a financial perspective, there was a slight increase in net financial exposure from €49 million at 31 December 2019 to €50.5 million at the end of 2020.

The total value of the order book at 31 December 2020 was equal to €54 million (remaining part of existing contracts still to be implemented in terms of production value) and may be broken down as follows:

- Italian Navy, Refitting and TS Gaeta Programme for €13 million;
- Italian Navy, contract for 2, ultra high-speed naval vessels for €4 million;
- Guardia di Finanza, Logistics Package for €2 million;
- Italian operator, Integrated Minesweeper Platform for €32 million;
- Ministry of Infrastructure and Transport - Harbour Offices for €3 million for two CP3000 units. As provided for in the existing contract, the customer formalised its intention to exercise the option for the third unit with a consideration already set at € 6.5 million, for which formalisation is pending.

Intermarine and Leonardo signed a strategic agreement in June 2020 to seek new business opportunities and for research and development targeting new technologies, focusing on the creation of next-generation products in the military and para-military naval market.

In February 2021, the company signed a contract for the study of 'Risk Reduction and the definition of a project for a New Generation Minesweeper Unit (CNG)' for the Italian Navy. The contract is part of the modernisation programmes of the Italian Navy's Mine Countermeasures fleet, which envisage - also as set out in the Navy's Long-term Planning Documents of the last two years - the construction in the next few years of 12 new units to replace the 4 Lerici Class minesweepers and the 8 Gaeta Class minesweepers.

Financial position and performance of the Group

As already mentioned, the economic and financial data for 2020 were affected by the COVID-19 health emergency. The Immsi Group recorded a drop in revenues and EBITDA but, thanks to various initiatives adopted, it managed to achieve a net result that was in any case an improvement on the previous year, and net financial debt remained close to the figure for 2019.

There was only one change to the scope of consolidation, related to the purchase of 130,000 treasury shares by Piaggio S.p.A.. The consolidated portion of shareholders' equity of the Piaggio group, which amounted to 50.20% at 31 December 2019, was equal to 50.21% at 31 December 2020.

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

Financial performance of the Group

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

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

In thousands of Euros	31.12.2020		31.12.2019		Change	
Net revenues	1,376,767	100%	1,590,735	100%	-213,968	-13.5%
Costs for materials	835,350	60.7%	936,495	58.9%	-101,145	-10.8%
Costs for services, leases and rentals	225,654	16.4%	273,073	17.2%	-47,419	-17.4%
Employee costs	230,798	16.8%	248,165	15.6%	-17,367	-7.0%
Other operating income	129,006	9.4%	128,995	8.1%	11	0.0%
Net reversals (write-downs) of trade and other trade receivables	-3,523	-0.3%	-2,830	-0.2%	-693	-24.5%
Other operating costs	24,213	1.8%	36,518	2.3%	-12,305	-33.7%
OPERATING EARNINGS BEFORE AMORTISATION AND DEPRECIATION (EBITDA)	186,235	13.5%	222,649	14.0%	-36,414	-16.4%
Depreciation and impairment costs of property, plant and equipment	51,071	3.7%	52,407	3.3%	-1,336	-2.5%
Impairment of goodwill	0	-	0	-	0	-
Amortisation and impairment costs of intangible assets with a finite life	68,719	5.0%	74,986	4.7%	-6,267	-8.4%
OPERATING INCOME (EBIT)	66,445	4.8%	95,256	6.0%	-28,811	-30.2%
Income/(loss) from investments	504	0.0%	919	0.1%	-415	-
Financial income	28,270	2.1%	15,814	1.0%	12,456	78.8%
Borrowing costs	65,815	4.8%	58,543	3.7%	7,272	12.4%
PROFIT BEFORE TAX	29,404	2.1%	53,446	3.4%	-24,042	-45.0%
Taxes	13,598	1.0%	30,472	1.9%	-16,874	-55.4%
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	15,806	1.1%	22,974	1.4%	-7,168	-31.2%
Gain (loss) from assets held for sale or disposal	0	-	0	-	0	-
PROFIT (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS	15,806	1.1%	22,974	1.4%	-7,168	-31.2%
Earnings for the period attributable to non-controlling interests	6,052	0.4%	15,085	0.9%	-9,033	-59.9%
GROUP PROFIT (LOSS) FOR THE PERIOD	9,754	0.7%	7,889	0.5%	1,865	23.6%

The consolidated net sales of the Immsi Group decreased by approximately €214 million (+13.5%) to around €1,376.8 million, referring to revenues from the industrial sector for approximately €1,313.7 million, the marine sector for approximately €61.6 million and the property and holding sector for approximately €1.5 million.

The decrease in the industrial sector, amounting to -€207.6 million (-13.6%) is the most significant component, the marine sector decreased by approximately €3 million, while the property and holding sector decreased by approximately €3.4 million. It should be noted that 2019 included rental income related to the Immsi S.p.A. property sold at the end of that year.

Operating costs and other net consolidated expenses of the Group in 2020 amounted to €1,190.5 million (86.5% of net revenues), with €1,127.6 million (equal to approximately 85.8% of net revenues of the sector) related to the Piaggio group. Costs for materials totalled €835.4 million, equal to 60.7% of net revenues. The cost relating to the industrial sector amounted to €815.7 million, equal to 62.1% of net revenues of the sector. Personnel costs totalled €230.8 million, accounting for 16.8% of net revenues. The largest portion, amounting to €212.8 million (16.2% of net revenues of the sector), refers to the Piaggio group.

Operating income including amortisation, depreciation and impairment costs of intangible assets and property, plant and equipment (EBITDA) amounted to €186.2 million, equal to 13.5% of net revenues, basically coinciding with the figure for the industrial sector.

Depreciation and amortisation for the period stood at €119.8 million (of which €115.2 million relates to the industrial sector), representing 8.7% of turnover, down by around €7.6 million compared to 2019 (-6%). Depreciation of property, plant and equipment amounted to €51.1 million (-€1.3 million compared to the figure for 2019), while amortisation of intangible assets totalled €68.7 million (75 million in 2019).

Consolidated operating income (EBIT) does not include goodwill impairment because on the basis of results expected from long-term development plans prepared by Group companies and used in impairment testing, it was not considered necessary to carry out impairment, as this goodwill was considered recoverable through future financial flows.

As the analyses conducted to estimate the recoverable value of the goodwill of cash-generating units of the Immsi Group were determined also based on estimates, the Group does not have the assurance that an impairment loss in goodwill will not occur in future periods.

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

EBIT amounted to €66.4 million compared to €95.3 million at 31 December 2019, equal to 4.8% of net revenues.

The net balance of financial activities - including investments - was negative by €37 million, comprising a net negative balance of €20.7 million for the industrial sector and a net negative balance of €2 million related to the marine sector, while the property and holding sector registered a negative balance of approximately €14.3 million.

In consideration of the above, profit before taxes of €29.4 million was recorded, with a positive contribution from the industrial sector of €50.2 million and of €0.5 million from the marine sector, while the contribution from the property and holding sector was €21.3 million negative.

After taxes for the period equal to €13.6 million and net of the portion of income attributable to minority interests of €6.1 million, consolidated profit amounted to €9.8 million, compared to net profit of €7.9 million at 31 December 2019.

Reclassified financial situation of the Group

In thousands of Euros	31.12.2020	as a %	31.12.2019	as a %
Current assets:				
Cash and cash equivalents	249,886	11.7%	212,596	10.1%
Financial assets	0	0.0%	0	0.0%
Operating activities	447,339	21.0%	488,722	23.2%
Total current assets	697,225	32.8%	701,318	33.3%
Non-current assets:				
Financial assets	0	0.0%	0	0.0%
Intangible assets	866,099	40.7%	848,853	40.2%
Plant, property and equipment	336,850	15.8%	337,988	16.0%
Other assets	227,731	10.7%	220,879	10.5%
Total non-current assets	1,430,680	67.2%	1,407,720	66.7%
TOTAL ASSETS	2,127,905	100.0%	2,109,038	100.0%
Current liabilities:				
Financial liabilities	481,273	22.6%	461,981	21.9%
Operating liabilities	629,755	29.6%	634,140	30.1%
Total current liabilities	1,111,028	52.2%	1,096,121	52.0%
Non-current liabilities:				
Financial liabilities	571,517	26.9%	547,011	25.9%
Other non-current liabilities	83,411	3.9%	91,593	4.3%
Total non-current liabilities	654,928	30.8%	638,604	30.3%
TOTAL LIABILITIES	1,765,956	83.0%	1,734,725	82.3%
TOTAL SHAREHOLDERS' EQUITY	361,949	17.0%	374,313	17.7%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,127,905	100.0%	2,109,038	100.0%

Current assets at 31 December 2020 amounted to €697.2 million, down by €4.1 million compared to 31 December 2019. This decrease is mainly attributable to the change in operating assets, amounting to -€41.4 million, partially offset by the growth in cash and cash equivalents (+€37.3 million). Non-current assets at 31 December 2020 (including assets for disposal) amounted to €1,430.7 million compared to €1,407.7 million at 31 December 2019, with a decrease of €23 million.

In particular, non-current assets include intangible assets amounting to €866.1 million, up compared to 31 December 2019 by €17.2 million, property, plant and equipment amounting to €336.9 million (€338 million at the end of 2019) and other assets amounting to €227.7 million (compared to 220.9 million at the end of 2019).

Current liabilities at 31 December 2020 totalled €1,111 million, up by €14.9 million compared to 31 December 2019, of which €481.3 million attributable to financial liabilities and €629.8 million to current operating liabilities.

Current liabilities at 31 December 2020 amounted to €654.9 million, compared to €638.6 million at 31 December 2019. The increase is mainly attributable to greater financial liabilities.

At the end of 2020 total interest expense amounted to €4,872 thousand due to non-controlling interests of Group companies accrued on loans received. Despite the financial nature of this payable, the Group believes that this item does not contribute to the determination of net financial debt.

Consolidated shareholders' equity attributable to the Group and non-controlling interests amounted to €361.9 million at 31 December 2020, of which €132.5 million attributable to non-controlling interests.

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

In thousands of Euros	31.12.2020	as a %	31.12.2019	as a %
Current operating assets	447,339	35.8%	488,722	38.7%
Current operating liabilities	-629,755	-50.5%	-634,140	-50.2%
Net operating working capital	-182,416	-14.6%	-145,418	-11.5%
Intangible assets	866,099	69.4%	848,853	67.2%
Plant, property and equipment	336,850	27.0%	337,988	26.8%
Other assets	227,731	18.2%	220,879	17.5%
Capital employed	1,248,264	100.0%	1,262,302	100.0%
Non-current non-financial liabilities	83,411	6.7%	91,593	7.3%
Capital and reserves of non-controlling interests	132,504	10.6%	133,883	10.6%
Consolidated Group shareholders' equity	229,445	18.4%	240,430	19.0%
Total non-financial sources	445,360	35.7%	465,906	36.9%
Net Financial debt	802,904	64.3%	796,396	63.1%

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

In thousands of Euros	31.12.2020	31.12.2019
Cash generated internally	166,114	179,064
Change in net working capital	-2,475	-14,905
Net cash flow generated from operations	163,639	164,159
Payment of dividends by the Parent Company	0	0
Payment of dividends to non-controlling interests by Group companies	-16,358	-25,802
Acquisition of intangible assets	-88,447	-89,924
Purchase of property, plant and equipment	-54,761	-53,712
Net decrease from property disposals	1,221	62,676
Acquisition of non-controlling investments, net of disposal	0	-984
Other net movements	-11,802	-780
Change in net financial position	-6,508	55,633
Initial net financial position	-796,396	-852,029
Closing net financial position	-802,904	-796,396

The Group's net financial debt at 31 December 2020 amounted to a total of €802.9 million, slightly increasing (approximately €6.5 million) compared to the balance of €796.4 million at 31 December 2019, mainly due to investments in property, plant and equipment and intangible assets during the period, totalling €143.2 million, the payment of dividends to third parties for €16.4 million only partially offset by the net cash flow generated from operations.

Group gross capex in the year totalled €143.2 million, divided as follows:

- €88.4 million in intangible assets, referring nearly entirely to the Piaggio group;
- €54.8 million in property, plant and equipment, referring nearly entirely to the Piaggio group.

The table below provides a breakdown of net financial debt at 31 December 2020 compared with the same figure at 31 December 2019.

In thousands of Euros	31.12.2020	31.12.2019
Short-term financial assets		
Cash and cash equivalents	-249,886	-212,596
Financial assets	0	0
Total short-term financial assets	-249,886	-212,596
Short-term financial payables		
Bonds	11,038	11,022
Payables due to banks	399,021	382,759
Lease liabilities	8,850	8,902
Amounts due to other lenders	62,364	59,298
Total short-term financial payables	481,273	461,981
Total short-term financial debt	231,387	249,385
Medium/long-term financial assets		
Receivables for loans	0	0
Other financial assets	0	0
Total medium/long-term financial assets	0	0
Medium/long-term financial payables		
Bonds	272,579	282,099
Payables due to banks	278,633	242,560
Lease liabilities	19,987	22,225
Amounts due to other lenders	318	127
Total medium/long-term financial payables	571,517	547,011
Total medium/long-term financial debt	571,517	547,011
Net financial debt *)	802,904	796,396

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

Financial position and performance of the Parent Company

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

In thousands of Euros	2020	2019
Earnings on financial operations	5,544	19,335
Profit before tax	2,624	4,873
Income for the period	4,891	8,994
Net operating working capital	63,111	69,491
Employed capital	376,132	369,469
Non-financial sources	382,933	381,927
Net debt	6,801	12,458
Shareholders' equity	374,522	371,138
Personnel (number)	10	11

The Parent Company recorded a profit from financing activities of €5,544 thousand in 2020; the decrease compared to the previous year (-€13.8 million) is mainly due to the lower dividends received from the subsidiary Piaggio & C. S.p.A. for approximately €9.5 million and the higher write-down (€15 million in 2020 compared to €7.9 million in 2019) of the investment in ISM investimenti S.p.A. on the basis of the impairment test carried out at 31 December 2020.

Profit before tax of €2,624 thousand compared to €4,873 thousand in 2019, includes the capital loss of €12.2 million realised on the sale of the Rome property to Investire Sgr S.p.A. in December 2019, as well as additional expenses of €1.4 million relating to the transaction. Excluding these non-recurring items, profit before taxes would have been equal to €18.5 million.

The year 2020 closed with a profit for the period of €4,891 thousand, compared to €8,994 thousand in the previous year.

Net operating working capital went down from €69,491 thousand at 31 December 2019 to €63,111 thousand at the end of 2020.

Invested capital amounted to €376,132 thousand at 31 December 2020 compared with €369,469 thousand at 31 December 2019.

Non-financial sources, consisting of €8,411 thousand in non-current non-financial liabilities (mainly deferred tax liabilities) and €374,522 thousand in shareholders' equity, are substantially in line with the value at 31 December 2019.

The net financial position at 31 December 2020 showed net cash of €6,801 thousand compared to net cash of €12,458 thousand at 31 December 2019; the decrease, equal to approximately €5.7 million, is mainly due to the waiver of receivables from subsidiaries in order to strengthen their shareholders' equity through the creation of reserves for future capital increases, which was only partially offset by the net cash flow generated by operations.

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

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

In thousands of Euros		
	Shareholders' for	equity the period
Shareholders' equity and earnings for the period as recorded in the financial statements of the Parent Company Immsi S.p.A.	374,522	4,891
De-recognition of dividends from subsidiaries of the Parent Company	n/a	(16,498)
Elimination of capital gains on sale of stakes in subsidiaries of the Parent Company	n/a	0
Pro rata earnings and shareholders' equity of investee companies	454,856	6,362
Elimination of the carrying amount of investments	(599,933)	15,000
Elimination of the effects of other intergroup transactions and other records	0	0
TOTAL	229,445	9,754

Research & development

The Immsi Group carries out research and development through the Piaggio group, which continued its policy in 2020 to retain technological leadership in the sector, and the subsidiary Intermarine S.p.A., whose research and development activities mainly concern new projects for vessels and prototypes, production technologies, plant innovations and innovative materials.

For an in-depth analysis of the projects supported by the Group and the resources allocated to them, readers are referred to the section on Products and Services in the Consolidated Non-Financial Statement pursuant to Legislative Decree 254/2016 of the Immsi Group included in this Report and in the section on the Product Dimension of the Piaggio group's *Corporate Social Responsibility Report2020*.

Risk factors

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

Strategic risks

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

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

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

External risks

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

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

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

With reference to the subsidiary Intermarine, however, the success of the company in the different lines of business in which it operates depends on the ability to offer innovative and high quality products that guarantee the performance demanded by customers, in terms of lower fuel consumption, higher performance, greater passenger transport capacity, greater cruising comfort, handling and safety of the vessels used, among other things, in the defence and control of territories. If the products of the Immsi Group companies were not appreciated by customers, revenues or, further to more aggressive sales policies in terms of discount drives, margins would be lower, and this would have a negative impact on the related economic and financial situation. To tackle this risk, the Group has always invested in major research and development projects, to enable it to optimally meet customer needs and anticipate market trends, introducing innovative products.

Levering customer expectations and emerging needs, with reference to its product range and customer experience is essential for the Piaggio group to maintain a competitive edge. Through market analysis, focus groups, concept and product testing, investments in research and development and sharing a roadmap with suppliers and partners, Piaggio can seize emerging market trends to renew its own product range. Customer feedback enables Piaggio to evaluate customer satisfaction levels and fine tune its own sales and after-sales service model.

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

As regards the industrial segment, 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 minesweeper 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's businesses could be negatively affected in terms of decreasing revenues, margins and cash flows.

In particular, the Piaggio group would have an impact on:

- ❑ 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;
- ❑ the distribution of products: 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.

Piaggio has tried and is 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.

As far as the marine sector is concerned, the continuation of the COVID-19 health emergency, in addition to the suspension and postponement of production activities, with the consequent postponement of the processing phases of orders in progress, also led to the interruption or at least the slowdown of commercial programmes with potential customers. Intermarine mitigates this risk, which could have a negative impact on the company's economic and financial situation, by resuming and consolidating, as far as possible, commercial relations with navies within the framework of the Defence Programmes of various foreign States and by entering into strategic agreements with important operators in the naval defence industry to seek new commercial opportunities and in the field of research and development.

The tourist/hospitality industry was also significantly impacted by the spread of the COVID-19 pandemic, in particular on the opening of the hotel, the general reduction in the flow of customers when the hotel was open, the intermittent use of active services and the development of business contacts aimed at identifying potential customers for the property project. To deal with this situation, the company scrupulously follows all the guidelines and requirements issued by the various authorities to protect its guests and employees in order to guarantee them the most effective health surveillance, and promptly activates all actions aimed at reducing costs and adheres to the support measures put in place by the government.

At the Group's sites and offices, measures have also been taken to ensure social distancing, the sanitation of workstations and communal areas and the adoption of specific PPE; smart working has also been introduced.

Activities are supervised by the Group-wide anti-COVID committees.

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, the departments at Pontedera and Noale in Italy and PADc – the Piaggio Advanced Design Center in Pasadena are dedicated to research, development and trialling new technological solutions, 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.

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 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 related 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.

Intermarine also adopts systems aimed at the most efficient management and monitoring of risks associated with the environment, health and safety of its production activities. The shipyards at Sarzana and Messina also have Environmental certification (ISO 14001), issued by RINA. Although not yet certified, all sites have adopted the same Integrated Management System which also covers health and safety (ISO 45001).

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 related 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 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.

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. A detailed analysis of the main disputes is provided in the specific section of the Report on Operations.

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 231/2001 and Codes of Ethics which set out the principles and values the entire organisation takes inspiration from.

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.

ICT system risks - With reference to this category, the main risk factors that could compromise the availability of the Group's ICT systems include cyber attacks, which could cause the possible interruption of production and sales support activities or compromise the confidentiality, integrity and availability of personal data managed by the Group.

To mitigate these risks, Piaggio group has adopted a centralised system of controls to improve the Group's IT security.

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

Financial risks

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

- debenture loans for a nominal amount of approximately €291.1 million issued by Piaggio & C. S.p.A.;
- bank loans for a nominal amount of approximately €679.3 million. The type, rates and maturities of these loans are discussed in the Notes.

In addition, the Group has outstanding amounts due for leases, amounts due to subsidiaries not fully consolidated and amounts due to other lenders for an overall amount of approx. €91.5 million, including, since 2019 and as provided for by IFRS 16, liabilities for operating leases, equal to approximately €22 million at 31 December 2020.

The Group is exposed to the risk arising from the production of cash flows that are not sufficient to guarantee Group payments due, or adequate profitability and growth to achieve its strategic objectives. Moreover, this risk is connected with the difficulty the Group may have in obtaining loans or a worsening in conditions of loans necessary to support Group operations in appropriate time frames. The debt indicated above could also negatively affect Group operations in the future, limiting its capacity to obtain further financing or to obtain it at more favourable conditions. In particular, over the next 12 months several credit lines will mature his renewal which is decisive for being able to operate. A detailed examination of these lines is provided in the Notes.

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

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

Exchange rate risks – The Group, primarily through Piaggio group companies, 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 2020, the exchange risk was managed in line with the current policy, which aims to neutralise the possible negative effects of exchange rate changes on company cash-flow, by hedging the business risk, which concerns changes in company profitability in relation to the annual business budget on the basis of a key change (the so-called “budget change”) and of the settlement risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.

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

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

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

Human resources

At 31 December 2020, Immsi Group employed 6,167 staff members, of which 58 in the property and holding sector, 5,856 in the industrial sector (Piaggio group) and 253 in the marine sector (Intermarine S.p.A.).

The following tables divide resources by category and geographic segment:

Human resources by category

numbers	31.12.2020			
	Property and holding sector	Industrial sector	Marine sector	Group total
Senior management	5	107	6	118
Middle managers and white-collar workers	31	2,286	142	2,459
Blue collars	22	3,463	105	3,590
TOTAL	58	5,856	253	6,167
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 collars	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	0	1	0	1
Middle managers and white-collar workers	-4	-89	-5	-98
Blue collars	-6	-278	-4	-288
TOTAL	-10	-366	-9	-385

Human resources by geographic segment

numbers	31.12.2020			
	Property and holding sector	Industrial sector	Marine sector	Group total
Italy	58	3,057	253	3,368
Rest of Europe	0	171	0	171
Rest of the world	0	2,628	0	2,628
TOTAL	58	5,856	253	6,167
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	-10	-142	-9	-161
Rest of Europe	0	-4	0	-4
Rest of the world	0	-220	0	-220
TOTAL	-10	-366	-9	-385

The decrease in personnel (-385 compared to 2019) mainly refers to the Piaggio group (-366 units) which continued restructuring, streamlining and organisational reconfiguration measures in 2020. At 31 December 2020, Group staff also included seasonal staff (with fixed-term contracts), mainly relating to the industrial sector.

For further information on Group employees (including salary and training policies, diversity and equal opportunities, safety, etc.), readers are referred to the section Social Dimension of the Consolidated non-financial report at 31 December 2020, prepared pursuant to Legislative Decree 254/2016.

Group and Related-Party Transactions

As regards information concerning related-party transactions in accordance with IAS 24 - *Related Parties Disclosures, undertaken by Group companies*, such transactions took place as part of normal operations in market conditions or as established by specific laws. No atypical or unusual transactions were carried out during the period to 31 December 2020. In compliance with Regulation No. 17221 on related party transactions, issued by Consob on 12 March 2010 and subsequently amended, the Company has adopted a procedure aimed at regulating the approval of related party transactions, available from the Issuer's website at www.immsi.it in the section *Governance/Procedures*.

The main economic and financial effects of Related-Party transactions and their impact on financial statement items, resulting from consolidated data of the Immsi Group at 31 December 2020 are shown below: the financial effects arising from consolidated intergroup operations were eliminated during consolidation.

Main economic and financial items	Amounts in thousands of Euro 2020	% accounting for financial statement items	Description of the nature of transactions	Amounts in thousands of Euro 2019
Transactions with Related Parties:				
Current trade payables	114	0.0%	Tax advisory services provided by St. Girelli & Ass. and Trevi S.r.l. to the Group	91
	216	0.0%	Legal advisory services provided to corporate bodies	0
Costs for services, leases and rentals	189	0.1%	Tax advisory services provided by St. Girelli & Ass. and Trevi S.r.l. to the Group	181
	216	0.1%	Legal advisory services provided to corporate bodies	0
Transactions with Parent companies:				
Non-current financial liabilities	1,221	0.2%	Financial liabilities for rights of use on Omniaholding S.p.A. leases	358
Current financial liabilities	413	0.1%	Financial liabilities for rights of use on Omniaholding S.p.A. leases	262
Current trade payables	380	0.1%	Rental of offices provided by Omniaholding S.p.A. to the Group	692
Costs for services, leases and rentals	76	0.0%	Rental of offices provided by Omniaholding S.p.A. to the Group	133
Borrowing costs	49	0.1%	Finance costs for rights of use Omniaholding S.p.A. and securities loan in favour of Immsi	50
Transactions with Subsidiaries, Affiliated Companies, Joint Ventures:				
Trade receivables and other non-current	81	0.3%	Receivables from Fondazione Piaggio	81
Current trade receivables and other receivables	71	0.1%	Receivables due from Consorzio CTMI	137
	841	0.7%	Trade receivables from Piaggio Foshan	2,282
Current financial liabilities	8	0.0%	Financial payables to Rodriquez Pietra Ligure S.r.l.	8
Current trade payables	5,471	1.0%	Trade payables of Piaggio & C. S.p.A. to Piaggio Foshan and Fondazione Piaggio	5,318
Other current payables	4	0.0%	Payables to Fondazione Piaggio and Piaggio Foshan	12
Net revenues	24	0.0%	Sales to Piaggio Foshan	112
Costs for materials	14,221	1.7%	Purchases of Piaggio & C. S.p.A. from Piaggio Foshan	14,377
Costs for services, leases and rentals	120	0.1%	Costs for services rendered by Consorzio CTMI	120
	7	0.0%	Costs for services from Fondazione Piaggio	9
Other operating income	1,329	1.0%	Income from Piaggio Foshan	346
Other operating costs	6	0.0%	Expenses from Fondazione Piaggio	2

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

Stock options

At the end of 2020, no stock option plans were adopted by the Immsi Group.

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

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

Other information

Treasury shares

At 31 December 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.

It is also noted that by resolution passed on 14 May 2020, the Ordinary Shareholders' Meeting authorised the purchase and disposal of ordinary shares of the Company, in accordance with the combined provisions of Articles 2357 and 2357-ter of the Civil Code, and Article 132 of the TUF and related implementing provisions, subject to revocation of the resolution authorising the purchase and disposal of treasury shares adopted on 14 May 2019. Purchase authorisation was granted for the 18 month period as of the date of the above resolution, whereas authorisation for placing was granted with no time limits. For more details see section 2, subparagraph i), of the Report on Corporate Governance and Ownership at 31 December 2020.

The subsidiary Piaggio & C. S.p.A. bought back 130,000 treasury shares in 2020; therefore, at 31 December 2020, Piaggio & C. held 1,028,818 treasury shares, equal to 0.2873% of the shares issued.

Disclosure of payments

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

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

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

Disclosure of fees for the 2020 financial year			
Type of service	Company providing the service	Recipient	Payments in Euro
Auditing services	PwC S.p.A.	Parent Company - Immsi S.p.A.	43,228
	PwC S.p.A.	Subsidiaries	619,239
	PwC network	Subsidiaries	406,277
Certification services	PwC S.p.A.	Subsidiaries	91,000
	PwC network	Subsidiaries	44,270
Audit of Non-Financial Statement and Corporate Social Responsibility Report	PwC S.p.A.	Parent Company - Immsi S.p.A.	13,423
	PwC S.p.A.	Subsidiaries	54,000
Other services	PwC S.p.A.	Subsidiaries	203,000
Total			1,474,437

The payments of subsidiaries operating in currencies other than the Euro and agreed in local currency have been translated at the average exchange rate for 2020.

In 2012, the Ordinary Shareholders' Meetings of companies belonging to the Immsi Group (with the exception of the subsidiaries Pietra S.r.l. and Pietra Figure S.r.l. who oversaw the appointment during 2019), appointed PricewaterhouseCoopers S.p.A. as independent auditors for the period 2012-2020.

Since the engagement of PricewaterhouseCoopers S.p.A. as independent auditor will expire on the approval of the Financial Statements at 31 December 2020, the Shareholders' Meetings of Immsi S.p.A. and Piaggio & C. S.p.A., on 14 May and 22 April 2020 respectively, resolved to appoint the independent auditors Deloitte & Touche S.p.A. as independent auditors for the 2021-2029 financial years.

Corporate ownership

Information on corporate ownership is given in section 2 of the Report on Corporate Governance and Ownership at 31 December 2020, which is referred to.

Management and coordination

The Company gives reasons why management and coordination activities were not performed by the parent company, in section 2, letter I), of the Report on Corporate Governance and Ownership at 31 December 2020, which is referred to.

Personal data processing – Legislative Decree 196 of 30 June 2003 – Regulation (EU) 679 of 27 April 2016 (GDPR – General Data Protection Regulation)

As regards obligations of applicable legislation on data privacy, Immsi S.p.A., as Controller, has adopted various security measures listed in this legislation.

Following the entry into force of Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data (GDPR), the Company has completed the process to align with regulations.

The Company is responsible, in accordance with law and in its capacity as "Controller", for all

personal data processing it carries out and in view of this responsibility, adopts adequate security measures in relation to risks for the rights and freedoms of natural persons.

Disputes in progress

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

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

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

- ▶ On 20 May 2015 Is Molas filed its summons for compensation for contract damages arising from the other party defaulting on its obligations under the contracts signed. Following the appointment of the expert, appraisals began on 21 October 2020;
- ▶ in a ruling of 2014, the Regional Administrative Court rejected the application brought by Italiana Costruzioni made by Italiana Costruzioni against the ruling handed down by the Municipality of Pula. The Administrative Appeals Court, in its ruling of 2016, also dismissed the application brought by Italiana Costruzioni, ordering the applicant to pay costs. Italiana Costruzioni appealed against this decision; while on 14 February 2017, the company filed documents with the Council of State to oppose the appeal. A date for the hearing still has to be set.

On 23 September 2020, the Revenue Agency - Cagliari Provincial Directorate, Controls Office - issued a formal notice of assessment to the company concerning direct taxes and VAT for the tax year 2016.

The defence arguments were developed and integrated in the comments to the PVC and submitted within the deadline of 22 November 2020.

On 23 December 2020, the assessment procedure with the company's consent relating to the years 2015 and 2016 was finalised, as a result of which a repayment plan was obtained from the Revenue Agency to pay the amount of €341,000 in quarterly instalments up until 31 October 2024.

With reference to the property sector (Apuliae S.r.l.), it should be noted that in the proceedings before the Court of Lecce, brought in 2011 by the company against the Province of Lecce for the reimbursement of costs incurred and work carried out in relation to the property complex known as the former Colonia Scarciglia, at the hearing of 13 January 2021, the judge adjourned the case to 16 September 2021.

In fact, in those other proceedings dating from 2005, between the State Property Agency and the Province of Lecce, and which Apuliae S.r.l. was also joined as a party to the action, the Lecce Court, with its decision of 25 October 2017, upheld the State Property Agency's counter-claim designed to obtain the declaration of termination, by law, of the agreement for the sale of the property complex in question, and also rejected Apuliae S.r.l.'s application for contractual damages to be paid by the

State Property Agency or the Province of Lecce. Moreover, in a judgment published on 20 August 2020, the Court of Appeal of Lecce (deciding on the appeal brought by Apuliae S.r.l. against the judgment of first instance and on a different appeal, joined together, brought by the Province of Lecce against the same judgment), upheld the Province's arguments limited to the part in which it had been ordered to pay the damages in favour of the State Property Agency, confirming the judgment of first instance both in the part contested by the Province with respect to the alleged occurrence of the termination effect, and in the part, contested by Apiluae S.r.l., with respect to the claim for compensation that the company had brought against the Province and State Property Agency. On 11 March 2021, the cross-appeal was notified to the Court of Cassation for the purpose of ascertaining the incorrectness of the ruling of the Court of Appeal in so far as it held that Apuliae S.r.l. was not entitled to compensation for the damage suffered in view of the fact that it should have been aware of the non-conformity of its application to participate in the procedure for the valorisation of the former Colonia Scarciglia.

It should be noted that the rulings contained in the first and second instance judgments are without prejudice to the claim made by Apuliae S.r.l. in the 2011 proceedings.

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

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

Da Lio S.p.A., by means of a writ in 2009, summoned Piaggio & C. S.p.A. to appear before the Court of Pisa to claim compensation for the alleged damages sustained as a result of the termination of supply relationships. The company appeared in court requesting the rejection of all opposing requests. Da Lio requested a joinder with the opposition concerning the injunction obtained by Piaggio to return the moulds retained by the supplier at the end of the supply agreement. Judgements were considered and a ruling was issued in 2011, ordering Piaggio to pay about €110 thousand, in addition to interest related to sums which were not disputed. Subsequently, the Judge admitted a technical/accounting court-appointed expert requested by Da Lio to quantify the amount of interest claimed by Da Lio and value of stock. In a ruling published on 8 August 2019, the Court of Pisa ordered Piaggio in the first instance to pay a total of €7.6 million and to publish the ruling in two national newspapers and two specialist journals. Piaggio, assisted by its lawyers providing counsel, who had indicated the many reasons for filing an appeal and the grounds of the Company, filed an appeal before the Appeal Court of Florence, requesting the ruling to be revised and its enforcement to be suspended. On 21 October 2020, the Florence Court of Appeal partially accepted the petition to suspend the enforceability of the ruling of 8 August 2019 made by Piaggio, suspending the enforceability of the contested ruling up to the amount of €2.67 million, rejecting the rest of the appeal and confirming the enforceability of the ruling for the additional amounts. The first hearing before the Florence Court of Appeal has been set for 9 June 2021; The risk is assessed as possible and not as likely.

In June 2011 Elma srl, a Piaggio dealer, started two separate proceedings against the company, claiming the payment of approximately €2 million for alleged breach of the sole agency ensured by Piaggio for the Rome area and an additional €5 million as damages for alleged breach and abuse of economic dependence by the Company. Piaggio opposed the proceedings, disputing the claims and requesting a ruling for it to pay the outstanding sums owing of approximately €966 thousand. During the case, Piaggio requested the enforcement of over €400 thousand of bank guarantees furnished in its favour to ensure against the risk of default by the dealer. With a ruling by the Court of Pisa, published on 25 November 2019, the judge rejected all of Elma's claims, ordering it to pay Piaggio the sum of approximately Euro 967 thousand plus interest, less the above sum already collected by Piaggio through the enforcement of the guarantee. Piaggio will have to pay Elma (by offsetting them) the sum of approximately Euro 58 thousand plus interest. On 14 January 2020, Piaggio filed a bankruptcy petition against Elma in relation to the sums to receive, while on 15 January 2020, Elma appealed against the above ruling with the Court of Appeal of Florence. On 2 March 2021, the parties filed their written submissions.

As regards the matter, Elma has also brought a case against a former senior manager of the company with the Court of Rome, claiming compensation for damages; Piaggio appeared in the proceedings, requesting, among other things, that the case be moved to the Court of Pisa. In a ruling of 31 May 2019, the Court of Rome rejected Elma S.r.l.'s claim and ordered it to pay the costs of the court-appointed expert (whom it had requested) and legal fees. Elma appealed before the Appeal Court of Rome, summoning Piaggio to the hearing of 15 April 2020. This hearing was adjourned until 31 March 2021.

The company Taizhou Zhongneng summoned Piaggio before the Court of Turin, requesting the annulment of the Italian part of the 3D trademark registered in Italy protecting the form of the Vespa, as well as a ruling denying the offence of the counterfeiting of the 3D trademark in relation to scooter models seized by the Italian tax police at the 2013 EICMA trade show, based on the petition filed by Piaggio, in addition to compensation for damages. In a ruling of 6 April 2017, the Court of Turin upheld in full the validity of the 3D Vespa mark of Piaggio, and the counterfeiting of said by the "VES" scooter by Znen. The Court of Turin also recognised the protection of Vespa in accordance with copyright, confirming the creative nature and artistic value of its form, declaring that the scooter "VES" by Znen infringes Piaggio copyright. The other party appealed against the judgment before the Court of Appeal of Turin, which, in a ruling published on 16 April 2019, rejected Zhongneng's appeal. Piaggio appeared before the Supreme Court in a counter-appeal filed on 5 September 2019.

In summons dated 27 October 2014, Piaggio summoned Peugeot Motorcycles Italia S.p.A., Motorkit S.a.S. di Turcato Bruno e C., Gi.Pi. Motor di Bastianello Attilio and GMR Motor s.r.l. before the Court of Milan, to obtain the recall of Peugeot "Metropolis" motorcycles from the market, and to establish the infringement of some European patents and designs owned by Piaggio, as well as a ruling for the compensation for damages for unfair competition, and the publication of the ruling in some newspapers.

On 27 May 2020, the Court of Milan rejected the claims of infringement of Piaggio's patents no. EP1363794B1, EP1571016B1, IT1357114 and Community design no. 487723-0001, as well as the claim of unfair competition, ordering Piaggio to pay 3/4 of the costs of the court-appointed expert's report (equal to €23 thousand) and to pay the defendant €21 thousand for the costs of the proceedings.

In the same judgment, the judge also ordered the separation of the infringement of patent no. EP1561612B1 and the joinder of this case with the erga omnes invalidity action, the subject of Case 2, brought by Peugeot Motorcycles S.a.s.

On 16 December 2020, a hearing took place for the clarification of the conclusions of the aforementioned erga omnes nullity action.

Piaggio lodged an appeal with the Milan Court of Appeal on 28 September 2020 against the above-mentioned ruling. The next hearing is scheduled for 17 February 2021.

Peugeot Motocycles S.a.S. summoned Piaggio to appear before the Court of Milan, claiming that the patent based on which Piaggio filed a claim for counterfeiting would be voidable, due to a previously existing Japanese patent ("Case 2"). Piaggio appeared in court, claiming that the action taken by Peugeot could not proceed further and that the patent application referred to by Peugeot was irrelevant. After filing the expert's report (which confirms the validity of Piaggio's patent) and discussing the same at the hearing of 29 January 2019, the Judge requested further technical reports from the court-appointed expert. On 16 December, a hearing was held at the Court of Milan during which Peugeot formulated an additional question for the court-appointed expert. The judge's decision is pending.

Piaggio started a similar legal action against Peugeot Motocycles S.a.S before the *Tribunal de Grande Instance* in Paris. As a result of the Piaggio action ("*Saisie Contrefaçon*"), several documents were obtained and tests carried out to prove the infringement of the Piaggio MP3 motorcycle by the Peugeot "Metropolis" motorcycle. The hearing took place on 8 October 2015 for the appointment of the expert, who will examine the findings of the *Saisie Contrefaçon*. In February 2018, a preliminary court-appointed expert's report was filed defining documents based on which a ruling will be made on the counterfeiting alleged by Piaggio. The hearing was held on 29 January 2019 and proceedings were adjourned to the hearing of 17 October 2019. Subsequently, the term deadline for filing briefs was extended. A procedural hearing was held on 17 September 2020 and a final hearing will be held in Paris on 2 and 3 June 2021.

In November 2017, the company filed two appeals with the Court of Beijing (PRC), concerning the assessment of the breach and counterfeiting of some trademarks ("Case 1") and ornamental designs ("Case 2"), regarding the "Scarabeo" vehicle by Chinese companies which are part of the Jincheng Group Co., Ltd. Following these actions, the counterparty filed a claim for invalidation (an administrative procedure with the Chinese Patent Re-examination Board) of the registration of one of the ornamental designs regarding an old model of the Scarabeo (no longer in production). The latter proceeding ended with the invalidation of the registration of the old Scarabeo design. Piaggio appealed against this decision, submitting a petition to suspend Case 2 pending the outcome of the petition against the invalidation, which was rejected on 9 December 2019.

For Case 1, the ruling in the first instance was issued in favour of Piaggio. The Court of Beijing ascertained the unlawful use of Aprilia trademarks by Jincheng, ordering it to pay compensation amounting to RMB 1,500,000, besides legal fees of RMB 211,958. Jincheng has filed an appeal. Proceedings are pending acceptance by the Appeal Court of Beijing. On 28 August 2020, the Beijing Court of Appeal dismissed Jincheng's appeal and upheld the first instance decision, ordering Jincheng to pay costs.

The amounts allocated by the company for the potential risks deriving from the current disputes appear to be consistent with the predictable outcome of the disputes.

With reference to the tax disputes involving Piaggio & C.. S.p.A., the proceedings relating to the two disputes brought against two appeals challenging two notices of assessment notified to the company and relating to the 2002 and 2003 tax years, respectively, are currently suspended pending final settlement.

Piaggio & C. S.p.A. obtained a favourable ruling concerning these proceedings, in both the first and second instance, and with reference to both tax periods. The Revenue Agency filed an appeal with the Court of Cassation and the company filed its own appeal. On 22 May 2019, the company filed an application for a settlement concession pursuant to Article 6 of Law Decree 119/2018, paying the

amounts required by this law and on 10 June 2019, filed related applications for suspension. Since no request to hear the cases had been made by the Government Legal Department by 31 December 2020, the cases will be dismissed shortly by decree of the President of the Chamber of the Court of Cassation in charge of disputes.

In a ruling filed on 15 January 2020, the company's appeals of 11 June 2018 and 25 July 2018 concerning the tax assessments for regional business tax and corporate income tax notified on 22 December 2017 regarding the 2012 tax period and transfer pricing, were upheld in the first instance before the Provincial Tax Commission of Florence.

In a certified email dated 12 October 2020, the Company was informed that the Revenue Agency had appealed the first instance decision before the Regional Tax Commission. Piaggio & C. S.p.A. therefore filed an appearance on 2 December 2020 and is waiting for the date of the hearing to be set.

The company was also successful before the Income Tax Appellate Tribunal with reference to appeals filed against assessment orders received on completion of the assessment of income generated by Piaggio & C. S.p.A. in India during the 2009-2010, 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 referring 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 regarding the 2009-2010 period can be considered as settled, as no reply was received from the local tax authorities within the deadlines established by regulations in response to a request for clarifications made 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, the likelihood of the High Court granting this is remote.

As regards the dispute referring to the 2010-2011 tax period, the date for the hearing still has to be set.

As regards the disputes referring 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 company had already paid part of the amounts related to the appeals to the Indian tax authorities, for a total of €0.7 million; these amounts were reimbursed to the company following favourable first instance judgments.

The company has not considered allocating provisions for these disputes, considering the rules in its favour, in the first instance, and the positive opinions expressed by consultants appointed as counsel.

Piaggio & C. S.p.A. also received a VAT assessment order from the Indian tax authorities related to the 2010-2011 tax period, concerning the non-application of VAT to intergroup transactions with Piaggio Vehicles PVT Ltd related 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. The company decided to appeal against the order referring 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.

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

With reference to the Indian subsidiary, some disputes concerning different tax years from 1998 to 2016 are ongoing related to direct and indirect tax assessments and for a part of which, considering positive opinions expressed by consultants appointed as counsel, provisions have not been made in the financial statements. The Indian company has already partly paid the amounts contested, as required by local laws, that will be paid back when proceedings are successfully concluded in its favour.

With reference to PT Piaggio Indonesia, the company has certain disputes outstanding relating to the 2015 and 2017 tax periods.

In particular, in relation to the 2015 period, the company appealed against the notices concerning transfer pricing and withholding taxes respectively. With respect to the transfer pricing dispute, the Tax Court ruled on 27 January 2020 that the company was not in favour of the transfer pricing dispute with respect to 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.

With regard to the dispute concerning withholding taxes, the company filed an appeal with the Tax Court on 10 October 2019 and following the last hearing on 24 November 2020 is awaiting the decision of the court of first instance.

With respect to the 2017 period, the Company filed an appeal with the Tax Court on 8 September 2020 against the transfer pricing and withholding tax notice, and is waiting for the date of the hearing to be set.

The total amount in question amounts to €800 thousand and where due (i.e. where not offset by the company's past losses) has already been paid in full to the Indonesian tax authorities in accordance with the regulations in force there.

As regards the French company, a favourable ruling was issued in December 2012 by the *Commission Nationale des Impôts directs 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 held on 22 June 2020, this court ruled against the French company. Piaggio France therefore decided to appeal against the ruling before the *Conseil d'Etat* on 7 December 2020 and is waiting for the date of the hearing to be set. A provision of approximately €3.6 million was set aside by the Company for the latest unfavourable judgment received.

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

appointed as counsel, the company considers a favourable outcome and subsequent reimbursement of amounts paid as likely.

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

With respect to the dispute with the Finnish Navy, in January 2020, the conditions for the effectiveness of the settlement agreement signed in December 2019 were met; the Parties then proceeded to close the arbitration.

With regard to the dispute with the subcontractor of the air-conditioning system for the Finnish contract, on 28 February 2020, the company served summons to the company Gruppo PSC S.p.A., as the incorporating company of the newco Atisa Marine S.r.l., formerly the assignee of the HVAC business unit of Atisa S.p.A..

The PSC Group appeared in court on 20 May 2020, substantially referring to the defences and claims already made by Atisa S.p.A. The hearing was postponed due to the COVID-19 emergency to 20 May 2021 for the closing arguments.

The Court of Rome had ordered Rodriquez Cantieri Navali S.p.A. (now Intermarine S.p.A.) to pay Yachitaly a total of €693 thousand, in addition to the payment of the legal and court-appointed expert costs. In February 2012, Rodriquez Cantieri Navali lodged an appeal against the ruling and requested suspension of the provisional enforcement order. Despite the appeal, in January 2013 the company paid the entire amount of €761 thousand, subject to "repayment". On 4 January 2018, a judgment of appeal in favour of Intermarine was handed down, in which the Judge quantified the sum payable by Intermarine as only €120 thousand, recognising that it was entitled to a refund of approximately €600 thousand. In March 2018, Yachitaly filed an appeal with the Court of Cassation against the judgment of the Court of Appeal and Intermarine filed a counter-appeal. The Supreme Court of Cassation declared Yachitaly's appeal inadmissible and ordered it to pay Intermarine's costs of the proceedings in addition to a flat rate of 15%, disbursements and legal costs.

During the previous year, the lawyers advising the company continued to take action to recover the above amount, through seizure orders for over €900 thousand, identifying funds in current accounts of the counterparty of only €14 thousand; Intermarine has obtained the amounts seized, collecting them in March 2019.

With reference to the legal dispute with the Municipality of Messina, for which in January 2013 a favourable ruling was issued rejecting all claims of the Municipality and recognising the ownership of the areas owned by the State and the right of the Port Authority to operate them, Intermarine was served notice of the appeal lodged by the Autonomous Port Authority of Messina, which requested the suspension of the effects of the sentence. The appeals proceedings were interrupted in 2016 and resumed by the Municipality in January 2017. In the hearing of 10 January 2019, the Court adjourned the case to verify the admissibility of the Appeal. The hearing was postponed several times due to provisions adopted for the COVID-19 emergency, and was last set for 25 March 2021.

According to the lawyers advising the company, given that in his ruling the charge had fully argued his decision, it seems unlikely that the first instance ruling will be changed by the Appeal Court.

With reference to the summons by the Court of Naples of the company Scoppa Charter S.r.l.

- purchaser, through Unicredit Leasing, of the vessel Conam 75 WB Alvadis II delivered in 2010 for a sum of €2 million - through which the Shipping Company had appealed against the alleged nonconformity of the asset to sales specifications and the owner manual and the unsafe nature of the unit. The Court of Naples issued the first instance ruling, at the end of September 2016, with a primarily favourable outcome for Intermarine with respect to the opposing party's request, but ordering the company to pay €600 thousand in damages.

In 2017, Scoppa Charter filed an appeal against said ruling, while Intermarine filed an appeal for an anti-enforcement injunction. The Naples Appeal Court ordered suspension of the enforcement of the first instance ruling, and set a hearing for closing arguments for 10 September 2020, which was postponed to 3 March 2022. According to the company's lawyers, the outcome of the appeal cannot be foreseen.

With reference to the litigation for damages brought by the company against Como S.r.l., on 16 December 2019, the Court of Rome, accepting Intermarine's applications, declared the termination of the preliminary contract of 21.07.2005 between RCN (now Intermarine) and Fimi Real Estate S.r.l. (now Como S.r.l.) and ordered Como to pay damages, assessed at Euro 8.9 million, plus monetary revaluation and legal interest and to pay the costs of the proceedings, assessed at Euro 72 thousand. On 20 December 2019, Intermarine notified the ruling to the defendants of Como S.r.l. and the liquidator of Como S.r.l. Bankruptcy; the short time limit for appeal expired without the liquidator appealing against the ruling.

In light of the favourable ruling that has become final, on 19 February 2020 the company obtained the release by Banco BPM of the guarantee of €2.7 million.

On 24 September, the decree enforcing Como's bankruptcy was issued, in which the only claim admitted for Intermarine referred to legal fees for €33 thousand. In the light of the preferential and mortgage claims included in liabilities of the limited assets of Como and Coinvest S.r.l. (the transferee of the Como assets), the prospects of actually recovering unsecured amounts owing to the company were low; Intermarine therefore decided not to proceed further and to avoid incurring further legal costs in this respect.

In July 2020 Intermarine received notification of a request for arbitration overseen by the International Chamber of Commerce of Paris from foreign banks claiming to act on behalf of a client of Intermarine, that had allegedly failed to exercise its rights following the termination of the contracts between the same client and Intermarine in April 2018 (in this case, according to the foreign banks, the client should have taken action to have the contractual clauses governing the effects of the termination declared vexatious).

Intermarine is participating in the arbitration, which is still at an early stage, challenging the lack of grounds for the subrogation action, defending itself on the merits and making counterclaims against the client.

The client, who was summoned to arbitration pursuant to Article 2900 of the Civil Code (which requires the creditor to also sue the debtor it intends to subrogate) also contested the inadmissibility of the subrogation action and has not, to date, made any claim against Intermarine.

The complexity and new aspects of the legal issues to be dealt with in arbitration make it difficult to predict the exact duration and outcome; at this stage, based on the legal assessments and arguments of the lawyers, Intermarine does not believe there are any probable or possible potential liabilities.

Intermarine has been summoned to appear in proceedings in which claims have been made for compensation for alleged moral, biological and relational/existential damages due to the illnesses of former employees, for a total of €2 million. The judgments are in the pre-trial stages and hearings have been held in 2019/2020 with the examination of witnesses for each party. Given the preliminary stages of the proceedings, it is not possible at present to predict the outcome of these cases.

On 12 March 2021, Intermarine S.p.A. and the parent company Immsi S.p.A. were notified by the heirs of Mr Carmelo Baeli (former employee of Rodriquez Cantieri Navali SpA) of case being brought before the Court of Messina - Employment Section, to obtain compensation for the damage suffered by the deceased and the applicants due to his death, which they claim was due to the work duties he carried out, in contact with harmful and carcinogenic substances.

The first hearing will be held on 14 October 2021, so the company will have to file its defence brief by 4 October 2021.

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

With regard to the tax dispute, in relation to the appeals lodged by Intermarine against the refusal notices, served on 25 May 2010 by the Revenue Agency - Genoa Department, the claims for partial reimbursement of the registration tax and property assessment taxes in relation to the sale of 18 December 2007 of the property portfolio situated in the Municipality of Pietra Ligure, the Tax Commission of the Province of Genoa issued a ruling on 28 May 2013. In particular, the Judges upheld the appeal filed by the company in relation to the registration tax, sentencing the Revenue Agency to reimburse the amount of approximately €264,000. The Genoa Revenue Office appealed against this decision and the company filed a defence and counterclaim. The Regional Tax Commission confirmed the sentence whereby the company is entitled to reimbursement of the registration tax. On 19 April 2016, the Genoa Department of the Revenue Agency submitted an appeal to the Court of Cassation, against which the company submitted a counter appeal. A date for the hearing still has to be set.

In May 2008, the Customs Agency of La Spezia served a Formal Notice of Assessment to the company, regarding the inspection which began in 2008 concerning excise on mineral oils. Based on the above notice, in June 2008, the tax authorities served the company a notice for payment of the above-mentioned excise duties for €38,000. The company filed an appeal against this notice before the Provincial Tax Commission of La Spezia and in January 2012 the Commission rejected the appeal. The company filed an appeal with the Genoa Regional Tax commission against the aforesaid ruling, and in March 2016 a ruling upholding the appeal was filed. On 6 July 2016, the Customs Office submitted an appeal to the Court of Cassation, against which the company submitted a counter appeal. On 5 December 2019, the judgement was filed at the Court of Cassation, which, despite the contrary opinion of the General Prosecutor who had found in favour of rejecting the appeal, decided instead to accept the two arguments put forward by the Customs' Agency. In light of the above situation, on 4 August 2020, the company notified the Customs Office of La Spezia of the summons to appeal, so that the proceedings would be resumed before the Regional Tax Commission of Liguria, with a different composition, to re-examine the merits of the case. A date for the hearing still has to be set.

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

sentencing the tax authorities to pay the costs of the proceedings, amounting to €5,000. In December 2016, the Albenga Territorial Office notified the company of its appeal against the aforementioned ruling, following which the company filed an appearance. On 10 July 2020, the CTR of Liguria issued its ruling rejecting the Office's appeal and confirming the first instance judgement.

Since the time limit (10 February 2021) for appealing against the aforementioned ruling before the Court of Cassation has expired, the company has requested the relevant certificate of *res judicata* in order to establish that the matter has been settled.

Significant events occurring after the reporting period and outlook of operations for 2021

At the date of producing these financial statements, the Group was monitoring developments in certain factors of instability that had occurred, such as the COVID-19 emergency. In fact, in 2020, a factor of macroeconomic instability related to the spread of COVID-19 emerged, which affected economic activity in China and then other countries, in the first part of the year. The solution appears to be linked to the availability of a vaccine, with roll-out starting in the USA and England in mid-December 2020.

In this difficult context, 2020 results confirm the Group's effective response to the pandemic that has hit the world economy.

Forecasts for next year are complex however, as they depend on how the COVID-19 emergency will unfold – with the virus spreading quickly in the last quarter in Europe, and on the government measures taken in the meantime to limit the spread and to support the economy in countries where the Group is present.

In this general context, the **Piaggio group** in particular will continue to work to meet its commitments and targets, keeping all measures in place to manage the crisis caused by the pandemic until necessary and to respond quickly and flexibly to unexpected and difficult situations that could still arise, thanks to careful and efficient management of its economic and financial structure.

Although it is still hard to make forecasts, because the COVID-19 epidemic will still have an impact in 2021, Piaggio will continue its journey in 2021, with the launch of 10 new two-wheeler models and a new light commercial vehicle, as well as expanding the e-mobility department at Pontedera, starting up a new plant in Indonesia, and completely renovating the Moto Guzzi production site and museum area.

On 17 February 2021, the real estate investment consisting of the former Spanish factory in Martorelles was sold to third parties. The disposal price was equal to its book value. For further details, please refer to the paragraph "Investment property".

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

As regards the **marine sector** (Intermarine S.p.A.), production progress will be made in 2021 regarding contracts already obtained, with the aim of further consolidating assets, with actions already taken in the last few years.

In addition, the company is involved in various negotiations, particularly in the Defence sector, aimed at requiring more contracts that will allow to increase the purchase order book and consequently provide the conditions to enable the company to optimise its production capacity over the coming years.

The Company will also pursue every opportunity to contain direct and indirect costs.

With reference to significant events after 31 December 2020, Intermarine signed a contract for the study of "Risk reduction and the definition of a project for a New Generation Minesweeper Unit (CNG)" for the Italian Navy. The contract is part of the modernisation programmes of the Italian Navy's Mine Countermeasures fleet, which envisage - also as set out in the Navy's Long-term Planning Documents of the last two years - the construction in the next few years of 12 new units to replace the 4 Lerici Class minesweepers and the 8 Gaeta Class minesweepers.

CONSOLIDATED NON-FINANCIAL STATEMENT

pursuant to Italian Legislative Decree 254/16



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

Reporting period	2020 Financial year (from 1 January to 31 December 2020). Data relative to 2019 and 2018 are presented for comparison.
Annual reporting	Cycle.
Date of publication	This document was published on 8 April 2021. The 2019 DNF was published on 23 April 2020.
Document formats	The Non-Financial Statement (NFS) is included in the “Directors’ Report on Operations” published together with the Immsi Group’s Consolidated Financial Statements at 31 December 2020, available in PDF format, in Italian, on the website www.immsi.it (in the “Investors/Financial reports/2021” section)
Document perimeter	The information and data refer to the companies of the Immsi Group included in the scope of consolidation at 31 December 2020.
Contents of the NFS	The contents of the 2020 NFS are based on the requirements of the Global Reporting Initiative Standards (hereinafter “GRI Standards”), “core” option. The contents have been selected based on the Materiality process, focussing on non-financial topics, as required by Article 3 of Legislative Decree 254/16.
Statement	The 2020 Non-Financial Statement was subject to limited auditing by the independent auditors PricewaterhouseCoopers SpA, that carried out its work according to the criteria indicated in the “International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information” (“ISAE 3000”), issued by the International Auditing and Assurance Standards Board to verify the conformity of the Non-Financial Statement to requirements of GRI standards defined in 2016 by GRI - Global Reporting Initiative.
Contacts	INVESTOR RELATIONS Andrea Paroli – Investor Relator of Immsi S.p.A. Email: andrea.paroli@immsi.it .

Letter from the Chairman

Immsi S.p.A. prepared the 2020 Consolidated Non-Financial Statement for the entire Group, pursuant to Legislative Decree 254/16.

Continuing on from the previous year, the Parent Company, with this statement, has provided a specific and essential overview of the business operations of the Immsi Group, highlighting the main information and data not included in its financial reports.

The year that we have just left behind us brought about profound changes in society and in individual behaviour, forcing companies to redesign themselves on both an organisational and business level. Our speed in adapting our business model to the changing external scenario – which has always been a hallmark of the Group – meant we could achieve positive results despite the fact that 2020 has been more challenging than expected.

We reacted with our usual rapidity to the unpredictable Covid-19 emergency, which had such a dramatic impact on the last year, to protect our employees and the community. Accordingly, we have rethought each Group company's organisational and behavioural models, providing concrete responses to the health and safety needs of our employees and their families.

But the change has not only taken place within companies. Specifically, as regards the business model of the Piaggio group, mobility as a whole has begun a perhaps irreversible transformation. As active players in global mobility – not just vehicle manufacturers – we have focused on technological innovation, unique design and attention to quality, and we have committed ourselves to developing products and services that improve the way people and goods move, while respecting our host communities and the environment.

Our focus on environmental sustainability entails a commitment to developing products with low consumption and emissions, including hybrid and, of course, electric, which is a central theme of our new product development strategy now and in the coming years. But it also applies to production processes and services we offer, through tangible actions to improve efficiency, with a particular focus on emissions reduction and the conservation of water resources.

Our main assets are the dedication, expertise, genius, courage and tenacity of the women and men who work to make the Immsi Group more competitive every day. And this is something that must be preserved by promoting respect for our core values, namely integrity, consistency, transparency and equality.

We are confident that we have the right tools to handle this particularly difficult time and the major global transformation under way. We have innovative technology, unique brands that have made us leaders in many markets, capable people and brilliant ideas.

The Immsi Group has therefore affirmed – and can reaffirm in this difficult year – its commitment to the creation of a new, more responsible and sustainable business models, as we continue to pursue the goal of improving our quality of life and that of future generations.

The Chairman

Roberto Colaninno

Methodological note

Immsi Group has been committed since 2017 to preparing consolidated non-financial statements (hereinafter "NFS" or "Statements"), as required by the European Directive 2014/95/EU, adopted in Italian law with Legislative Decree no. 254/16.

Foundations

The 2020 NFS has been prepared in compliance with GRI Standards (core option), published in 2016 by GRI – Global Reporting Initiative. The Immsi Group has based the contents of the NFS on principles of materiality, the inclusion of stakeholders and the context of sustainability and completeness. The quality of information and adequacy of its presentation is guaranteed by principles of fairness, clarity, accuracy, timeliness, comparability and reliability.

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

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

Materiality analysis

The Group updated the materiality analysis again for 2020, based on the GRI Standards with respect to the definition of the relevant topics and application of the principle of materiality. The analysis involved the Parent Company Immsi S.p.A. and the operating subsidiaries considered significant in terms of relations with stakeholders.

Considering the significance of the Piaggio & C. S.p.A. group within the Immsi Group, the Parent Company decided to adopt the same material topics, as they may also be referred to other Group companies covered by the materiality analysis.

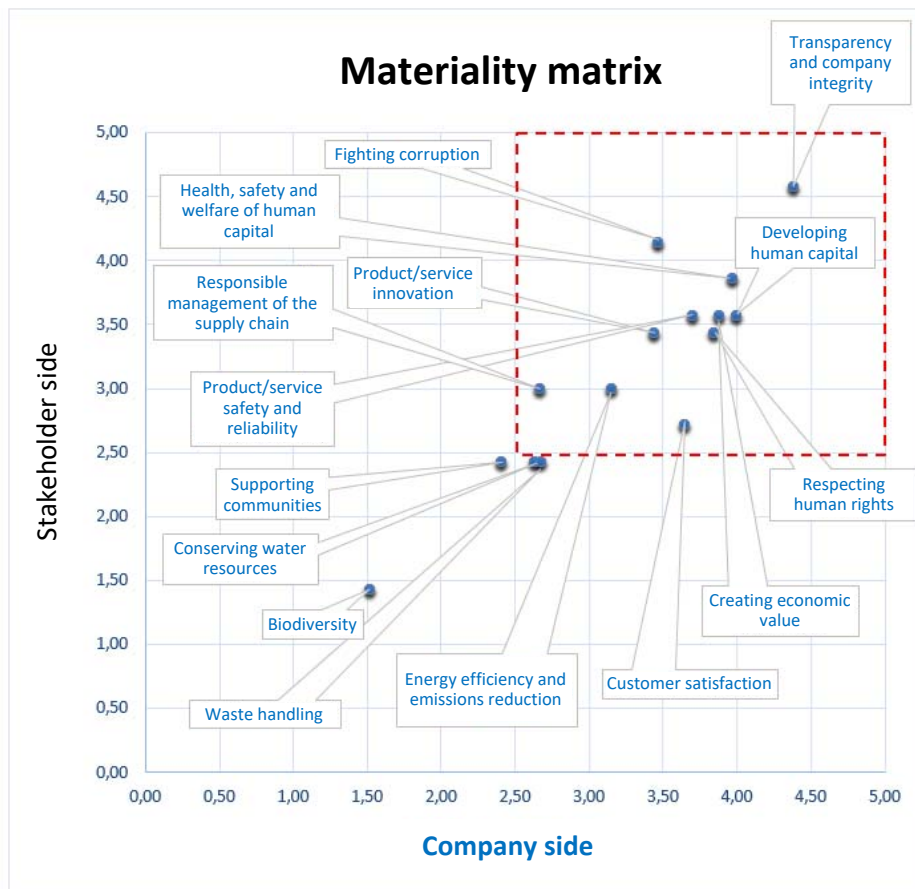
The Managers of Functions identified (in the Parent Company and in operational subsidiaries) and a sample of external stakeholders were requested to compile the "Materiality Form"; by aggregating the results, the materiality matrix was constructed.

these forms were then combined to construct the materiality matrix.

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

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

This matrix is shown below:



The area in the red box contains the topics which are most significant, for both stakeholders and the company.

Subsequently, the topics to highlight in the NFS were selected.

Although the topics "protecting water resources" and "waste management" are outside the materiality boundary, they have been subject to reporting as the company side assessments carried out by the Immsi Group companies have shown a degree of materiality.

In addition, the topics "supporting communities" and "biodiversity" were not reported on, as they are not in the red boundary.

Contents of the Statement

The structure of the NFS for the year 2020 was defined through the performed materiality analysis.

The most significant aspects identified in the analysis were further investigated by looking into each sub-topic and using appropriate KPIs, the latter taken from GRI Standards. Reference is made to the Directors' Report and Financial Statements of the Immsi Group at 31 December 2020 for further details of economic and financial aspects and corporate governance issues.

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

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

TOPIC	IMPACT ON	CHAPTER OF REFERENCE
<ul style="list-style-type: none"> ➤ Fighting corruption ➤ Transparency ➤ Respecting human rights 	<p>Internal:</p> <ul style="list-style-type: none"> - All Immsi Group companies - Human resources <p>External:</p> <ul style="list-style-type: none"> - Suppliers - Public administration sector - Customers - Financers - Shareholders/financers 	<i>Corporate Governance</i>
<ul style="list-style-type: none"> ➤ Product/service innovation ➤ Product/service safety and reliability ➤ <i>Customer satisfaction</i> 	<p>Internal:</p> <ul style="list-style-type: none"> - Piaggio & C. S.p.A. - Piaggio Vietnam Co. Ltd. - Piaggio Vehicles Private Ltd; - Piaggio Advance Design Center; - Piaggio Fast Forward Inc.; - Foshan Piaggio Vehicles Technologies Co. Ltd; - Intermarine S.p.A.; - Is Molas S.p.A. <p>External:</p> <ul style="list-style-type: none"> - Customers 	<i>The product and service dimension</i>
<ul style="list-style-type: none"> ➤ Energy efficiency and emissions reduction ➤ Conserving water resources ➤ Waste handling 	<p>Internal:</p> <ul style="list-style-type: none"> - Piaggio & C. group; - Intermarine S.p.A.; - Is Molas S.p.A.; <p>External:</p> <ul style="list-style-type: none"> - Local Communities - P.A. - Suppliers 	<i>The Environmental Dimension</i>
<ul style="list-style-type: none"> ➤ Developing human capital ➤ Workers' health and safety 	<p>Internal:</p> <ul style="list-style-type: none"> - All Immsi Group companies - Human resources <p>External:</p> <ul style="list-style-type: none"> - External: - Employees; - Local Communities 	<i>The social dimension - Developing human resources</i>
<ul style="list-style-type: none"> ➤ Responsible management of the supply chain 	<p>Internal:</p> <ul style="list-style-type: none"> - Immsi S.p.A. - Piaggio & C. S.p.A. - Piaggio Vietnam Co. Ltd - Piaggio Vehicles Private Ltd; - Piaggio Advance Design Center; - Piaggio Fast Forward; Inc. - Foshan Piaggio Vehicles Technologies Co. Ltd.; - Intermarine S.p.A.; - Is Molas.S.p.A. <p>External:</p> <ul style="list-style-type: none"> - Suppliers 	<i>The supply chain</i>

Scope of the NFS

The disclosures and figures contained in the NFS refer to Immsi Group Italian and foreign companies, reported at 31 December 2020. Given the nature of some data presented in the Statement, the companies considered in the reporting boundary are indicated, for the various dimensions.

Where possible, a comparison with 2019 and 2018 has been provided, in order to allow for an assessment of dynamic trends over time.

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

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

CHAPTER OF REFERENCE	BOUNDARY
<i>The Economic Dimension</i>	Immsi Group companies
<i>Corporate Governance</i>	Immsi Group companies
<i>The product and service dimension</i>	<ul style="list-style-type: none"> - Property and holding sector: Is Molas S.p.A.; - Industrial sector: Piaggio & C. S.p.A, Piaggio Vietnam Co. Ltd., Piaggio Vehicles Private Ltd., Piaggio Advance Design Center, Piaggio Fast Forward Inc., Foshan Piaggio Vehicles Technologies Co. Ltd.; - Marine sector: Intermarine S.p.A..
<i>The Environmental Dimension</i>	<ul style="list-style-type: none"> - Property and holding sector: Is Molas S.p.A.; - Industrial sector: The companies of Piaggio group; - Marine sector: Intermarine S.p.A..
<i>Social dimension - Developing Human Capital</i>	<ul style="list-style-type: none"> - Property and holding sector: Immsi S.p.A., Immsi Audit S.c.a.r.l., Is Molas S.p.A. ed Apuliae S.r.l.; - Industrial sector: The companies of Piaggio group; - Marine sector: Intermarine S.p.A.
<i>The supply chain</i>	<ul style="list-style-type: none"> - Property and holding sector: Immsi S.p.A. and Is Molas S.p.A.; - Industrial sector: Piaggio & C. S.p.A., Piaggio Vietnam Co. Ltd., Piaggio Vehicles Private Ltd., Piaggio Advance Design Center, Piaggio Fast Forward Inc., Foshan Piaggio Vehicles Technologies Co. Ltd.; - Marine sector: Intermarine S.p.A..

Process of reporting and assurance

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

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

The Consolidated Non-Financial Statement for the year 2020 was subject to limited audited by PricewaterhouseCoopers Advisory Spa. This activity concluded with the issue a "Independent report on the limited audit of the consolidated non-financial statements" based on indications provided by ASSIREVI, the Italian Association of Auditors (Research document no. 226). The report that describes the principles adopted the activities carried out and the relative conclusions is in the Appendix.

Group profile

Immsi Group

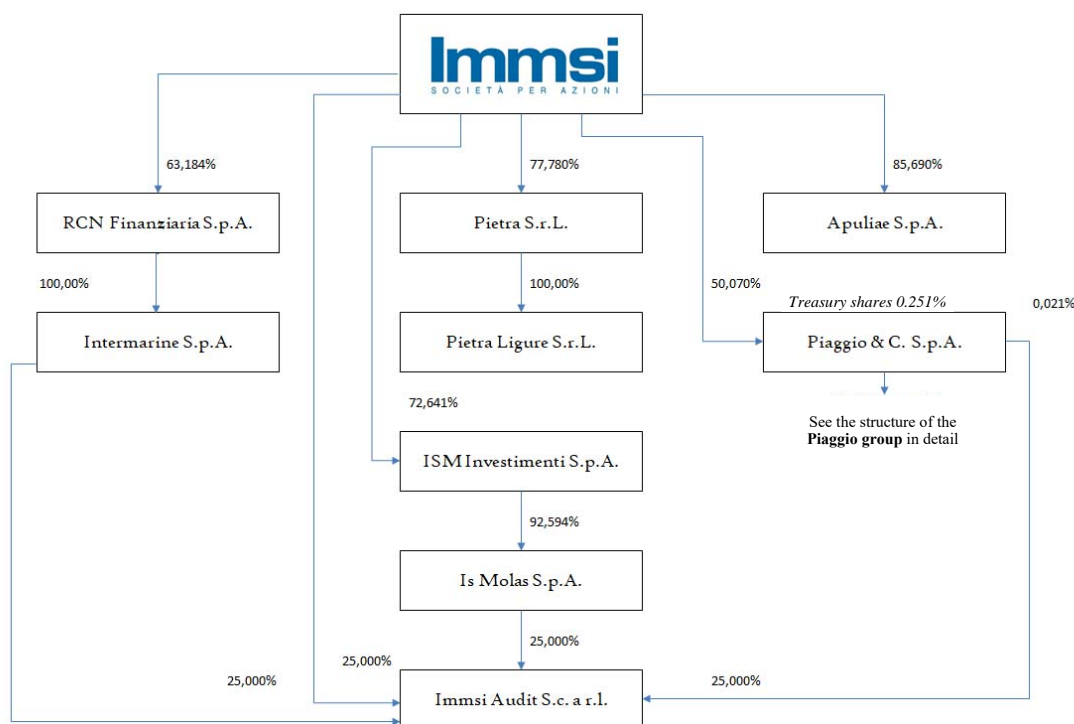
Immsi S.p.A. is the holding of a Group with approximately 40 operational companies in different sectors of activity. Its registered office is in Mantua.

The Company's investment portfolio includes businesses related to:

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

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

At 31 December 2020, the Immsi Group had the following corporate structure:



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



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

During 2020, Immsi S.p.A. worked in the real estate sector through subsidiaries and associated investment projects. Investment property includes the Is Molas tourist complex, in southern Sardinia. This complex was purchased in 2004 and includes:

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

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

The Pietra Ligure project refers to the work site area in Pietra Ligure (Savona) which, based on the project presented, will be transformed into a property complex. The area concerned (approximately 162,000 m²) was awarded to the Immsi Group in a public tender held in 2007.

The aim is to transform the area and a part of existing facilities, based on the reorganisation of work site activities, integration with the surrounding urban fabric, the development of a new marina and of emerging tourist services and facilities.

Industrial sector: Piaggio group

The Piaggio group, based in Pontedera (Pisa, Italy) is Europe's largest manufacturer of two-wheeler motor vehicles and an international leader in its field. The group operates at international level at its sites located in Italy and abroad. It has four production sites in Italy, at:

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



The Piaggio group also has two other production plants: in Baramati (in the Indian state of Maharashtra), which manufactures three- and four-wheeler light transport vehicles, the Vespa and Aprilia vehicles, as well as engines; in Vinh Phuc (Vietnam) where Vespa and Piaggio scooters are produced.

Piaggio Fast Forward Inc. operates in Boston (Massachusetts, USA) and is a research centre for the development of new solutions for people mobility and goods and the production of robots for goods transport.

The Piaggio group also operates via a joint venture company in China (Zongshen Piaggio Foshan Motorcycles, in Foshan, in the province of Guangdong), which is 45% owned by Piaggio.

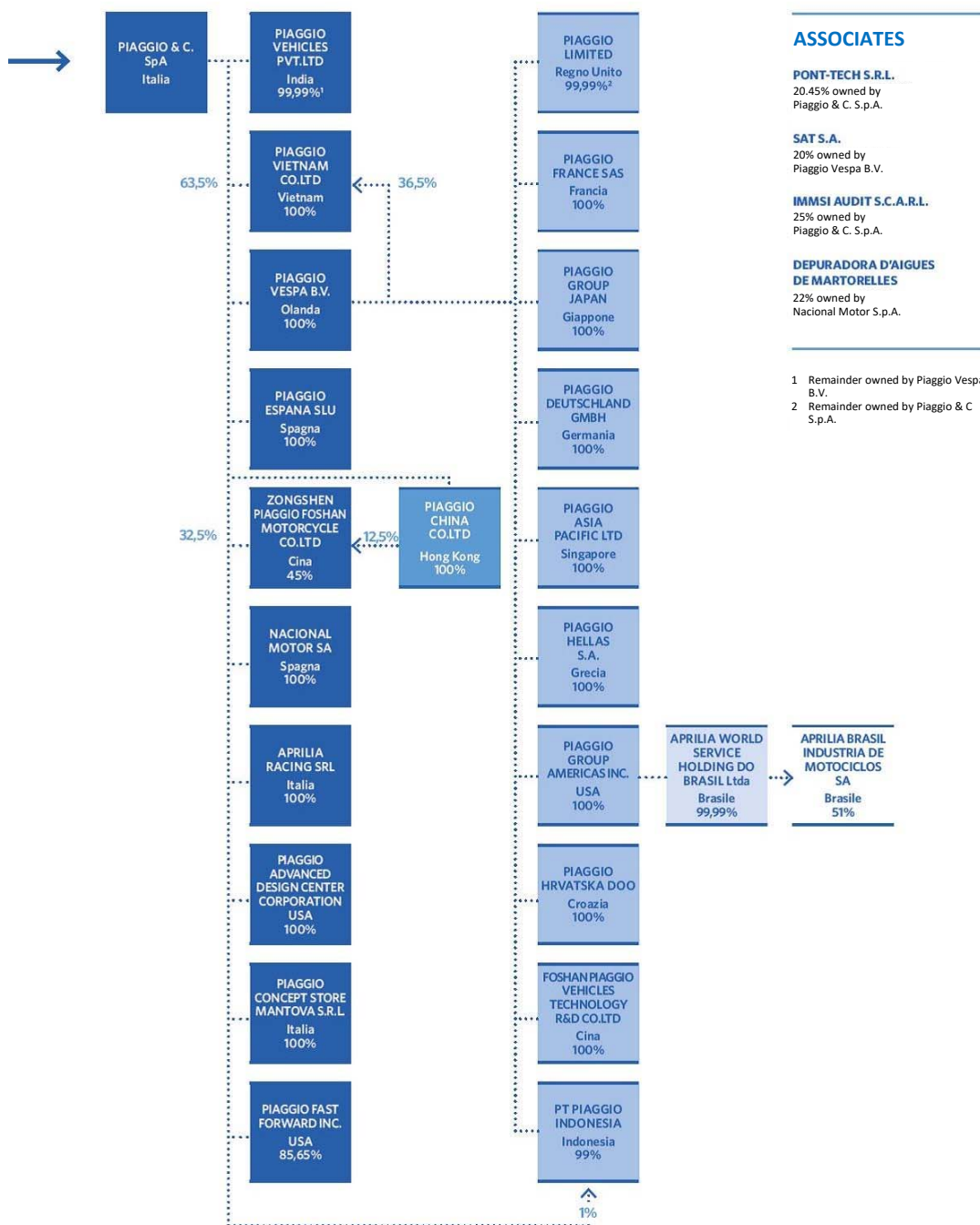
Thanks to the international dimension of Piaggio & C., the group's products are sold in over 100 countries.

The product range includes scooters, motorcycles and mopeds with engine displacements ranging from 50 to 1,400 cc, as well as three- and four-wheeler vehicles, and the robotics division with Piaggio Fast Forward, the Group's research centre on the mobility of the future. The Piaggio group brands are:



For further details of the Piaggio group business model, see the Piaggio 2020 NFS and 2020 CSR Report.

The corporate structure of the Piaggio group at 31 December 2020 is shown below:



The Marine sector: Intermarine



A Rodriguez Company



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

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

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

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

At 31 December 2020, Intermarine had two production sites, in Sarzana and Messina.

Stakeholder engagement

When preparing the first NFS, for 2017, internal and external stakeholders interacting with Group companies were identified. With reference to 2020, the same stakeholders identified in the previous NFSs, are indicated, considering that no changes took place in the Group structure.

Group companies must take account of individual stakeholders, as they have various interests and expectations (social, economic, professional, human) concerning the Group. Moreover, they must also indicate how stakeholders are engaged with them and how they attempt to meet their expectations.



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

Customers and dealers			
Sector	Engagement methods	Stakeholder expectations	Actions taken
Property and holding	<ul style="list-style-type: none"> ➢ Written notices when works are carried out and concerning site management. ➢ Frequent contact. ➢ Customer contact: direct; through tour operators and agencies; P.R. ➢ Dealer contacts: direct; trade fairs; P.R. ➢ Involvement with commercial actions via the website. 	<ul style="list-style-type: none"> • Providing tenants of buildings with an adequate service. • Transparency and fairness in dealings. • Compliance with contractual conditions. • Service quality. 	<ul style="list-style-type: none"> - Alignment with existing regulations. - Commitment to guarantee the safety and security of property. - Meetings/requests to participate in updates. - Internal organisational procedures in compliance with customer expectations. - Compliance with contractual conditions. - Guaranteeing the transparency and quality required by customers.

Industrial	<ul style="list-style-type: none"> ➢ Contact centre ➢ Customer satisfaction surveys ➢ Communication channels (websites, social media). ➢ Events (travelling tests, trade fairs). ➢ Dealer websites. ➢ Dealer support services/Help desk. ➢ Motoplex (new sales format). 	<ul style="list-style-type: none"> • Quality, safety and reliability of the products. • Low/zero consumption and emissions. • Rapid response and problem solving. • Sales support. 	<ul style="list-style-type: none"> - Investment in ever safer and more reliable products. - Obtaining quality certification. - Study of innovative engines with low/zero consumption and emissions. - Effort to improve professionalism, timeliness and courtesy of the contact centre personnel and dealers. - Development of a dedicated website and a new sales format.
Marine	<ul style="list-style-type: none"> ➢ Periodic meetings and scheduled technical tests ➢ Company presentation (websites, trade fairs, events). ➢ Preparing and negotiating bids; exchanging correspondence; interviews and direct meetings. ➢ Support from deals for marketing and sales. 	<ul style="list-style-type: none"> • Reliability, expertise, service, quality, value. • Confidentiality. • Timeliness, precision. • Transparency, fairness and generating business. 	<ul style="list-style-type: none"> - Service and compliance with quality. - Organisation, R&D, reliability. - Timeliness and precision, fairness, transparency, attention to detail.

Suppliers

Sector	Engagement methods	Stakeholder expectations	Actions taken
Property and holding	<ul style="list-style-type: none"> ➢ Involvement in the formalisation of property maintenance contracts. ➢ Daily relations. 	<ul style="list-style-type: none"> • Regular payments of invoices. • Clarity in contractual relations. • Continual supplies. • Compliance with contractual conditions. • Cooperation, also based on long term supplier/Company relations. 	<ul style="list-style-type: none"> - Transparent management of relations. - Payments to suppliers according to terms and conditions established. - Selecting suppliers and monitoring results. - Internal procedures governing relations with suppliers (selecting suppliers, guarantees for supplies, compliance with payment terms, etc.).
Industrial	<ul style="list-style-type: none"> ➢ Daily relations. ➢ Suppliers Portal. 	<ul style="list-style-type: none"> • Continuity of the supply. • Collaboration and sharing of best practices. 	<ul style="list-style-type: none"> - Implementation of the Supplier Portal, also used for the automated management of supply orders. - Vendor rating campaigns. - Appropriate conduct guidelines to prevent incidents of corruption.
Marine	<ul style="list-style-type: none"> ➢ Contracts; meetings concerning technical specifications; technical/professional suitability. ➢ Framework agreements; seasonal work contracts; funded training agreements. ➢ Meetings, operational involvement. ➢ Management of financial/administrative relations.. ➢ Direct contacts through meetings, emails and websites. 	<ul style="list-style-type: none"> • Compliance with the contract, and with applicable laws and regulations. • Compliance with partnership agreements. • Reliability, expertise and punctuality. • Technical support, clarity concerning quality and times. • Transparency, planning, economic value. 	<ul style="list-style-type: none"> - Guaranteeing transparency and the proper coordination of activities. - Compliance with contractual terms. - Planning - Cooperation targeting product improvement. - Reducing performance times and making technical/quality-related improvements.

Local Communities

Sector	Engagement methods	Stakeholder expectations	Actions taken
Property and holding	<ul style="list-style-type: none"> ➢ Charity activities. ➢ Communication targeting the local community. ➢ Direct, occasional contact. ➢ Events, sponsorships, charity initiatives 	<ul style="list-style-type: none"> • Charity. • Local employment and training. • Cooperation and awareness of needs. • Respecting the environment. • Support for local communities/initiatives. 	<ul style="list-style-type: none"> - Local employment and training. - Contributions in favour of local initiatives/events and non-profit organisations. - Obtaining required authorisations.
Industrial	<ul style="list-style-type: none"> ➢ Meetings, exhibitions and events ➢ Rallies. ➢ Charity activities. 	<ul style="list-style-type: none"> • Contributions to supporting charity initiatives. • Organisation of rallies and events for connoisseurs. • Development of local communities. • Respecting the environment. 	<ul style="list-style-type: none"> - Support for numerous charity initiatives. - The Group organises rallies and races for its customers, such as the Aprilia All Star, Vespa World Day and Moto Guzzi open house events. - The Piaggio Foundation and the Piaggio Museum are a meeting place and cultural reference for the territory.

			- Attainment of environmental certification for production sites.
Marine	<ul style="list-style-type: none"> ➤ Meetings and press releases. ➤ Meeting with local authorities (mayors, councillors, etc.). ➤ Meetings for redundancy procedures. ➤ Meetings for individual projects. 	<ul style="list-style-type: none"> • Direct company involvement. • Engagement with the community and its needs. • Respect for the role played by institutions. 	<ul style="list-style-type: none"> - Ongoing pursuit of a balance between community needs and company objectives. - Involvement of personnel in company decisions.

Institutions and Public Administration

Sector	Engagement methods	Stakeholder expectations	Actions taken
Property and holding	<ul style="list-style-type: none"> ➤ Official channels and website SDIR-NIS. ➤ Ongoing dialogue on legal developments ➤ Occasional direct contact or via the Hccp Manager - Personnel Department. ➤ Ongoing relations depending on the Company, as regards technical/administrative requests. ➤ Routine controls by Organisations. ➤ Contacts via the websites of Public Entities and in-company controls. 	<ul style="list-style-type: none"> • Transparency, fairness, punctuality, attention to details. • Involvement. • Cooperation and transparency. • Compliance with regulations and established procedures. • Compliance with conventions. 	<ul style="list-style-type: none"> - Transparency. - Employee training. - Compliance with regulations. - Appropriate conduct. - Cooperative relations. - Compliance with applicable regulations and agreements in place. - Internal procedures that govern relations with the Pa in order to prevent bribery or similar offences. - Compliance with procedures for legal obligations concerning personnel.
Industrial	<ul style="list-style-type: none"> ➤ Ongoing dialogue on legal developments ➤ Periodic ad hoc meetings. ➤ Participation in parliamentary committees appointed to discuss and formulate new regulations. ➤ Meetings and presentations. 	<ul style="list-style-type: none"> • Compliance with laws and regulations; • Being open and receptive to environmental and social themes. • Support on specific technical themes. • Pursuing common objectives. 	<ul style="list-style-type: none"> - Appropriate conduct guidelines to prevent incidents of corruption. Investments in the R&D of innovative products that are abreast of any restrictions of current regulations. - Proactive participation in parliamentary committees appointed to discuss and formulate new regulations. - Participating in trade associations.
Marine	<ul style="list-style-type: none"> ➤ Requests for authorisations. ➤ Involvement in meetings. ➤ Involvement of institutions in contractual negotiations with other countries and associated practices. ➤ Statements and controls. ➤ Tax, insurance and welfare obligations. ➤ Inspections. 	<ul style="list-style-type: none"> • Clarity and transparency. • Compliance with regulations. • Cooperation. • Providing information that is accurate and comprehensive; a responsible, honest attitude. • Compliance with obligations and rules. • Tax, insurance and welfare 	<ul style="list-style-type: none"> - Formalisation of authorisation requests with all information concerning military supplies. - Press releases. - Cooperation and transparency. - Providing information that is accurate and comprehensive; - Compliance with obligations and rules. - Proactive benchmarking.

Medium

Sector	Engagement methods	Stakeholder expectations	Actions taken
Property and holding	<ul style="list-style-type: none"> ➤ Websites and press channels. ➤ SDIR-NIS. ➤ Frequent, direct contacts. 	<ul style="list-style-type: none"> • Timely, transparent, correct and exhaustive disclosure. • Ongoing cooperation. 	<ul style="list-style-type: none"> - Clarity and transparency. - Being open to engagement.
Industrial	<ul style="list-style-type: none"> ➤ Press releases. ➤ Events and company communication initiatives ➤ Wide - Piaggio Magazine. ➤ Websites. ➤ Press product launches. ➤ Product test rides. 	<ul style="list-style-type: none"> • Availability, transparency and timeliness of information on the company and its products. 	<ul style="list-style-type: none"> - Abiding by the governance code of business communications. - Strengthening relations with the media in the different countries where the Group is active.
Marine	<ul style="list-style-type: none"> ➤ Press Office and websites. ➤ Involvement in exhibitions and conferences. ➤ Contacts with the specialist press. 	<ul style="list-style-type: none"> • Correct, timely and exhaustive information, in adequate times. 	<ul style="list-style-type: none"> - Institutional communication. - Information provided to safeguard customers.

Shareholders, lending and financial system

Sector	Engagement methods	Stakeholder expectations	Actions taken
Property and holding	<ul style="list-style-type: none"> ➤ Meetings, shareholders' meetings, Board of Directors' meetings, website, press, official documents. ➤ Ongoing communication with Management. 	<ul style="list-style-type: none"> • Information that is complete, timely and accurate. • Company growth. • Transparency. • Cooperation. • Results. • Focus on company values. 	<ul style="list-style-type: none"> - Clarity and transparency. - Sharing future programmes and results achieved. - Being open to engagement. - Compliance with regulations. - Cooperation. - Commitment to actions to achieve objectives. - Focus on company values.
Industrial	<ul style="list-style-type: none"> ➤ Conference calls/Road Shows. ➤ Piaggio Analyst and Investor Meetings. ➤ Corporate website. 	<ul style="list-style-type: none"> • Clear and timely information. • Remuneration and safeguarding the asset value of the investment. 	<ul style="list-style-type: none"> - Promotion of ongoing dialogue with analysts and lenders. - Treasury shares purchasing policy.
Marine	<ul style="list-style-type: none"> ➤ Meetings, shareholders' meetings, engagement. ➤ Financial Statements and reports; corporate obligations. 	<ul style="list-style-type: none"> • Ongoing disclosure. • Creation and integrity of company value. • Meeting commitments. 	<ul style="list-style-type: none"> - Transparency. - Company growth. - Definition of shared objectives.

Employees and trade union organisations

Sector	Engagement methods	Stakeholder expectations	Actions taken
Property and holding	<ul style="list-style-type: none"> ➤ Frequent communication. ➤ Collective choices. ➤ Involvement of trade union organisations if requested. ➤ Possibility to contact the Personnel Department, Function Managers. Periodic meetings for departments, and for specific needs are planned. ➤ Periodic meetings to coordinate technicians and property manufacturers. 	<ul style="list-style-type: none"> • Participation. • Involvement. • Meritocracy. • Respecting human rights. • Clear and transparent communication with superiors. • Opportunity for professional development and training. • Safe working environment. • Cooperation. 	<ul style="list-style-type: none"> - Involvement. - Promoting engagement. - Professional growth. - Compliance with regulations. - Personnel recruitment in compliance with the Code of Ethics adopted by the Company and without any discrimination. - Open and constructive dialogue. - Professional training courses based on company needs. - Guarantee a safe, healthy and productive environment, also through the dissemination of a culture of safety and awareness of risks. - Periodic coordination meetings.
Industrial	<ul style="list-style-type: none"> ➤ Company intranet. ➤ Piaggio InfoPoint ➤ Piaggio Net International. ➤ Web mail. ➤ Evaluation Management System. ➤ Wide - Piaggio Magazine. ➤ Meetings with trade unions. 	<ul style="list-style-type: none"> • Clear and timely company communication. • Safe and healthy work environment. • Opportunity for professional development and training. • Transparent reward policies. • Respecting human rights and diversity. • Open and constructive dialogue. 	<ul style="list-style-type: none"> - Promoting ongoing, constructive dialogue with employees. - Attainment of health and safety certification for Group sites. - Preparation of professional and managerial career paths for young talents. - Remuneration policy characterised by meritocracy and equal opportunities. - Abiding by a code of ethics that explicitly prohibits any form of discrimination or forced labour. - Piaggio promotes ongoing, constructive dialogue with trade unions.
Marine	<ul style="list-style-type: none"> ➤ Company notices on the environment and safety. ➤ Requests via the Workers' Safety Representative. ➤ Periodic coordination/planning meetings. ➤ Periodic, individual meetings. ➤ Training courses. ➤ Trade union negotiations. 	<ul style="list-style-type: none"> • Cooperation and organisation. • Transparency and participation. • Understanding urgencies and needs. • Remuneration. • Opportunities for professional growth. 	<ul style="list-style-type: none"> - Dialogue and understanding. - Engagement with trade union organisations. - Response in accordance with laws and regulations. - Participation and involvement - Compliance with established objectives, meeting employees' needs if possible. - Correct adoption of laws and contracts. - Ensuring recognition where due. - Accountability for special projects.

Corporate Social Responsibility risks

With the support of Immsi Audit S.c. a r.l., during 2019, risks connected with Corporate Social Responsibility, pursuant to Legislative Decree 254/16, were identified in the "property and holding" and "marine" sectors of the Group. In particular, the risk analysis concerned the following companies: Immsi S.p.A., Is Molas S.p.A. and Intermarine S.p.A.. A follow-up was carried out in 2020 to analyse the effects of the Covid-19 pandemic. The inherent risks identified in these companies are shown in the following tables, broken down by reference dimension. The management procedures adopted by the companies made it possible to keep residual risks to within the acceptability levels established. The analysis did not identify any significant risks for Immsi S.p.A..

The Piaggio group started an Enterprise Risk Management (ERM) project to define and implement a structured, integrated system to identify, measure and manage company risks in line with applicable best practices. During 2020, the campaign to update the group's risk profile, involving company managers across the group, identified 160 risk scenarios, comprising 26 categories which were grouped into 4 level-one macro-categories (External, Operational, Financial, Strategic Risks). In this context, issues concerning environmental and social aspects, human resources, human rights and the fight against corruption were all analysed, as detailed below.

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

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

TOPICS	SUB-CATEGORIES	GLOBAL REPORTING INITIATIVE (GRI)	RISKS IDENTIFIED	MITIGATION ACTIONS (since 2019)	2020 UPDATE	
ENVIRONMENTAL MATTERS	Water Sustainability	WATER	WATER USE	<p>Risks related to administrative restrictions on the use of water (in the presence of climate change which leads to the rationing of water) which could result in limitations to managed business activities.</p> <p>Risk related to climate change liable to affect the need for irrigation of green spaces and the availability of water supply reservoirs.</p> <p>Risk related to failure to identify the impacts of activities on local water resources.</p>	<p>The Company has completed its activities to improve the efficiency of the irrigation system and hotel area, using watering in a rationalised way to ensure necessary irrigation while saving resources. It has also planned to replace the irrigation system on the golf course in the coming year. The Company also complies with commitments of "former agreements" as regards the expansion of public water purification plants, benefiting from the possible re-use of relative water output for irrigation purposes.</p> <p>With specific reference to worksites, the relevant Environmental Impact Assessment requires the implementation of measures to ensure respect for the environment, which are documented by sending a Hydraulic Report on the water sustainability of the real-estate project to the competent local public bodies (SAVI Sardinia Region, Regional Forestry Department, ARPA, Province of Cagliari).</p>	<p>The Company remains focused on the use and efficiency of the irrigation system in the villa and hotel area, using watering in a rationalised way to ensure necessary irrigation while saving resources. It is also carrying out major maintenance work and functional improvements to the lakes managed, to comply with industry regulations.</p> <p>The Company also complies with commitments of "former agreements" as regards the expansion of public water purification plants, benefiting from the possible re-use of relative water output for irrigation purposes.</p>
	Biodiversity Sustainability	BIODIVERSITY	LAND USE	<p>Risk of negative environmental impact on the area resulting from failure to comply with environmental requirements based on administrative authorisations for property development activities (including with reference to counterparties involved in contracted works) and maintenance activities of the green areas for the management of sports and hotel activities.</p>	<p>The Company pays maximum attention to ensure that activities are compatible with the protection of natural areas and animal species where it operates, seeking to minimise its environmental footprint through the responsible management of impact on biodiversity and sustainable use of natural, water and energy resources.</p> <p>The Company has drawn up an Environmental Monitoring Plan, shared with competent public authorities, on respecting the environmental requirements of administrative authorisations for property development (also with reference to other parties involved in the contracted works). The use of green maintenance activities/methods is also increasing in the sports-hotel sector.</p>	
	Effluents And Waste Sustainability	EFFLUENTS AND WASTE	USE OF RENEWABLE AND/OR NON-RENEWABLE ENERGY	<p>Environmental impact risk resulting from inadequate management of waste generated by property development activities (including with reference to the counterparties involved in contracted works) and management of hospitality and sports activities.</p>	<p>Waste production, management and disposal are overseen in compliance with applicable regulations. In addition, the correct traceability of waste is ensured according to the established categorisation, with particular reference to handling – as per regulations – overseen by specialised, authorised firms.</p> <p>As regards real-estate development works, the disposal of site waste regulated in the Contract and borne by the Contractor, is monitored by the Company.</p>	<p>Waste production, management and disposal activities in compliance with the applicable regulations, especially with regard to correct traceability of the various kinds of waste, in terms of handling, which is entrusted to specialist authorised companies in the sector.</p> <p>In particular, having completed the development activities (villas), the focus on the management and disposal of site waste switched to the renovation and extraordinary maintenance of the hotel</p>
	Supply Chain/Commercial relationships - Sustainability matters	SUPPLY CHAIN COMMERCIAL RELATIONSHIPS (ENVIRONMENTAL M.)	SUPPLIER ENVIRONMENTAL ASSESSMENT	<p>Risk of reputational harm due to the possible involvement of the Company in polluting events (especially environmental crimes), including in association with others, or for the use of suppliers or sub-suppliers that do not adequately comply with environmental sustainability standards.</p>	<p>The Company uses reliable, established counterparties that can guarantee respect for the environment. Company activities assigned to third parties (e.g.: contracts, services, consultancy services) are defined in contracts, with clear requirement of compliance with the principles and guidelines of conduct defined in the Company Code of Ethics, including compliance with environmental sustainability criteria and applicable regulations.</p>	

TOPICS	SUB-CATEGORIES	GLOBAL REPORTING INITIATIVE (GRI)	RISKS IDENTIFIED	MITIGATION ACTIONS (since 2019)	2020 UPDATE	
S O C I A L M A T T E R S	CUSTOMER HEALTH AND SAFETY Sustainability	CUSTOMER HEALTH AND SAFETY	Risks related to failure to comply with the quality/safety standards of services provided (e.g., harmful or dangerous for customers) and relative legal requirements, with consequent liability that could expose the Company to claims for damages.	The Company has adopted quality and safety protocols for catering and hotel services provided to customers, with particular reference to compliance with health and hygiene regulations, also making use of qualified consultants to ensure strict observance of relevant regulations through the analysis of hazards and critical control points, as well as observing the strictest standards of product verification with regard to the procurement and storage of perishable goods.	Regarding the COVID-19 emergency, the Company analysed the regulations and adopted control protocols (cleaning and sanitisation in accordance with the guidelines of the Istituto Superiore di Sanità, PPE available to guests and staff, sanitising products located in the various areas of the Resort, spacing of tables in restaurants) to protect guests and staff in compliance with rules and regulations (Federalberghi, FIG).	
	LOCAL COMMUNITIES Sustainability	DIALOGUE WITH LOCAL COMMUNITIES ACTIONS TAKEN TO ENSURE THE PROTECTION AND THE DEVELOPMENT OF THOSE COMMUNITIES	Risk related to insufficient or ineffective "local" relations (e.g.: related to institutions, local agencies, sociocultural groups of the territory) with local communities.	The Company has developed and maintains dynamic relations with local institutions, community representatives and local sociocultural groups, also to avoid tensions deriving from insufficient dialogue and collaboration, that could have negative effects on managed activities.		
	Compliance - Sustainability matters	COMPLIANCE (SOCIAL M.)	Risk related to possible changes in the local legal and regulatory framework on a local basis which could result in burdensome changes in strategic or operating approaches of the Company.	Reputational risk or damage to persons (employees and third parties), to the Company, to public safety – through the management of social issues – arising from the loss or damage of confidential information and/or personal data stored at the Company's premises, as well as non-compliance with data processing regulations.	The Company has put in place measures to ensure compliance in the area of management of the personal data processing, complying with obligations connected to existing contractual relationships and the protection of third parties through the management of notices and consent to processing, and has also implemented security measures on storage of personal data in accordance with applicable legislation.	The Company manages, with the support of the DPO, measures to ensure compliance in the area of management of the personal data processing, complying with obligations connected to existing contractual relationships and the protection of third parties through the management of notices and consent to processing, and has also implemented security measures on storage of personal data in accordance with applicable legislation on privacy.
	Product & Services - Sustainability matters	PRODUCT/SERVICES (SOCIAL M.)	MARKETING AND LABELLING	Risk of failure to obtain or renew quality certifications or certifications of legislative/regulatory compliance for products and processes.	The Company has adopted quality and safety protocols for catering and hotel services provided to customers, with particular reference to compliance with health and hygiene regulations, also making use of qualified consultants to ensure strict observance of relevant regulations through the analysis of hazards and critical control points, as well as observing the strictest standards of product verification with regard to the procurement and storage of perishable goods.	Regarding the COVID-19 emergency, the Company analysed the regulations and adopted control protocols (cleaning and sanitisation in accordance with the guidelines of the Istituto Superiore di Sanità, PPE available to guests and staff, sanitising products located in the various areas of the Resort, spacing of tables in restaurants) to protect guests and staff in compliance with rules and regulations (Federalberghi, FIG).
	Supply Chain/Commercial relationships - Sustainability matters	SUPPLY CHAIN/ COMMERCIAL RELATIONSHIPS (SOCIAL M.)	SUPPLIER SOCIAL ASSESSMENT	Risk related to the difficulty of obtaining specialised local workers or qualified local suppliers and, consequently, tensions in relations with local communities/stakeholders due to the level of involvement in the supply chain and development of projects in partnerships.	The selection of suppliers and the determination of procurement conditions are based on a prior objective assessment of the quality, price and capacity to supply and guarantee adequate level goods/services according to required standards; in compliance with these requirements and aware of the role that it may have in the development of local activities where it operates, the Company interfaces and cooperates with local suppliers, guaranteeing equal opportunities to work together.	
	Sustainability matters - General	GENERAL SOCIAL M.		Risk of restrictions on the development of the Company's business activities resulting from changes in the international legislative framework. Reputational risk and negative effects on relations with stakeholders arising from aspects related to the management of social issues.	The Company actively monitors changes in the international legislative framework, with the support of specialist law firms. The Company has developed and maintains dynamic relations with local institutions, community representatives and local sociocultural groups, also to avoid tensions deriving from insufficient dialogue and collaboration, that could have negative effects on managed activities.	The Company actively monitors changes in the international legislative framework, with the support of specialist law firms, and in accordance with the various regulations and government guidelines to combat the SARS-COV-2 pandemic.

TOPICS	SUB-CATEGORIES		GLOBAL REPORTING INITIATIVE (GRI)	RISKS IDENTIFIED	MITIGATION ACTIONS (since 2019)	2020 UPDATE
EMPLOYEE-RELATED MATTERS	OCUPATIONAL HEALTH AND SAFETY Sustainability	OCUPATIONAL HEALTH AND SAFETY	HEALTH AND SAFETY AT WORK	Risk resulting from unsuitable working conditions in terms of worker health and safety or inadequate control for monitoring the concrete compliance of the provided procedures or instructions by employees and suppliers' or sub-suppliers' workers, with the possibility of occupational accident impacts and potential negative impacts (e.g., lawsuits, loss of reputation, payment of damages, fines).	<p>The Company has shaped its occupational health and safety activities in accordance with applicable regulations, including signing supply agreements and contracts that require counterparties to ensure the equivalent compliance with regulations.</p> <p>The Company has also started to update its organisational structure and processes for the protection, monitoring and verification of workers' health and safety.</p>	<p>Regarding the COVID-19 emergency, the Company analysed the regulations and adopted control protocols, differentiated by department, to protect guests and staff in compliance with rules and regulations (Federalberghi, FIG).</p> <p>The priority risk was represented by the aspects most closely related to the health and safety of workers and in this area specific protocols were adopted with safeguards, protection and guarantee measures in line with the provisions of national and local agreements between the social partners. In particular, the necessary operational, procedural, documentary and control changes were made to contain the risk of contagion, essentially comprising the adoption of the company's safety protocol and regulations to combat Covid-19, adopted by the Company.</p> <p>A specific Supervisory Committee on the security protocols and regulation of measures adopted by the Company against COVID-19 is also operational.</p>
	Product & Services - Sustainability matters	PRODUCTISER VICES (EMPLOYEE M.)	WORKING CONDITIONS	Risk of lack of or insufficient control of materials and components used to ascertain compliance with regulations regarding their composition and ban on the use of hazardous substances.		
	Supply Chain/Commercial relationships - Sustainability matters	SUPPLY CHAIN/COMMERCIAL RELATIONSHIPS (EMPLOYEE M.)	SUPPLIER SOCIAL ASSESSMENT	<p>Reputational risk and sanctions related to the use of counterparties employing workers in an unlawful manner.</p> <p>Risk connected with the possible use of suppliers or sub-suppliers that do not comply with the ethical and conduct standards in relations with workers that are required by the Company.</p>		
	TRAINING AND EDUCATION Sustainability	TRAINING AND EDUCATION	RESPECT FOR THE RIGHT OF WORKERS TO BE INFORMED AND CONSULTED	<p>Risk of inadequate implementation of projects according to expected standards due to lack of staff development, qualitative or quantitative insufficiency of human capital compared to the operating model and the evolution of strategic business needs, or loss of key skills and know-how due to the interruption of professional relationships (e.g. due to inadequate HR development or poor management of organisational changes).</p>		
ANTI-CORRUPTION AND BRIBERY	ANTI-CORRUPTION Sustainability	ANTI-CORRUPTION	INSTRUMENTS IN PLACE TO FIGHT CORRUPTION AND BRIBERY	<p>Risk of insufficient assessment of possible detrimental situations related to the commercial and professional integrity and reliability of business counterparties (e.g., suppliers, consultants, customers, intermediaries, etc.).</p>	<p>The Company has included issues concerning business ethics, such as environmental sustainability, occupational health and safety, compliance with equal opportunities and human rights and the fight against bribery in its criteria for selecting suppliers, also requesting them to comply with the principles and guidelines for conduct set out in its Code of Ethics. Procedures are adopted to manage company processes (e.g.: authorisation processes, document traceability, control of financial flows) intended to combat practices that go against these principles (e.g. bribery or unfair competition), which may be reported via dedicated channels to the Supervisory Board. The Company keeps its Model up to date with Legislative Decree 231/01 in terms of protocols relating to the aforementioned potential risk areas.</p>	

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

TOPIC	SUB-CATEGORIES	GLOBAL REPORTING INITIATIVE (GRI)	RISKS IDENTIFIED	MITIGATION ACTIONS (since 2019)	2020 UPDATE	
ENVIRONMENTAL MATTERS	Water Sustainability	WATER	WATER USE	<p>Risk of water pollution caused by failure to comply with the ban of releasing waste water (on the ground, in the subsoil, in ground water, in the sea) or negative effects on managed activities due to a need to protect water. In particular, a risk activity could be related to spillage into water by ships during testing at sea or in dock or to the washing of hulls and mechanical parts in factories.</p>	<p>Production activities are carried out in compliance with applicable regulations on discharges into water bodies. In addition, there are regulations on management and operational procedures that carry a higher risk of pollution and for dealing with emergencies in the event of spills into water bodies. In particular – according to the Company's Model 231/01 – it is forbidden both to take actions intended to violate rules on waste management, emission sources and discharges of industrial waste water containing dangerous substances, and to discharge industrial waste water containing dangerous substances without authorisation or after such authorisation has been suspended or revoked.</p>	<p>For the Sarzana site, the Company holds the Integrated Environmental Authorisation (IEA), which expires in 2020, for which it has already submitted the application for renewal and is awaiting the outcome of the Services Conference of the La Spezia Provincial Authority. For the Messina site, the company holds the Single Environmental Authorisation (AUA) for the production, fitting out, repair and maintenance of steel metal and fibreglass boats.</p>
				<p>Risk linked to the occurrence of natural disasters or catastrophic events (e.g. floods), also deriving from climate change that may cause unusually intense/regular atmospheric events compared to known or foreseeable trends, which may prevent the company from carrying out its operating activities and/or supplying its products</p>	<p>In addition to carrying out some infrastructural works to protect the production site, the Company has also implemented the guidelines set out in internal emergency operating procedures, which require preparatory drills to be carried out. This Corporate Emergency Plan was fully operational during recent weather alerts. The Company has recently renewed an insurance policy with UNIPOL SAI including flood risk coverage for the Sarzana location.</p>	<p>On 30/07/2020, the Company obtained the Concession of the state-owned maritime area (buildings and portion of quay and water surface in "Area Caletta F.Rota") within the CSNN of the La Spezia Navy, expiring on 31/12/2022.</p>
	Biodiversity Sustainability	BIODIVERSITY	LAND USE	<p>Risk of damage to natural species, caused by the impact of managed activities, i.e. altering biodiversity in the areas where the company works</p>	<p>The Company pays maximum attention to ensure that activities are compatible with the protection of sensitive species, so as to minimise its environmental footprint through the responsible management of impact on sustainable use of natural, water and energy resources. With reference to its production sites, the Company holds a specific authorisation (in particular an AIA for the Sarzana site) for atmospheric emissions from industrial plants and the associated activities are governed by specific procedures that identify the roles, responsibilities and activities related to the management of emissions. Monitoring is carried out both by means of self-controls and internal inspections to check the environmental impact of the company's activities and by means of inspections by external bodies (e.g. ARPAL, RINA); the Company cooperates at all times with these bodies by regularly implementing suggested improvement actions.</p>	
	Emissions Sustainability	EMISSIONS	GREENHOUSE GAS EMISSIONS AIR POLLUTION	<p>Risk of air pollution in the event of non-compliance with permitted values of compliance with regulatory requirements for "greenhouse effect" emissions from managed activities</p>	<p>Waste production, management and disposal are overseen in compliance with applicable regulations, subject to analysis of the waste to identify hazard levels, conducted by qualified, external laboratories. In addition, care is taken over the correct traceability of waste in accordance with laws and regulations, with particular reference to handling carried out by specialised, authorised firms.</p>	
	Effluents And Waste Sustainability	EFFLUENTS AND WASTE	USE OF RENEWABLE AND/OR NON-RENEWABLE ENERGY	<p>Risk of pollution caused by waste generated by company activities, in the event of inadequate monitoring of its "life cycle" in order to prevent its improper disposal, deposit or storage</p>	<p>The Company's environmental management system includes established procedures to manage operations involving potential pollutants. This is supported by planning investment choices and industrial/commercial initiatives in compliance with the relevant regulations, and by adopting where operationally and economically possible and compatible – suitable technologies and production methods to reduce the environmental impact of managed activities.</p>	<p>Monitoring of compliance with environment regulations is carried out both by means of self-controls and internal audits and through inspections by external bodies (e.g. ARPAL, RINA); the Company cooperates at all times with these bodies by regularly implementing suggested improvement actions. In 2020, the Sarzana site underwent a maintenance audit pursuant to ISO 14001:2015 (14/02/2020), the summary report for which – whose findings are positive – contains no observations and/or recommendations.</p>
	Compliance - Sustainability matters	COMPLIANCE (ENVIRONMENTAL M.)	ENVIRONMENTAL COMPLIANCE	<p>Risk of failure to issue/maintain environmental certifications for the production sites involved</p>	<p>For the Sarzana and Messina sites, an Environmental Management System has been implemented in compliance with the requirements of the international UNI EN ISO 14001:2004 standards. The adequacy of this system has been certified by a third party body (RINA), which carries out periodic audits to verify that certification is being maintained correctly and that a person responsible for each site has been identified. This person is responsible for ensuring that the management system is implemented and maintained in compliance with the requirements of the standard and the company's environmental policy, providing specific instructions to the personnel concerned and checking compliance through periodic audits.</p>	
Supply Chain/Commercial relationships - Sustainability matters	SUPPLY CHAIN COMMERCIAL RELATIONSHIPS (ENVIRONMENTAL M.)	SUPPLIER ENVIRONMENTAL ASSESSMENT	<p>Risk connected to the use of suppliers or sub-suppliers that do not comply with appropriate sustainability standards, causing effects that are not compatible with the Company's sustainability strategy and also generating negative repercussions for reputation and relations with stakeholders</p>	<p>The Company has included issues concerning business ethics, such as environmental sustainability, occupational health and safety, compliance with equal opportunities and human rights and the fight against bribery in its criteria for selecting suppliers, also requesting them to comply with the principles and guidelines for conduct set out in its Code of Ethics. Procedures are adopted to manage company processes (e.g. authorisation processes, document traceability, control of financial flows) intended to combat practices that go against these principles (e.g. bribery or unfair competition), which may be reported via dedicated channels to the Supervisory Board.</p>		

TOPIC	SUB-CATEGORIES	GLOBAL REPORTING INITIATIVE (GRI)	RISKS IDENTIFIED	MITIGATION ACTIONS (since 2019)	2020 UPDATE	
W E R T I C A L P A P E R C O O S	CUSTOMER HEALTH AND SAFETY Sustainability	CUSTOMER HEALTH AND SAFETY	Risks related to failure to comply with the quality/safety standards of goods produced and associated legal and contractual requirements, with consequent liability that could expose the Company to claims for damages and expensive reprocessing or repairs.	The Company has gradually taken specific actions to reduce management complexity and ensure higher quality of ordered products (e.g. supplier qualification procedure, matrix of requirements associated with technical specifications for the issue of purchase orders, involvement in design, technical functions of selected suppliers, intensification of factory test programmes, preventive testing and controls upon goods acceptance) as well as methods for monitoring progress. The Company has also taken further steps to counter the possibility of "non-compliance" with contractual provisions, including a specific training plan that provides specific content for professional areas most directly involved in the development of the procurement programme.		
	Product & Services Sustainability matters	CUSTOMER HEALTH AND SAFETY	Risks related to failure to comply with the quality/safety standards of goods produced and associated legal and contractual requirements, with consequent liability that could expose the Company to claims for damages and expensive reprocessing or repairs.			
	PRODUCTS/ SERVICES (SOCIAL M.)	MARKETING AND LABELLING				
	Sustainability General	GENERAL SOCIAL	Risk of negative impacts on the development of business activities resulting from situations of severe social instability or conflict between states	The Company has set up its international development activities in accordance with government authorisations for relations with the foreign countries concerned and also monitors international socio-political dynamics that could have an impact on the development of these activities.		
H O R I Z O N T A L P A P E R C O O S	OCCUPATIONAL HEALTH AND SAFETY Sustainability	OCCUPATIONAL HEALTH AND SAFETY	Risk related to the working conditions and health and safety of workers in the event of inadequate creation of safe work environments and/or inadequate oversight for monitoring concrete compliance with the relevant procedures and instructions provided by the Company	The Company has shaped its occupational health and safety activities in full accordance with applicable regulations, including signing supply agreements and contracts that require counterparties to ensure the equivalent compliance with regulations, developing information and training activities for employees and collaborators and appointing managers to monitor work activities according to the established protocols. Regular analyses are carried out of airborne dispersion (e.g. artificial glass fibres, wood dust, asbestos fibres, volatile organic solvents) to check compliance with the relevant concentration limits permitted.	With reference to the SARS-COV-2 emergency, the priority risk was aspects relating to the health and safety of workers. Specific protocols were adopted including protection and safeguarding measures, in line with national and local agreements between the social partners. In particular, the necessary operational, procedural, documentary and control changes were made to contain the risk of contagion, essentially comprising the adoption of the company's safety protocol and regulations to combat Covid-19, adopted by the Company for its own offices. Moreover, with reference to the above-mentioned health emergency, the Company has updated the DVR risk assessment document (for fire risk and biological agent risk) and the related technical-procedural documents regarding specific company activities. A specific Supervisory Committee on the security protocols and regulation of measures adopted by the Company against COVID-19 is also operational. [There is also evidence of] i) the request on 14.05.2020, by ASLS of La Spezia, of the security and regulatory protocols for measures against Covid-19 adopted by IM; on 15 May 2020, the Company promptly submitted the Intermarine SpA company regulatory protocol and associated documentation for the Sarzana site; ii) of the inspection on 08.05.2020 by the Police Officers of the SPRESAL section of the Messina ASP at the Sicilian work site concerning the anti-COVID-19 measures adopted: the inspection had a positive outcome and therefore did not result in any orders/sanctions. More generally, although the Company has not yet obtained certification of compliance with the requirements of the reference standards for its workplace safety management system, it has in any case defined and implemented the prevention system in accordance with these requirements, envisaging that at the end of the identification phase of the macro processes and environmental, health and safety aspects, internal audits are to be planned and carried out on the processes and company areas previously identified, and constantly monitoring the implementation of all the necessary corrective/improvement actions. The Company has postponed the opportunity to apply for ISO 45001 certification, in view of existing commitments of staff, even though it has included a special part in its 231/01 Model with specific protocols to combat the crimes of manslaughter or serious or very serious injury in violation of the rules on the protection of health and safety at work.	
	OCCUPATIONAL HEALTH AND SAFETY Sustainability	OCCUPATIONAL HEALTH AND SAFETY	HEALTH AND SAFETY AT WORK			
			WORKING CONDITIONS			
			RESPECT FOR TRADE UNIONS RIGHTS, SOCIAL DIALOGUE	Risk connected with the possibility of tensions or termination of relations that the Company has with workers and trade union representatives, with consequent recourse to strikes and interruptions of production activity	The Company has developed and maintains dynamic relations with workers and trade unions, also to avoid tensions that could have negative effects on managed activities.	
	TRAINING AND EDUCATION Sustainability	TRAINING AND EDUCATION	TRAINING AND EDUCATION	RESPECT FOR THE RIGHT OF WORKERS TO BE INFORMED AND CONSULTED	The Company values its human capital, adopting fair and equal treatment policies for the retention and continuing development of personnel and HR development or poor management of organisational changes.	As part of its 2020 Training Plan, the Company provided a new training session on Legislative Decree 231 (Code of Ethics and Code of Conduct) in accordance with the Organisational Model 231/01) for all employees – non-blue collar – of Intermarine S.p.A. in Sarzana and Messina, and the Company's freelancers and consultants. This course, organised by Randstad, was held via e-learning and included a final learning assessment test.
	Product & Services Sustainability matters	COMPLIANCE (EMPLOYEE M.)	SOCIOECONOMIC COMPLIANCE			
Supply Chain/Commercial Sustainability matters	PRODUCTS/ SERVICES (EMPLOYEE M.)	WORKING CONDITIONS	Risk related to the possible use of suppliers, sub-suppliers or third-party independent contractors (consultants, etc.) that do not comply with the environmental sustainability standards, ethical and conduct standards in relations with workers, or human rights and responsible conduct principles for the business with impacts not in line with the Company's strategy in the area.	The Company has included issues concerning business ethics, such as environmental sustainability, occupational health and safety, compliance with equal opportunities and human rights and the fight against bribery in its criteria for selecting suppliers, also requesting them to comply with the principles and guidelines for conduct set out in its Code of Ethics. Procedures are adopted to manage company processes (e.g. authorisation processes, document traceability, control of financial flows) intended to combat practices that go against these principles (e.g. bribery or unfair competition), which may be reported via dedicated channels to the Supervisory Board.		
	SUPPLIER SOCIAL ASSESSMENT					

The risk topics identified for the Piaggio group, following the 2020 Risk Assessment, are listed below.

ASPECTS	RISKS IDENTIFIED	DIMENSION AFFECTED
Environment	<p>The analysis refers to the actual and potential effects of the Group's operations on the environment considering, for example, atmospheric emissions, the impact of noise, discharge and waste disposal processes, using and safeguarding natural resources and protecting biodiversity, as well as environmental compliance aspects in a national and international dimension.</p> <p>Greenhouse gases (mainly CO₂) and Volatile Organic Compounds (VOCs) released by solvents used in painting, are some of the most hazardous substances for air pollution generated by automotive operators. Structural actions on the Group's production plants, carried out over time, guarantee limited pollutant emissions.</p> <p>The structure of Piaggio's production sites has been designed based on support mechanisms that use energy from fossil fuels. The use of resources at the production facilities and offices of all affiliates is monitored daily, with the aim of optimising energy use and reducing consumption.</p> <p>Operations to clean up sites were necessary due to historical site contamination: the pollutants removed had not been used for several decades by the sites, proving the historical nature of this contamination. Other cases of ground contamination have never concerned the Group's operations: the classification, management and transport of waste produced comply with sector regulations.</p> <p>The volume of water used in the production process is monitored monthly, to safeguard its conservation; a part of this water is re-used.</p> <p>Lastly, all Piaggio sites have ISO 14001 environmental certification and investments are made each year to reduce the environmental impact of production sites.</p> <p>Despite a considerable risk level, in line with other industry operators, control measures adopted significantly reduce environmental risks.</p>	<p>The Environmental Dimension</p>
Employees	<p>This area covers numerous aspects, such as the management of human capital, including career development, the remuneration and training system, the promotion of diversity and inclusion, as well as aspects relative to occupational health and safety and trade union relations.</p> <p>Piaggio operates globally with employees in Europe, the Americas and Asia. It promotes diversity in age, culture, ethnics, religion, political opinion, civil status, gender, physical ability, sexual orientation, encouraging different ways to achieve and reach the highest levels of performance within a single and broader-ranging organisational set-up of the Group. The integration of disabled people into the workforce is also made possible in practice by the accessibility of company facilities and the existence of a relative company procedure.</p> <p>Piaggio adopts a system of recruitment, development and salary packages for personnel which recognises and rewards merit and performance. Development tools are used to build on and continually improve skills, while empowering potential, recognising and rewarding outstanding performance. Reward policies remunerate people and their contribution based on principles of meritocracy and transparency. The above mechanisms reduce potential risks related to these aspects to a residual level which is not significant.</p> <p>The Piaggio Group acknowledges the role of trade union organisations and worker representatives and is committed to establishing relationships with them that are characterised by attention, dialogue and a common understanding; in fact, assessment and continual engagement are considered essential for identifying the best solutions for the company's specific needs. For these reasons and despite the high number of employees with trade union membership, strikes are infrequent.</p> <p>As regards occupational health and safety, testing motorcycles with a medium and large engine capacity entails the highest risk levels. Generally, the risk of accidents/injuries to personnel is mitigated by aligning processes, procedures and structures to applicable occupational safety laws and international best standards, and promoting safe behaviour, through targeted training.</p>	<p>The social dimension - Developing human resources</p>

ASPECTS	RISKS IDENTIFIED	DIMENSION AFFECTED
Social	<p>The social sphere includes aspects concerning Piaggio's relations with consumers, as well as the effects of the business on the community.</p> <p>In the first case, product quality and reliability are essential and key to obtaining and guaranteeing customer satisfaction and safety. In the "Product – Operational Risk" category, risk scenarios relating to potential product defects have been mapped. To mitigate these risks, Piaggio has established a Quality Control system, it tests products during various stages of the production process and carefully sources its suppliers based on technical/professional standards. The Group is also committed to being awarded and maintaining certification of its quality management systems at global level (ISO 9001).</p> <p>The Group undertakes to redistribute economic value generated to support social solidarity initiatives and promote local areas. In 2020, the collaboration between the Piaggio Group and (RED) - an association founded in 2006 by Bono and Bobby Shriver - continued, with more than USD 650 million allocated to the fight against AIDS and Covid-19.</p> <p>Interest in research and progress in the health sector led the Piaggio group to donating €250,000 to the IEO CCM Foundation (European Institute of Oncology) and €100,000 to the Mantova Hospital (to help deal with the emergency due to the Covid-19 pandemic). Piaggio also supported some charities by giving away vehicles to be used as prizes in auctions.</p> <p>The Indian and Vietnamese subsidiaries have also always been active in social work, supporting and promoting charitable initiatives.</p>	<p>The products and services dimension / The social dimension - Relations with local communities</p>
Human rights	<p>As set out in the Code of Ethics, adopted in 2004 and updated during 2017, Piaggio specifically prohibits any form of discrimination or forced labour. This Code has been distributed to all subsidiaries and clearly states the principles and values the entire organisation takes inspiration from.</p> <p>To maintain the highest standards of ethical, moral and legal conduct, Piaggio encourages its employees to report any suspected misconduct.</p> <p>The Whistle blowing Policy, initially developed for the Group's Indian company, aims to provide a safe means for employees and other parties concerned to report violations that come to their knowledge in the context of their work activities. For this purpose, in compliance with Law 179/2017, an entirely new section with regulations on whistle-blowing designed to protect workers that report unlawful activities and irregularities that come to their knowledge during their work was added to the last revision of the Organisational, Management and Control Model pursuant to Legislative Decree no. 231/2001.</p> <p>Based on prevention and control mechanisms established in the Code of Ethics and adopted by all Group subsidiaries, no risk scenarios relative to the violation of human rights were identified.</p>	<p>Corporate Governance / The social dimension - Developing human resources</p>
Fighting corruption	<p>The fight against both active and passive corruption comes under the risk categories "Internal/external offences" of the Group's risk model. In its Code of Ethics, Piaggio strictly prohibits any practice of corruption, request for and/or provision of preferential treatment, of any collusive behaviour, solicitation, whether direct/indirect and/or through third parties, of personal benefits of any kind for oneself and/or for others, of material benefits and/or any other advantage of any extent in favour of third parties.</p> <p>A number of processes, procedures, roles and responsibilities have been defined to achieve the above objective, as regards business negotiations/relations with the public administration sector and with private entities.</p> <p>The controls briefly described above decrease residual risk relative to episodes of active/passive corruption to a negligible level.</p>	<p>Corporate Governance</p>

The Economic Dimension

Creating economic value

Integrating economic choices with those of a social and environmental nature is a fundamental commitment for the creation of value in the long term.

The creation of economic value is fundamental to the operations of any company, and is the element that the existence and future of the company itself depend on. For a production company, the generation of added value is the first way to be socially responsible: and is a value which may benefit a large number of stakeholders in different ways.

The economic dimension of acting as a company must be fully enhanced within the role that it plays for all its stakeholders. To this end, the Immsi Group carefully oversees the process of producing value and provides transparent, specific and exhaustive disclosure in the Directors' Report and Financial Statements of the Immsi Group 2020 (see the chapter "Information on operations and activities of the Immsi Group") to which reference is made for further details.

Immsi Group at 31 December 2020

In thousands of Euros	Property and holding sector		Industrial sector		Marine sector		Immsi Group	
		as a %		as a %		as a %		as a %
Net revenues	1,455		1,313,690		61,622		1,376,767	
Operating income before depreciation and amortisation (EBITDA)	-5,869	n/m	186,050	14.2%	6,054	9.8%	186,235	13.5%
Operating income (EBIT)	-6,930	n/m	70,856	5.4%	2,519	4.1%	66,445	4.8%
Profit before tax	-21,263	n/m	50,166	3.8%	501	0.8%	29,404	2.1%
Earnings for the period including non-controlling interests	-15,708	n/m	31,322	2.4%	192	0.3%	15,806	1.1%
Group earnings for the period (which may be consolidated)	-6,113	n/m	15,728	1.2%	139	0.2%	9,754	0.7%
Net debt	-328,820		-423,617		-50,467		-802,904	
Personnel (number)	58		5,856		253		6,167	

Immsi Group at 31 December 2019

In thousands of Euros	Property and holding sector		Industrial sector		Marine sector		Immsi Group	
		as a %		as a %		as a %		as a %
Net revenues	4,817		1,521,325		64,593		1,590,735	
Operating income before depreciation and amortisation (EBITDA)	-17,446	n/m	227,830	15.0%	12,265	19.0%	222,649	14.0%
Operating income (EBIT)	-18,090	n/m	104,546	6.9%	8,800	13.6%	95,256	6.0%
Profit before tax	-34,200	n/m	80,684	5.3%	6,962	10.8%	53,446	3.4%
Earnings for the period including non-controlling interests	-28,601	n/m	46,749	3.1%	4,826	7.5%	22,974	1.4%
Group earnings for the period (which may be consolidated)	-19,076	n/m	23,466	1.5%	3,499	5.4%	7,889	0.5%
Net debt	-317,656		-429,744		-48,996		-796,396	
Personnel (number)	68		6,222		262		6,552	

Calculation and distribution of added value

Added value is an asset produced by the Immsi Group, which is distributed, in different forms, to various stakeholders.

Net Global Added Value is allocated among various stakeholders as follows: remuneration to human resources (direct remuneration comprising salaries, wages and termination benefits and indirect remuneration comprising social security contributions), remuneration to lenders (interest payable and exchange losses), remuneration to shareholders (dividends distributed), remuneration to the Public Administration sector (total taxes paid), external donations and donations to the community. The value held by the Group comprises retained earnings.

How added value is determined and distributed

In thousands of Euros	2020	2019	2018
Net revenues	1,376,767	1,590,735	1,464,533
Income/(loss) from investments	504	919	474
Financial income	28,270	15,814	23,402
Other operating income reclassified	129,006	128,995	117,678
Economic value generated	1,534,547	1,736,463	1,606,087
Operating costs reclassified	-1,088,740	-1,248,916	-1,131,406
Amortisation and depreciation	-119,790	-127,393	-112,708
Net added value	326,017	360,154	361,973
Remuneration to human resources	230,798	248,165	237,496
Remuneration to lenders	65,815	58,543	65,919
Shareholder remuneration	16,358	25,802	9,835
Remuneration to the Public Administration sector	19,476	34,183	27,311
External donations and donations to the community	1,366	1,384	1,191
Distributed added value	333,813	368,077	341,752
Business system	-7,796	-7,923	20,221
Added value retained by the Group	-7,796	-7,923	20,221

Taxes

The Immsi Group – in particular through the Piaggio group, refer to their CSR Report 2020 for more details) – operates in numerous countries through its own subsidiaries, with production, distribution, sales and research and development functions.

Approach to taxation

All Group companies operate mainly in the country and market in which they are located, paying taxes on profits generated there, on the income of employees directly employed in these activities, as well as consumption taxes and other local taxes imposed by the various regulations in force.

The Parent Company Immsi S.p.A., as consolidating entity, together with the Italian subsidiaries Piaggio & C. S.p.A., Piaggio Concept Store Mantova S.r.l., Aprilia Racing S.r.l., Apuliae S.r.l., Intermarine S.p.A., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l. and Pietra Ligure S.r.l., has opted since 2007 to be a part of the Group taxation system, as provided for by Articles 117 and following of the Consolidated Income Tax Act (National Consolidated Tax Convention). In exercising this option, each company which is party to the National Consolidated Tax Convention transfers its tax income (taxable income or tax loss) to the consolidating company: the consolidating company therefore determines one taxable base for the group of companies that are party to the National Consolidated Tax Convention, and may therefore offset taxable income against tax losses in one tax return. The latter recognises a receivable from consolidated companies transferring taxable income, while for companies with tax losses, the consolidating company records a related payable equal to corporate income tax on the portion of the loss actually offset at a Group level.

Foreign subsidiaries are not located in countries that are “non-cooperative” for tax purposes or in countries considered by Italian tax law to have a so-called privileged tax status, unless this is required by unavoidable industrial or commercial needs. Where this is the case, the parent company Piaggio & C. S.p.A. and the consolidating entity Immsi S.p.A. adopt and comply with the tax regime envisaged by Italian legislation on “Controlled Foreign Companies” (i.e. the so-called CFC rules).

The Group adopts an approach based on principles of rigour, prudence and correctness in its financial decisions and rejects the use of “aggressive tax planning” schemes through the creation of artificial corporate structures aimed at evading its tax obligations and obtaining undue tax advantages.

All tax incentives and benefits are used in full compliance with the rationale that drives individual countries to adopt them and in any case according to a transparent approach. The tax variable is used exclusively to support industrial and commercial plans and objectives and is never the main or prevailing cause.

In order to eliminate or contain economic and legal double taxation, the Group, where permitted, applies the “International Conventions against double taxation on income and capital and for the prevention of tax evasion and avoidance” as interpreted by the OECD.

Intra-group transactions are settled based on the arm's length principle, as interpreted by the OECD in its guidelines (i.e. the “Transfer Pricing Guidelines”).

Tax governance and risk management

As it is conscious of the potential risks associated with incorrect tax management, Immsi S.p.A. monitors tax risk through continuous dialogue with specialised professional firms and with the companies of the Group, with a further view to ensuring more efficient and shared management of the tax consolidation relationships in place with most of the Italian companies of the Immsi Group.

In addition, to mitigate this risk Immsi has promptly update its Organisational Model pursuant to Law 231/2001 by introducing the Tax Crimes provided for by Law 157 of 19 December 2019, converting Legislative Decree no. 75 of 14 July 2020.

As the Piaggio group works in a wide range of countries, it has set up a specific tax department at the Parent Company which, under the supervision of the Board of Directors, operates as an effective

control point for identifying, managing and containing the risks of violation or abuse of tax regulations. Since 2014, Piaggio & C. has set up an optional system for identifying, monitoring and mitigating tax risk, known as the "Tax Control Framework" for details of which please refer to the CSR Report 2020 published by the subsidiary.

Stakeholder engagement

Relations with the Financial Authorities are based on transparency, good faith and honest cooperation, to enable continuous dialogue and, if possible, preventive engagement with all the relevant institutions.

Reporting

The Immsi Group recognizes the social role of tax issues and the importance they play in promoting sustainable development.

In order to guarantee absolute transparency, the Group has adhered to the new GRI 207 -Tax standard, in force since this year. For the information required by the aforementioned standard, the breakdown by tax jurisdiction of consolidated data is presented below.

As required by GRI Disclosure 207-4, since all necessary information referring to the most recent consolidated financial statements was not available for the purposes of this report, the information in this section refers to the year ended 31 December 2019, as this period refers to the consolidated financial statements immediately preceding the most recent consolidated financial statements.

The following should be noted:

- the data presented refer to the 2019 financial year;
- the workforce is that indicated at 31 December 2019;
- revenues from third parties also include other revenues;
- revenues from the Group exclude those between companies operating in the same tax jurisdiction;
- pre-tax profit (loss) and property, plant and equipment are presented on an aggregate basis, without taking into account eliminations on consolidation;
- pre-tax profit (loss) includes the amounts of dividends received from other Group entities;
- property, plant and equipment do not include investment property as the latter is not involved in the process to generate corporate value;
- regarding any differences between the income tax accrued on profits and the tax due (GRI 207-4-b-x), please refer to the Consolidated Financial Statements as at 31 December 2020 of the Immsi Group. It should also be noted that both the income taxes accrued and those paid on a cash basis in various countries are affected by the significant presence of dividends received from Group entities, which are included in the pre-tax profit (loss). As is the case in most countries, these jurisdictions also have exemption tax regimes for dividends, as they are the expression of a profit already taxed from the investee company.

Country	Designation	Activities	No. of employees	Revenues from third parties	Revenues from the Group	Pre-tax profit (loss)	Property, plant and equipment	Taxes paid	Accrued taxes
				In millions of Euros					
Italy	Piaggio & C. S.p.A.	Production and sale of vehicles							
	Aprilia Racing S.r.l.	Research and development							
	Piaggio Concept Store Mantova S.r.l.	Commercial distributor							
	Apuliae S.r.l.	Property							
	Immsi Audit S.c.a.r.l.	Consulting and Services							
	Immsi S.p.A.	Holding company							
	Intermarine S.p.A.	Production and sale of ships							
	Is Molas S.p.A.	Property and Tourism Services							
	Pietra Ligure S.r.l.	Property							
	Pietra S.r.l.	Holding company							
	ISM Investimenti S.p.A.	Holding company							
	RCN Finanziaria S.p.A.	Holding company							
		Total Italy		3,529	923	142	7	219	6
Croatia	Piaggio Hrvatska Doo	Commercial distributor	8	4					
France	Piaggio France SAS	Selling agency	42		7	1		1	1
Germany	Piaggio Deutschland GMBH	Selling agency	35		5	1			
Greece	Piaggio Hellas S.A.	Commercial distributor	19	28		1	1		
Holland	Piaggio Vespa B.V.	Holding company and selling agency	19		3	16			
Spain	Piaggio Espana S.L.	Selling agency							
	Nacional Motor S.A.	Inactive							
		Total Spain	32		4	(1)			
UK	Piaggio Limited	Selling agency	20		3	1			

Country	Designation	Activities	No. of employees	Revenues from third parties	Revenues from the Group	Pre-tax profit (loss)	Property, plant and equipment	Taxes paid	Accrued taxes
				In millions of Euros					
USA	Piaggio Group Americas Inc.	Commercial distributor							
	Piaggio Advanced Design Center Corp.	Research and development							
	Piaggio Fast Forward Inc.	Research and development							
	Total USA		109	60	1	(17)	2		
India	Piaggio Vehicles Pvt Ltd	Production and sale of vehicles	1,749	440	35	62	74	22	25
Vietnam	Piaggio Vietnam Co. Ltd.	Production and sale of vehicles	878	154	108	33	28	6	5
Indonesia	Pt. Piaggio Indonesia	Selling agency	29	38		1		1	1
Singapore	Piaggio Asia Pacific Ltd	Selling agency	16		3	1			
Japan	Piaggio group Japan	Selling agency	10	7					
China	Piaggio China Co Ltd.	Holding							
	Foshan Piaggio Vehicles Tech.Dev. Co.Ltd.	Research and development							
	Total China		57	27	3	2		1	1
Brazil	AWS do Brasil	Inactive							
	Aprilia Brasil	Inactive							
	Total Brazil								
	Grand total					108	324		
	Consolidation entries					(55)	14		
	Total consolidated		6,552	1,681	314	53	338	37	37

Corporate Governance

Corporate Governance Model

Immsi S.p.A. (hereinafter "Immsi" or the "Company" or the "Issuer") has adopted a corporate governance system in accordance with the principles in the Self-Regulatory Code, promoted by the Corporate Governance Committee, and national and international best practices, for an effective, correct and responsible approach to meeting the interests of all its stakeholders.

Neither Immsi nor strategically important subsidiaries are subject to non-Italian legal provisions affecting the corporate governance structure of the Company, which is based on a traditional administration and control system, that is described in the 2020 Report on Corporate Governance and Ownership.

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

As of 2004, the Issuer has adopted an Organizational, Management and Control Model (the "Model") for the prevention of offenses pursuant to Legislative Decree 231/2001 as amended. This strategy has also been adopted by subsidiaries with strategic importance, that in turn resolved to adopt their own Programmes, all continually monitored and last updated in 2020. In particular, as regards Immsi, in March 2020 and March 2021, the updating of the Model concerned the additions to Legislative Decree 231/2001 concerning tax crimes (Legislative Decree 74/2000), introduced respectively by Law no. 157 of 19 December 2019 and by Legislative Decree 14 July 2020 in implementation of Directive (EU) 2017/1371, providing in the Model the appropriate indications for the cases for which it is estimated that there is a risk of commission.

For a description of the Immsi Programme, see the 2020 Report on Corporate Governance and Ownership.

Code of Ethics

The role played by Immsi on the national and international market and the nature and importance of its business activities presuppose the commitment of those working for Immsi, or working on their behalf for whatever position, to work with loyalty, seriousness, honesty, good faith, competence and transparency, as well as to fully comply with the laws, market regulations and the fundamental principles of fair competition, respecting the legitimate interests and expectations of customers, suppliers, shareholders and anyone that is involved in the Company's business activities.

To ensure that relations with external parties and within the Company and Group take place properly, all company boards, management and employees, as well as external staff, including consultants, agents, suppliers, etc. must develop and make available to the Company their own cultural, technical and operational expertise and ethics, in order to achieve goals, within the areas of their functions and responsibilities, and in compliance with the functions and responsibilities of other persons.

For the above reasons, IMMSI believes it is important to clearly establish the set of values that the Company acknowledges, accepts and shares, as well as the set of rules and codes of conduct which, since its establishment, characterise the relations towards its employees and third parties and, more generally, characterise the Company's business operations.

These principles are set out in the Code of Ethics (the "Code"), which the Company hopes is spontaneously shared, complied with and disseminated, and which it also requires individuals operating for Immsi or in contact with it to adopt. Therefore, all actions, operations and transactions referable to Immsi must be undertaken and pursued in compliance with principles of lawfulness, impartiality and fair competition, managed with the utmost integrity, based on complete, transparent information, and supported by documentary evidence and must also be verifiable. Employees - from

top managers to their subordinates - and third parties are informed of the adoption of the Code and relative Guidelines of Conduct, and when contracts and agreements are signed, specific clauses are included referring to the principles of ethics/conduct adopted.

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

The Code of Immsi and of the companies belonging to the Group was most recently updated in 2017 in order to more effectively align it with the ethical and social values on which the Group's activities are based. In particular, this revision reiterated - through the introduction of a specific Article - that the Company recognises and ensures respect for the principles that protect internationally-shared human rights and workers' rights, as expressed in the conventions, including the Universal Declaration of Human Rights of the United Nations and the Declaration on Fundamental Principles and Rights at Work and its Follow-up of the International Labour Organisation, in both its operations as well as in the supply chain.

The Company undertakes to ensure respect for the personal dignity, privacy and personality rights of every individual, as well as to ensure the conditions necessary for a non-hostile work environment and to prevent any form of exploitation, discrimination or harassment in accordance with the above conventions. In particular, the Company rejects and dissociates itself from any conduct that may constitute a threat of any kind, determined by reasons of a racial or sexual nature or related to other personal characteristics, and requires compliance with all laws prohibiting any form of discrimination based on race, gender, religion, language, ideology, ethnicity or political opinion; and prohibits any form of slavery, torture, forced labour, child labour, cruel, inhuman or degrading treatment and working conditions that may pose a threat to life or health. In addition, the Company recognises and respects the rights of employees to be represented by unions or by other representatives established in accordance with legislation.

Fighting corruption

As stated in the Code of Ethics, in pursuing its mission and through the adoption of appropriate tools, including organisational tools, the Group ensures compliance with the absolute prohibition of any practice of corruption, request for and/or provision of preferential treatment, of any collusive behaviour, solicitation, whether direct/indirect and/or through third parties, of personal benefits of any kind for oneself and/or for others, of material benefits and/or any other advantage of any extent in favour of third parties, whether they be private or public entities or government representatives, both Italian and foreign.

When participating in public tenders or competitions called by the Public Administration as well as in any negotiations or contracts entered into with both the Public Administration and private entities, all those involved must behave according to good faith and in accordance with the law, correct commercial practice and current regulations, as well as with corresponding company procedures, avoiding any situation from which violation of laws and/or principles of fairness and transparency in the conduct of negotiations may arise. These relationships must only be carried on by those persons previously and expressly authorised to do so, in accordance with allocated roles and corporate procedures; Adequate mechanisms for the traceability of information flows towards the contracting party must also be put in place. Any request for advantages, any intimidating and/or constrictive or oppressive behaviour on the part of Public Administration officials or independent contracting parties or which come to the knowledge of operators must be immediately reported.

Function managers who liaise with the Public Administration must:

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

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

When contributions, grants or financial support are requested from the State, the public corporations or the European Union, all employees involved in such procedures must: be correct and truthful when using and presenting documents and declarations that are complete and pertinent to the activities for which such benefits can be legitimately requested and obtained; once the requested outpayment has been obtained, the sum should be employed for the goals for which it was originally requested and obtained.

People in charge of administrative/accounting functions must verify that each operation and transaction is: legitimate, consistent, congruous, authorised, verifiable; correctly and adequately registered, so that decision, authorisation and implementation process can be verified; supported by correct, authentic and appropriate documentation, so that careful inspections can be carried out at any time regarding the characteristics and the motivations of the operation, and the identification of those who have authorised, carried out, registered and verified the operation itself.

No incidents of corruption occurred in the reporting year.

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

The company Is Molas S.p.A. adopts a specific procedure for personnel involved - in any capacity - in the process of awarding contracts to third parties that are used for the real estate development project. The adoption of this procedure enables the company to mitigate the risk of bribery when selecting business counterparties.

This procedure indicates the main criteria adopted to identify potential suppliers to request bids from. The Manager of the Property department assesses bids received based on technical and economic criteria, also supported by internal/external experts with specific technical and legal expertise.

When defining the contract, clauses on compliance with applicable laws, with Legislative Decree 231/2001, the Code of Ethics and company procedures must be specifically included.

In addition to the above, the company Is Molas adopts a specific procedure to manage commercial activities and property sales. Besides defining the process to identify potential customers and subsequent sales, the procedure requires contracts to include a specific statement declaring knowledge of legislation as of Legislative Decree 231/2001 in the case of an agreement with an intermediary/external professional/agency.

As regards the Piaggio group, see the 2020 NFS for specific aspects concerning the fight against bribery.

Compliance with laws and regulations

During 2020, none of the Immsi Group companies were affected by episodes concerning employee discrimination or the breach of employee rights. Moreover, no infringement procedures have been filed against the Immsi Group for the breach of anti-competitive or anti-trust laws.

At 31 December 2020, there were no sanctions referred to non-compliance with laws and regulations concerning marketing, advertising, promotion, sponsorship, supply activities and the use of own products. No cases regarding the breach of consumer privacy or loss of consumer data were reported in 2020.

During the year, the Immsi Group received no significant environmental sanctions.

The product and service dimension

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

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

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

The property and holding sector The Is Molas resort

During 2020, the real-estate expansion project, consisting of the construction of new villas, continued. This activity is flanked by the resort's hotel and golf services.

Aspects to reduce the environmental impact of new buildings have been implemented. For example, the use of water necessary for air conditioning and for hygiene facilities is based on the installation of heat pumps connected to the technical water circuit of surrounding reservoirs, resulting in:

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

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

In terms of quality, Is Molas S.p.A. has entrusted the construction of the new villas to a leading construction company with ISO9001 and ISO14001 quality certifications. Technical controls during the construction period are carried out by an accredited inspection body, with site inspections to verify the progress of the construction process, check the materials, ensure that the work matches the project requirements, as well as the testing procedures and the issue of the relevant final certificates.

In terms of customer health and safety, the design of the villas takes into account all applicable regulations to safeguard the safety and health of the end user. All the villas currently built have obtained the final certification that confirms compliance with current regulations.

While customers are at the villa, the company does not use chemicals and pesticides for the management and maintenance of the attached gardens; monitoring the pool water is entrusted to a highly qualified company.

As regards the management of the hotel and golf complex owned by Is Molas, the company adopts practices to reduce the environmental impact of its activities, in particular for the use of water.

In order to mitigate risk associated with non-compliance of the quality and safety standards of the delivered services, a series of control protocols relative to the quality of the restaurant and hotel services were implemented, particularly with reference to compliance with hygienic norms and standards for auditing supply goods and the preservation of perishable goods (Hazard Analysis and Critical Control Points or HACCP).

Reference is made to the chapter on the environmental dimension, where further details are given.

Industrial sector: Piaggio vehicles

In 2020, the Piaggio group continued its policy of retaining technological leadership in the sector, allocating total resources of €51.9 million to research and development, of which €35.7 million capitalised under intangible assets as development costs.

The main objective of the Piaggio group is to meet the most progressive needs for mobility, through a deep understanding of people and their habits, reducing the environmental impact and fuel consumption of its vehicles, ensuring customers excellent levels of performance. In its effort to ensure the sustainability of its products, the Piaggio group takes into account the entire life cycle, which comprises the design, procurement of raw materials, production proper, use of the product by customers and, finally, decommissioning, which consists in disassembly at the end of service life and in the disposal and/or recycling of the components and raw materials.

During its life cycle, every product directly and indirectly affects both the health and safety of people and the environment understood as ecosystem quality. For this reason the Piaggio group focuses its R&D activities on developing innovative solutions to reduce the emission of pollutants and to increase the safety, reliability and recyclability of its products.

Constant focus is placed on research into vehicles that are at the cutting edge in terms of:

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

For further details of the types of products offered, research guidelines and applications, reference is made in full, in the 2020 CSR Report published by Piaggio & C. S.p.A..

FUNDED NATIONAL AND EUROPEAN PROJECTS

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

The following funded projects were implemented in 2020:

C-Mobile (H2020): smart, cooperative transport systems

Trials in real contexts (e.g. Barcelona, Bilbao, Bordeaux, Newcastle, Copenhagen, Thessaloniki) of smart, cooperative transport systems (C-ITS) that are inter-operable and can therefore be used on a wide scale. The project is being coordinated by IDIADA (the Spanish research centre), with the involvement of ERTICO. During 2020, Piaggio provided technical support for the experimentation of C-ITS for motorcycles at the Barcelona site, contributing to the development of the apps and user selection. The project started in 2017. Its completion has been extended to early 2021.

Safestrip (H2020): road safety based on cutting-edge connectivity and sensors

Development of a low-cost, low energy consumption system based on micro and nano sensors incorporated into the road surface in order to collect information (e.g. on road conditions, environmental parameters, traffic data etc.) and alert car and motorcycle users to potential hazards, through vehicle/infrastructure communication. The project started in March 2017 and ended in August 2020. In the first months of 2020, Piaggio participated in collaboration with CRF in the experimentation of the system on the Trento section of the A22 Autobrennero motorway.

PIONEERS (H2020): passive protections systems for motorcyclists

The project is being coordinated by IDIADA, with leading manufacturers of protective clothing taking part (including Dainese, Alpinestar, Motoairbag), as well as universities and research centres (University of Florence, Fraunhofer, BAST). Piaggio is involved in the design and development of a vehicle onboard protection system to reduce minor injuries from low-speed, side impact.

The project started in March 2018 and will end in 2021. During 2020, Piaggio created the demo prototype for the safety leg cover on which to carry out experimental tests.

Future Radar (H2020): medium/long term research topics

The project is a Coordination and Support action, which aims to provide support to the European Commission in the definition of the guidelines and areas for research in the road transport sector, in view of the upcoming Horizon Europe Framework Programme. Piaggio was involved in the project as the main partner for the 2-wheeler sector. The project was completed at the end of 2020.

DriveToTheFuture (H2020): the role of motorcycles in cooperative and automated transport

The project aims to analyse the needs, expectations and behaviour of active and passive users in the current mobility and connected, cooperative and automated transport scenario, considering different transport modes (road, rail, water and air).

Piaggio is taking part to define the role of 2-wheelers (opportunities and limits) in this context and is studying alternatives to interaction with automated vehicles, with a particular focus in interfaces for vehicles (HMI). The project started in May 2019

SAFE (CEF): regulations for emergency calls

The "SAFE - After-Market eCall for Europe" project will define the standards and specifications for developing and introducing aftermarket emergency call (eCall) systems for the automotive industry. Piaggio is taking part together with other manufacturers and ACEM, the European Association of Motorcycle Manufacturers, to evaluate the eCall specifications (Technical Standards) defined by the competent European group CEN/WG15 for L category vehicles (including scooters and motorcycles), with testing involving PSAP (Public Safety Answering Points) and alignment of the specifications based on the results obtained. The project is the natural continuation of activities conducted in the I_HeERO project (which ended in March 2018). The project will end in June 2021, extended by six months following the Covid-19 emergency.

CUSTOMER SAFETY

Piaggio has a comprehensive quality management system to monitor product quality levels in the various stages of the production process and prior to dispatch to the customer. The standard procedures introduced in all Piaggio Group plants enable the constant monitoring of the quality of all vehicles produced, ensuring product standards that fully meet both regulatory and type-approval specifications and the expectations of the end customer. Each vehicle manufactured at Piaggio Group sites is subject to multiple quality controls throughout the assembly process and at the end of the line. In addition, off-line checks are carried out at pre-established intervals by highly qualified and trained personnel, according to procedures and standards defined “with the customer in mind”, i.e. with checks that monitor both the aesthetic and functional performance of the vehicle at a static and dynamic level.

Staff select a sample of vehicles each day, from finished/approved products, before these are dispatched to the end customer. These vehicles undergo rigorous road testing, based on a standard check list. Any anomalies detected are classified according to a score based on the severity of the defect and the impact this could have on the end customer.

The final quality status compared to the objective status is available for each model. If the objective is not reached, an improvement plan is created to identify and implement the necessary corrective measures.

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

The traceability of the vehicles and their main components is essential in order to enable Piaggio to promptly identify and block or limit batches characterised by presumed and/or observed defects, preventing the sale of potentially defective products on the one hand and implementing any necessary interventions in the field on the other.

Piaggio has adopted a system for efficient product traceability which identifies products, components and materials deemed to be significant at all stages of the production cycle. In particular, all components manufactured internally and externally that have a direct impact on user health and safety, the environment and compliance with type approval are identified.

The system therefore traces all identified components, maintaining records of tests, controls and inspections, certifying product quality in view of the processes it has undergone in the various stages of the production cycle. This makes it possible to identify lots with faulty components on all vehicles involved and, if necessary, take prompt action to protect customers.

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

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

The Marine sector: intermarine vessels

Intermarine has always aimed to build vessels that comply with all specifications requested by customers, and primarily navies. Intermarine products are internationally recognised for their reliability and high technological content as well as the continuous pursuit of quality throughout the production process.

In 2018, Intermarine adopted its Integrated Quality, Environment and Safety Policy. The company is committed to supplying products that comply with the quality levels defined in contracts, that can meet customer requirements and are always safe and environmentally friendly, in line with market requirements and the need to minimise environmental impact and protect workers' health and safety.

Company operations can be divided into three different business units:

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

A brief report on minesweeper units is provided. The MCMVS (Mine Countermeasure vessels) of Intermarine are unique in the world given that they are built with a process that involves the construction of the hull in a monolithic fiberglass shell, devoid of any longitudinal or transverse reinforcement. This design choice makes it possible to maximise the flexibility and elasticity characteristics of fiberglass: in the case of a nearby explosion of a mine, the hull is able to absorb the energy of the explosion, transmitting only a limited portion of the force to the installed equipment and internal structures.

Intermarine products also include fast patrol boats. Since the beginning of its operations, Intermarine has built hundreds of patrol boats for Navies, the Coast Guard, and Maritime Police in Italy and abroad. The project for these patrol boats is characterised by a high level of flexibility, thereby adapting each ship construction to the specific requirements of each customer. Built both in composite materials and in aluminium - in sizes between 13 and 40 meters - the patrol boats boast a high speed and excellent performance.

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

CUSTOMER SAFETY

With reference to the safety of end users, during the design, construction and materials supply stages, the degree of safety for users of vessels is monitored, both in the use of equipment located on board and in the event of potential external explosions. At the end of the vessel construction process, Rina ("Registro Navale Italiano", Italian Naval Registry) certifies the suitability of the ship and its compliance with all safety requirements.

Quality control and testing activities for Intermarine distinguish between "hull" and "completing" parts, each with specific inspection and testing plans. For each test reported in the plans, Intermarine prepares (with the contribution of suppliers) specific testing procedures (test memoranda) for FAT, HAT and/or SAT tests, in accordance with provisions.

The test procedures also specify the following:

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

At the end of each test, the specific test report is drafted. These reports, completed and accompanied by the required attachments (e.g., calibration reports of instruments used), constitute the testing minutes of equipment, system arrangements and services.

The Integrated Management System adopted by Intermarine makes it possible to identify the materials and components used for the construction and fitting out of the ships; these are identified in order to determine their allocation and allow them to be traced back to the completed tests.

Intermarine, in compliance with the requirements of the AQAP 2110 standard, has prepared and implemented a process for managing the configuration of products in order to know the physical, interface and functional characteristics of each part of the product itself at any time.

Intermarine pays particular attention to Integrated Logistic Support and After Sales Support, looking after the entire life cycle of each ship delivered to the customer. The company has created a support network through direct contact between specialised internal departments and the customer or through specific agreements with dedicated local partners. Moreover, in the after-sales phase, Intermarine maintains continuous relations with all suppliers involved in the projects, who offer their support and assistance on an ongoing basis.

R&D ACTIVITIES

Intermarine is investing in Research and Development to harness the potential of the traditional minesweeper (Current) in order to integrate it with the new emerging technologies of "autonomous" systems, in line with current market trends. The new generation minesweepers, currently being researched with the Italian Navy, will be the outcome of this research with the production of vessels of superior size and performance to the current ones.

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

In 2020, the research and development activities completed, in the reporting phase and/or in progress can be summarised as follows:

- MAC: this project refers to an infusion technology and was funded by the Ministry of Education, Universities and Research; the project was completed in 2017. In January 2021, the final decree granting the financing was issued. Reporting is expected to begin in 2021 after the contract has been signed.
- USVPERMARE: this project refers to a marine surface drone and was funded by the Ministry of Education, Universities and Research. Intermarine's activities, developed as part of its involvement in the Dltm Consortium, focussed on the construction of a swath prototype. The project has been completed and final reporting of the direct costs of around €0.4 million is underway, with an expected contribution of about 50%.
- IBRHYDRO: this project concerns the development of a hybrid submerged/intersecting fin hydrofoil, funded by the Ministry for Transport; the project was developed over a period of 4 years (from 2016 to 2019) and the contributions are paid in annual instalments of €0.1 million spread over 20 years; the company is awaiting the outcome of the checks on the final accounts.

- SIMARE: A project for the study and testing of ballistic defence materials, funded by Sicily Region, carried out in Sicily, expected costs of about €0.8 million with a contribution of 50%. During the year 2019 the project became eligible for funding and development activities began in January 2020. Activities will end in 2022.
- DASPHANTOMSHIFFE: In 2020, the Ministry of Economic Development funded a project for the development of engines for minesweepers and new materials for electromagnetic protection. Project activities will begin in February 2021; Intermarine's share of costs are forecast at €2.2 million, with a maximum contribution of €1.1 million and a subsidised loan of Euro 0.5 million.
- SINAPO: A project for smart monitoring to predict failures and prevent accidents, funded by Sicily Region, carried out in Sicily, expected costs of about €1.0 million with 50% contribution. During 2019, Sicily Region issued the ranking for the project competition. This ranking puts the project in a position where the funds for financing all projects with the same score are not sufficient to cover all the requirement. We are waiting to hear about the possibility of securing the necessary funds from the Region of Sicily.

Immsi Group certifications

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

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

The Piaggio group's Italian, Indian and Vietnamese sites have held Quality (ISO 9001 or ISO/TS 16949), Environmental (ISO 14001) and Occupational Health and Safety (ISO 45001 or BS OHSAS 18001) certification, for several years now.

In November 2020, the Certification Company Det Norske Veritas (DNV) conducted audits to maintain the three Quality certification (ISO 9001) and Environmental certification (ISO 14001) and to obtain new Health and Safety certification (ISO 45001) for Italian sites (including the commercial site in Milan). The outcome of the audits was positive.

The Intermarine shipyards at Sarzana and Messina have had their Quality Management System certified to ISO 9001, issued by the Italian Naval Registry (RINA); the Sarzana Shipyard since 1996 and the Messina Shipyard since 1998.

The System also incorporates additional Nato requirements pursuant to the Aqap 2110 standard, with specific criteria for quality systems to be applied in military programmes.

The shipyards at Sarzana and Messina also have Environmental certification (ISO 14001), issued by RINA; the Sarzana shipyard since 2000 and the Messina shipyard since 2005.

Although not yet certified, all sites have adopted the same Integrated Management System which also covers health and safety (ISO 45001).

The audits conducted by RINA in 2020 for both ISO 9001 and ISO 14001 were successful at all sites; no nonconformities were identified.

The Environmental Dimension

The reporting boundary for the environmental dimension is as follows:

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

Other Group companies (Immsi S.p.A., Immsi Audit S.c. a r.l., ISM Investimenti S.p.A. and RCN Finanziaria S.p.A., Pietra S.r.l., Apuliae S.r.l.) were excluded from environmental data reporting, as their contribution was considered as marginal (their operations only concern the indoor premises of offices). During 2020, the site of the company Pietra Ligure S.r.l. was not operative, and was therefore excluded from the reporting.

The companies of Immsi Group perform actions intended to reduce the environmental impact of their operations, both through the reduction in the use of natural resources (energy and water), and allowing the ecosystem to absorb any direct and indirect impacts produced. These actions are established based on a number of procedures and practices which are specific for each business sector of the Group.

The Piaggio group has its own set of policies, which include an environmental policy. In addition, Intermarine adopted a specific document in 2018, its "Integrated Quality, Environment and Safety Policy".

The Piaggio group has organised its processes and activities through a management system for Quality, the Environment and Occupational Health and Safety to guarantee a sustainable development model, long-lasting success and to meet stakeholders' expectations.

Piaggio & C. S.p.a. seeks to minimise the environmental impact of its industrial activities by carefully defining the product design, the manufacturing technological cycle and by using the best technology and the most modern production methods. Pursuing these objectives generates continual improvement in environmental performance, not only in production but also throughout the product life cycle.

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

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

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

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

Energy consumption

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

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

Consumption recorded between 2018 and 2020 is reported below, highlighting the changes, as percentages, during the 2019-2020 period.

ENERGY CONSUMPTION OF IMMSI GROUP					
		Property and holding sector	Industrial sector¹	Marine sector	Immsi Group
Electricity (thousand kWh)	2020	697	68,014	2,525	71,236
	2019	1,068	80,922	3,057	85,047
	Δ% 2020 - 2019	-34.8%	-16.0%	-17.4%	-16.2%
	2018	973	81,815	3,014	85,802
Methane / Natural gas (Sm ³)	2020	0	5,557,697	56,730	5,614,427
	2019	0	5,758,228	82,236	5,840,464
	Δ% 2020 - 2019	-	-3.5%	-31.0%	-3.9%
	2018	0	5,714,681	70,782	5,785,463
GPL ² (tons)	2020	1	953	11	965
	2019	3	1,766	11	1,780
	Δ% 2020 - 2019	-52.0%	-46.1%	-1.2%	-45.8%
	2018	3	1,918	13	1,934
Diesel fuel ³ (Litres)	2020	7,700	757,232	3,942	768,874
	2019	8,631	740,257	3,570	752,458
	Δ% 2020 - 2019	-10.8%	2.3%	10.4%	2.2%
	2018	9,750	820,375	1,709	831,834

¹ The commercial sites of the Piaggio group are also included.

² The calculation of tons of LPG is based on an estimate.

³ Light Diesel Oil and High Speed Diesel are considered together with diesel fuel.

In 2020, the Immsi Group recorded a significant decrease in the use of electricity (-16.2% compared to 2019), natural gas (-3.9%) and LPG (-45.8%). These reductions are mainly attributable, in all sectors, to the production stoppages caused by the pandemic.

With reference to the industrial sector, since 2016, the Pontedera site has been adopting measures to reduce energy waste with a smart metering system that can use, observe, compare on a nearly real time basis (with a delay of 3 hours) and also analyse the consumption recorded by over 90 meters at the site.

Regarding the marine sector, since 2016, Intermarine has updated, as agreed with the Province of La Spezia, the energy efficiency goals to be achieved in the medium term. In December 2015, a specialised firm was appointed to carry out an energy assessment at the Sarzana and Messina sites, enabling the company to identify required improvement plans, with the following planning and adoption of actions to reduce consumption.

For the coming years, the company has set itself the goal of improving energy usage by replacing air conditioners with more efficient equipment containing R22 fluorinated gases, improving the compressed air system in the production warehouse and carrying out building maintenance to improve any heat loss points.

With reference to the real estate sector at the Is Molas site, the company has set itself the objective for the current year, in terms of energy improvement, of using thermal solar panels to heat the domestic water supply for the hotel.

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

down by source:

ENERGY CONSUMPTION OF IMMSI GROUP (GJ)		Electricity	Methane/natural gas	LPG	Diesel fuel	Group total
Energy consumption	2020	256,448	198,083	44,499	27,692	526,723
	2019	306,169	227,837	82,060	26,778	642,844
	Δ% 2020 - 2019	-16.2%	-13.1%	-45.8%	3.4%	-18.1%
	2018	308,887	225,691	89,158	30,292	654,028

Note: The data relating to energy and fuel consumption expressed in GJ are calculated using the conversion standards set out in the standard parameter table published by ISPRA and by the Italian Ministry of the Environment, Land and Sea (MATTM) for the year 2020. For electricity, the standard coefficient set by ENEA was used (1 kWh = 0.0036 GJ).

In 2020, around 86% (83% in 2019) of energy used by production sites was from electricity and natural gas, with LPG and diesel fuel accounting for only a minor quantity.

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

ENERGY MIX¹ (GJ)		Property and holding sector		Industrial sector²		Marine sector		Group Immsi	
		GJ	%	GJ	%	GJ	%	GJ	%
2020	Renewable ³	958	33.7%	54,731	16.7%	2,273	19.3%	57,963	16.9%
	Non renewable ⁴	1,885	66.3%	273,303	83.3%	9,480	80.7%	284,668	83.1%
2019	Renewable ³	1,379	32.3%	48,634	13.5%	712	4.8%	50,725	13.4%
	Non renewable ⁴	2,895	67.7%	311,617	86.5%	14,154	95.2%	328,666	86.6%

1) Non-final energy mix figures for 2019, provided from utility companies serving Immsi Group companies, were used for 2020 data.

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

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

4) The value was determined by multiplying the consumption by the share of the energy mix from non-renewable sources, adding also the direct consumptions of fossil fuel converted according to the standards defined by GRI.

Energy consumption figures are reported below, divided by sector and source, relative to the use of equipment and test vehicles.

ENERGY CONSUMPTION FOR THE USE OF EQUIPMENT AND TEST VEHICLES (ITALY)					
		Property and holding sector	Industrial sector	Marine sector	Immsi Group
Petrol (litres)	2020	4,826	472,302	0	477,128
	2019	6,290	641,546	0	647,836
	Δ% 2020 - 2019	-23.3%	-26.4%	-	-26.4%
Methane/Natural Gas (Sm ³)	2020	0	4,571	0	4,571
	2019	0	181	0	181
	Δ% 2020 - 2019	-	2425.2%	-	2425.2%
LPG (tons)	2020	0	9	0	9.0
	2019	0	120	0	120
	Δ% 2020 - 2019	-	-92.5%	-	-92.5%
Diesel fuel (Litres)	2020	17,527	334,029	150	351,706
	2019	22,623	282,355	0	304,978
	Δ% 2020 - 2019	-22.5%	18.3%	n/a	15.3%

Emissions of CO2 and other pollutants

The environmental impact generated by the production activities of the Immsi Group (mainly linked to the industrial sector) implies greenhouse gas emissions (mainly CO2) and atmospheric emissions of Volatile Organic Compounds (VOCs).

The following table shows direct and indirect emissions for the three Group sectors, over the 2018 – 2020 period.

CO₂ EMISSIONS FROM IMMSI GROUP						
PRODUCTION SITES						
(tons)			Property and holding sector	Industrial sector	Marine sector	Immsi Group
CO ₂ emitted by production sites (tons)	2020	direct ¹	20	14,275	124	14,419
		indirect ²	196	37,051	711	37,958
		total	216	51,326	834	52,377
	2019	direct	23	15,591	173	15,787
		indirect	295	47,902	845	49,042
		total	318	63,493	1,018	64,829
	Δ 2020 - 2019	direct	-11.5%	-8.4%	-28.5%	-8.7%
		indirect	-33.6%	-22.7%	-15.9%	-22.6%
		total	-32.0%	-19.2%	-18.0%	-19.2%
	2018	direct	26	15,786	146	15,958
		indirect	280	45,703	866	46,849
		total	306	61,489	1,012	62,807

Note: The GWP (global warming potential) coefficient associated with CO2 is equivalent to 1.

1) CO2 emissions deriving from the combustion of methane, natural gas, diesel fuel and LPG. For these values, the conversion factors set out in the standard parameter table published by ISPRA and by the Italian Ministry of the Environment, Land and Sea (MATTM) for the year 2020 have been used.

2) CO2 emissions deriving from the use of electrical energy. The conversion factor used is the one published by the ISPRA. For the year 2018 (287.4 gCO₂/kWh), for the year 2019 (276.3 g CO₂/kWh) and for the year 2020 (281.4 g CO₂/kWh).

The structural actions carried out by Piaggio over time (replacement of boilers and restructuring of the distribution networks) and already mentioned in previous NFSs highlight the soundness of said modifications. The reduction in emissions in 2020 is mainly due to production shutdowns caused by the pandemic, especially at the Baramati plant in India.

The decrease shown for the real estate and shipping sectors is also attributable to the effects of the pandemic.

Intermarine S.p.A. has begun a process of reducing environmental impacts at the Sarzana site, based on the Provincial "Target 2025" decision, by increasing the emission duration of E23 activated carbons, which brings an associated reduction in the disposal of hazardous waste. At the Messina site, the smoke extraction system for the welding lines was completed and put into operation in 2020.

As regards the atmospheric emissions of VOC (volatile organic compounds), 2020 data for the Group industrial and marine sectors are available.

As regards the industrial sector, in 2020 there will be a drastic reduction in VOCs, mainly due to the periods of inactivity due to the lockdown and, in particular for the Italian site of Pontedera, also due to a better use of the plants.

With regard to the marine sector, estimated VOC emissions into the atmosphere for 2020 were modest, equal to 1.4 tonnes (5.1 tonnes in 2019) and accounting for about 0.6% of total VOC emissions.

Conserving water resources

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

WATER SUPPLIES AT THE PRODUCTION SITES OF THE IMMSI GROUP (megalitres)							
		Property and holding sector	Industrial sector	Marine sector	Immsi Group	Water stress areas ³	
Water consumption	2020	Water from wells ¹	29	164	0	193	188
		Water from the mains	0	413	23	436	405
		Other (rivers) ²	319	0	0	319	319
		Total	348	577	23	948	912
	2019	Water from wells ¹	21	192	0	213	198
		Water from the mains	0	485	14	499	469
		Other (rivers) ²	552	0	0	552	552
		Total	573	677	14	1,263	1,218
	Δ% 2020-2019		-39.2%	-14.7%	68.9%	-25.0%	-25.9%
	2018	Water from wells ¹	20	245	0	265	243
		Water from the mains	0	525	17	542	528
		Other (rivers) ²	317	0	0	317	317
		Total	338	770	17	1,125	1,089

¹ For the property and holding sector, reference is made to water from the drinking water reservoir of the Is Molas consortium, drawn from the subsurface.

² Reference is made to the following rivers: Rio Pula, Rio Tintioni and Rio Baustella. Data provided are the sum of measurements before use for irrigation.

³ The property and holding sector, the marine sector and the Pontedera, Baramati and Vinh Phuc plants are located in areas with high water stress (Source: Acqueduct Water Risk Atlas).

Over the years, Piaggio has developed production processes designed to reduce water consumption. At the Pontedera site, water supply wells have inverters that can regulate system flow rates based on the amount of water required by the hydraulic loop.

Water withdrawal of the Piaggio group fell considerably in 2020, due to efficiency measures adopted and to production shutdowns caused by the pandemic.

Water consumption at Is Molas covers a significant part of the overall consumption of Immsi Group (in 2020 they were around 37% of the total, 45% in 2019). This is due to the irrigation of the resort's golf courses. To avoid water requirements of the resort conflicting with those of the Pula municipality, operational procedures were implemented seeking to achieve an efficient use of reservoirs (owned by Consorzio Is Molas) which collect water from the nearby Rio Pula during winter. Treated water is conveyed from the purification system of the Is Molas Consortium to the reservoirs, for irrigation purposes.

As regards waste water, environmental respect is ensured with processes to treat and purify waste water. As regards the Piaggio group, see the 2020 NFS for further details on water exchange at sites.

As regards the management of waste water at Is Molas, all waste water from the current residential area and hotel premises is conveyed to the treatment station of the Is Molas consortium. The treated water is then conveyed to the reservoirs for use in irrigation. As regards the residential expansion project, the property planned and built by the company Is Molas S.p.A. uses heat pumps for heating and cooling that use the technical water from the reservoir system. The systems to discharge technical water used for residential purposes convey water via pipes to the original reservoir, completing the loop.

The company has submitted a plan, currently in the application stage, to develop a tertiary module at the Pula treatment station, to treat waste water from the town of Pula and convey the water by underground pipe to one of the reservoirs of the Is Molas irrigation system. The purpose would be to increasingly use water from the tertiary sector instead of surface water from rivers.

Waste handling and recovering

Handling and recovering waste is a fundamental part of the Group's environmental policy. All companies carry out waste production, management and disposal activities in compliance with the applicable regulations, both in terms of waste traceability and in terms of handling, which is entrusted to specialist companies in the sector that are authorised to provide these types of services. The following table shows the quantities of waste generated in the years 2020-2018 divided between hazardous and non-hazardous and in terms of volumes to disposal or recovery.

WASTE PRODUCED AT GROUP PRODUCTION SITES					
(tons)		Property and holding sector	Industrial sector	Marine sector	Immsi Group
2020	Total waste	13	11,290	524	11,826
	Hazardous	-	1,820	120	1,940
	Non-hazardous	13	9,470	403	9,886
	Hazardous	-	16.12%	23.00%	16.41%
	Non-hazardous	100.00%	83.88%	77.00%	83.59%
	Total waste	13	11,290	524	11,826
	For recycling	3	8,670	225	8,898
	Disposed	10	2,620	299	2,928
	For recycling	20.00%	76.80%	42.97%	75.24%
	Disposed	80.00%	23.20%	57.03%	24.76%
2019	Total waste	25	13,756	730	14,511
	Hazardous	-	2,330	172	2,502
	Non-hazardous	25	11,426	558	12,009
	Hazardous	1.47%	16.94%	23.55%	17.24%
	Non-hazardous	98.53%	83.06%	76.45%	82.76%
	Total waste	25	13,756	730	14,511
	For recycling	14	9,927	453	10,395
	Disposed	11	3,829	277	4,117
For recycling	56.87%	72.17%	62.04%	71.63%	
Disposed	43.13%	27.83%	37.96%	28.37%	
2018	Total waste	47	11,337	827	12,211
	Hazardous	1	2,102	449	2,552
	Non-hazardous	46	9,235	378	9,659
	Hazardous	1.36%	18.54%	54.28%	20.90%
	Non-hazardous	98.64%	81.46%	45.72%	79.10%
	Total waste	47	11,337	827	12,211
	For recycling	16	9,790	717	10,523
	Disposed	31	1,547	110	1,688
	For recycling	34.27%	86.35%	86.72%	86.18%
Disposed	65.73%	13.65%	13.28%	13.82%	

Avoiding contamination of soil and water sources

We report that in 2020, no significant spills or polluting events occurred at any of the Group's production sites.

At the Mandello and Pontedera, decontamination initiatives are under way due to historic contaminations of the sites. These situations emerged during demolition work in Mandello and during environmental monitoring campaigns in Pontedera. In both cases, the pollutants found have not been used in the production sites for several decades, providing the historical nature of their origin. In accordance with legal obligations, the two situations have been reported to the relevant authorities and are managed according to their instructions.

Production activities of Intermarine are carried out in compliance with applicable regulations on discharges into water bodies. In addition, regulations on operations and procedures at greater risk of pollution and to deal with emergencies in the event of spills of toxic substances into water bodies, are complied with.

As regards the Is Molas site, the resort's golf courses require regular treatments using chemical products and fertilisers in order to keep the grass surface suitable for practising the sport. All products used comply with parameters of applicable environmental regulations, limiting the risk of the possible pollution of ground water. Since 2012, the company has monitored surface and subsurface water matrices, sending data to the Region of Sardinia for appropriate controls.

The Social Dimension

Developing human resources

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

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

For a clear and complete overview, the Group operates in three sectors and more specifically: the "property and holding sector" which comprises the results of Immsi S.p.A., Immsi Audit S.c. a r.l., Is Molas S.p.A. and Apuliae S.r.l., the "industrial sector" which includes companies belonging to the Piaggio group, and the "marine sector", which includes Intermarine S.p.A..

Some information reported in this section is also indicated separately by production site. In this regard, the sites at Pontedera (Pisa), Noale (Venice), Scorzè (Venice) and Mandello del Lario (Lecco) are used for industrial activities of the Piaggio group, the sites at Sarzana (La Spezia) and Messina (Me) are shipyards and the site at Pula (Cagliari) refers to the Is Molas resort.

Staff

During 2020, the Group adopted organisational initiatives to deal with the impacts of the Covid-19 emergency and support the commercial, innovation and development objectives while maintaining efficiency and productivity targets.

As of 31 December 2020, Group employees numbered 6,167, down by 385 (-5.9%) compared to 31 December 2019.

The average number of employees was affected by seasonal workers in the summer months (with fixed-term contracts and fixed-term service contracts) used to deal with typical peaks in demand in the summer months, particularly in the industrial and property sectors (tourism/hotel industry).

The geographic location and professional category of Immsi Group employees at 31 December 2020 are shown below, compared to figures at 31 December for the previous two years, differentiated by business sector.

Information on the level of education, differentiated by geographic area, and the incoming and outgoing turnover rate by professional category for Immsi Group employees, for 2020, is also provided.

The information below is in units, unless otherwise indicated.

Company employees by geographic segment at 31 December

numbers	31.12.2020			
	Property and holding sector	Industrial sector	Marine sector	Group total
EMEA and Americas	58	3,331	253	3,642
of which Italy	58	3,057	253	3,368
India		1,550		1,550
Asia Pacific 2W		975		975
TOTAL	58	5,856	253	6,167
numbers	31.12.2019			
	Property and holding sector	Industrial sector	Marine sector	Group total
EMEA and Americas	68	3,483	262	3,813
of which Italy	68	3,199	262	3,529
India		1,749		1,749
Asia Pacific 2W		990		990
TOTAL	68	6,222	262	6,552
numbers	31.12.2018			
	Property and holding sector	Industrial sector	Marine sector	Group total
EMEA and Americas	69	3586	267	3922
of which Italy	69	3324	267	3660
India		2026		2026
Asia Pacific 2W		903		903
TOTAL	69	6515	267	6851

Average number of company employees by professional category

numbers	2020			
	Property and holding sector	Industrial sector	Marine sector	Group total
Senior management	4	106	6	117
Middle management	8	664	27	699
White collars	26	1,673	118	1,817
Blue-collar workers	38	3,792	107	3,936
TOTAL	76	6,234	258	6,568
numbers	2019			
	Property and holding sector	Industrial sector	Marine sector	Group total
Senior management	5	105	6	116
Middle management	7	671	29	707
White collars	31	1,728	117	1,876
Blue-collar workers	50	3,920	111	4,081
TOTAL	93	6,424	263	6,780
numbers	2018			
	Property and holding sector	Industrial sector	Marine sector	Group total
Senior management	5	98	7	110
Middle management	7	631	32	670
White collars	33	1,708	115	1,855
Blue-collar workers	47	4,261	114	4,422
TOTAL	92	6,698	268	7,057

Company employees by educational qualifications at 31 December 2020

<i>Employee/staff numbers</i>	Graduate	High School	Middle School	Primary School	Total
EMEA and Americas	896	1,805	905	36	3,642
<i>of which Italy</i>	718	1,728	892	30	3,368
India	512	1,038	-	-	1,550
Asia Pacific 2W	398	333	244	-	975
Total	1,806	3,176	1,149	36	6,167
%	29.3%	51.5%	18.6%	0.6%	

Turnover of company employees by geographic segment at 31 December 2020

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

Employee/staff numbers	Staff as of 31 December 2020	Men	Women	< 31	31 - 40	41 - 50	> 50	Total	% Turnover
Incoming									
Italy	3,368	350	125	291	87	76	21	475	14.1%
EMEA Americas (excl. Italy)	274	24	10	14	11	3	6	34	12.4%
Total	3,642	374	135	305	98	79	27	509	14.0%
Leavers									
Italy	3,368	480	160	288	85	79	188	640	19.0%
EMEA Americas (excl. Italy)	274	29	17	15	14	7	10	46	16.8%
Total	3,642	509	177	303	99	86	198	686	18.8%

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

Employee/staff numbers	Staff as of 31 December 2020	Men	Women	< 31	31 - 40	41 - 50	> 50	Total	% Turnover
Incoming									
India	1,218	36	0	12	16	7	1	36	3.0%
Asia Pacific	587	4	3	4	2	1	0	7	1.2%
Total	1,805	40	3	16	18	8	1	43	2.4%
Leavers									
India	1,218	90	3	13	44	19	17	93	7.6%
Asia Pacific	587	30	8	16	20	2	0	38	6.5%
Total	1,805	120	11	29	64	21	17	131	7.3%

Company employee turnover by professional category in Italy at 31 December 2020

Employee/staff numbers	Staff as of 31 December 2020	Men	Women	< 31	31 - 40	41 - 50	> 50	Total	% Turnover
Incoming									
Senior management	80	4	1	0	1	2	2	5	6.3%
Middle management	259	3	3	0	1	2	3	6	2.3%
White collars	987	21	17	19	14	3	2	38	3.9%
Blue-collar workers	2,042	322	104	272	71	69	14	426	20.9%
Total	3,368	350	125	291	87	76	21	475	14.1%
Leavers									
Senior management	80	8	0	0	0	2	6	8	10.0%
Middle management	259	15	2	0	2	2	13	17	6.6%
White collars	987	50	28	13	14	4	47	78	7.9%
Blue-collar workers	2,042	407	130	275	69	71	122	537	26.3%
Total	3,368	480	160	288	85	79	188	640	19.0%

Personnel management policies

Immsi and Group companies adopt systems, procedures and practices for personnel recruitment, development and remuneration that recognise and reward the merit and commitment of human resources, while respecting equal opportunities. Any type of discrimination is specifically forbidden by the Code of Ethics.

Individual Group companies have established their own procedures and practices for personnel management based on their organisational configuration and own characteristics and professional needs. In fact, the Group does not consider a uniform personnel management system to be efficient or effective, given the considerable difference in the business segments its subsidiaries operate in, despite being united by principles of ethics, transparency and meritocracy.

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

COMPETITIVE ORGANISATION

In defining the organisational forms of its collaborators, regardless of the type of work carried out, the Group preserves the principles set out in the Code of Ethics adopted by individual companies as well as the laws in force in the geographic areas where the Company operates.

The Piaggio group pursues an innovative organisation as a way of creating a competitive edge and supporting a multicultural, multinational, lean dimension focussed on the customer and on generating value.

The subsidiary Intermarine, with its sights set on customer focus and logics targeting complex projects, pursues an organisational configuration that is functional to its contractual programmes, with specific, multidisciplinary teams assigned to individual contracts, that can generate added professional value to achieve time, cost and quality objectives.

The Group does not resort to child labour according to the age limits in force in the various countries or to forced labour and adheres to main international laws, such as the Un Convention on the Rights of the Child (UNCRC) and the 1998 Human Rights Act.

RECRUITMENT

Personnel recruitment takes place in full compliance with Law, the Code of Ethics, the Compliance Programme pursuant to Italian Legislative Decree no. 231/01 and company procedures, where present.

As part of recruitment, which respects equal opportunities and non-discrimination, Immsi ensures that resources employed match profiles necessary for company requirements, avoiding favouritism or any type of facilitation.

To maximise the effectiveness of the recruitment process, the Group selects recruitment channels based on the specific professional profiles to employ, establishing successful partnerships with schools, universities, training centres, employment agencies, etc.. The Group's bigger companies have been given even greater visibility with a specific section in company websites, for people to register and send in their Cvs, which can then be entered in a database.

Alongside external recruitment, particularly in the industrial sector, open positions are filled by identifying internal candidates with a view to job rotation and career development.

CAREER DEVELOPMENT

The Group sees the possibility of offering its employees concrete career development paths and the security that they can build up their own career within the Group as fundamental in retaining talent and expertise.

Career and development paths are based primarily on an assessment of skills, behaviors, performance and potential, with the aim to create a pool of highly motivated people to fill key positions.

The development of the core skills necessary to remain in step with evolving markets and business is a priority.

In particular, the human resources development policies of the Piaggio group are focused on establishing, maintaining and developing factors that are decisive for competing in evolving international contexts.

Piaggio has identified a managerial skills model, which constitutes the set of behaviours to be put into practice each day, in order to ensure the success of the manager in question and the group as a whole at global level. It also has a reference model regarding the various professional skills required, which represent the shared assets of professionalism and expertise that constitute the true foundation of the company, and serve as the only real guarantee of continuity and quality of results. In 2020, detailed periodic gap analysis was conducted, in order to set up training and continual professional development plans.

The goal of development tools is to build and improve the managerial and professional skills required by the respective models, while bringing potential to fruition and assessing and rewarding excellent performance and safeguarding specific technical know-how.

Resources are encouraged to follow a career path focussed on continual improvement through training and development of their expertise, so they can successfully tackle the changes and challenges of the near future.

For further details, see the 2020 NFS published by Piaggio & C. S.p.A..

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

EVALUATION

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

Performance evaluation influences both development and career paths and rewards.

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

Percentage of employees who received performance and career development reviews in 2020 by geographic segment and gender

Geographic segment	EMEA Americas		of which Italy		Asia Pacific 2W		India		Total	
	M	W	M	W	M	W	M	W	M	W
Senior management	98%	88%	97%	86%	100%	n/a	100%	100%	98%	89%
Middle management	93%	94%	92%	92%	100%	100%	100%	100%	97%	95%
White collars	90%	87%	88%	85%	100%	100%	100%	100%	94%	90%
Blue-collar workers	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

In addition, the Piaggio group has implemented young talent management programmes, which are one of the main tools used for development, attraction and retention. These programmes allow talented employees to access customised development plans, which comprise coaching and personalized training, strategic and international projects and job rotation. The programmes include Piaggio Way, which involves employees of all geographic areas of the Group.

TRAINING

The Group places considerable attention on technical, operational, safety and specific professional training. In 2020, training was influenced by the drastic reduction in classroom courses due to the effects of the pandemic in all areas where the Group operates. Where possible, managerial and above all technical training activities were organised in e-learning and webinar sessions. Worker health and safety issues represented the area of greatest investment in training, aimed at guaranteeing worker training and information on anti-Covid measures adopted and compliance with regulatory requirements.

The main companies of the Immsi Group have their own company training management and organisation procedures.

The Piaggio group has put in place a platform, called Piaggio Global Training, which is used to manage and monitor the whole training process. The process methodology, starting from the analysis of training needs, is the same in every region thereby ensuring a uniform training policy.

Intermarine adopts a specific procedure as part of its Quality System, with an annual review of the professional/technical training needs of staff in each department; this review is used to develop its Training Plan, approved by the Chief Executive Officer. This Training Plan, which includes mandatory occupational health and safety training, is then put in place, with a priority on public training, funded through ongoing and successful partnerships with Training Organisations.

The Group has provided training through inter-professional and private funding and takes part in intercompany training projects.

Hours of training by training area

Thematic area	2020			2019			2018		
	EMEA AMERICAS	INDIA	ASIA PACIFIC 2W	EMEA AMERICAS	INDIA	ASIA PACIFIC 2W	EMEA AMERICAS	INDIA	ASIA PACIFIC 2W
Managerial training	938	9,224	3,213	7,438	7,428	3,185	5,859	11,942	1,371
Technical – professional training	6,701	12,941	2,295	20,071	5,123	1,218	17,900	7,110	4,166
Language training	3,070	1,093	104	5,988	928	2,896	4,815	-	132
Health and safety training	13,594	9,849	4,578	25,917	10,262	4,688	34,095	8,674	3,059
TOTAL	24,302	33,107	10,189	59,414	23,741	11,987	62,669	27,726	8,728

Total training hours by professional category

Professional category	2020	Total per-capita 2020*	2019	Total per-capita 2019*	2018	Total per-capita 2018*
Senior management	1,073	9.1	1,014	8.7	1,592	14.2
Middle management	13,107	18.8	12,537	17.8	12,893	19.0
White collars	24,867	14.1	31,258	16.9	40,041	21.3
Blue-collar workers	20,686	5.8	38,612	10.0	38,055	9.1
Other workers	7,867	n/a	11,722	n/a	6,542	n/a
Total	67,599	9.7	95,142	12.7	99,123	13.5

* value determined by assigning all training hours delivered (including internships, project training, etc.) to the numerator, and the workforce at 31 December 2020 to the denominator.

Training hours by gender

Thematic area	2020			2019			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managerial training	11,829	1,546	13,374	14,617	3,434	18,051	16,424	2,748	19,172
Technical – professional training	20,298	1,639	21,936	20,809	5,604	26,412	23,383	5,794	29,176
Language training	3,044	1,223	4,267	7,247	2,565	9,812	2,977	1,970	4,947
Health and safety training	24,320	3,700	28,020	33,529	7,338	40,867	35,790	10,038	45,828
Total	59,491	8,107	67,598	76,202	18,941	95,142	78,574	20,550	99,123

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

REWARDS

The Immsi Group's reward policies are designed to reward individuals and recognise their contribution to the company, according to criteria of competitiveness, fairness and meritocracy.

The Group's reward system differs based on the Group's companies¹.

The system is also differentiated for the various professional groups in the company, and consists of a fixed salary component and variable objective- and benefits-based incentive systems.

Piaggio offers to new recruits and all its employees a salary package in line with best market practices. This is why a salary review process has been adopted. For details, see the 2020 NFS published by Piaggio & C. S.p.A..

The achievement of excellent results in terms of objectives set by the company is rewarded through variable incentive systems, focused on business-related qualitative and quantitative objectives as well as on the internal efficiency of each area of responsibility. The full process of setting objectives and reviewing results is conducted with employees, using objective criteria.

Piaggio also offers a benefits package in line with best local market practices, which is structured on an organisational basis. Benefits include, by way of example: a company car, supplementary healthcare, a company medical centre at various sites, agreements with local entities and organisations of interest for employees. Benefits are provided to full-time as well as to part-time employees without differentiation.

Intermarine incentivises personnel through salary policies and strategies that recognise the competencies, responsibilities, commitment and contribution made by each person, in compliance with criteria of fairness and competitiveness, and that also recognise the specific and particular economic, financial and productive aspects of the company and its relative contracts. Intermarine reviews personnel salaries on a continual basis and consults with managers of each department at regular intervals to identify any critical aspects as regards professional categories and salary brackets. Intermarine gives all employees who are senior managers and some key staff a company car, regardless of their type of employment contract (full-time, part-time, fixed term), and awards a variable remuneration component called the "MBO Bonus", which is an annual bonus tied to company profitability measures and/or measures relevant the function to which the employee belongs.

Salary and performance review policies for personnel of companies in the property and holding sectors are based on bonus-related payment policies, organisational logics and principles of meritocracy and impartiality. Reviews at regular intervals make it possible to identify the strengths and weaknesses of each employee and start a process aimed at retaining resources that make the most significant contributions.

Benefits are also provided as per contract provisions, covering supplementary pension schemes, accident/life/disability insurance, parental leave and healthcare, regardless of whether contracts are full or part-time.

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

Ratio between the average remuneration of women and men in the same professional category¹

	<i>Italy</i>	<i>EMEA (excl. Italy)</i>	<i>Asia Pacific</i>	<i>India</i>
Senior management	0.97			1.02
Middle management	0.84	1.02	1.04	1.08
White collars	0.76	0.91	1.00	0.75
Blue-collar workers	0.92		0.96	

On the basis of internal analyses of recognised salary conditions, no significant differences were detected within the Immsi Group between the basic salary and the remuneration of men compared to women with the same category, experience and assigned duties.

This basic uniformity in salaries for male and female staff is also confirmed by analysis of the minimum salary of new recruits and guaranteed compliance with limits of local legislation.

Diversity and equal opportunities

In relations with its staff and regardless of the type of work carried out, the Immsi Group respects, in all circumstances, the principles set out in the Code of Ethics adopted by each Group company, which has been updated with the introduction of an article specifically on the protection of human rights and workers' rights.

As provided for in the aforesaid Code of Ethics, the Group undertakes to ensure respect for the personal dignity, privacy and personality rights of every individual, as well as to ensure the conditions necessary for a non-hostile work environment and to prevent any form of exploitation, discrimination or harassment in accordance with the above conventions. In particular, the Company rejects and dissociates itself from any conduct that may constitute a threat of any kind, determined by reasons of a racial or sexual nature or related to other personal characteristics, and requires compliance with all laws prohibiting any form of discrimination based on race, gender, religion, language, ideology, ethnicity or political opinion; And prohibits any form of slavery, torture, forced labour, child labour, cruel, inhuman or degrading treatment and working conditions that may pose a threat to life or health.

Directors, staff and more generally everyone operating on behalf of Immsi, for any reason and without making any distinctions or exceptions, are committed to these principles and the contents of the Code of Ethics being adopted, as part of their functions and responsibilities and when carrying out their professional and other activities. This commitment is made by each party by signing contracts (of employment, sale, purchase, etc.), that include clauses on respecting the Code.

Immsi and its subsidiaries do not resort to child labour according to the age limits in force in various countries or to forced labour and observe laws in effect in the areas where they operate.

No infringements of the above principles have been reported.

For further details on diversity management in the Piaggio group, which operates on a global scale with employees in Europe, America and Asia and considerable age/gender distinctions, see the 2020 NFS published by Piaggio & C. S.p.A..

As regards the composition and promotion of diversity of Immsi S.p.A. company boards, see the Report on Corporate Governance and Ownership.

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

FEMALE EMPLOYMENT

Female employees in the Group play a fundamental role at all levels of the organisational structure. They account for 21.6% of the workforce, slightly up on the figure of 20.8% for 2019.

Company employees by gender and geographic segment at 31 December 2020

	2020		2019		2018	
	Men	Women	Men	Women	Men	Women
EMEA and Americas	2,528	1,114	2,659	1,154	2,739	1,183
<i>of which Italy</i>	2,314	1,054	2,441	1,088	2,536	1,124
India	1,517	33	1,717	32	1,971	55
Asia Pacific	788	187	810	180	749	154
Total	4,833	1,334	5,186	1,366	5,459	1,392

Number of women employees at 31 December 2020 per geographic segment

	Fixed-term contract		Open-ended contract		Total		% Women
	Men	Women	Men	Women	Men	Women	
EMEA and Americas	15	2	2,513	1,112	2,528	1,114	30.6%
<i>of which Italy</i>	14	2	2,300	1,052	2,314	1,054	31.3%
India	322	10	1,195	23	1,517	33	2.1%
Asia Pacific	307	81	481	106	788	187	19.2%
Total	644	93	4,189	1,241	4,833	1,334	21.6%

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

Company employees by profession, gender and geographic segment as of 31 December 2020

Employee/staff numbers	Full time			Part time			% Part time
	Men	Women	Total	Men	Women	Total	
EMEA and Americas	2,485	913	3,398	43	201	244	7%
<i>of which Italy</i>	2,271	856	3,127	43	198	241	7%
India	1,517	33	1,550	0	0	0	0%
Asia Pacific	788	187	975	0	0	0	0%
Total	4,790	1,133	5,923	43	201	244	4%

Our companies apply laws passed by pertinent national legislation. The Group does not discriminate in any way against women who take maternity leave and makes every effort to facilitate the reconciliation of childcare and working life.

YOUNG EMPLOYEES

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

Company employees by professional category and age bracket at 31 December 2020

	up to 30		31-40		41-50		> 50		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
2020										
Senior management	0	0	8	1	32	5	69	3	109	9
Middle management	2	0	176	29	253	33	177	26	608	88
White collars	174	98	441	147	337	164	315	87	1,267	496
Blue-collar workers	668	50	620	84	859	348	703	258	2,850	740
Total	844	148	1,245	261	1,481	550	1,264	374	4,834	1,333
	up to 30		31-40		41-50		> 50		Total	
2019	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Senior management	0	0	8	1	33	4	65	6	106	11
Middle management	4	1	175	27	262	31	182	22	623	81
White collars	203	98	467	154	357	158	317	99	1,344	509
Blue-collar workers	856	57	657	90	924	373	676	245	3,113	765
Total	1,063	156	1,307	272	1,576	566	1,240	372	5,186	1,366
	up to 30		31-40		41-50		> 50		Total	
2018	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Senior management	0	0	8	0	31	3	67	3	106	6
Middle management	3	2	176	22	249	35	167	24	595	83
White collars	187	95	491	153	382	155	322	97	1,382	500
Blue-collar workers	1,097	69	637	93	929	374	710	270	3,373	806
TOTAL	1,287	166	1,312	268	1,591	567	1,266	394	5,456	1,395

Company employees up to 30 years of age by geographic segment as of 31 December 2020

<i>Employee/staff numbers</i>	up to 30	%
EMEA and Americas	158	4%
India	393	25%
Asia Pacific 2W	441	45%
Total	992	16%

STAFF ENGAGEMENT

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

In particular, Piaggio uses communication and information tools which respect and empower the social and cultural realities within the group. For further details on these tools, which include the national "PiaggioNet" portal and the "PiaggioNet International" portal, which are in English, see the 2020 NFS published by Piaggio & C. S.p.A..

Industrial relations

The Immsi Group acknowledges the role of trade union organisations and workers' representatives and is committed to establishing relations with them focussed on attention, engagement and a common understanding; in fact ongoing dialogue is considered as fundamental for finding the best solutions to specific company needs.

The Group complies with the labour legislation of countries where it operates. The minimum notice to give in the case of major organisational changes depends on the country where the employee works and on local applicable legislation.

Committees have been set up within the individual companies to monitor and verify the application of the rules to combat and contain the spread of COVID-19 in the workplace. The committees set up at individual Piaggio sites were attended by Company Trade Union Representatives, and some committee meetings held at Intermarine were also attended by these Representatives.

Italy

At the Piaggio group, during 2020, dialogue and discussion continued with trade unions and workers' representatives, with the aim of seeking shared solutions, in order to respond to market crisis situations, adopt measures to limit the effects of the pandemic caused by COVID-19 and to manage the impacts on employees. Continual engagement and collective negotiations have made it possible to identify shared management tools, that can tackle various scenarios safeguarding Company competencies.

During 2020, following the health emergency caused by the coronavirus, the COVID Ordinary Redundancy Fund was used, and at the Pontedera, Noale, Scorzè and Mandello del Lario sites, individual company trade union agreements were signed to encourage the termination of employment only for workers signing the agreement.

The National Collective Bargaining Agreement (CCNL) is valid throughout Italy. In the case of major organisational changes, provisions of law and of the relative collective bargaining agreement are complied with. In December 2019 negotiations for the renewal of the CCNL were started; talks were stopped at the beginning of March 2020 due to the Covid-19 emergency and resumed in September. As regards 2nd level bargaining, the negotiations which began in late 2017, ended with a collective agreement signed on 23 January 2020 with national and provincial branches of trade unions and trade union representatives of Pontedera, Noale, Scorzè and Mandello del Lario, for production units in Italy, valid up until 31 December 2022. This agreement was approved in February 2020 by workers in a referendum.

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

In the first part of 2020, workers with fixed-term contracts were hired in the plants to cope with the production peak.

1. In December 2019, an agreement with local trade unions and trade union representatives was signed at the Ministry of Labour and Social Policies, to continue the Special Redundancy Fund for reorganisation at the Scorzè site from 9 January 2020 to 8 January 2021.

2. At the same time, a procedure was started for a collective decrease in staff, approved by workers, and concerning 100 people overall, in order to promote an easier management of structural excesses.
3. The use of the Ordinary Redundancy Fund has resulted in a temporary suspension of the intervention of the Extraordinary Redundancy Fund.
4. At the Mandello del Lario production unit, the increase in work related to the summer production peak was managed in 2020 by using contractual multi-week hours, as well as agency workers.
5. In 2020, due to the public health emergency caused by the coronavirus, the shipbuilding sector also accessed the COVID furlough scheme (Cassa Integrazione Guadagni Ordinaria COVID) for the Sarzana site (from 16 March for three months for 193 employees and from 9 November to the end of 2020 for 184 employees) and for the Messina shipyard (for 65 employees from 23 March for three months).
6. Finally, the company Is Molas accessed the wage supplementation fund for 30 employees from March to May 2020.

Membership of trade union organisations at Italian sites at 31 December 2020 is shown in the table below:

	FIOM	UILM UIL	FIM	UGL	USB	Other CGIL/CISL/ UIL	Total	% of employees who are members of a trade union
Industrial sector								
Pontedera	85	251	262	106	51	1	756	35.1%
Noale and Scorzè/Quinto	110	1	148				259	50.5%
Mandello del Lario	37	2	28				67	64.5%
Marine sector								
Sarzana		40		17	5		62	31.6%
Messina	46	9	2				57	86.4%
Property sector								
Pula						4	4	8.3%
Total number of employees who are members of a trade union	278	303	440	123	56	5	1,205	

The table below provides a summary of the hours lost due to strikes from 2018 to 2020 at Piaggio group's sites in Italy:

		2020	2019	2018
NO. OF HOURS LOST DUE TO STRIKES	<i>General/category</i>	1,596	22,303	1,400
	<i>company</i>	15,816	8,292	14,526
	TOTAL	17,412	30,595	15,926
% HOURS LOST compared to HOURS WORKED	<i>General/category</i>	0.08%	1.18%	0.07%
	<i>company</i>	0.75%	0.44%	0.8%
	TOTAL	0.83%	1.61%	0.83%
NO. OF DAYS LOST DUE TO STRIKES	<i>General/category</i>	200	2,788	175
	<i>company</i>	1,977	1,036	1,816
	TOTAL	2,177	3,824	1,991

For more details on trade union representation of the Piaggio group in Italy, Vietnam and India, see the 2020 NFS published by Piaggio & C. S.p.A..

Intermarine

		2020	2019	2018
NO. OF HOURS LOST DUE TO STRIKES	<i>General/category</i>	0	312	1,152
	<i>Company</i>	0	0	0
	TOTAL	0	312	1,152
% HOURS LOST compared to HOURS WORKED	<i>General/category</i>	0%	0.01%	0.33%
	<i>Company</i>	0%	0%	0%
	TOTAL	0%	0.01%	0.33%
NO. OF DAYS LOST DUE TO STRIKES	<i>General/category</i>	0	39	144
	<i>Company</i>	0	0	0
	TOTAL	0	39	144

No industrial unrest was reported for other Group companies, during the 2018 - 2020 period.

Occupational health and safety

Immsi and the Group undertake to guarantee a safe, healthy and productive working environment for employees, also disseminating a safety culture and awareness of risks and by promoting the responsible conduct of their employees.

The Group has identified prevention through training, information and awareness of safety issues as key drivers for spreading a culture and encouraging people to help maintain good working conditions, as well as to inspire commitment in people, guiding their behaviour and enabling them to carry out their tasks safely and responsibly in terms of Health and Safety in the Workplace. This strategy and the monitoring of workers and staff and their compliance with occupational health and safety procedures and instructions are essential for mitigating and adequately dealing with risks concerning the work force, as indicated above.

This approach has led the various companies in the Immsi Group to adopt very high safety management standards and to comply strictly with the applicable legislation. All workers, consultants and suppliers entering the Group's plants, sites and offices are obliged to comply with the safety management systems in place.

Immsi Audit S.c. a r.l. performs an annual audit, as part of compliance with Legislative Decree 231/01, on the adequacy of health and safety systems in the workplace in the various locations where the Immsi Group operates, including a specific audit of the entire Group in 2018.

Moreover, the Piaggio group has adopted very similar standards in all the countries in which it operates, regardless of the presence of less stringent regulatory constraints with respect to the Group's standards. From this perspective, the sites in Italy, Vietnam and India have an occupational health and safety management system certified by an accredited body. Audits are conducted annually and were successfully completed in 2020.

Finally, it should be noted that Intermarine adopts an integrated management system for quality, environment and safety with specific certifications in the areas of quality and environment.

The concrete actions targeting occupational health and safety taken by the Piaggio group, as well as standards and policies of its Indian and Vietnamese subsidiaries, are detailed in the 2020 DNF published by Piaggio & C. S.p.A., as well as the accident frequency and severity indices at their foreign sites and the policies to combat the spread of Covid-19 adopted in India and Vietnam

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

Accident Frequency ¹Index in Italy

	2020	2019	2018
Industrial sector			
Pontedera	1.2	1.4	1.2
Noale and Scorzè/Quinto	0.5	0.7	0.5
Mandello del Lario	1.1	0.5	0.7
Marine sector			
Sarzana	1.1	2.3	1.5
Messina	1.9	5.8	0.0
Property sector			
Pula	0.0	0.0	0.8

Accident Severity index² in Italy

	2020	2019	2018
Industrial sector			
Pontedera	25.1	24.5	24.5
Noale and Scorzè/Quinto	8.6	15.1	11.6
Mandello del Lario	11.6	14.3	9.2
Marine sector			
Sarzana	29.3	36.6	20.8
Messina	37.9	77.4	0.0
Property sector			
Pula	0.0	0.0	10.9

Injuries that occurred at Italian sites in 2020 are mainly attributable to behavioural causes such as distractions, inappropriate behaviour, failure to comply with procedures.

No injury lasted longer than 6 months.

Accidents occurring in 2020 refer to employees of the Group and also temp workers (4).

There was no fatal injury in Italy in 2020, similarly to what happened in 2019 (1 fatal injury in itinere in 2018 in Pontedera).

As regards external companies operating at the Italian production sites of Piaggio, in 2020, 1 injury was recorded for the Pontedera site only (6 in 2019 and 7 in 2018).

As regards external companies operating at the Italian production sites of Intermarine, no injuries were recorded for 2020 or 2019 (1 in 2018 in Messina).

¹The Frequency Index is: $I_F = (No. \text{ of accidents} * 100,000) / \text{Hours worked}$.

The number of accidents is calculated considering only accidents in the workplace, excluding accidents reported pursuant to Article 53 of Italian Presidential Decree no. 1124/65. As of article 53, both commuting accidents and accidents not considered reliable (due to the lack of a violent cause or lack of a causal link or lack of work activity) are reported.

² The severity index is calculated as $I_g = (\text{working days lost} / \text{hours worked}) * 100,000$. In calculating the Index, working days lost because of all accidents were considered, excluding those reported pursuant to Article 53 of Presidential Decree no. 1124/65. As of article 53, both commuting accidents and accidents not considered reliable (due to the lack of a violent cause or lack of a causal link or lack of work activity) are reported.

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

	2020		2019		2018	
	Reported	Acknowledged	Reported	Acknowledged	Reported	Acknowledged
Industrial sector						
Pontedera	61	(*)	75	(*)	70	(*)
Noale and Scorzè	0	0	0	0	0	0
Mandello Del Lario	0	0	0	0	1	0
Marine sector						
Sarzana	0	0	3	(*)	0	0
Messina	1	(*)	2	(*)	0	0

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

As regards the property and holding sector, no occupational diseases were reported during the 2018 – 2020 period.

The Covid-19 emergency as regards workplace health and safety

To respond to the COVID-19 emergency, the companies of the Immsi Group adopted organisational, procedural and technical measures and signed protocols aimed at preventing contagion in the workplace. These included measures to ensure social distancing, the sanitisation of workstations and communal areas, taking people's temperature at the site entrance, the adoption of specific PPE (e.g. distribution of masks and sanitising gels), participation in training sessions on contagion risk and prevention, as well as the introduction of remote working. This process was overseen by committees specifically set up at company level, including Prevention and Protection Service Managers and Workers' Representatives. Company control committees set up at individual Piaggio sites were attended by Company Trade Union Representatives. A number of committee meetings held at Intermarine were also attended by these representatives. At the same time, specific strategies to contain the virus were defined in collaboration with competent doctors for people who tested positive or were suspected to be positive.

Relations with local communities

Immsi Group companies are committed to initiatives that support local communities, also through sponsorships and donations to external projects. The aim is to foster the social, cultural and sporting achievements of communities as well as interest in research and progress in the field of health.

In the industrial sector, Piaggio is strongly committed through its Foundation (Fondazione), the Piaggio Museum (Museo Piaggio) and Archive (Archivio Storico).

Activities and events organised, as well as charity initiatives and sponsorships overseen by the Piaggio group in Italy, India and Vietnam are described in full in its 2020 NFS.

In particular, in 2020 the Piaggio group donated €250 thousand to the IEO CCM (European Institute of Oncology) Foundation and €100 thousand to Mantova Hospital (to help deal with the emergency caused by the COVID-19 pandemic).

Intermarine S.p.A. and Is Molsa S.p.A. are committed to engaging with local communities, through donations and sponsorships, and with specific stakeholders.

For the last few years, the Immsi Group, through the Parent Company, has supported educational and rehabilitation activities for children with disabilities from cerebral palsy, making donations to the "Casa del Sole Onlus" association, on behalf of all employees. In forty years of activities, the "Casa del Sole" has helped more than 5,000 children, offering valuable support to their families.

The supply chain

The reporting boundary for this dimension is as follows:

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

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

Property and holding sector¹

In 2020, the company Immsi S.p.A worked with 135 suppliers, purchasing commodities, materials, goods, products and services for approximately €2.8 million. Total payments made in the last year amounted to approximately €4.6 million. Nearly all purchases are sourced from Italian suppliers (97.8%).

In 2020, Is Molas S.p.A worked with 296 suppliers, purchasing raw materials, goods, products and services for approximately €3.8 million. Total payments made in the last year amounted to approximately €4.7 million.

The geographic distribution of purchases is shown below:

Geographic segment	2020	2019	2018
Italy ¹	98.8%	99.0%	98.8%
Abroad	1.2%	1.0%	1.2%

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

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

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

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

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

Industrial sector¹

Piaggio group produces vehicles that are sold under its brand on the various markets around the world. The only exception regards vehicles purchased by the Chinese subsidiary Zongshen Piaggio Foshan (about 17,210 units in 2019, equivalent to 2.8% of vehicles sold). Piaggio is a leader in engine technology and produces engines at its plants both for internal production and to meet the demand of other manufacturers.

All the other components that constitute a vehicle are purchased externally and assembled in-company.

In 2020, Italian plants purchased merchandise and spare parts for an overall value of €384 million (excluding complete vehicles) from 680 suppliers. The first ten suppliers made up 19% of the purchases. The geographic breakdown of purchases is shown below. Payments to suppliers amounted to approximately €618 million.

GEOGRAPHIC LOCATION OF PURCHASES FROM SUPPLIERS FOR ITALIAN SITES

<i>Geographic segment</i>	2020	2019	2018
EMEA	65.5%	67.5%	65.7%
China+Taiwan	20.3%	19.4%	20.8%
Vietnam	7.5%	6.0%	5.8%
India	5.7%	6.2%	6.7%
Japan	0.5%	0.4%	0.3%
Others	0.5%	0.5%	0.7%

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

In 2020, plants in India purchased raw materials, merchandise and spare parts for an overall value of €197 million from around 568 of their own suppliers. The first ten suppliers made up 36% of the total purchases. Total payments amounted to approximately €303 million.

GEOGRAPHIC LOCATION OF PURCHASES FROM SUPPLIERS FOR INDIAN SITES

<i>Geographic segment</i>	2020	2019	2018
India	94.9%	96.0%	95.1%
Other	5.1%	4.0%	4.9%

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

In 2020, plants in Vietnam purchased merchandise and spare parts for an overall value of €199 million from 271 suppliers. The first ten suppliers made up 38% of the purchases. Total payments amounted to approximately €195 million.

GEOGRAPHIC LOCATION OF PURCHASES FROM SUPPLIERS FOR VIETNAMESE SITES

<i>Geographic segment</i>	2020	2019	2018
Vietnam	59.1%	59.0%	53.3%
China+Taiwan	18.0%	18.4%	21.3%
EMEA	18.2%	18.2%	20.1%
India	1.2%	1.8%	2.0%
Others	3.5%	2.6%	3.3%

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

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

Piaggio group relations with suppliers are based on loyalty, impartiality and respect of equal opportunities of all parties concerned.

The Piaggio group is convinced that responsibility is a commitment which must positively involve everyone in the company-supplier chain; this is why suppliers worldwide that wish to do business with Piaggio have to sign the general conditions of supply of the Piaggio group which include the "Code of Ethics and Guidelines for doing business". Audits are regularly conducted on suppliers of direct materials to ensure their effective compliance. A new procedure is being tested in Italy, where Piaggio requires suppliers to sign a "Sustainability Statement" in order for them to be included on the Supplier List for Italy, and ensure compliance with its ethical values throughout the production cycle and sales of its products.

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

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

For specific information about the role of Piaggio and its Corporate Finance Area, Vendor Assessment Function and Suppliers Portal, see the 2020 NFS of the Piaggio group.

Marine sector

In 2020, Intermarine worked with 802 suppliers, purchasing commodities, goods, products and services for a value of approximately €39.7 million. Total payments made in the last year amounted to approximately €45.7 million.

The geographic distribution of purchases is shown below:

Geographic segment	2020	2019	2018
Italy	80.2%	80.2%	84.4%
EMEA (excluding Italy)	19.7%	19.7%	14.8%
Others	0.1%	0.1%	0.8%

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

Suppliers are selected based on the prior evaluation of their reliability and dependability in guaranteeing products and services of a quality that meets Intermarine S.p.A.'s technical and planning requirements.

The selection process is based on an internal procedure overseen in conjunction with the Quality, Environment and Safety Department and Purchasing Department, which applies to suppliers of goods and services necessary to manufacture company products, such as:

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

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

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

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

GRI Content Index

GRI STANDARD INDEX FOR "IN ACCORDANCE" – CORE			
GRI Standard	#	Disclosure Title	References
GENERAL DISCLOSURE			
ORGANIZATIONAL PROFILE			
GRI 102: General Disclosures 2016	102-1	Name of the organization	Group profile
	102-2	Activities, brands, products, and services	Group profile The product and service dimension
	102-3	Location of headquarters	Group profile
	102-4	Location of operations	Group profile
	102-5	Ownership and legal form	Group profile <i>Corporate Governance</i>
	102-6	Markets served	Group profile The product and service dimension
	102-7	Scale of the organization	Group profile The social dimension - Developing human resources; Staff; Directors' Report and Financial Statements of the Immsi Group at 31 December 2020 (http://www.immsi.it/it/investors/bilanci-relazioni); Report on Operations and Consolidated Financial Statements of the Piaggio group at 31 December 2020 (http://www.piaggiogroup.com/it/investor/bilanci-e-relazioni)
	102-8	Information on employees and other workers	The social dimension - Developing human resources; <i>Outsourced staff and contractors are not considered.</i>
	102-9	<i>Supply chain</i>	The supply chain
	102-10	Significant changes to the organization and its supply chain	Group profile The supply chain
	102-11	Precautionary Principle or approach	Corporate Social Responsibility risks
	102-12	External initiatives	The product and service dimension - Piaggio vehicles The products and services dimension - Intermarine vessels
	102-13	Membership of associations	The product and service dimension - Piaggio vehicles The products and services dimension - Intermarine vessels;
STRATEGY			
GRI 102: General Disclosures 2016	102-14	Statement from senior decision-maker	Letter from the Chairman
ETHICS AND INTEGRITY			
GRI 102: General Disclosures 2016	102-16	Values, principles, standards, and norms of behavior	Corporate Governance - Code of Ethics
GOVERNANCE			
GRI 102: General Disclosures 2016	102-18	Governance structure	<i>Corporate Governance</i> REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP (http://www.immsi.it/it/governance-ita)
STAKEHOLDER ENGAGEMENT			
GRI 102: General Disclosures 2016	102-40	List of stakeholder groups	Stakeholder engagement
	102-41	Collective bargaining agreements	The social dimension - Developing human resources - Industrial relations; <i>All employment at Italian sites of the Group is regulated according to the relevant National Collective Bargaining Agreement. For non-Italian sites of the Group, regulations and/or collective agreements are adopted. Local regulations and collective agreements where present are therefore adopted for 100% of the Group's employees.</i>
	102-42	Identifying and selecting stakeholders	Methodological note - Materiality analysis; Stakeholder engagement
	102-43	Approach to stakeholder engagement	Stakeholder engagement
	102-44	Key topics and concerns raised	Stakeholder engagement
REPORTING PRACTICE			
GRI 102: General Disclosures 2016	102-45	Entities included in the consolidated financial statements	Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016) Directors' Report and Financial Statements of the Immsi Group at 31 December 2020 (http://www.immsi.it/it/investors/bilanci-relazioni)
	102-46	Defining report content and topic Boundaries	Methodological note
	102-47	List of material topics	Methodological Note – Contents of the Statement

	102-48	Restatements of information	Any changes in data reported in the 2019 NFS are appropriately indicated.
	102-49	Changes in reporting	Any changes in data reported in the 2019 NFS are appropriately indicated.
	102-50	Reporting period	Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016)
	102-51	Date of most recent report	Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016)
	102-52	Reporting cycle	Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016)
	102-53	Contact point for questions regarding the report	Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016)
	102-54	Claims of reporting in accordance with the GRI Standards	Consolidated non-financial statement of the Immsi Group (Legislative Decree 254 of 30 December 2016)
	102-55	GRI content index	GRI Content Index
	102-56	External assurance	Report on the limited audit of the Consolidated Non-Financial Statement

MATERIAL TOPICS

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

ENERGY				
GRI Management Approach 2016	103:	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Methodological Note – Contents of the Statement; The Environmental Dimension; The Environmental Dimension - Energy consumption	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	The Environmental Dimension - Energy consumption	<i>With reference to the industrial sector, data on the consumption of the Rome and Milan offices are not considered relevant.</i>
WATER				
GRI Management Approach 2016	103:	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Methodological Note – Contents of the Statement; The Environmental Dimension; The environmental dimension - Conserving water resources	
GRI 303: Water 2016	303-1	Water withdrawal by source	The environmental dimension - Conserving water resources	<i>With reference to the industrial sector, data on the consumption of the Rome and Milan offices are not considered relevant.</i>
	303-3	Water recycled and reused	The environmental dimension - Conserving water resources	<i>As regards this standard, available data only refer to the Indian and Vietnamese sites of the Piaggio group. As regards the management of waste water at Is Molas, all waste water from the hotel/resort premises is ducted into the treatment station of the Is Molas consortium. The treated water is then conveyed to the reservoirs for use in irrigation. As regards the residential expansion project, the property planned and built by the company Is Molas S.p.A. uses heat pumps for heating and cooling that use the technical water from the reservoir system. The technical water discharge systems convey water via pipes to the original reservoir, closing the loop.</i>
EMISSIONS				
GRI Management Approach 2016	103:	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Methodological Note – Contents of the Statement; The Environmental Dimension; The environmental dimension - Emissions of CO ₂ and other pollutants	
GRI Emissions 2016	305-1	Energy direct (Scope 1) GHG emissions	The environmental dimension - Emissions of CO ₂ and other pollutants	
	305-2	Energy indirect (Scope 2) GHG emissions	The environmental dimension - Emissions of CO ₂ and other pollutants	<i>With reference to the industrial sector, emissions of commercial sites (also excluding the Milan and Rome offices) are not included in reporting.</i>
	305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	The environmental dimension - Emissions of CO ₂ and other pollutants	<i>Only emissions of VOCs (volatile organic compounds) from the Piaggio group's sites are reported (from solvents used in painting). Data for the marine sector are available for 2019 and 2020, only for the Sarzana site. Data are not available for the property and holding sector.</i>
EFFLUENTS AND WASTE				
GRI Management Approach 2016	103:	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Methodological Note – Contents of the Statement; The Environmental Dimension; The Environmental Dimension – Avoiding contamination of soil and water sources	
GRI Effluents and Waste 2016	306-2	Waste by type and disposal method	The environmental dimension - Waste handling and recovery	
	306-3	Significant spills	The Environmental Dimension – Avoiding contamination of soil and water sources	
ENVIRONMENTAL COMPLIANCE				
GRI Management Approach 2016	103:	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Methodological Note – Contents of the Statement; Corporate Governance - Compliance with laws and regulations	

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

	405-2	Ratio of basic salary and remuneration of women to men	The social dimension – Developing human resources - Personnel management policies - Rewarding	
NON-DISCRIMINATION				
GRI Management Approach 2016	103:	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Methodological Note – Contents of the Statement; Corporate Governance - Code of Ethics; Corporate Governance - Compliance with laws and regulations	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Corporate Governance - Compliance with laws and regulations	
LOCAL COMMUNITIES				
GRI Management Approach 2016	103:	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Methodological Note – Contents of the Statement; The social dimension - Relations with local communities	
GRI 413: Local communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	The social dimension - Relations with local communities	<i>A brief summary of the quality of actions promoted by Group companies is presented. With reference to the industrial sector, see the 2020 NFS of the Piaggio group, with information on initiatives promoted by the Piaggio Fondazione (Foundation) and Museo (Museum).</i>
COSTUMER HEALTH AND SAFETY				
GRI Management Approach 2016	103:	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Methodological Note – Contents of the Statement; The product and service dimension	
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	The product and service dimension	<i>The percentage is not provided, but a qualitative contribution is indicated. With reference to the industrial sector, more details are given in the 2020 NFS of the Piaggio group.</i>
MARKETING AND LABELING				
GRI Management Approach 2016	103:	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Methodological Note – Contents of the Statement; Corporate Governance - Compliance with laws and regulations	
GRI 417: Marketing and Labeling 2016	417-3	Incidents of non-compliance concerning marketing communications	Corporate Governance - Compliance with laws and regulations	
COSTUMER PRIVACY				
GRI Management Approach 2016	103:	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Methodological Note – Contents of the Statement; Corporate Governance - Compliance with laws and regulations	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Corporate Governance - Compliance with laws and regulations	
SOCIOECONOMIC COMPLIANCE				
GRI Management Approach 2016	103:	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Methodological Note – Contents of the Statement; Corporate Governance - Compliance with laws and regulations	
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	Corporate Governance - Compliance with laws and regulations	

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

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

Topic under Legislative Decree no. 254/16	Topic	Risks identified	Policies adopted	Topic specific standard/disclosure
Concerning personnel	Developing human capital	Corporate Social Responsibility Risks chapter	<p>The social dimension chapter – Developing human resources - Personnel management policies</p> <p>Note that: - individual Group companies have established their own procedures and practices for personnel management based on their organisational configuration and own characteristics and professional needs. The Group believes that uniform personnel management systems are neither effective nor efficient given the profound business diversity that characterises the subsidiaries, despite their uniform principles of ethics, transparency and meritocracy.</p>	<p>202-1: Ratios of standard entry level wage by gender compared to local minimum wage</p> <p>401-1: New employee hires and employee turnover</p> <p>401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees</p> <p>402-1: Minimum notice periods regarding operational changes</p> <p>404-1: Average hours of training per year per employee</p> <p>404-2: Programs for upgrading employee skills and transition assistance programs</p> <p>404-3: Percentage of employees receiving regular performance and career development reviews</p> <p>405-1: Diversity of governance bodies and employees</p> <p>405-2: Ratio of basic salary and remuneration of women to men</p>
	Health, safety and wellbeing of human capital		<p>The product and service dimension chapter - Certifications of the Immsi Group</p> <p>The social dimension chapter - Developing human resources - Occupational health and safety</p> <p>Note that: - for the industrial sector, an Occupational Health and Safety Management System is adopted in accordance with ISO 45001:2018 (for the Italian and Vinh Phuc plants) and BS OHSAS 18001:2007 (for the Indian plants); - for the marine sector, although production sites are not certified to BS OHSAS 18001:2007, they adopt the same Integrated Management System, adopting relative requirements; - for the property and holding sector, sites have internal security systems.</p>	<p>403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities</p>
Respecting human rights	Respecting human rights	Corporate Social Responsibility Risks chapter	<p>Corporate Governance chapter</p> <p>The Code of Ethics of Immsi S.p.A. and Group companies was revised in 2017, introducing a specific article on principles safeguarding the human rights and workers. With reference to the Piaggio group, it should also be noted that the Policy on Prevention of Sexual Harassment of women at the workplace is currently in force.</p>	<p>406-1: Incidents of discrimination and corrective actions taken</p>
Fighting corruption	Fighting corruption	Corporate Social Responsibility Risks chapter	<p>Corporate Governance chapter</p> <p>Code of Ethics of each Group company; Model 231 of each Group company.</p>	<p>205-3: Confirmed incidents of corruption and actions taken</p>
Broad-ranging topics	Transparency and company integrity	The topic of "Transparency" is considered as broad-ranging and covering all topics referred to in Legislative Decree 254/16. Therefore, a specific correlation with individual items in this table of correspondence is not indicated. Reference is made to this table as regards all other topics addressed.		



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

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

To the Board of Directors of Immsi SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have undertaken a limited assurance engagement on the consolidated non-financial statement of Immsi SpA and its subsidiaries (the "Group" or "Immsi Group") for the year ended 31 December 2020 prepared in accordance with article 4 of the Decree, presented in the specific section of the "Directors' report on operations" and approved by the Board of Directors on 19 March 2021 (the "NFS").

Responsibilities of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 and updated to 2019, by the GRI - Global Reporting Initiative (the "GRI Standards"), identified by them as the reporting standard.

The Directors are also responsible, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

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

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

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

PricewaterhouseCoopers SpA

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Auditor's Independence and Quality Control

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

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our work in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (“ISAE 3000 Revised”), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures:

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

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;



5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.

In detail, we held meetings and interviews with the management of Immsi SpA and Piaggio & C. SpA and with the personnel of Is Molas SpA and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

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

- at holding level
 - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify its consistency with available evidence;
 - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the following company, Is Molas SpA and for the plants of Pontedera and Mandello del Lario (Piaggio & C. SpA), which were selected on the basis of their activities and their contribution to the performance indicators, we discussed with management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Immsi Group for the year ended 31 December 2020 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree and with the GRI Standards.

Verona, 8 April 2021

PricewaterhouseCoopers SpA

Signed by

Alessandro Vincenzi
(Partner)

Signed by

Paolo Bersani
(Authorised signatory)

This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2020 translation.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP

in accordance with article 123-bis of the TUF

(Traditional management and control model)



Financial year to which the Report refers: 2020

Date of approval of the report: 19 March 2021

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GLOSSARY

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

Corporate Governance Code: approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., in January 2020 (which will apply from the first financial year beginning after 31 December 2020, available at www.borsaitaliana.it).

Civil Code / CC: the Civil Code.

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

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

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

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

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

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

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

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

Report: this report on corporate governance and corporate ownership prepared by Immsi pursuant to art. 123-bis of the TUF (Consolidated Law on Finance).

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

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

1. ISSUER PROFILE

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

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

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

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

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

The Company falls within the definition of SMEs pursuant to Article 1, paragraph 1, letter w-
quater.1), of the TUF and Article 2-ter of the Consob Regulation on Issuers since it has a capitalisation of less than €500 million, as can be seen from the list of "SME" issuers of listed shares published by Consob on its website at www.consob.it/web/area-pubblica/emittenti-quotati-pmi.

2. INFORMATION ON CORPORATE OWNERSHIP (pursuant to article 123-bis, paragraph 1 of the TUF) at 31/12/2020 - 19/03/2021

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

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

See Table 1 in the appendix, which includes information updated at 31/12/2020 and at the date of this Report.

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

There are no securities transfer restrictions.

c) Material investments (pursuant to article 123-bis, paragraph 1, letter c) of the TUF)

As specified in paragraph 1, the Issuer can be categorised as an SME under article 1(1)(w-*quater*.1) of the TUF and article 2-*ter* of the Consob Regulation on Issuers, since it has a capitalisation of less than €500 million, as can be seen from the list of "SME" issuers of listed shares published by Consob on its website at www.consob.it/web/area-pubblica/emittenti-quotati-pmi. Therefore, the threshold for the communication of significant shareholdings pursuant to art. 120 TUF is 5% of the share capital with voting rights (see art. 120, paragraph 2, last sentence, TUF).

For indirect or direct material investments in capital, as resulting from disclosure made pursuant to article 120 of the TUF and specific information received by the Issuer, see Table 1, in the index, which includes information updated at the date of this Report, 19/03/2021.

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

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

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

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

No system for employees' equity holdings exists.

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

There are no restrictions on voting rights.

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

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

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

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

The Issuer has stipulated some significant agreements that could be amended or terminated in the event of changes in control of Immsi S.p.A., such as: a Bullet - Multi Borrower loan agreement in effect at 31 December 2020 for a total of €125 million, of which €82.7 million disbursed to Immsi S.p.A., €30 million to ISM Investimenti S.p.A. and €12.3 million to Intermarine S.p.A.; further loan agreements and credit lines for a total nominal value of approximately €134.6 million.

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

million; a loan agreement with Banco Ifis totalling €10 million. a loan agreement with Banca Popolare Emilia Romagna for €20 million; a loan agreement with Banca Nazionale del Lavoro for €20 millions and a credit line agreement with Intesa SanPaolo for €20 million.

With regard to the subsidiary Intermarine S.p.A.¹, the following significant agreements are noted that may be modified or extinguished in the event of changes to the ownership of the contracting company. Specifically: an endorsement credit line (for a total value of \$84.5 million and \$1.9 million drawn as at 31 December 2020) based on the contract with the Sultanate of Oman, guaranteed by a pool of banks and awaiting release as formal procedures are underway between banks for cancellation, plus additional credit lines and financing associated with the company's operations for a total amount used at 31 December 2020 of €64.8 million, including the aforesaid share of the Bullet – Multiborrower loan issued to Intermarine S.p.A. for an amount of €12.3 million.

The subsidiary Is Molas S.p.A.² also has a loan agreement with Banca Monte dei Paschi di Siena for a residual nominal amount of €14.250 million, with early repayment mandatory in the event of a change in control of the investee.

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

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

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

With a resolution passed on 14 May 2020, the Ordinary Shareholders' Meeting authorised the purchase and allocation of treasury shares, pursuant to articles 2357 and 2357-ter of the Civil Code, as well as article 132 of the TUF and relative implementing provisions, subject to withdrawal of the authorisation granted by the Ordinary Shareholders' Meeting on 14 May 2019. Purchase authorisation was granted for the 18-month period as of the date of the above resolution (i.e. 14 May 2020), whereas authorisation for placing was granted with no time limits.

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

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

² Is Molas S.p.A. is owned by ISM Investimenti S.p.A. with a 92.59% stake, which in turn is controlled by the Issuer that has a 72.64% stake.

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

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

During the financial year, no treasury shares were purchased. At 31 December 2020 and at the date of this Report, the Issuer did not hold any treasury shares.

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

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

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

* * *

The following should be noted:

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

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

The Issuer has adopted the Self-Regulatory Code, which is available on the website of Borsa Italiana SpA (www.borsaitaliana.it).

It should be noted that, as of 1 January 2021, Piaggio adheres to the new edition of the Code of Corporate Governance, available on the *website* of Borsa Italiana S.p.A. (www.borsaitaliana.it), and that therefore - except where otherwise indicated in this Report it will inform the market of its adherence to the Code of Corporate Governance in the report on corporate governance and ownership structure for the year 2021 to be published in 2022.

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

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT (pursuant to article 123-bis, paragraph 1, letter l) of the TUF)

The provisions of Immsi's Articles of Association governing the composition and appointment of the Board (Article 17) were most recently amended by a resolution of the Issuer's Board of Directors on 4 March 2021, drafted by public deed and adopted pursuant to the provisions of Article 2365 of the Italian Civil Code and Article 23 of the Articles of Association, in order to align them with the rules on gender balance as regards the composition of the Board of Directors pursuant to Article 147-ter, paragraph 1-ter of the Consolidated Law on Finance, as most recently amended by Law 160/2019, as well as the new text of Article 144-undecies¹ of the Issuers' Regulations¹.

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

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

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

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

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

¹ Paragraph 1-ter, of Article 147-ter, of the Consolidated Law on Finance in force at the date of this Report states, inter alia, that "the least represented gender must account for at least two-fifths of the elected directors. This rule shall apply for six consecutive terms."

Furthermore, pursuant to Article 144-undecies.1, paragraph 3, of the Issuers' Regulations, as last amended by Consob Resolution 21359 of 13 May 2020, "when the application of the gender distribution rule does not result in a whole number of members of the management or control bodies belonging to the least represented gender, such number shall be rounded up to the next higher whole unit, with the exception of corporate bodies made up of three members where it will be rounded down to the next lower whole unit."

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

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

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

Shareholders are entitled to present lists only if, alone or with other Shareholders, they hold shares with voting rights representing at least 2.5% of the share capital with voting rights at the Ordinary Shareholders' Meeting, or a different percentage that may be established by law or other regulations. In the Executive Ruling of the Corporate Governance Division Manager no. 44 of 29 January 2021, Consob established a requirement of 2.5% of the share capital as necessary for presenting lists of candidates for election to the Board of Directors of the Company.

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

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

Lists that have a number of candidates greater than or equal to three must be composed of candidates belonging to both genders, in accordance with the current applicable regulations on gender balance.

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

The Board of Directors is appointed as follows:

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

If the candidates elected as above do not ensure the appointment of a minimum number of independent directors as established by article 148 of the TUF, the non-independent candidate pursuant to article 148 of the TUF, elected last in consecutive order in the list that received the highest number of votes, as of letter a) above, is replaced by the first independent candidate pursuant to article 148 of the TUF, according to the consecutive order, not elected in the same list, or, failing this, by the first independent candidate pursuant to article 148 of the TUF, according to the consecutive order, not elected in the other lists, according to the number of votes obtained by each one. This replacement procedure is repeated until the composition of the Board of Directors

comprises a number of independent directors pursuant to article 148 of the TUF, equal to at least the minimum number required by law. If this procedure does not achieve the above, a replacement is made with a resolution passed by the Shareholders' Meeting with relative majority, subject to the presentation of candidates that meet the above mentioned requirements.

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

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

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

- a) the Board of Directors replaces the vacancy, electing a person from the same list as the former director and the Shareholders' Meeting resolves with the majorities established by law, complying with the same criterion;
- b) where no unelected candidates remain on the candidate list, or where for any reason whatsoever the provisions of point (a) above cannot be met, the Board of Directors replaces the director, as subsequently resolved by the Shareholders' Meeting, with majorities established by law, without voting for the list.

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

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

Given the organisational structure of the Issuer, as well as the practice of assigning the position of Executive Director to persons who have gained significant experience within the Company or to persons who have gained experience in sectors in which the Issuer operates, the Board of Directors deemed it unnecessary, most recently during the meeting of 19 March 2021, to adopt a plan for the succession of Executive Directors, with the right to make different evaluations in the future.

4.2. COMPOSITION (pursuant to Article 123-bis, paragraph 2, letters d) and d-bis of the Consolidated Law on Finance)

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

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

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

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

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

See Table 2 in the appendix.

As regards company policies on diversity concerning the composition of the Board of Directors (at the end of the financial year and at the reporting date), in terms of age, gender balance, training and professional background (Article 123-bis, letter d-bis) of the TUF), the Board of Directors in office until 10 May 2018 included some information for shareholders, also pursuant to criterion 1.C.1., letter h) of the Self-Regulatory Code, regarding diversity in the composition of the Company's boards, in reports prepared pursuant to Article 125-ter of the TUF regarding the appointment of the Board of Directors and Board of Statutory Auditors by the Shareholders' Meeting convened to approve the Financial Statements for the year ended 31 December 2017.

As regards the composition of the Board of Directors in office: (i) the Board of Directors of the Company comprises 4 directors of the least represented gender, in compliance with laws on gender balance in force at the end of the financial year (the new regulatory provision will be applied from the next renewal of the Board of Directors); (ii) Board members vary in age, from 44 to 77 years; (iii) the educational and professional backgrounds of the directors ensure a balanced combination of member profiles and experiences within the administrative body, with members selected in order to ensure that all functions thereof are executed correctly.

In addition, the Board of Directors in office as of the date of this Report set out – in the illustrative report prepared pursuant to Article 125-ter of the Consolidated Law on Finance, concerning the election of the Board of Directors by the Shareholders' Meeting convened to approve the financial statements at 31 December 2020 – some indications for shareholders on the diversity of the composition of the Board of Directors (also pursuant to Recommendation 8 of the Corporate Governance Code).

For further information, see the report published on the website of the Issuer, in the section "Governance/General Meeting/Archive/2021" and in the authorised storage mechanism "eMarket STORAGE" viewable at the web address www.emarketstorage.com.

Pursuant to Recommendation 11 of the Corporate Governance Code, the Board of Directors, at its meeting of 4 March 2021, approved the adoption of its own internal regulations to govern the functioning of the Board of Directors, including the procedures for recording the minutes of meetings and the procedures for managing information flows to directors, in addition to the provisions of the Articles of Association and the provisions of the law and regulations (hereinafter, the "**BoD Regulations**").

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

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

In the event of failure to formally convene a meeting, the meetings of the Board shall be considered validly constituted when all the members of the Board of Directors and the Board of Statutory Auditors are present.

Directors may take part in Board Meetings also by teleconferencing and/or video conferencing, provided that all those entitled to take part are able to do so and may be identified and can follow the meeting and intervene in real time as regards items being discussed. If these conditions are met, the Board Meeting shall be considered as having taken place in the location where the Chairman and Secretary of the meeting are present, in order to take the minutes, which are signed by both the Chairman and Secretary. In accordance with the BoD Regulations, this last provision does not apply if participation in the meeting takes place exclusively by means of telecommunications, if so permitted or provided for by regulatory provisions and/or the competent authorities.

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

In accordance with the provisions of the BoD Regulations, the resolutions of the Board of Directors must be recorded in minutes transcribed in a special book, signed by the Chairman of the meeting and the Secretary of the meeting

The BoD Regulations also regulate the procedures for appointing the Secretary of the Board of Directors, defining their professional requirements and powers in compliance with Recommendation 18 of the Corporate Governance Code.

The BoD Regulations also govern the management of pre-meeting information, a description of which is provided in section 4.3 below.

Maximum accumulation of offices held in other companies

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

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

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

Most recently at the meeting of 19 March 2021, the Board decided not to define general criteria regarding the maximum number of administration and control positions that may be held in other companies, that may be considered as compatible with effectively holding the position of Director of the Issuer, without prejudice to the fact that each Director shall assess the compatibility of positions of Director and Statutory Auditor held in other companies listed on regulated markets or in companies

of a considerable scale, diligently conducting the duties assigned to them as Board Director of the Issuer.

In the meeting of 10 May 2018 (after the new Board took up office), and in the meeting of 19 March 2021, the Board, after reviewing positions currently held by its Directors in other companies, considered that the number and type of positions held does not cause any interference and is therefore compatible with effectively carrying out duties as Director of the Issuer.

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

The table below lists the administration and control positions held, at 31 December 2020, by the members of the Board of Directors, in other companies listed on regulated markets (also abroad), in financial, banking and insurance companies or in companies of a considerable scale.

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

Matteo Colaninno	Omniaholding S.p.A.* Piaggio & C. S.p.A.* Omniainvest S.p.A.*	Deputy Chairman and Chief Executive Officer Deputy Chairman Director
Rita Ciccone	Zaffiro S.p.A. FHP 1 S.p.A. F2i Porti S.r.l. Farmacie Italiane S.r.l. 2i Rete Gas S.p.A. Irideos S.p.A. Sagat S.p.A. Sogeaal S.p.A. F2i Holding Portuale S.p.A. Persidera S.p.A. San Marco Bioenergie S.p.A. 2i Aeroporti S.p.A. F2i Aeroporti 2 S.r.l. E2i Energie Speciali S.r.l. Compagnia Ferroviaria Italiana S.p.A.	Chairman of the Board of Directors Chairman of the Board of Directors Chairman of the Board of Directors Chairman of the Board of Directors Director Director Director Director Director Director Director Director Director Director Director Director Director
Patrizia De Pasquale	-	-
Ruggero Magnoni	Fondazione Giuliano e Maria Carmen Magnoni Onlus Fondazione Laureus Sport for Good Italia Onlus Compagnie Financière Rupert SCA M&M Capital Ltd Likipi Holding SA Compagnie Financiere Richemont SA INTEK Group S.p.A. Omniainvest S.p.A.* Fondazione Dynamo - Motore di Filantropia Fondazione Cogni dei Mestieri d'Arte FMSI Social Investment S.r.l. – Impresa Sociale Autostrade Lombarde S.p.A. Società di Progetto Brebemi S.p.A. Lehman Brothers Foundation Europe Quattrodue Holding BV Trilantic Capital Partners Europe IFM Investors	Founding Member and Chairman Founding Member and Chairman Managing Partner/Unlimited Partner Chairman Chairman Director and Audit Committee member Director Director Director Director Director Director Director Trustee Supervisor Director Senior Advisor and Member of the Advisory Council Senior Advisor to IFM Global Infrastructure Fund
Livio Corghi	Intermarine S.p.A.* RCN Finanziaria S.p.A.*	Chief Executive Officer Director
Paola Mignani	E-Novia S.p.A. LU-VE S.p.A. De' Longhi S.p.A. De' Longhi Appliances S.r.l. De' Longhi Capital Services S.r.l. Cairo Communication S.p.A. Clessidra SGR S.p.A. Impact Sim S.p.A.	Chairman of the Board of Statutory Auditors Statutory Auditor Statutory Auditor Statutory Auditor Statutory Auditor Director Director Director
Gianpiero Succi	Fondazione Violetta Caprotti Fondazione Cappellino	Director Director
Devis Bono	Sella Leasing S.p.A.	Director

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

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

During the year, and in particular at the Board meeting of 22 December 2020, the Directors and Statutory Auditors had the opportunity to examine the main changes introduced by (i) the new Corporate Governance Code; and (ii) Consob Resolutions 21623 and 21624 of 10 December 2020, respectively, to the Issuers' Regulations, as well as to the Consob Related Parties Regulations and the Consob Markets Regulations, in order to transpose, also in secondary legislation, the contents of EU Directive 2017/828, ("*Shareholders' Rights Directive 2*"), which amends Directive 2007/36/EC with regard to encouraging long-term shareholder commitment (the consolidated text of Directive 2007/36/EC is hereinafter referred to as the "**SHRD**").

Moreover, in the current 2021 financial year, the Directors and Statutory Auditors had the opportunity to deepen their knowledge of the reference legal, regulatory and self-regulatory framework by participating in the Board of Directors' meeting of 19 March 2021 in which, following the necessary clarifications on the new remuneration issues introduced by the aforementioned Consob Resolution 21623/2020 on remuneration, the Board amended the Remuneration Policy (illustrated in Section I of the Remuneration Report).

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

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

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

During the year, the Board of Directors held 6 meetings on the following dates: 23 March, 25 March, 14 May, 2 September, 12 November and 22 December.

The average duration of meetings was an hour and a quarter, and they were attended by the Board of Statutory Auditors.

The average attendance of Board Directors at these meetings was equal to 95.45%, while the average attendance of Independent Directors was equal to 96.67%.

The Articles of Association do not establish a minimum number of Board meetings, however the Board is expected to meet at least 6 times in 2021. At the date of this Report, 2 meetings had been held, on 4 and 19 March 2021.

In this regard, on 28 January 2021, Immsi S.p.A. informed Borsa Italiana S.p.A. of its annual schedule of corporate events for 2021. This calendar has also been published on the website of the Issuer, in the section "Investors/Calendar" and in the authorised storage mechanism "eMarket STORAGE" viewable at the web address www.emarketstorage.com.

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

According to the BoD Regulations, the Chairman of the Board of Directors is responsible, via the Secretary, for ensuring that sufficient information is provided to all directors on the business tabled in the meeting agenda. In particular, this information is provided in a suitable way, so as to enable Directors to make informed decisions on the matters submitted to them, with draft documents requiring approval provided well in advance, excepting cases of demonstrated urgency. The Issuer will usually send the most relevant material at least 48 (forty-eight) hours in advance of the board meeting. This time-frame is considered appropriate by all Directors and has normally been observed.

If the Chairman, or whoever is taking their place, deems it appropriate in relation to subject and the resolution in question, informative documentation may be provided directly during the meeting, giving prior notice to the members of the Board of Directors within 48 (forty-eight) hours; all the supporting documentation distributed to the Directors and Auditors is kept in the Board's files.

In addition, the Chairman, with the help of the Secretary, ensures that adequate and timely information is provided during the Board sessions, promotes an informed debate, encouraging the contribution of all participants, ensuring that enough time will be spent on items on the agenda to ensure a constructive dialogue.

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

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

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

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

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

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

On 4 March 2021, the Board of Directors resolved to amend Articles 17 and 25 of the Articles of Association, in order to bring the text into line with the regulations on gender balance in the composition of the management and control bodies, as provided for by Law 160/2019, as well as the implementing provisions of Consob and the new Corporate Governance Code.

The Articles of Association can be downloaded in its current version from the *Issuer's official website*, in the section "*Governance/Articles of Association*".

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

- a) define the strategic, industrial and financial strategies as well as the general policy of the Company and Group;
- b) acquire and dispose of controlling investments, acquire or dispose of business units for individual amounts above €25 million, mergers and demergers;

- c) approve long-term plans;
- d) carry out property dealings for individual amounts above €25 million.

As part of its remit, the Board monitors the adequacy of the organisational, administrative and general accounting structure of the Issuer and of subsidiaries considered to be of strategic importance, on at least a quarterly basis, with particular focus to the internal control and risk management system.

The Board of Directors: (i) guides the Company, pursuing its sustainable success; (ii) defines the strategies of the Company and its group, monitoring their implementation; (iii) defines the corporate governance system that is most suitable for carrying out the company's business activities and pursuing its strategies, taking into account the scope for autonomy offered by the legal system, and, if necessary, assesses and enacts the appropriate changes, submitting them, where appropriate, to the Shareholders' Meeting; (iv) promotes appropriate dialogue with shareholders and other stakeholders relevant to the Company.

Specifically, the Board of Directors (a) examines and approves the strategic, business and financial plans of the Issuer and of the group headed by it, periodically monitoring implementation. (b) examines and approves the business plan of the Company and of the Group it is part of, including by analysing issues relevant to the generation of long-term value; (c) periodically monitors the implementation of the business plan and assesses general operating performance, periodically comparing the results achieved with those planned; (d) defines the nature and level of risk compatible with the Company's strategic objectives, including in its evaluations all elements that may be relevant to the Company's sustainable success; (e) defines the Company's corporate governance system and the structure of the Group it heads, and assesses the adequacy of the organisational, administrative and general accounting structure of the Company and of subsidiaries considered to be of strategic importance, with particular focus to the internal control and risk management system. (f) decides on transactions by the Company and its subsidiaries that have strategic, earnings, financial or cash-flow implications for the Company; (g) adopts internal procedures – including those concerning market abuse (Regulation (EU) No. 596/2014, so-called Market Abuse Regulation) – on the proposal of the Chairman, in agreement with the Chief Executive Officer (if different from the Chairman).

As regards the management of conflicts of interest and operations with related parties of the Issuer and the group of which the Issuer is parent, reference is made to section 12 hereunder.

In addition, the Remuneration Policy (illustrated in Section I of the Remuneration Report) requires directors to abstain from voting when the Board of Directors passes resolutions concerning their own remuneration, without prejudice to the rules on related party transactions set out in the RPT Procedure (where applicable).

Pursuant to article 2381 of the Italian Civil Code and to the application criterion 1.C.1, letter c) of the Code and article 1, Recommendation 1, letter d) of the Corporate Governance Code, during the year the Board evaluated the adequacy of the organisational, administrative and general accounting structure of the Issuer and its strategic subsidiaries, with particular reference to the internal control and risk management system, according to procedures adopted by the Issuer for this purpose. In particular, most recently at the meeting of 19 March 2021, the Board considered - among others - the functional company organisation charts of the main strategic companies of the Group, with a particular focus on the charts of the Administration, Finance and Control departments, also considering organisational changes taking place during the year.

Within the framework of this periodic activity the Board has, depending on the case, used the support of the Control and Risks Committee, the Head of Internal Audit, the auditing company Immsi Audit S.c. a r.l. and the Financial reporting officer as well as the procedures and checks implemented also in accordance with Italian Law 262/2005. In particular, the Control and Risks Committee of the Issuer, in its meeting of 12 May 2020, reviewed specific documentation in order to determine operating and significant companies to be included in its controls, pursuant to Italian Law no. 262/2005, agreeing on the methodology to apply and companies to be controlled.

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

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

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

During the year, the Board evaluated the general trend of operations, at least quarterly, considering information received from authorised bodies, periodically comparing results with objectives.

In accordance with legal provisions, the Articles of Association and the Code, the Board of Directors has examined and approved in advance transactions, conducted by the Issuer and its subsidiaries, of strategic importance or with a material impact on the financial position and performance of the Issuer, with a particular focus on transactions in which one or more Directors have a personal interest or interest on behalf of third parties.

In accordance with the BoD Regulations, as well as Article 4, Principle XIV and Recommendation 21 of the Corporate Governance Code, the Board of Directors periodically assesses the effectiveness of its activities and the contribution made by its individual members, through formalised procedures whose implementation it oversees. To this end, it carries out its own evaluation of the size, composition and actual functioning of the Board itself and of the Board Committees (the "board review"), also considering the role that the Board has played in defining strategies and monitoring management performance, and the adequacy of the internal control and risk management system.

Moreover, pursuant to Application Criterion 1.C.1 lett. g) of the Code and the above-mentioned provisions of the Corporate Governance Code and the BoD Regulations, the Issuer's Board of Directors carried out an annual assessment on the basis of a questionnaire divided into various areas of inquiry (i.e. composition, structure, size and function of the Board, interaction with management, risk governance, composition and structure of committees etc.), with the possibility to make comments and suggestions; this questionnaire was sent to and completed by all Directors, and examined by the Board on 19 March 2021. The Board found that the size, composition and operation of the Board of Directors and its committees were adequate, given the Company's management and organisational requirements and considering the professional and managerial characteristics and experience of its members, their seniority in office, as well as the fact that out of a total of eleven Board members, nine are non-executive directors, five of whom are independent non-executive directors, who also ensure a suitable composition of the Board's committees.

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

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

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

4.4. AUTHORISED BODIES

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

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

The Board of Directors may also appoint a Deputy Chairman, who replaces the Chairman in the above functions in his absence or impediment.

The Chairman has powers to sign for the Company and is the legal representative vis-à-vis third parties and before the courts. In the case of his absence or impediment, these functions are overseen by the Deputy Chairman, if appointed.

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

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

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

Chairman of the Board of Directors and Chief Executive Officer

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

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

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

The Chairman also plays a liaison role between the executive and non-executive directors and ensures the effective functioning of the Board proceedings and, with the assistance of the Secretary, performs the functions set out in Recommendation 12 of the Corporate Governance Code and the

functions assigned to him by the BoD Regulations.

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

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

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

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

Reporting to the Board and the Board of Statutory Auditors

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

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

4.5 OTHER EXECUTIVE DIRECTORS

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

4.6. INDEPENDENT DIRECTORS

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

The Board of Directors evaluates the independence of its non-executive members in accordance with both Article 148, paragraph 3, letters b) and c) of the TUF, referred to by Article 147-ter, paragraph 4 of the TUF, and by applying all criteria in accordance with Article 3 of the Self-Regulatory Code (or, from the start of the current financial year 2021, Recommendation 7 of the Corporate Governance Code), at the time of appointment, making known the results of its assessments in a press release issued to the market, and periodically during the term in office, in the annual report on corporate governance. The monitoring criteria and procedures adopted by the Board of Directors for evaluating independence requirements are verified by the Board of Statutory Auditors.

The independence requirements as of Article 3 of the Code and Article 148, paragraph 3, letters b) and c) of the TUF for independent directors currently in office were reviewed by the Board of Directors on the first occasion possible after their appointment on 10 May 2018 (as disclosed to the market) and most recently during the meeting of 19 March 2021, where the requirements set forth in Recommendation 7 of the Corporate Governance Code were also taken into account. On these occasions, the Board of Statutory Auditors acknowledged that the criteria and review procedures used by the Board of Directors to evaluate independence requirements had been correctly adopted.

In particular, it was verified that each of the independent Directors:

- 1.1 is not a spouse or relative by consanguinity or affinity within the fourth degree of kinship of the directors of the Issuer, its subsidiaries, parent companies or companies subject to its joint control;
- 1.2 is not connected to the Issuer or its subsidiaries or parent companies or companies subject to joint control or the directors of the Issuer and the entities referred to in paragraph 1.1. by relationships of self-employment, employment or other relationships of an economic or professional nature that might compromise their independence;
- 1.3 is not a significant shareholder¹ of the Issuer,
- 1.4 is not, nor has been in the previous three financial years, an executive director² or an employee:
 - of the Issuer, of a subsidiary with strategic importance or of a company under joint control;
 - of a significant shareholder of the Company;
- 1.5 does not, or did not in the previous three financial years, carry out – either directly or indirectly (e.g. via subsidiaries or companies in which they are executive directors, or as a partner in a professional firm or a consulting company) – important commercial, financial or professional relationships or working relationships as employees in the past three financial years:
 - with the Issuer, or its subsidiaries, or with the relevant executive directors or top management³;

¹ The Corporate Governance Code states that "significant shareholder" means: "the person or entity who directly or indirectly (through subsidiaries, trustees or intermediaries) controls the company or is able to exercise significant influence over it or who participates, directly or indirectly, in a shareholders' agreement through which one or more persons exercise control or significant influence over the company."

² Under the Corporate Governance Code, "executive directors" are defined as: "the chairman of the company or of a subsidiary with strategic importance, when they are delegated powers for the management or elaboration of company strategies; directors who have been delegated management powers and/or hold managerial positions in the company or in a subsidiary with strategic importance, or in the parent company when the position also affects the company; directors who are members of the company's executive committee and, in companies that adopt the two-tier model, directors who are members of the body entrusted with management duties (for Italian companies that adopt the two-tier model, the members of the management board)".

³ For the purposes of the Corporate Governance Code, "top management" means: "[the] senior executives who are not members of the board and have the power and responsibility for planning, directing and controlling the activities of the company and its parent group."

- with a person who, alone or jointly with others through a shareholders agreement, controls the Issuer; or, if the parent company is a corporation or institution, with its executive directors or top management;
- 1.6 does not receive, or has not received in the previous three financial years, from the Issuer or from a subsidiary or parent company, significant additional remuneration with respect to the fixed remuneration for the office and that provided for participation in the committees recommended by the Code or required by current legislation;
- 1.7 has not held the position of director of the Issuer for more than nine years, even non-consecutive, in the last twelve years;
- 1.8 does not hold the position of executive director in another company in which one of the Issuer's executive directors is also a director;
- 1.9 is not a shareholder or director of a company or entity belonging to the corporate network of the independent auditor engaged by the Issuer;
- 1.10 is not a close relative (meaning by this, inter alia, parents, children, spouse, unless legally separated, cohabiting partner and cohabiting family members) of a person who is in one of the situations referred to in the previous points.

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

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

During the year, all the Independent Directors met on 31 August 2020 to discuss matters concerning the Group's company policies, covered by their areas of expertise; the secretary in charge of taking minutes, the Administration, Finance and Control Director and all the members of the Board of Statutory Auditors also took part in the meeting, which lasted 30 minutes.

For the year 2021, the Independent Directors are expected to meet at least once.

4.7. LEAD INDEPENDENT DIRECTOR

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

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

The Lead Independent Director also works with the Chairman to ensure that Directors receive exhaustive and timely information, including organising specific induction activities. The Lead Independent Director coordinates meetings of the independent directors and has the authority to convene meetings to discuss issues deemed of interest with respect to the operation of the Board of Directors or the management of the Company.

As indicated in the paragraph above, during the year, the independent directors met, on 31 August 2020, without the other Directors.

5. PROCESSING OF CORPORATE INFORMATION

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

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

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

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

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

6. COMMITTEES INSIDE THE BOARD (ex art. 123-bis, p. 2, let. d), TUF)

The Board of Directors has appointed a Remuneration Committee, an Appointment Committee, a Control and Risk Committee and a Related Party Transactions Committee from its members, as required by application criterion 4.C.1, point a) of the Code and Recommendation 16 of the Corporate Governance Code.

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

7. APPOINTMENTS COMMITTEE

In compliance with the Self-Regulatory Code and in consideration of the list-based voting system in the Articles of Association for nominations to Administrative Body, the Board of Directors has established an Internal Appointments Committee, composed of independent non-executive directors as provided for by article 5.P.1 of the Code and Recommendation 20 of the Corporate Governance Code.

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

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

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

A meeting of the Committee is planned for the 2021 financial year to verify that the procedure for submitting the lists took place fairly and transparently, in accordance with legislation and the Articles of Association, in order to provide adequate support and guarantee of impartiality of the decisions that the Shareholders' Meeting was then called upon to adopt.

See Table 2 in the appendix.

Functions of the Appointments Committee

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

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

In addition, pursuant to the BoD Regulations and Recommendation 19 of the Corporate Governance Code, the Committee assists the Board in the self-assessment process as well as the Chairman of the Board in ensuring the adequacy and transparency of the Board's self-assessment process.

Pursuant to application criterion 6.C.6. and Recommendation 26 of the Corporate Governance Code, no Director participates in meetings of the Remuneration Committee in which proposals are formulated to the Board of Directors regarding his/her remuneration

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

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

8. REMUNERATION COMMITTEE

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

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

The Board of Directors appointed by the Shareholders' Meeting of 10 May 2018, in its first meeting, appointed the non-executive, independent directors Daniele Discepolo, acting as Chairman (also designated as the Lead Independent Director), Rita Ciccone and Paola Mignani as the new members of the Remuneration Committee, who will remain in office until the date of the Shareholders' Meeting convened to approve the Financial Statements for the year ending 31 December 2020. All members of the above committee have an adequate knowledge and experience of financial matters and/or salary policies, considered conforming by the Board at the time of the appointment. During the year, the Remuneration Committee held 1 meeting on 24 March 2020, lasting approximately 45 minutes, attended by all its members, the secretary designated to take the minutes of the meeting and the members of the Board of Statutory Auditors, who were informed of all decisions taken by the Committee, before they were submitted, by the Committee's Chairman, to Board of Directors of the Issuer at the meeting of 25 March 2020. In particular it has reviewed the Remuneration Report for the year 2019, prepared by the Company pursuant to Articles 123-*ter* of the Consolidated Law on Finance and 84-*quater* of the Issuers' Regulation, and propose, and submit to the Board of Directors, in relation to the amendment of the Remuneration Policy for 2020 (see Section I of the Remuneration Report) in order to incorporate the changes in remuneration introduced by the SHRD and Legislative Decree 49/2019. At the same meeting, the degree of achievement of the variable component of the Chief Executive Officer's compensation for financial year 2019 was also reported and the objectives for FY 2020 were defined.

During 2021, the Committee has already met on 15 March 2021 to review the Remuneration Report for the year, prepared by the Company pursuant to Articles 123-*ter* of the Consolidated Law on Finance and 84-*quater* of the Consob Regulation on Issuers, and propose, and submit to the Board of Directors, in relation to the amendment of the Remuneration Policy (see Section I of the Remuneration Report) in order to incorporate the adjustments made by Consob to the Issuers' Regulations (see Article 84-*quater* and Annex 3A, Schedule 7-bis) in implementation of the SHRD with Resolution 21623 of 10 December 2020. At the same meeting, the degree of achievement of the variable component of the Chief Executive Officer's compensation for financial year 2021 was also reported and the objectives for FY 2021 were defined. In particular, at the meeting held on 15 March 2021, the Remuneration Committee met jointly with the Related-Party Transactions Committee and the Board of Statutory Auditors, to assess the achievement of the targets set with reference to the Company's 2020 *budget*, which is linked to the variable component of the Chief Executive Officer's remuneration, as well as to assess the temporary deviation from the 2020 Remuneration Policy using the waiver set out therein, given the presence of "*exceptional circumstances*" in the year (the Covid-19 pandemic and the associated public health emergency), which affected the sectors and markets in which the Company and the group it heads operate, significantly affecting the results for the year. Against this background, the governance bodies decided to use the exception in terms of assessing the objectives to which the variable compensation of the Chief Executive Officer is linked, on the one hand by considering one of the assigned

objectives, which was directly affected by the pandemic, to have been achieved, and, on the other hand, by reducing the amount, which was paid at a rate of 70%.

In light of the above, the Board of Directors' meeting of 19 March 2021, having heard the favourable opinion of the Board of Statutory Auditors, resolved to accept the proposal as formulated above by the Remuneration Committee, awarding the Chief Executive Officer 70% of the variable portion, equal to €140,000.

See Table 2 in the appendix.

Functions of the Remuneration Committee

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

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

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

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

9. DIRECTORS' REMUNERATION

On 25 March 2020, the Board, upon proposal of the Remuneration Committee, approved the "General Policy for the Remuneration of Directors and other key management personnel" (the "**Remuneration Policy**") in accordance with principle 6.P.4 of the Code. In particular, this Remuneration Policy - which defines the guidelines on the basis of which remuneration will then have to be determined by the competent corporate bodies - was amended at that time in order to incorporate the new provisions on remuneration introduced by the SHRD and Legislative Decree 49/2019. the Remuneration Policy was also amended on 19 March 2021 to implement the adjustments made by Consob to the Issuers' Regulation (see Article 84-*quater* and Annex 3A, Scheme 7-*bis*) in implementation of the SHRD with Resolution no. 21623 of 10 December 2020.

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

Incentive mechanisms for the Internal Auditing Supervisor and Financial reporting officer

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

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

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

10. INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

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

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

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

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

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

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

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

In 2021, the Control and Risks Committee is expected to meet at least 5 times; the first two meetings were held on 2 and 15 March 2021.

See Table 2 in the appendix.

Functions of the Control and Risks Committee

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

- (i) evaluates, with the Financial reporting officer and after consulting with the independent auditors and the Board of Statutory Auditors, the correct use of accounting standards and their consistency in the preparation of the Consolidated Financial Statements;
- (ii) expresses opinions on specific aspects concerning the identification of main company risks;
- (iii) examines periodic reports on the evaluation of the internal control and risk management system, and reports of particular importance prepared by the Internal Audit Function;
- (iv) monitors the independence, adequacy, effectiveness and efficiency of the Internal Audit function;
- (v) requests the Internal Audit Function to audit specific operating areas, informing the Chairman of the Board of Statutory Auditors;
- (vi) reports to the Board at least half-yearly, when the annual and interim financial statements are approved, on activities performed and on the adequacy of the internal control and risk management system;
- (vii) supports, with adequate preliminary activities, the evaluations and decisions made by the Board of Directors on the management of risks arising from adverse events which have come to the knowledge of the Board of Directors;
- (viii) gives recommendations to the Board as regards decisions relative to the appointment, removal from office, remuneration and availability of resources of the Internal Audit Department Manager.

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

- a) reviewed changes to the organisational structure, to processes and company activities;
- b) reviewed the progress of the internal auditing work plan, with particular reference to the implementation of measures concerning audits of previous years, the progress of the 2020 Audit Plan, including activities assisting the Risk Analysis unit and compliance audits conducted pursuant to Italian Law no. 262/2005 and Italian Legislative Decree no. 231/2001;
- c) monitored the independence, adequacy and effectiveness of the Internal Audit Department, also based on a review of specific indicators and of the Quality Assurance Review process adopted by the Function, which resulted in certification being obtained in compliance with international standards for the sector and recommendations of the Self-Regulatory Code;
- d) reviewed, with the Financial reporting officer and after consulting the Independent Auditors and Board of Statutory Auditors, the financial disclosure process, the accounting standards adopted in preparing accounts and the financial statements, as well as the uniformity of these principles for preparing the consolidated financial statements;
- e) reviewed the impairment testing procedure used to verify adequacy and compliance with IAS/IFRS, as regards recommendations in the document issued by the Bank of Italy, Consob and ISVAP on 3 March 2010;

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

In order to carry out its duties, the Committee:

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

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

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

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

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

- a) defines the nature and level of risk compatible with the Issuer's strategic objectives, including in its assessment all risks that can be relevant in view of medium- to long-term sustainability;
- b) defines the guidelines for the internal control and risk management system, so that main risks concerning the Issuer and its subsidiaries are correctly identified, and adequately measured, managed and monitored, also determining the level of compatibility of these risks with a business management in line with strategic objectives identified;
- c) evaluates, at least annually, the adequacy of the internal control and risk management system in relation to business characteristics and the risk profile undertaken, as well as its effectiveness;
- d) approves, at least annually, the work plan prepared by the Internal Audit Function Manager, after consulting with the Board of Statutory Auditors and the Internal Control and Risk Management Director;
- e) describes, in the corporate governance report, the main characteristics of the internal control and risk management system, evaluating its adequacy;
- f) evaluates, after consulting with the Board of Statutory Auditors, the results of the independent auditors in their letter of findings and fundamental issues identified during auditing.

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

In the meetings of 25 March 2020 and 19 March 2021, the Board of Directors, also considering recommendations from the Control and Risks Committee, evaluated the effectiveness of the internal control and risk management system of the Issuer as adequate, with respect to the relevant years covered and the characteristics of the company and its risk profile.

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

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

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

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

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

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

11.2. INTERNAL AUDIT DEPARTMENT MANAGER

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

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

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

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

In particular, during the year, the Internal Audit Manager, assisted by Immsi Audit, S.c. a r.l., conducted an audit of the internal control and risk management system, in accordance with the Internal Audit Plan scheduled for the year, and approved by the Board of Directors on 23 March 2020, carrying out risk analysis, financial, operational and compliance auditing (with particular reference to audits carried out in order to comply with provisions of Law no. 262/2005 and Legislative Decree no. 231/2001), verifying the reliability of information systems, including accounting systems, and monitoring adoption of improvement/corrective actions agreed after internal audit activities.

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

11.3 ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

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

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

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

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

The Programme is monitored and updated on an ongoing basis. In particular, in March 2020 and March 2021, the updating of the Model concerned the additions to Legislative Decree 231/2001 concerning tax crimes (Legislative Decree 74/2000), introduced respectively by Law no. 157 of 19 December 2019 and by Legislative Decree 14 July 2020 in implementation of Directive (EU) 2017/1371, providing in the Model the appropriate indications for the cases for which it is estimated that there is a risk of commission (e.g. regulatory references, typical conduct, management and control protocols, information flows for the Supervisory Body pursuant to Legislative Decree 231/2001).

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

specific clauses are included referring to the principles of ethics/conduct adopted.

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

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

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

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

During the year, the Supervisory Board held 5 meetings, lasting an average of approximately 30 minutes, with an overall attendance of 100% of its members at the meetings.

For the year 2021 it is expected for the Supervisory Body to meet at least 5 times, with the first meeting held on 15 March 2021; the Working Plan for 2021 was approved during the meeting of the Supervisory Board on 10 November 2020.

11.4. EXTERNAL AUDITORS

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

The Shareholders' Meeting held on 14 May 2020, in view of the aforesaid expiry date and ahead of it (among other things to facilitate the handover), resolved to appoint Deloitte & Touche S.p.A. to audit the accounts for the period 2021-2029.

11.5. FINANCIAL REPORTING OFFICER AND OTHER COMPANY ROLES AND FUNCTIONS

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

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

- a) free access to all information considered important for carrying out duties, both within Immsi and within Group companies, with the power to review all financial reporting documents of

Immsi and the Group and the power to request clarifications and explanations from all persons involved in the process of preparing the accounts of Immsi and the Group;

- b) attendance at the meetings of the Board of Directors;
- c) the right to engage with every Administrative and Control Body;
- d) the right to prepare and put forward for approval company procedures, when they affect the financial statements, the consolidated financial statements and documents submitted for certification;
- e) is involved in designing the information systems that affect financial position and performance, with the possibility of using them for control purposes;
- f) the right to organise a suitable structure within his own area of activity, internally employing available resources and, where necessary, outsourcing;
- g) the right to use the Internal Audit Department, for mapping processes in his area of activity and in carrying out specific controls, with the possibility of outsourcing if this Function is not available in-company.

The Financial reporting officer must also report, at least half-yearly, to the Board of Directors, on activities carried out and expenses sustained.

Please note that, during the period from 2 November 2020 to 1 February 2021, the position of Financial Reporting Officer was assumed *ad interim* by Ms Brenda Rossi, appointed in accordance with the law and the Articles of Association to temporarily replace Mr Andrea Paroli.

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

11.6. COORDINATION BETWEEN PERSONS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Issuer, in order to ensure coordination between parties involved in the internal control and risk management system, promotes the organisation of meetings between these parties. This ensures maximum efficiency of the internal control and risk management system implemented by the Issuer, while also reducing the duplication of activities.

On 19 March 2021, the Board of Directors – in accordance with criterion 7.C.1 of the Code and Recommendation 33(a) of the Corporate Governance Code – expressed its opinion that the coordination between persons involved in the internal control and risk management system was adequate.

12. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

On 15 December 2017, the Board of Directors, during the three-year review of the Related Parties Procedure (as defined herein) and subject to the favourable opinion of the Related Party Transactions Committee, updated the Procedure governing the approval and management of transactions with related parties (*Related Parties Procedure*), pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 (as amended), undertaken by Immsi S.p.A., also through its subsidiaries. The procedure became effective on 1 January 2018.

The Issuer, also in compliance with Consob Communication no. DEM/10078683 published on 24 September 2010 containing "Indications and guidance on the Related Party Transactions Regulation adopted with resolution no. 17221 of 12 March 2010 as amended", requires the Board to assess at least every three years and also as indicated by the Related Party Transactions Committee, whether to revise the Related-Parties Procedure, considering, among others, any legal changes,

amendments to corporate ownership as well as the effectiveness of the procedure.

The Related-Parties Procedure regulates the identification, approval and management of related-party transactions. In particular, the Procedure:

- regulates procedures for identifying related parties, defining the methods and times for preparing and updating the related parties list and for identifying competent company functions;
- establishes the procedures for identifying related-party transactions prior to their completion;
- regulates the procedures for the Company to perform related-party transactions, also through subsidiaries pursuant to article 2359 of the Civil Code or companies that in any case are subject to management and coordination;
- establishes the procedures and times for complying with obligations to report to company bodies and the market.

In compliance with regulations in force and the Articles of Association, the examination and prior approval of the transactions by the Issuer and its subsidiaries in which one or more directors hold a personal interest or interest on behalf of third parties, are reserved to the Board.

The Company's Board of Directors appointed a Related Party Transactions Committee responsible for approving both minor and material transactions with related parties. The Committee, as appointed by the Board of Directors on 10 May 2018, consists exclusively of 3 independent directors who, in accordance with statutory regulations, are required to be directors that are not related to the transactions reviewed. Specifically, the three members of the Related Party Transactions Committee are: Rita Ciccone, acting as Chair, Patrizia De Pasquale and Paola Mignani.

This Committee has the functions indicated in the relative Procedure, which is available on the Issuer's website www.immsi.it, in the section "Governance/Procedure".

One meeting of the Related-Party Transactions Committee was held during the Financial Year, on 25 May 2020, to examine a transaction considered to be exempt under the Related Party Procedure, but which was considered worth submitting to the Independent Directors in order to confirm its status and share considerations.

During the financial year 2021 and, specifically, as of the date of this Report, the Related Party Transactions Committee had met 2 times on the following dates: 15 and 19 March 2021.

Please note that, with Resolution no. 21624 of 10 December 2020, Consob adopted the amendments to the Consob Related Parties Regulation and the Consob Market Regulation in order to implement the contents of the SHRD, including in the terms of secondary legislation. The aforementioned Resolution 21624 will come into force on 1 July 2021 and includes a transitional period ending on 30 June 2021, by which time companies must adapt their procedures to the new provisions of the Consob Related Parties Regulation. During the current financial year 2021, the Company will therefore adjust the above assessment and therefore amend the Related Parties Procedure.

13. APPOINTMENT OF STATUTORY AUDITORS

The appointment and replacement of statutory auditors is governed by *ad interim* laws and regulations in force, and by Article 25 of the Issuer's Articles of Association. The provisions of the Issuer's Articles of Association that govern the appointment of the Board of Statutory Auditors were most recently amended by a resolution of the Issuer's Board of Directors on 4 March 2021, drafted by public deed and adopted pursuant to the provisions of Article 2365 of the Italian Civil Code and Article 23 of the Articles of Association, in order to align them with the rules on gender balance as regards the composition of supervisory bodies pursuant to Article 148, paragraph 1-bis of the

Consolidated Law on Finance, as most recently amended by Law 160/2019, and the relevant Consob implementing provisions¹.

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

In accordance with article 25 of the Articles of Association, the Board of Statutory Auditors comprises three Statutory Auditors and two Substitute Auditors, who remain in office for three years, until the date of the Shareholders' Meeting called to approve the financial statements of the last year of their term of office, and may be re-elected.

The Auditors have the functions and duties assigned to them as of applicable laws and must also meet requirement of applicable laws concerning the total number of positions held.

All Auditors must be registered auditors and have practised for at least three years.

Auditors may not be elected and if elected will be removed from office if they do not meet requirements established by law. The Board of Statutory Auditors is appointed in accordance with applicable regulations pro tempore concerning gender balance, based on the lists submitted by Shareholders in which candidates are listed with a consecutive number.

The list, with the names marked by a consecutive number, of one or more candidates, indicates whether the candidate is standing for the position of Statutory Auditor or Alternate Auditor.

Lists that have a total number of candidates greater than or equal to three must be composed of candidates belonging to both genders, in accordance with the current applicable regulations on gender balance, both as regards candidates for the position of Standing Auditor and candidates for the position of Alternate Auditor. Each Shareholder, Shareholders belonging to a significant shareholder agreement pursuant to article 122 of the TUF, the parent company, subsidiaries and entities subject to common control pursuant to article 93 of the TUF, may not present or contribute to the presentation, not even through a third party or trust company, of more than one list, nor may they vote for different lists and each candidate may be included in only one list, otherwise they cannot be elected. Support and votes expressed in breach of this prohibition are not attributed to any list.

The lists presented by the Shareholders must be filed at the Company's headquarters, at least twenty-five days before the date set for the Shareholders' Meeting on first call, save for other types of notification and filing procedures established by applicable pro tempore regulations. If once the deadline has lapsed, only one slate of candidates has been filed or the candidate slates nominated are filed by shareholders that are connected in a material way with the candidates as per laws and regulations in force at the time, the deadline for filing candidate slates may be extended by the term contemplated by applicable ad interim laws and regulations. In this case, the minimum share ownership thresholds applicable for filing slates will be halved.

Shareholders are entitled to present lists only if, alone or with other Shareholders, they hold shares with voting rights representing at least 1% of the share capital with voting rights at the Ordinary Shareholders' Meeting.

The lists must be presented along with:

- a) information concerning the identity of the Shareholders' who presented the lists indicating the overall ownership percentage held; ownership of the overall shareholding held, determined as

¹ Paragraph 1-bis of Article 148 of the Consolidated Law on Finance in force at the date of this Report states, inter alia, that "the deed of incorporation of the company shall also provide that the members referred to in paragraph 1 shall be divided in such a way that the lesser represented gender obtains at least two-fifths of the standing members of the Board of Statutory Auditors. *This rule shall apply for six consecutive terms.*"

Furthermore, pursuant to Article 144-undecies.1, paragraph 3, of the Issuers' Regulations, as last amended by Consob Resolution 21359 of 13 May 2020, "*when the application of the gender distribution rule does not result in a whole number of members of the management or control bodies belonging to the least represented gender, such number shall be rounded up to the next higher whole unit, with the exception of corporate bodies made up of three members where it will be rounded down to the next lower whole unit.*"

regards the shares registered in the name of the Shareholder on the date when the lists are filed with the issuer, is certified, even after the filing of the lists, according to the deadlines and procedures provided for by legislation, also regulatory, in force at any time;

- b) a statement from Shareholders other than those that, even jointly, hold a controlling or relative majority interest, certifying that no connections exist with the latter, as required by applicable regulations;
- c) comprehensive information on the personal characteristics of the candidates, as well as a declaration issued by the same candidates attesting, under their own responsibility, that (i) there are no grounds of ineligibility and incompatibility, (ii) they possess the requisites prescribed by law and (iii) they accept their candidacy, and lastly the list of management and control positions held in other companies.

Any list presented without complying with the above will be considered as not presented. Each Shareholder may vote for only one list.

Auditors will be elected as follows: from the list that obtained the highest number of votes, in the consecutive order in which they are listed, two statutory auditors and one alternate auditor; from the list that obtained the second highest number of votes and that, in accordance with applicable regulations is not connected, even indirectly, with persons who presented or voted the list that obtained the highest number of votes, in the consecutive order in which they are listed, one statutory auditor, who will be Chairman of the Board of Statutory Auditors and one alternate auditor.

If lists receive the same number of votes, the Shareholders' Meeting will vote again, with the candidates of the list obtaining a simple majority being elected.

If, according to the procedures described above, a composition of the Board of Statutory Auditors, in terms of its statutory members, which complies with current legislation in force concerning the balance between genders is not ensured, the necessary replacements shall be made, within the scope of candidates for the office of Statutory Auditor of the list which obtained the greatest number of votes, according to the sequential order in which the candidates are listed.

If only one list is presented or if no list is presented, the Statutory Auditors and Alternate Auditors will be elected from all candidates to these positions in the list or those voted by the Shareholders' Meeting, provided they obtain the relative majority of votes cast in the Shareholders' Meeting and save for compliance with applicable pro tempore regulations on gender balance.

If requirements of regulations and the Articles of Association are no longer met, the Auditor is removed from office.

If an Auditor is replaced, the alternate auditor from the same list is appointed. The foregoing is without prejudice to the fact that the Chairman of the Board of Statutory Auditors will be the minority Auditor and the composition of the Board of Statutory Auditors shall comply with applicable pro tempore regulations on gender balance.

When the Shareholders' Meeting has to appoint Statutory and/or Substitute Auditors, to make up numbers on the Board of Statutory Auditors, it proceeds as follows: if Auditors elected from the majority list have to be replaced, the appointment is made with a relative majority vote, without list restrictions; conversely, if the Statutory Auditors elected from the minority list are to be replaced, the Shareholders' Meeting shall replace them by relative majority voting, selecting them from among the candidates indicated in the list of the statutory auditor to be replaced.

If the application of the above procedures does not allow, for whatever reason, the replacement of the Statutory Auditors designated by the minority, the Shareholders' Meeting will replace them by relative majority voting; however, in verifying the result of this last voting no account will be taken of the votes cast by the subjects who according to the communications made in compliance with current legal regulation have, even indirectly or jointly with other Shareholders taking part to a Shareholders' Agreement pursuant to article 122 of the TUF, the relative majority of the votes that may be cast at

the Shareholders' Meeting, as well as those Shareholders who control, are controlled or are subject to joint control by the same.

The above replacement procedures shall in any event ensure compliance with applicable regulations concerning gender balance.

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (pursuant to Article 123-bis, paragraph 2, letters d) and e-bis of the Consolidated Law on Finance)

At the time of this Report, the Board of Statutory Auditors of the Issuer, in office at the date of this Report has been appointed by the Shareholder's General Meeting held on 10 May 2018, on the basis of the single list of candidates presented by the majority Shareholder Omniainvest S.p.A., in conformity with the provisions of the articles of association. The Supervisory Board formed in this manner, elected with a percentage of votes in relation to the voting capital equal to 99.27%, shall remain in office until the date of the Shareholders' Meeting called for approval of the financial statements for the year ending 31 December 2020.

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

As required by the Self-Regulatory Code, the professional curricula of Auditors are filed at the registered office and are available on the website of the Issuer www.immsi.it, in the section "Governance/Management".

During the year, the Board of Statutory Auditors held 10 meetings lasting on average 2 hours, with an average overall attendance of approx. 97%.

For the year 2021 the Board of Statutory Auditors is expected to meet at least 8 times. At the date of this Report, the Board had met 3 times on the following dates: 15 January, 2 and 15 March 2021.

As regards company policies on diversity concerning the composition of the Board of Statutory Auditors (Article 123-bis, letter d-bis) of the TUF), the Board of Directors in office until 10 May 2018 included some information for shareholders, also pursuant to criterion 1.C.1., letter h) of the Self-Regulatory Code, regarding diversity in the composition of the Company's boards, in reports prepared pursuant to Article 125-ter of the TUF regarding the appointment of the Board of Directors and Board of Statutory Auditors by the Shareholders' Meeting convened to approve the Financial Statements for the year ended 31 December 2017.

As regards the composition of the Board of Statutory Auditors in office: (i) one Statutory Auditor and one Alternate Auditor are of the least represented gender, in compliance with laws on gender balance; (ii) Board members vary in age, from 46 to 61 years; (iii) without prejudice to the professional requirements set out by law, the educational and professional backgrounds of members of the Board of Statutory Auditors currently in office ensure that these individuals have the appropriate profiles and experience to ensure that all functions thereof are executed correctly.

In addition, the Board of Directors in office as of the date of this Report set out – in the illustrative report prepared pursuant to Article 125-ter of the Consolidated Law on Finance, concerning the election of the Board of Statutory Auditors by the Shareholders' Meeting convened to approve the financial statements at 31 December 2020 – some indications for shareholders on the diversity of the composition of the Board of Statutory Auditors (also pursuant to Recommendation 8 of the Corporate Governance Code).

See Table 3 in the appendix.

In the meeting of 10 May 2018 and most recently at the meeting of 15 March 2021, the Board of Statutory Auditors, when appointed (the outcome of which was notified to the market on that date),

ascertained that its members still met the independence requirements, also based on the criteria set forth in Recommendation 7 of the Corporate Governance Code and Article 148, paragraph 3, letters b) and c) of the TUF.

In this regard it is also pointed out that the Board of the Issuer, subject to the assessment of the Board of Statutory Auditors as to its composition, resolved on 10 May 2018 to consider it appropriate, in the interest of the Company, not to apply criterion 3.C.1 letter e) of the Self-Regulatory Code (referred to by criterion 8.C.1 of the Code) with respect to the Statutory Auditor Alessandro Lai, focusing on a profile of the substance and also taking into account the fact that he meets requirements of considerable professionalism and experience, which have proved valuable over time for the Issuer and suited to working in Immsi's complex regulatory and structural environment. This assessment - with reference to Recommendation 7(e) of the Corporate Governance Code - was most recently confirmed at the meeting of 19 March 2021.

The characteristics of the Board Report enable the Auditors to gather adequate knowledge of the field of activity in which the Issuer operates, its corporate dynamics and their evolution, as well as the relevant regulatory framework. For more details, see section 4.2, above, of this Report.

As it is considered to be a deontological duty to inform the other Auditors and the Chair of the Board of Directors whenever an Auditor has, on his own account or on that of third parties, an interest in a specific operation of the Issuer, no provision is made for any specific obligations on the matter.

In carrying out its own activity, the Board of Statutory Auditors is coordinated both with the Internal Audit function and with the Control and Risks Committee. In particular, it is noted that the person in charge of the Internal Audit has participated in some meetings of the Board of Statutory Auditors, while the Board of Statutory Auditors has participated to the majority of the meetings of the Control and Risks Committee.

Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016, identifies the Board of Statutory Auditors as the Internal Control and Audit Committee, appointed to carry out the following activities in particular:

- to inform the competent body of the audit outcome and send the latter the additional report, as per Article 11 of Regulation No 537/2014, along with any observations;
- to monitor the financial disclosure process and make recommendations or proposals to ensure the integrity of this process;
- to monitor the effectiveness of internal quality control and business risk management systems and, if applicable, of internal auditing activities, as regards financial disclosures by the organisation subject to audit, without affecting its independence;
- to monitor the auditing of the financial statements and consolidated financial statements, in consideration of any results and findings of quality controls conducted by Consob pursuant to Article 26, paragraph 6 of Regulation No 537/2014, where available;
- – to verify and monitor the independence of the statutory auditors or independent auditors pursuant to Articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree no. 39/2010 and of Article 6 of Regulation No 537/2014, in particular as concerns the adequacy of services provided other than those concerned with the auditing of the entity in question, in accordance with Article 5 of the aforementioned Regulation;
- to be responsible for the procedure to appoint the statutory auditors or independent auditors or to recommend the appointment of statutory auditors or independent auditors pursuant to Article 16 of Regulation No 537/2014.

15. RELATIONSHIPS WITH SHAREHOLDERS

The Company feels that engaging with Shareholders and institutional investors, on the basis of a mutual understanding of roles, is in its own interests and also a duty it has to the market; such a relation should be carried on within the observance of the “Procedure for Communicating Privileged Information to the General Public”, available on the Issuer's institutional website www.immsi.it, in the section Governance - Procedures, and referenced in the above section 5.

It was considered that this relationship with the majority of shareholders and institutional investors could be facilitated via the constitution of dedicated corporate structures, provided with the suitable personnel and organisational resources.

For this purpose, during the meeting held on 15 October 2003, the Board of Directors of the Company decided to establish an Investor Relations Function, which, assisted by the Legal and Corporate Affairs Department, oversees relations with Shareholders and Institutional Investors and carries out specific duties regarding the handling of price-sensitive information, as well as relations with Consob and Borsa Italiana S.p.A.

At the date of this Report, the Investor Relations Manager is Andrea Paroli appointed by the Board of Directors on 13 May 2014. This department can be contacted at: andrea.paroli@immsi.it.

Investor Relations reporting is also ensured by making the most significant corporate documentation available in a timely manner and ongoing basis on the website of the Issuer, in the sections “Investors and Governance” and in the authorised storage mechanism “eMarket STORAGE” viewable at the web address www.emarketstorage.com.

For the transmission and storage of the Regulated Information, the Issuer uses the “emarket Sdir” diffusion system and the “emarket Storage” storage system available at the website www.emarketstorage.com, managed by Spafid Connect S.p.A. – based in Foro Buonaparte 10, Milan – following the authorisation and the Consob resolutions 19878 and 19879 of 15 February 2017.

In particular, the company website provides Italian and English versions of the CVs of Directors and Auditors, all press releases distributed to the market, periodical accounting documents of the Company approved by Company Bodies, as well as documents distributed at meetings with professional investors, analysts and the financial community. It is also possible to view the documentation prepared for the Shareholders' Meetings, the communications on internal dealing, the annual report on the corporate governance system and the ownership structure, and any other document whose publication, on the website of the Issuer, is required by the applicable regulations.

To facilitate prompt reporting to the market, the Company has an e-mail alert service for material published on its site in real time.

16. SHAREHOLDERS' MEETINGS (pursuant to article 123-bis, p. 2, let. c), TUF)

The Shareholders' Meeting represents all Shareholders and its resolutions, passed in compliance with law and the Articles of Association, are binding for all Shareholders, even if not taking part or not in agreement.

The Ordinary Shareholders' Meeting shall be convened at least once a year to approve the financial statements within one hundred and twenty days from the end of the reporting period, or within one hundred and eighty day according to the terms and conditions established by laws.

Ordinary and Extraordinary Shareholders' Meetings are convened by the Board of Directors, also at a venue other than the registered office, provided this is in Italy, by a notice published on the website of the Company and, if required by applicable pro tempore regulations, in a notice published in the Gazzetta Ufficiale della Repubblica or, as decided by the Board of Directors, in at least one of the

following newspapers: “Il Sole 24 Ore” or “MF” – “Milano Finanza”, according to the terms established by law and save for any other requirement of applicable regulations and the Articles of Association.

Holders of voting rights may ask questions on business posted in the agenda both before and during the Shareholders' Meeting. Questions submitted before the shareholders' meeting will be answered at the latest during the meeting itself. The Company reserves the right to provide a single reply to questions regarding one and the same matter. The notice convening the meeting indicates the deadline by which questions to submit to the Shareholders' Meeting must be sent to the Company. The deadline may not be earlier than five open market days prior to the date of the Shareholders' Meeting in first or single call, or the record date pursuant to Article 83-sexies, paragraph 2, of the TUF (end of the accounting day of the seventh trading day prior to the date set for the Shareholders' Meeting) if the notice of call requires the Company to provide an answer to the questions received before the Shareholders' Meeting. In the latter case, the replies shall be given at least two days prior to the Shareholders' Meeting, and may also be published in a specific section of the Company's Internet site. entitlement to vote can be certified even after the sending of questions provided that this is within the third day following the above record date.

The Shareholders' Meeting shall be chaired by the Chairman of the Board of Directors or by a person acting on his/her behalf or by another person designated by Board of Directors; failing such, the shareholders' meeting shall appoint its own Chairman. The Chairman of the Shareholders' Meeting shall be assisted by a Secretary, appointed by the same Shareholders' Meeting, and said person does not necessarily have to be a shareholder.

Both the Ordinary and Extraordinary Shareholders' Meetings are duly established and may pass resolutions according to law. Each share gives entitlement to one vote.

Ordinary Shareholders' Meetings can: (a) approve the financial statements; (b) appoint and remove Directors, Auditors and the Chairman of the Board of Statutory Auditors and the subject to which the auditing of company accounts is assigned; (c) determine the emoluments of the Directors and the Statutory Auditors, if not established in the Articles of Association; (d) decide on the responsibilities of the Directors and Statutory Auditors; (e) resolve on any other matters assigned by law to the Shareholders' Meeting, as well as decide on authorisations required by the Articles of Association for activities of Directors, save for the responsibility of Directors for such activities; (f) approve any rules governing meetings; (g) approve any other matters it must resolve on pursuant to law.

The Extraordinary Shareholders' Meeting resolves on amendments to the Articles of Association, the appointment, replacement and powers of official receives and on any other matter expressly assigned to the them by law.

In accordance with article 23 of the Articles of Association, the board competence is derogated to the Board of Directors for deciding upon all matters regarding:

- mergers and demergers in accordance with articles 2505 and 2505-bis of the Civil Code, the latter being referred to by article 2506-ter of the Civil Code;
- establishment or closure of secondary offices;
- which Directors represent the Company;
- reductions in share capital in the event of withdrawal of the shareholder;
- amendments to the Articles of Association in order to comply with legal provisions;
- transfer of the registered office to another location in Italy.

Such decisions may also be taken by an Extraordinary Shareholders' Meeting.

Applicable laws and regulations in force govern the rights of shareholders. besides that which has already been stated in the above paragraphs in this Report.

Pursuant to Article 12 of the Issuer's Articles of Association, all shareholders registered as of the seventh market trading day prior to the first scheduled date of a Shareholders' Meeting, as notified to the Company within the statutory term by the intermediary responsible by law for the keeping of shareholder accounts, are entitled to attend the shareholders' meeting and exercise their voting rights. To this end, reference is made to the date of the first call, as long as the dates of any subsequent calls are indicated in the single notice convening the meeting; otherwise, reference is made the date of each meeting call.

The credit and debit entries made in the accounts after said deadline are irrelevant for the purposes of entitlement to exercise voting rights at the Shareholders' Meeting.

All subjects with voting rights may appoint, in writing, a proxy to attend and vote on their behalf. The electronic notification of the proxy may be carried out, in accordance with the methods specified in the meeting notice, sending a message to the certified e-mail box indicated in the meeting notice itself or using a special section of the Company's website.

The Chairman of the Shareholders' Meeting has the duty to ascertain the regularity of the proxies and the right of those present to attend the Shareholders' Meeting, as well as to establish the rules for its performance including therein the timing of any speakers.

The Issuer takes action to aid and encourage the fullest participation of the Shareholders in the meetings and to use these meetings as a moment of dialogue and liaison between the Company and the Investors, guaranteeing, to all the participants legitimated to intervene, the right to be able to express their opinion in relation to the topics on the agenda.

The Company does not currently see the need to propose the adoption of a specific regulation governing Shareholders' Meetings, considering that it deems appropriate that, in principle, the shareholders shall be assured the widest participation and expression in shareholder discussions.

The Board, through the Chairman and the Chief Executive Officer, reports to the Shareholders' Meeting on the activity it has performed and programmed, taking steps to assure the Shareholders, also on the basis of what is illustrated in the above section 15, the necessary information so that they can knowledgeably make their decisions.

During the year, in accordance with the procedures set out in Article 106 of Legislative Decree 18/2020, converted into Law 27/2020, on "*Measures to strengthen the health service and provide economic support for families, workers and businesses related to the COVID-19 emergency*", only one Shareholders' Meeting was held, which took place on 14 May 2020 and was attended by 7 of 11 current directors (via telephone connection) and the entire Board of Statutory Auditors. The Board reported on activities performed and planned to the shareholders at Shareholders' Meetings, and endeavoured to provide shareholders adequate information regarding the necessary elements to make fully-informed decisions on matters reserved to the Shareholders' Meeting.

It is also deemed that the Shareholders were adequately informed about the operation of the Remuneration Committee through the Remuneration Report, prepared by the Company pursuant to Article 123-ter of the Consolidated Law on Finance, and published on the Issuer's institutional website, in the section "*Governance/General Meeting/Archive*" and in the authorised storage mechanism "eMarket STORAGE" viewable at the web address www.emarketstorage.com.

In the meeting of 19 March 2021, the Board decided that it was not necessary to propose amendments to the Shareholders' Meeting concerning the percentages established to protect minorities as, in accordance with article 144-quater of the Consob Regulation on Issuers on presenting lists for the appointment of members of the Board of Directors and the Board of Statutory Auditors, articles 17 and 25 of the Articles of Association of the Issuer have established a requirement of 2.5% and 1% of the share capital with voting rights.

17. FURTHER CORPORATE GOVERNANCE PRACTICES (pursuant to article 123-bis, paragraph 2, letter a) of the TUF)

The Issuer does not adopt practices of corporate governance other than those required by the laws and/or regulations, described in this Report.

18. CHANGES AFTER THE FINANCIAL YEAR-END

At the date of closing the year, no change has occurred to the corporate governance structure, than those notified within the specific sections.

19. CONSIDERATIONS ON THE LETTER FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE, 22 DECEMBER 2020

The letter of 22 December 2020 from the Chairman of the Corporate Governance Committee to the Chairs of the Boards of Italian listed companies was brought to the attention of the Board of Statutory Auditors of the Issuer in the meeting of 15 January 2021 and Board of Directors in the meeting of 19 March 2021.

The Board acknowledged the analyses and recommendations made in the letter and confirmed the overall adequacy of the Company as regards:

- the inclusion of the sustainability of the business in the strategies, the internal control and risk management system and the remuneration policy (see paragraphs 9 and 11 of this Report, as well as the Remuneration Report prepared pursuant to art. 123-ter of the TUF);
- the management of information flows to the Board of Directors, having set deadlines for sending documentation, which could not be waived for mere confidentiality reasons, in the BoD Regulations and confirmed their effective compliance during the year (see paragraph 4.3 of this Report);
- the application of the independence criteria (see paragraph 4.6 of this Report);
- the appointment and succession of directors, taking into account that (i) the Appointment Committee is separate from the Remuneration Committee; (ii) the completeness and timeliness of the proposals for resolutions conducive to the process of appointing the corporate bodies is guaranteed; (iii) reference should be made to paragraph 4.1 of this Report concerning decisions regarding the adoption of a succession plan, it being understood that the Corporate Governance Code recommends its adoption for large companies;
- the adequacy – in terms of the competence, professionalism and commitment required by their office – of the remuneration paid to non-executive directors and members of the control body, as well as bonuses (see section 9 and the Remuneration Report prepared pursuant to article 123-ter of the Consolidated Law on Finance, also for further recommendations relating to remuneration).

In addition, the Board considered its contribution to the development of strategic plans and oversaw the board review process.

TABLE 1: INFORMATION ON CORPORATE OWNERSHIP

STRUCTURE OF THE SHARE CAPITAL at 31/12/2020				
	No. Shares	% of share cap.	Listed	rights and obligations
Ordinary shares	340,530,000	100%	Electronic stock market Standard Segment	Each share gives the right to one vote. The shareholders rights and obligations are those in Articles 2346 et seq. of the Civil Code.
Shares with multiple voting	-	-	-	-
Shares with restricted votes	-	-	-	-
Shares without voting rights	-	-	-	-
Other	-	-	-	-

OTHER FINANCIAL INSTRUMENTS (assigning the right to subscribe newly issued shares) at 31/12/2020				
	Listed (indicate the markets) not listed	Number of instruments in issue	Class of shares for the conversion / exercise	Number of shares for the conversion / exercise
Bonds bonds	-	-	-	-
Warrants	-	-	-	-

SIGNIFICANT HOLDINGS IN THE SHARE CAPITAL at 19/03/2021			
Declarer	Direct shareholder	% of ordinary share capital	% of shares with voting rights
Omniaholding S.p.A.	Omniaholding S.p.A.	13.53%	13.53%
	Omniainvest S.p.A.	46.67%	46.67%
	Total	60.20%	60.20%

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

Board of Directors													Internal Control and Risk Management Committee		Remuneration Committee		Nomination Committee		Executive Committee (as applicable)	
Position	Members °	Year of birth ►	Date of first appointment*	In office since	In office up to	List **	Exec.	Non-exec.	Indep. Code	Indep. Consolidated Law on Finance	No. of other positions ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman ◊	Roberto Colaninno	16/08/1943	31/01/2003	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M	X				6	6/6								
Deputy Chairman ○	Daniele Discepolo	20/07/1947	13/05/2015	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X	X	X	21	6/6	6/6	P	1/1	P	0/0	P		
CEO •	Michele Colaninno	23/11/1976	13/11/2006	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M	X				10	6/6								
Director	Matteo Colaninno	16/10/1970	31/01/2003	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X			3	5/6								
Director	Patrizia De Pasquale	02/04/1961	13/05/2015	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X	X	X	-	6/6								
Director	Ruggero Magnoni	10/02/1951	27/08/2010	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X			17	6/6								
Director	Rita Ciccone	06/06/1960	11/05/2012	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X	X	X	15	5/6	4/6	M	1/1	M	0/0	M		
Director	Livio Coghi	15/02/1946	13/05/2015	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X			2	5/6								
Director	Gianpiero Succi	14/11/1974	10/05/2018	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X			2	6/6								
Director	Paola Mignani	17/04/1966	10/05/2018	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X	X	X	8	6/6	6/6	M	1/1	M	0/0	M		
Director	Devis Bono	26/12/1967	10/05/2018	10/05/2018 Shareholders' Meeting for the Financial Statements	31/12/2020 Shareholders' Meeting for the Financial Statements	M		X	X	X	1	6/6								
----- DIRECTORS NO LONGER IN OFFICE DURING THE REPORTING PERIOD -----																				
Number of Meetings held during the reporting period – BoD: 6							Internal Control and Risk Management Committee: 6				Remuneration Committee: 1		Nomination Committee: 0			Executive Committee: -				

Indicate the quorum required by minorities to submit lists to elect one or more members (pursuant to article 147-ter TUF): 2.5%

• The director appointed to oversee the functioning of the internal control and risk management system. ◊ Chief Executive Officer or CEO ○ Lead Independent Director (LID).

∞ 36.36% of Directors are female, while 63.64% are male. ► 27.27% of Directors are in the 30-50 age bracket, while 72.73% are over 50.

* Date when the Director was first appointed to the Board of the Issuer.

** List from which each Director was appointed ("M": majority list; "m": minority list; "BoD": list presented by the Board of Directors).

*** Number of positions held as Director or Auditor by the person in other companies listed on regulated markets, also abroad, and in financial, banking, insurance or large-scale companies.

(*) Participation of directors in meetings of the Board of Directors and committees (indicate the number of meetings attended and the total number of meetings the person could have attended);

(**) Qualification as director within the Committee: "P": Chairman; "M": member.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

<i>Board of Statutory Auditors</i>									
<i>Position</i>	<i>Members [∞]</i>	<i>Year of birth [►]</i>	<i>Date of first appointment [*]</i>	<i>In office since</i>	<i>In office up to</i>	<i>List ^{**}</i>	<i>Indep. Code</i>	<i>Involvement in Board meetings ^{***}</i>	<i>No. of other positions ^{****}</i>
Chairman	<i>Alessandro Lai</i>	<i>10/01/1960</i>	<i>05/05/2003</i>	<i>Shareholders' Meeting Financial Statements 10/05/2018</i>	<i>Shareholders' Meeting for the Financial Statements 31/12/2020</i>	<i>M</i>	<i>X</i>	<i>10/10</i>	<i>7</i>
Statutory auditor	<i>Giovanni Barbara</i>	<i>19/12/1960</i>	<i>10/05/2018</i>	<i>Shareholders' Meeting Financial Statements 10/05/2018</i>	<i>Shareholders' Meeting for the Financial Statements 31/12/2020</i>	<i>M</i>	<i>X</i>	<i>9/10</i>	<i>10</i>
Statutory auditor	<i>Maria Luisa Castellini</i>	<i>15/01/1967</i>	<i>10/05/2018</i>	<i>Shareholders' Meeting Financial Statements 10/05/2018</i>	<i>Shareholders' Meeting for the Financial Statements 31/12/2020</i>	<i>M</i>	<i>X</i>	<i>10/10</i>	<i>6</i>
Alternate auditor	<i>Gianmarco Losi</i>	<i>22/07/1964</i>	<i>29/04/2009</i>	<i>Shareholders' Meeting Financial Statements 10/05/2018</i>	<i>Shareholders' Meeting for the Financial Statements 31/12/2020</i>	<i>M</i>	<i>X</i>	<i>--</i>	<i>--</i>
Alternate auditor	<i>Elena Fornara</i>	<i>31/05/1974</i>	<i>29/04/2009</i>	<i>Shareholders' Meeting Financial Statements 10/05/2018</i>	<i>Shareholders' Meeting for the Financial Statements 31/12/2020</i>	<i>M</i>	<i>X</i>	<i>--</i>	<i>--</i>
----- AUDITORS NO LONGER IN OFFICE DURING THE REPORTING PERIOD -----									
Number of meetings held during the reporting period: 10									
Indicate the quorum required by minorities to submit lists to elect one or more members (pursuant to article 148-ter TUF): 1%									

[∞] 33.3% of auditors are female, while 66.7% are male.

[►] 100% of auditors are aged over 50.

^{*} Date when the auditor was first appointed to the Board of Statutory Auditors the issuer.

^{**} List from which each Auditor was appointed ("M": majority list; "m": minority list).

^{***} Participation of Auditors in meetings of the Board of Statutory Auditors (indicate the number of meetings attended and the total number of meetings the person could have attended);

^{****} Total number of positions held with other companies pursuant to Book V, Section V, Parts V, VI and VII of the Civil Code. For information on the positions of director and auditor held by members of the Board of Statutory Auditors, which are relevant pursuant to articles 144-duodecies et. seq. of the Consob Issuer Regulation, see data published by Consob pursuant to article 144-quinquiesdecies of the Consob Regulation on Issuers, on the website www.sai.consob.it in the section "Company Boards – Information for the public".

Annex 1: Section on the “Main characteristics of risk management and internal controls systems established in relation to the financial disclosure process,” pursuant to article 123-bis, paragraph 2, letter b), TUF.

Introduction

Immsi S.p.A. has established specific guidelines to update its own Internal Control System on financial disclosure, requesting Delegated Company Bodies and Delegated Managers (where appointed) / Administrative Directors of subsidiaries, formal certification vis-à-vis the Chief Executive Officer and Financial Reporting Officer on the adequacy and effective application of administrative and accounting procedures adopted to prepare documents on consolidation sent to the parent company.

Aims and objectives

The risk management and internal control system in relation to Immsi Group financial disclosure was developed using the “COSO Report”¹ as a reference model. According to this report, the Internal Control System, given its broadest meaning, is defined as “a process, carried out by the Board of Directors, by Senior Management and other subjects of the company structure, intended to provide reasonable certainty as to achieving objectives in the following categories:

- *Effectiveness and efficiency of operations;*
- *Reliability of financial reporting;*
- conformity with applicable laws and regulations”.

In relation to the financial disclosure process, these objectives are mainly identified in the reliability, accuracy, dependability and timeliness of information.

Main characteristics of the risk management and internal control system in relation to the financial disclosure process

Methodological approach

The internal control and risk management system in relation to Immsi Group financial disclosure is part of the Group's wider-ranging Internal control and risk management system, which includes the following:

- the Code of Ethics;
- Model 231 pursuant to Legislative Decree no. 231/2001 and related protocols;
- Market Abuse Regulation procedures;
- Principles and procedures for material transactions and transactions with related parties;
- the System granting powers and proxies;
- Company Organisation Chart and Job profiles;
- Procedure on reporting information to the Market;

¹ The COSO Model, developed by the Committee of Sponsoring Organizations of the Treadway Commission - “Internal Control – Integrated Framework” published in 1992 and updated in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission.

- Risk Analysis process adopted (Risk Assessment);
- Accounting and Management Control System.

In turn, the Accounting and Management Control System of Immsi S.p.A. comprises a set of procedures and operative documents, including:

- the Accounting and Administrative Auditing Model – a document available to all employees directly involved in the process of preparing and/or controlling accounting information and aimed at defining the operating procedures of the Accounting Auditing System;
- The Group Accounting Manual – a document designed to promote the development and application of standard accounting policies across the Group for the recognition, classification and measurement of operations;
- Operational instructions for financial statements and reports and closing schedules – documents designed to instruct the various company departments on specific operational procedures for preparing financial statements by set common deadlines;
- Administrative and accounting procedures – documents that identify responsibilities and rules in administrative and accounting processes.

The Accounting and Administrative Control Model of Immsi S.p.A. defines a methodological approach for the risk management and internal control system, comprising the following stages:

- a) Identification and assessment of risks involved in financial disclosure;
- b) Identification of controls to minimise risks identified;
- c) Assessment of controls to minimise risks identified and the management of any problems found.

Elements of the system

a) Identification and assessment of financial disclosure risks

Risks connected with the preparation of financial reports are identified through a step-by-step risk assessment process. The process involves identifying the objectives that the internal control system for financial disclosure is expected to deliver, so as to ensure that financial reports are fair and truthful. Those objectives cover the assertions made in financial reports (regarding the existence and occurrence of events, comprehensiveness, rights and obligations, the measurement/recognition of items, presentation and disclosures) and other control objectives (such as, for example, compliance with approval limits, the separation of roles and responsibilities, the documentation and traceability of transactions, and so on).

Risk assessment, including the risk of fraud, is therefore focused on the different areas of the financial statements in which the failure to deliver control objectives would have a potential impact on financial disclosure requirements.

The process to determine the scope of entities and processes that are “significant” in terms of potential impact on financial disclosure identifies, with reference to the consolidated financial statements of the Group, financial statement items, subsidiaries and administrative accounting processes considered as significant, based on evaluations made using quantitative and qualitative parameters.

Those criteria are determined by:

- by determining the quantitative threshold values to compare accounts of the consolidated financial statements and the relative contribution of subsidiaries within the framework of the Group;
- making qualitative judgements on the basis of managers' knowledge of the company and existing specific risk factors inherent to administrative-accounting processes.

b) Identification of controls for identified risks;

The controls needed to mitigate risks identified in administrative-accounting processes are identified by considering, as mentioned earlier, the control objectives associated with financial disclosure.

In particular, the accounts of the financial statements classified as significant are connected to the business processes underlying them in order to identify controls that meet the objectives of the internal control and risk management system for financial disclosure. Assessments are then made of the adequacy and effective application of the controls identified. For automatic controls, the assessment of adequacy and effective application also concerns general IT controls on the software applications used to support processes of material relevance.

The functions involved in the financial disclosure process ensure that administrative and accounting procedures and relative controls are updated, as concerns areas in their remit.

If, after defining the scope of actions, sensitive areas are identified which are not regulated, either wholly or in part, by administrative and accounting procedures, existing procedures are supplemented and new procedures are formalised, overseen by the Financial Reporting Officer, in relation to management areas in his remit.

c) Evaluation of controls for identified risks and management of any problems detected

The financial audit system is reviewed and assessed regularly at least once every six months, and when the separate annual financial statements, consolidated annual financial statements, and the condensed consolidated interim financial statements are each prepared.

Evaluations related to the adequacy and actual application of administrative and accounting procedures and controls in these procedures are developed through specific monitoring (testing) based on best practices in this sector.

Testing is done throughout the financial year, as arranged and coordinated by the Financial Reporting Officer through his own department, supported if necessary by the internal audit department or appropriately selected external consultants.

Control tests are run on the administrative and functional departments coordinated by the Financial Reporting Officer or by his officers, assisted by the Internal Audit department to ensure that controls for administrative and accounting procedures are carried out, in addition to specific focused controls on companies, processes and accounting entries.

Delegated bodies and administrative managers of subsidiaries report to the Financial Reporting Officer on the monitoring of the adequacy and application of administrative and accounting procedures.

The Financial Reporting Officer, assisted by the Internal Auditing Manager, produces a report summarising the results of evaluations on controls for previously identified risks (Management Summary). This is based on the outcome of monitoring activities, also carried out by delegated administrative bodies and based on statements received from managers of subsidiaries. The assessment made of controls may entail the identification of compensatory controls, corrective measures or improvement plans to address any problems identified.

Once cleared by the Chief Executive Officer, the management summary is sent to the Board of Statutory Auditors, to the Internal Control and Risk Management Committee, and to the Board of Directors.

Roles and departments involved

The risk management and internal control system for financial disclosure is governed by the financial reporting officer appointed by the Board of Directors. Working in concert with the Chief Executive Officer, the financial reporting officer is responsible for designing, implementing and approving the Financial and Administrative Audit Model, assessing its application and issuing an attestation statement for the separate and consolidated annual and interim financial statements, and the separate, consolidated and half-year reports.

The Financial Reporting Officer is also responsible for preparing adequate administrative and accounting procedures for preparing the financial statements and consolidated financial statements and, assisted by the Internal Audit Department, provides subsidiaries that are considered as significant within the framework of the Group financial disclosure process, with guidelines for carrying out appropriate activities to evaluate their own Accounting Control System.

In carrying out activities, the Financial Reporting Officer:

- interacts with the Internal Audit Department / Internal Audit Department Manager, that carries out independent audits on the operation of the control system and assists the Financial Reporting Officer, and interacts with the Legal and Corporate Affairs Department as regards regulatory and legal compliance concerning financial disclosure;
- is assisted by Function Managers. These managers ensure complete, reliable information flows to the Financial Reporting Officer, for areas in their remit, for accounting disclosure purposes;
- co-ordinates the activities of the administrative managers of "material" subsidiaries, who, together with their executive officers, are tasked with implementing a suitable financial audit system in their respective companies to control administrative-accounting processes, assessing the effectiveness of the system over time, and reporting outcomes to the parent company via internal attestation statements;
- exchanges information with the Control and Risks Committee and with the Board of Directors, reporting on activities carried out, on the use of accounting standards and their uniformity for the purposes of preparing the consolidated financial statements, and on the adequacy of the internal control and risk management system as regards financial disclosure, as part of a wider overall evaluation of corporate risks.

Finally, the Board of Statutory Auditors, the Control and Risks Committee and the Supervisory Board are informed of the adequacy and reliability of the administrative/accounting system.

Immsi Group

Financial Statements

at

31 December 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

in thousands of Euros

ASSETS		31 December 2020	31 December 2019
NON-CURRENT ASSETS			
<i>Intangible assets</i>	F1	866,099	848,853
<i>Plant, property and equipment</i>	F2	336,850	337,988
<i>Investment Property</i>	F3	4,600	9,203
<i>Investments</i>	F4	9,157	8,935
<i>Other financial assets</i>	F5	37	3,512
<i>Tax receivables</i>	F6	12,399	14,114
<i>Deferred tax assets</i>	F7	138,488	134,441
<i>Trade receivables and other receivables</i>	F8	29,536	17,232
<i>- of which with Related Parties</i>		81	81
TOTAL NON-CURRENT ASSETS		1,397,166	1,374,278
ASSETS HELD FOR DISPOSAL			
	F9	33,514	33,442
CURRENT ASSETS			
<i>Trade receivables and other receivables</i>	F8	121,856	127,196
<i>- of which with Related Parties</i>		912	2,419
<i>Tax receivables</i>	F6	14,903	20,892
<i>Inventories</i>	F10	305,824	333,204
<i>Other financial assets</i>	F5	4,756	7,430
<i>Cash and cash equivalents</i>	F11	249,886	212,596
TOTAL CURRENT ASSETS		697,225	701,318
TOTAL ASSETS		2,127,905	2,109,038
LIABILITIES			
SHAREHOLDERS' EQUITY			
<i>Consolidated Group shareholders' equity</i>		229,445	240,430
<i>Capital and reserves of non-controlling interests</i>		132,504	133,883
TOTAL SHAREHOLDERS' EQUITY	G1	361,949	374,313
NON-CURRENT LIABILITIES			
<i>Financial liabilities</i>	G2	571,517	550,280
<i>- of which with Related Parties</i>		1,221	358
<i>Trade payables and other payables</i>	G3	12,098	7,450
<i>Retirement fund and similar obligations</i>	G4	38,254	42,606
<i>Other long-term provisions</i>	G5	13,424	13,754
<i>Deferred tax assets/liabilities</i>	G6	13,635	18,508
TOTAL NON-CURRENT LIABILITIES		648,928	632,598
LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL			
	F9	6,000	6,006
CURRENT LIABILITIES			
<i>Financial liabilities</i>	G2	488,298	469,865
<i>- of which with Related Parties</i>		421	270
<i>Trade payables</i>	G3	533,931	535,336
<i>- of which with Related Parties</i>		6,181	6,101
<i>Current taxes</i>	G7	14,876	18,577
<i>Other payables</i>	G3	49,215	49,390
<i>- of which with Related Parties</i>		4	12
<i>Current portion of other long-term provisions</i>	G5	24,708	22,953
TOTAL CURRENT LIABILITIES		1,111,028	1,096,121
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,127,905	2,109,038

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2020

in thousands of Euros

		31.12.2020	31.12.2019
Net revenues	H1	1,376,767	1,590,735
- of which with Related Parties		24	112
Costs for materials	H2	835,350	936,495
- of which with Related Parties		14,221	14,377
Costs for services, leases and rentals	H3	225,654	273,073
- of which with Related Parties		608	443
Employee costs	H4	230,798	248,165
Depreciation and impairment costs of plant, property and equipment	H5	51,071	52,407
Impairment of goodwill		0	0
Amortisation and impairment costs of intangible assets with a definite useful life	H6	68,719	74,986
Other operating income	H7	129,006	128,995
- of which with Related Parties		1,329	346
Net reversals (impairment) of trade and other receivables	H8	(3,523)	(2,830)
Other operating costs	H9	24,213	36,518
- of which with Related Parties		7	2
OPERATING INCOME (EBIT)		66,445	95,256
Income/(loss) from investments	H10	504	919
Financial income	H11	28,270	15,814
Borrowing costs	H12	65,815	58,543
- of which with Related Parties		49	50
PROFIT BEFORE TAX		29,404	53,446
Taxes	H13	13,598	30,472
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		15,806	22,974
Gain (loss) from assets held for sale or disposal	H14	0	0
PROFIT (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS		15,806	22,974
Earnings for the period attributable to non-controlling interests		6,052	15,085
GROUP PROFIT (LOSS) FOR THE PERIOD	H15	9,754	7,889

EARNINGS PER SHARE

Amounts in Euros

	31.12.2020	31.12.2019
From continuing and discontinued operations:		
Basic	0.029	0.023
Diluted	0.029	0.023
From continuing operations:		
Basic	0.029	0.023
Diluted	0.029	0.023
Average number of shares:	340,530,000	340,530,000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 31 DECEMBER 2020

in thousands of Euros

	31.12.2020	31.12.2019
PROFIT (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS	15,806	22,974
Items that will not be reclassified in the income statement		
<i>Profit (loss) arising from the fair value measurement of assets and liabilities recognised in the statement of comprehensive income</i>	(1,502)	874
<i>Actuarial gains (losses) on defined benefit plans</i>	91	(2,483)
Total	(1,411)	(1,609)
Items that may be reclassified in the income statement		
<i>Effective portion of profit (losses) from instruments to hedge cash flows</i>	318	96
<i>Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency</i>	(10,502)	(286)
<i>Profit (loss) on the fair value measurement of assets available for sale and investment property</i>	0	0
Total	(10,184)	(190)
Other Consolidated Comprehensive Income (Expense)	(11,595)	(1,799)
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD	4,211	21,175
<i>Comprehensive income of minority interests</i>	1,049	13,791
COMPREHENSIVE GROUP PROFIT (LOSS) FOR THE PERIOD	3,162	7,384

The values in the previous table are net of the corresponding tax effect.

STATEMENT OF CONSOLIDATED CASH FLOWS AT 31 DECEMBER 2020

in thousands of Euros

		31.12.2020	31.12.2019
Operating activities			
Profit before tax		29,404	53,446
Depreciation of property, plant and equipment (including investment property)	H5	51,071	50,113
Amortisation of intangible assets	H6	67,583	72,647
Provisions for risks and for severance indemnity and similar obligations	H4 - H9	19,888	21,955
Write-downs (reversals of fair value measurements)	H7 - H8 - H9	9,243	8,413
Losses / (Gains) on the disposal of property, plant and equipment (including investment property)	H7 - H9	(578)	12,169
Financial income	H11	(1,623)	(3,918)
Dividend income	H11	(25)	(111)
Borrowing costs	H12	43,916	46,561
Amortisation of grants	H7	(4,772)	(6,075)
Portion of earnings before taxes of affiliated companies (and other companies valued using the equity method)	H10	(504)	(919)
Change in working capital:			
(Increase) / Decrease in trade receivables	F8	(9,614)	22,706
(Increase)/Decrease in inventories	F10	27,380	(1,962)
Increase / (Decrease) in trade payables	G3	(1,060)	41,985
(Increase) / Decrease in contract work in progress	F8	(852)	(11,158)
Increase/(Decrease) in provisions for risks	G5	(8,857)	(10,487)
Increase / (Decrease) in provisions for severance liabilities and similar obligations	G4	(13,194)	(11,548)
Other changes		13,115	(8,571)
Cash generated from operating activities		220,521	275,246
Interest paid		(32,310)	(47,657)
Taxes paid		(19,476)	(34,183)
Cash flow from operations		168,735	193,406
Investment activities			
Acquisition of subsidiaries, net of cash and cash equivalents		(217)	(212)
Investment in property, plant and equipment (including investment property)	F2	(54,761)	(53,653)
Sale price, or repayment value, of plant, property and equipment (including investment property)	F2	1,251	62,679
Investment in intangible assets	F1	(88,447)	(89,924)
Sale price, or repayment value, of intangible assets	F1	101	66
Purchase of financial assets	F5	0	(2,120)
Sale price of financial assets		0	1,136
Collected interests		1,082	3,366
Sale price from assets held for sale or disposal		(60)	(6)
Other flows from assets held for disposal or sale		(76)	(59)
Public grants collected		2,612	3,143
Dividends from investments	H11	25	111
Cash flow from investing activities		(138,490)	(75,473)
Financing activities			
Loans received	G2	250,468	88,003
Outflow for repayment of loans	G2	(205,742)	(162,167)
Lease repayment	G2	(9,649)	(2,796)
Outflow for dividends paid to non-controlling interests		(16,358)	(25,802)
Cash flow from financing activities		18,719	(102,762)
Increase / (Decrease) in cash and cash equivalents		48,964	15,171
Opening balance		212,055	195,968
Exchange differences		(12,320)	916
Closing balance		248,699	212,055

Changes in working capital include higher trade payables and other payables to Related Parties for €72 thousand and lower trade receivables and other receivables from Related Parties for €1,507 thousand. For more details on related-party transactions during the 2020 financial year, please refer to the paragraph in the Report on Operations.

This table shows the changes in cash and cash equivalents at 31 December 2020, which amount to €249.9 million, gross of short-term bank overdrafts equal to €1.2 million.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 DECEMBER 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	43,659	12,863	234,986	144,389	379,375
Allocation of Group earnings to the Legal Reserve		337	(337)	0		0
Allocation of Group earnings to Dividends				0	(25,802)	(25,802)
Allocation of Group earnings to Retained Earnings/Losses		12,526	(12,526)	0		0
Purchase of treasury shares by Piaggio & C. S.p.A.		(106)		(106)	(106)	(212)
Other changes		(1,834)		(1,834)	1,611	(223)
Overall earnings for the period		(505)	7,889	7,384	13,791	21,175
Balances at 31 December 2019	178,464	54,077	7,889	240,430	133,883	374,313

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	54,077	7,889	240,430	133,883	374,313
Allocation of Group result to the Legal Reserve		450	(450)	0		0
Allocation of Group result to Dividends				0	(16,358)	(16,358)
Allocation of Group result the Profit/Loss Reserve		7,439	(7,439)	0		0
Purchase of treasury shares by Piaggio & C. S.p.A.		(109)		(109)	(108)	(217)
Other changes		(14,037)		(14,037)	14,037	0
Overall earnings for the period		(6,592)	9,754	3,162	1,049	4,211
Balances at 31 December 2020	178,464	41,228	9,754	229,445	132,504	361,949

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- A - GENERAL ASPECTS

Immsi S.p.A. (the “Company”) is a limited company established under Italian law and has registered offices in Mantua - P.zza Vilfredo Pareto, 3 Centro Direzionale Boma. The main activities of the Company and its subsidiaries (the “Immsi Group”), the information on relevant events after the end of the reporting period and on operating outlook are described in the Directors’ Report on Operations. At 31 December 2020, Immsi S.p.A. was directly and indirectly controlled, pursuant to Article 93 of the TUF, by Omniaholding S.p.A., a company wholly owned by the Colaninno family, through the subsidiary Omniainvest S.p.A.. Pursuant to Article 38 paragraph I of Legislative Decree 127/91, Omniaholding S.p.A., with registered office in Mantua - Via Marangoni 1/E - is the entity that prepares the consolidated financial statements of the largest group of companies to which the issuer belongs as a subsidiary. The consolidated financial statements of Omniaholding S.p.A. are filed in accordance with the law.

The consolidated financial statements of the Immsi Group include the financial statements of the Parent Company Immsi S.p.A. and the Italian and international companies directly and indirectly controlled by it, approved by the relevant corporate functions of the respective companies, the list of which is shown in the paragraph “List of companies included in the consolidated financial statements and investments” contained in this Report.

The financial statements are expressed in Euro since that is the currency in which most of the Group’s transactions take place.

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

These Financial Statements are audited by PricewaterhouseCoopers S.p.A. pursuant to the appointment granted by the Shareholders’ Meeting on 11 May 2012 for the period 2012-2020.

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The Consolidated Financial Statements of the Immsi Group at 31 December 2020 were drawn up in compliance with International Accounting Principles (IAS/IFRS), as applicable at that date, issued by the International Accounting Standards Board and certified by the European Commission pursuant to Regulation (CE) no. 1606/2002, and in compliance with the provisions implementing section 9 of Legislative Decree 38/2005 (including Consob Resolution no. 15519 dated 27 July 2006 headed “Provisions regarding the drafting of Financial Statements”, Consob Resolution no. 15520 dated 27 July 2006 headed “Amendments and additions to the Regulation on Issuers adopted by Resolution no. 11971/99”, Consob Communiqué no. 6064293 dated 28 July 2006 headed “Corporate reporting requirements pursuant to section 114, para. 5 of Legislative Decree 58/98”). The interpretations of the Standing Interpretation Committee (“SIC”) and the International Financial Reporting Interpretations Committee (“IFRIC”) were also considered.

Moreover, international accounting standards have been uniformly adopted for all Group companies: the financial statements of subsidiaries and for the joint venture consolidated using the equity method, used for consolidation, have been appropriately modified and reclassified, where necessary, to bring them in line with the international accounting standards and classification criteria used by the Group on a consistent basis.

The financial statements have been prepared based on the historical cost principle, considering, where appropriate, value adjustments, with the exception of financial statement items that, according to IFRS, must be measured at fair value, as indicated in the measurement criteria, and on the basis

of the company being a going concern, using a future period of 12 months from 31 December 2020 as the reference.

As regards financial requirements for the next 12 months, considering credit lines that are due to mature over the year and the Group's financial commitments to support the development of its initiatives, the Directors have taken and will take in the next few months, actions to find solutions that guarantee a financial balance, while considering the possible risk of future trends in weak equity markets, that represent an element of uncertainty as to the scale of credit lines granted at present to Immsi, also in the light of the considerable uncertainty due to the COVID-19 pandemic. In this regard, it should be noted that the current price of the Piaggio share enable guarantees to be granted for all loans of the Parent Company, and in addition at 31 December 2020, there were approximately 13.6 million Piaggio shares outstanding for guarantees, that may potentially be used for new loans.

The above assessments of the Immsi Group's ability to continue as a going concern take into account issues related to the Covid-19 pandemic. As such, while continuing to monitor the evolution of this source of instability, management has made estimates and forecasts with a view to a gradual return to normal conditions, which is a reasonable presumption given both the government policies in force in recent months, enforcing closures while avoiding the total lockdown of spring 2020, and the ongoing vaccination campaign. Furthermore, the gradual return to normality, especially in the Group's industrial sector, gains further reassurance from the excellent performance in the second half of 2020, with the exception of India, showing the resilience of the business and the effective response of Piaggio in particular. Indeed, the group's consolidated net revenue in the second half of 2020 increased by 1.3% compared to the second half of 2019, and was higher than the revised expectations as at 30 June 2020.

For the effects of the COVID-19 pandemic on final figures for 2020, please refer to the chapter 'Health emergency - COVID-19' in the Report on Operations.

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

With reference to Consob Resolution no. 15519 of 27 July 2006, as regards the financial statements, specific Income statement and Statement of financial position tables have been included indicating significant Related-Party transactions and non-recurring transactions.

Consolidated income statement (reclassified)

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

Consolidated Statement of Comprehensive Income

The consolidated statement of comprehensive income is presented in accordance with the revised version of IAS 1. It provides for the disclosure of the Result attributable to the shareholders of the parent company and to non-controlling interests net of the corresponding tax effect, as well as grouping together all the components presented in the Other comprehensive income/(expense) depending on whether or not they can be subsequently reclassified to the income statement.

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 in accordance with the revised version of IAS 1. It includes the total statement of comprehensive income, showing separately the amounts attributable to owners of the parent and to non-controlling interests, the amounts of transactions with owners acting in their capacity as such, and any effects of retrospective application or retrospective determination in accordance with IAS 8. For each item, a reconciliation between the balance at the beginning and at the end of the period is presented.

There were no atypical or unusual transactions during 2020 and the corresponding period of the previous year, as defined in Consob Communication no. DEM/6037577 of 28 April 2006 and no. DEM/6064293 of 28 July 2006.

It should be noted that in 2020 there were no significant non-recurring transactions, while in 2019 the Parent Company Immsi S.p.A. disposed of the property owned in Rome, classified in the Investment property category. The sale was finalised with the property fund Investire Sgr S.p.A. at a price of €62.5 million. The property was valued at approximately €74.7 million, thus the Company recorded a capital loss of approximately €12.2 million, plus additional selling expenses of approximately €1.4 million. With the sale, Immsi extinguished the mortgage loan recorded on the property to guarantee a residual debt of approximately €31.5 million. This transaction meets the requirements of significant non-recurring transactions, as defined in Consob Communication no. DEM/6064293 of 28 July 2006.

- B - SCOPE OF CONSOLIDATION

The scope of consolidation has not changed considerably compared to the Consolidated Financial Statements at 31 December 2019. The changes are shown below:

- the consolidated portion of shareholders' equity of the Piaggio group, which amounted to 50.21% at 31 December 2020, was equal to 50.20% at 31 December 2019. The increase is mainly due to the effect of the purchase of 130,000 treasury shares by Piaggio S.p.A.;

- considering the different equity rights of the two shareholders of ISM Investimenti S.p.A. and analysis of impairment testing, the portion of consolidated shareholders' equity of ISM Investimenti S.p.A. was estimated to be equal to 47.64% at 31 September 2020, increasing compared to 41.81% at 31 December 2019.

For details of the Immsi Group structure at 31 December 2020, see the attachment to these Notes, which is referred to herein.

- C - CONSOLIDATION PRINCIPLES

Assets and liabilities, and income and costs, of consolidated companies are recognised on a global integration basis, eliminating the carrying amount of consolidated investments regarding shareholders' equity at the time of purchase or underwriting. The carrying amount of investments has been eliminated against the shareholders' equity of subsidiaries/associates, assigning to non-controlling interests under specific items the related portion of shareholders' equity and related net profit due for the period, in the case of subsidiaries consolidated on a line-by-line basis.

Subsidiaries

Subsidiaries are companies in which the Group has a major influence. This influence exists when the Group has direct or indirect power to determine the financial and operational policies of a company in order to gain benefits from its operations. The acquisition of subsidiaries is recorded on the basis of the method of acquisition. The cost of acquisition is determined by the sum of present values at the date control of the given assets was obtained, liabilities borne or undertaken and financial instruments issued by the Group in exchange for control of the acquired company.

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at the present value at the date of acquisition. The positive difference between the acquisition cost and the share of the Group at the fair value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recognised instead in profit or loss at the date of acquisition.

The financial statements of subsidiaries are included in the Consolidated Financial Statements starting from the date when control is acquired until control ceases.

The portions of shareholders' equity and income attributable to non-controlling interests are separately indicated in the Consolidated Statement of Financial Position and Consolidated Income Statement respectively.

Associates and joint arrangements

Associates are companies in which the Group has considerable influence but not control of financial and operational policies.

The Group adopts IFRS 11 for all joint arrangements. According to IFRS 11, investments in joint arrangements are classified as joint operations or joint ventures depending on the contractual obligations and rights of each investor. The Group has classified the only joint arrangement agreement in place as being a joint venture.

In adopting the equity method, the investment in an associate or joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the portion attributable to the Group of profit or loss of the investee realised after the date of acquisition. The portion of profit (loss) for the period of the investee attributable to the Group is recognised separately in consolidated profit or loss. Dividends received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount of the investment are also due to changes in items of other comprehensive income of the investee (e.g. changes arising from translation differences of items in

foreign currency). The portion of these changes, attributable to the Group, is recognised under other components of consolidated comprehensive income. If the portion of losses of an entity in an associate or joint venture is equal to or exceeds its interest in the associate or joint venture, the Group discontinues recognising its share of further losses. After the interest is reduced to zero, additional losses are recognised by a provision (liability) only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate, or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its portion of those profits only after its portion of the profits equals the share of losses not recognised. Profit and losses arising from "upwards" or "downwards" transactions between a Group and an associate or joint venture are recognised in the consolidated financial statements only as regards the portion attributable to minority interest in the associate or joint venture. The Group's share of the profit or loss of the associate or joint venture arising from these transactions, attributable to the investor, is eliminated in the consolidated income statement under "earnings from investments", with a counter entry of the asset's value, in "upwards" transactions, and of the value of the investment, in "downwards" transactions.

Transactions eliminated during the consolidation process

In preparing the Consolidated Financial Statements, all balances and significant transactions between Group companies have been eliminated, as well as unrealised profits and losses arising from intergroup transactions. Unrealised profits and losses generated from transactions with associates or jointly controlled companies are eliminated based on the value of the investment of the Group in the companies.

Transactions in foreign currency

Transactions in foreign currency are recorded at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the reporting date.

Consolidation of foreign companies

The separate financial statements of each company belonging to the Group are prepared in the currency of the primary economic environment in which they operate (the functional currency). For the purposes of the Consolidated Financial Statements, the financial statements of each foreign entity are in euro, which is the functional currency of the Group and the presentation currency of the Consolidated Financial Statements.

All assets and liabilities of foreign companies in a currency other than the euro which come under the scope of consolidation are translated, using exchange rates in effect at the reporting date (currency exchange rates method). Income and costs are translated at the average exchange rate of the period. Translation differences arising from the adoption of this method, as well as the exchange differences arising from the comparison between the initial shareholders' equity converted at current exchange rates and the same translated at historical exchange rates, pass through the Statement of Comprehensive Income and are accumulated in a specific reserve of shareholders' equity until disposal of the investment: average exchange rates for translating the cash flows of foreign subsidiaries are used in preparing the Statement of Consolidated Cash Flows.

The exchange rates used for the translation of the financial statements of companies included in the scope of consolidation into Euros are indicated in the following table:

	Spot exchange rate 31 December 2020	Average exchange rate 2020	Spot exchange rate 31 December 2019	Average exchange rate 2019
US Dollar	1.2271	1.1422	1.1234	1.11947
Pound Sterling	0.89903	0.889704	0.85080	0.877771
Brazilian Real	6.3735	5.89426	4.5157	4.41343
Indian Rupee	89.6605	84.63916	80.1870	78.83614
Singapore Dollars	1.6218	1.57424	1.5111	1.52728
Chinese Yuan	8.0225	7.8747	7.8205	7.73549
Croatian Kuna	7.5519	7.53838	7.4395	7.41796
Japanese Yen	126.49	121.84576	121.94	122.00576
Vietnamese Dong	27,654.41	25,901.44233	25,746.15	25,793.13707
Indonesian Rupiah	17,029.69	16,657.37626	15,573.69	15,840.81508
Canadian Dollars	N.A.	N.A.	1.4598	1.48548

- D - ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The accounting standards adopted in preparing these Consolidated Financial Statements of the Immsi Group are the same as those used for the Consolidated Financial Statements at 31 December 2019 with the exception of information in the section on new accounting standards.

The most significant accounting policies adopted to prepare the Consolidated Financial Statements as 31 December 2020 are outlined below.

INTANGIBLE ASSETS

As provided for in IAS 38, an intangible asset which is purchased or internally generated, is recognised as an asset only if it is identifiable, controllable and future economic benefits are expected and its cost may be measured reliably.

Intangible assets with a finite life are measured at acquisition cost or production cost net of amortisation and accumulated impairment losses. Borrowing costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.

Amortisation is referred to the expected useful life and commences when the asset is available for use.

Goodwill

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at the present value at the date of acquisition. The positive difference between the acquisition cost and the share of the Group at the fair value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recognised instead in profit or loss at the date of acquisition.

Goodwill is not amortised but tested annually for impairment, or more frequently if specific events or changed circumstances indicate that an asset may be impaired, as provided for in IAS 36 - *Impairment of Assets*. After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.

At the disposal of part of or an entire company previously acquired from whose acquisition goodwill arose, the corresponding residual value of goodwill is considered when measuring the capital gain or loss of the disposal.

During first-time adoption of IFRSs, the Group opted not to retrospectively apply IFRS 3 – *Business Combinations* to acquisitions of companies that took place before 1st January 2004. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition of any impairment losses. After 1 January 2004, and following acquisitions made during 2004, additional goodwill was generated, the amount of which was remeasured in the light of the different values of shareholders' equity of the acquired companies in relation to provisions in IFRS 3.

Development costs

Development costs are recognised as assets only if all of the following conditions are met: the costs can be reliably measured and the technical feasibility of the product, the volumes and expected prices indicate that costs incurred during development will generate future economic benefits. Capitalised development costs include only costs incurred that may be directly attributed to the development process. Capitalised development costs are amortised on a systematic criterion basis, starting from the beginning of production through the estimated life of the product. All other development costs are recorded in the Income statement when they are incurred.

Other intangible assets

As provided for in IAS 38 – *Intangible Assets*, other intangible assets which are purchased or internally generated are recognised as assets if it is probable that use of the asset will generate future economic benefits and the cost of the asset can be reliably measured. These assets are recognised at acquisition or production cost and are amortised on a straight line basis over their estimated useful life, if they have a definite useful life.

Other intangible assets recognised following the acquisition of a company are accounted for separately from goodwill, if their fair value may be reliably measured. The amortisation period for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period: if the expected useful life proves different from previous estimates, the amortisation period is changed accordingly.

The amortisation periods of intangible assets are shown below:

Development costs	3 - 5 years
Industrial patents and rights of use for original works	3 - 5 years
Licences	10 years
Trademarks	15 years
Other	5 years

PROPERTY, PLANT AND EQUIPMENT

The Immsi Group opted for the cost method when first preparing its IAS/IFRS financial statements, as allowed by IFRS 1. For the measurement of property, plant and equipment, it was therefore decided not to use the fair value method. Property, plant and equipment were booked at the purchase or production cost and were not revalued. Borrowing costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.

Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset they refer to. All other costs are recorded in the income statement when they are incurred. Property, plant and equipment under construction are measured at cost and depreciated starting from the period in which they are put into operation.

Depreciation is determined, on a straight-line basis, on the cost of the assets net of their related residual values, based on their estimated useful life, while land is not depreciated.

Assets are depreciated by applying the criterion and rates indicated below:

Buildings	from 1.67% to 3%
Plant and machinery	from 6.67% to 25%
Miscellaneous equipment and other assets	from 5% to 40%
Land	not depreciated
Assets to be given free of charge	based on the duration of the concession

Profits and losses arising from the sale or disposal of assets are measured as the difference between the sales revenues and net carrying amount of the asset and are recognised in profit or loss for the period.

Assets to be given free of charge are assets held by Intermarine S.p.A. further to an agreement to lease and at the end thereof must be given free of charge and in perfect working order to the lessor. These assets are depreciated according to the duration of the concession.

Lease agreements as lessor

Lease agreements for property, plant and machinery and other assets entered into as lessor require the recognition of an asset representing the right of use of the leased asset, and a financial liability for the obligation to undertake contract payments. In particular, the lease liability is initially recognised as being equal to the present value of future payments to make, adopting a discount rate equal to the implicit interest rate of the lease, or if this cannot easily be determined, by using the incremental financing rate of the lessor. After initial recognition, the lease liability is recognised at amortised cost using the effective interest rate and is redetermined following contract renegotiation, changes in rates, or changes in the recognition of any contract options.

The right of use is initially recorded at cost and then adjusted to take into account recognised depreciation charges, any impairment losses and effects related to any redetermination of lease liabilities.

The Group has opted for some simplifications, allowed by the Standard, excluding agreements of less than 12 months (short term, calculated on the residual duration, on first-time adoption), and of a value below 5 thousand euros (low value).

The Group – through the Piaggio group – has its own production plants even in countries where ownership rights are not allowed. Rental paid in advance, to obtain the availability of land where own production sites are located, is recognised as a right of use.

Impairment

At the end of the reporting period, the Group reviews the carrying amount of its property, plant and equipment and intangible assets to determine whether there is any indication that these assets may be impaired (impairment test). If there is an indication that an asset may be impaired, the asset's recoverable amount is estimated to determine the amount of the write-down. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the asset's cash-generating unit.

The recoverable amount is the higher of an asset's fair value less costs to sell (if available) and its value in use. In measuring the value in use, estimated future cash flows are discounted at their fair value, using a rate net of taxes, which reflects current market changes in the fair value of money and specific risks of the asset.

If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than the related carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset is land or buildings other than the property investments recognised at revalued amounts, in which case the loss is charged to the respective revaluation reserve.

When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset (or of a cash-generating unit), except for goodwill, is increased to the new value arising from an estimate of its recoverable amount, up to the net carrying amount applicable to the asset if no impairment loss had been recognised. The reversal of the impairment loss is immediately recognised in profit or loss, unless the asset is land or buildings other than the property investments recognised at revalued amounts, in which case the loss is charged to the respective revaluation reserve.

An intangible asset with an indefinite useful life is tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.

INVESTMENT PROPERTY

International accounting standards regulate the accounting treatment of property used for production or administrative purposes (IAS 16) differently from investment property (IAS 40). As permitted by IAS 40, non instrumental property and buildings held for rental and/or asset appreciation purposes are measured at fair value.

Investment properties are eliminated from the financial statements when they are disposed of or when they may not be used over time and future economic benefits from their sales are not expected.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal groups) that are classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell. Non-current assets (and disposal groups) are classified as held for sale when it is expected that their carrying amount will be recovered through a sale rather than through their use in company operations. This condition is only met when the sale is highly probable, the asset (or disposal group) is available for immediate sale and management is committed to a plan to sell, which should take place within 12 months from the date in which this item was classified as held for sale.

FINANCIAL ASSETS

Financial assets are recognised in and deleted from the financial statements based on the settlement date.

Provisions in IFRS 9 envisage a single approach to analysing and classifying all financial assets, including assets with embedded derivatives. Classification and measurement consider the business model of the financial asset and the contractual characteristics of cash flows that may be obtained from the asset. Depending on the characteristics of the instrument and business model adopted, the following three categories are determined:

- (i) financial assets measured at amortised cost;
- (ii) financial assets measured at fair value, with the effects recognised in other comprehensive income (FVTOCI);
- (iii) financial assets measured at fair value, with the effects recognised in fair value through profit or loss (FVTPL).

The financial asset is measured at amortised cost if both the following conditions are met:

- the business model holds the financial asset only to collect the related cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that only represent the return on the financial asset.

According to the amortised cost method, the value of initial recognition is subsequently adjusted to take into account repayments of principal, any impairment and amortisation of the difference between the repayment value and value of initial recognition.

Amortisation is based on the internal effective interest rate that represents the rate which, at the time of initial recognition, makes the present value of expected cash flows equal to the value of initial recognition.

Receivables and other financial assets measured at amortised cost are presented in the statement of financial position net of the provision for write-downs.

Financial assets representing debt instruments whose business model covers the possibility of collecting contractual cash flows and realising capital gains from sale (the hold to collect and sell business model), are measured at fair value, recognising the effects in OCI.

In this case, changes in fair value of the instrument are recognised as shareholders' equity in OCI.

The total of changes in fair value, recognised in a shareholders' equity reserve that includes OCI, is reversed to profit or loss when the instrument is deleted from the accounts. Interest expense is recognised in profit or loss using the effective interest rate, exchange differences and write-downs.

A financial asset representing a debt instrument that has not been measured at amortised cost or at fair value through other comprehensive income is measured at fair value with the effects recognised in profit or loss.

With reference to the classification and measurement of financial assets, the Group adopts the following business models:

- a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (the "hold to collect and sell" business model);
- a business model whose objective is to hold financial assets intended for collecting contractual cash flows (the "hold to collect" business model)".

For both types, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding..

Financial assets held by the group are recognised:

- at amortised cost in the case of financial assets related to the "hold to collect" business model;
- at fair value through other comprehensive income in the case of financial assets related to the "hold to collect and sell" business model.

INVENTORIES

Inventories are recognised as the lower of the purchase or production cost, determined by assigning to products the costs directly incurred in addition to the portion of indirect costs reasonably attributable to the performance of production activities in normal production capacity conditions and the market value at the end of the reporting period. The purchase or production cost is determined based on the weighted average cost method. As regards raw materials and work in progress, the market value is represented by the estimated net realisable value of corresponding finished products minus completion costs; as regards finished products, the market value is represented by the estimated net realisable value (price lists less the costs for sales and distribution). The lower measurement based on market trends is eliminated in subsequent years, if the trends no longer exist. Obsolete, slow moving and/or excess inventories are impaired in relation to their possible use or future realisation, in a provision for the write-down of inventories.

RECEIVABLES

Trade receivables and other receivables are initially recognised at fair value and subsequently recognised based on the amortised cost method, net of the provisions for write-downs.

IFRS 9 has introduced the concept of "expected loss", which allows for the recognition of adjustments to receivables in proportion to the increase in risks. This model classifies financial assets into three categories, each of which corresponds to a different risk level and specific procedures for calculating value adjustments. Specifically: i) exposures with a good credit quality or low risk. Value adjustments correspond to expected credit losses that result from default events within 12 months after the reporting date; ii) exposures whose credit rating has significantly deteriorated but that do not have objective evidence of impairment. Value adjustments are calculated considering the expected loss of the exposure over its lifetime or the estimate of the current value of losses over the expected life of the financial instrument; iii) all impaired assets, i.e. exposures with objective evidence of impairment and that must be adjusted using the expected loss model.

For trade receivables, the Group adopts a simplified approach which does not require the recognition of periodic changes in credit risk, but instead the recognition of an expected credit loss (ECL) calculated over the ECL lifetime. In particular, the policy adopted by the Group involves the stratification of trade receivables in categories based on past due days, defining the allocation based on the historical experience of credit losses, adjusted to take into account specific forecasts referred to creditors and the economic environment. The Group measures the provision to hedge losses for an amount equal to full lifetime expected credit losses, using a method that considers whether, at the end of the reporting period, the credit risk related to a financial instrument has increased considerably after initial recognition or otherwise.

Trade receivables are wholly written down in the absence of a reasonable expectation of their recovery, or in the case of inactive counterparties.

The carrying amount of the asset is reduced through the use of a provision for write-downs and the amount of the loss is recognised in the income statement.

When payment of amounts due exceeds standard terms of payment granted to clients, the receivable is discounted.

Orders in progress, entirely related to the marine sector (Intermarine S.p.A.), were classified under the item Other receivables and consist mainly of:

- building work for the company's own account and repair work, valued at the lower value between cost incurred and revenues achievable: To this end, they are entered as assets in the Statement of financial position net of the write-down fund for boats and semi-finished items likely to prove hard to sell;
- building work covered by standard contracts, valued in terms of revenues based on the status reached at the close of the year, calculated, as far as the materials and work contracted out are concerned, with reference to the costs actually incurred compared with the costs forecast on the basis of updated estimates and, with regard to labour, with reference to the direct hours actually worked compared with the direct hours forecast. The price revision is recognised based on a prudent basis taking into account the amounts recognisable by customers, in proportion to the value of the progress. Due to the features of the works in progress produced by the company, they also include parts of the assets the ownership of which was transferred in guarantee of payments received from customers. In fact assessment of proceeds takes place when the purchaser of the work accepts it, since the order is a unitary indivisible object.

FACTORING

The Group – mainly through the companies of the Piaggio group and Intermarine – sells a significant part of its trade receivables through factoring and in particular, sells trade receivables without recourse. Following these sales with the total and unconditional transfer to the transferee of the risks and benefits transferred, the receivables are eliminated from the financial statements.

In the case of transfers in which the risks and benefits are not transferred, the receivables remain in the statement of financial position until the transferred sum has been paid. In this case any advance payments collected by the factor are recognised under payables as amounts due to other lenders.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, current bank accounts, deposits payable on demand and other high liquidity short term financial investments, which are readily convertible into cash and not affected by any major risk of a change in value. This item does not include bank overdrafts payable on demand.

TREASURY SHARES

Treasury shares are recognised as a reduction of shareholders' equity. The original cost of treasury shares and the revenue proceeds from any subsequent sale are recognised directly in equity.

FINANCIAL LIABILITIES

Financial liabilities include financial payables, including amounts payable for advances on the sale of receivables, as well as other financial liabilities, including financial derivatives and liabilities for assets recognised regarding finance lease agreements. Pursuant to IFRS 9, they include trade and other payables. Financial liabilities are recognised at fair value net of additional transaction costs. After initial recognition, loans are measured at amortised cost and calculated using the effective interest rate.

With the introduction of IFRS 9, in the event of the renegotiation of a financial liability that does not qualify as "extinction of the original debt", the difference between i) the book value of the pre-change liability and ii) the present value of the cash flows of the revised debt, discounted at the original rate (IRR), is accounted for in the income statement.

Financial liabilities hedged by derivatives are recognised at present value, according to procedures established for hedge accounting: gains and losses arising from subsequent measurements at present value are recognised in profit or loss and are offset by the effective portion of the loss and again arising from subsequent measurements at present value of the hedging instrument. On initial recognition, a liability may be designated at fair value recognised in profit or loss when this eliminates or considerably reduces a lack of uniformity in the measurement or recognition (sometimes defined as "asymmetric accounting") that would otherwise arise from the measurement of an asset or liability or recognition of relative profit and loss on different bases. This fair value designation is exclusively applied to some financial liabilities in currency subject to exchange risk hedging.

DERIVATIVES AND MEASUREMENT OF HEDGING OPERATIONS

Group assets are primarily exposed to financial risks from changes in exchange and interest rates. The Group uses derivatives to hedge risks arising from changes in foreign currency and interest rates in particular irrevocable commitments and planned future transactions. With particular reference to the Piaggio group, the use of these instruments is regulated by written procedures on the use of derivatives, in line with the risk management policies of the group.

As permitted by IFRS 9, the Group has opted to continue to adopt the provisions on hedge accounting in IAS 39, rather than in IFRS 9.

Derivatives are initially recognised at fair value, represented by the initial amount and aligned with the fair value at subsequent ends of reporting periods. Financial derivatives are used solely for hedging purposes, in order to reduce exchange risk, interest rate risk and the risk of changes in the market price.

In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated. When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:

- **Fair value hedge**: if a financial derivative is designated as a hedge of the exposure to changes in present value of a recognised asset or liability, attributable to a particular risk and could affect profit or loss, the gain or loss from the subsequent change in present value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, attributable to the hedged risk, changes the carrying amount of the hedged item and is recognised in profit or loss;
- **Cash flow hedge**: if an instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or of a highly probable forecast transaction which could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised in the Statement of Comprehensive Income. Accumulated gain or loss is reversed from the Statement of Comprehensive Income and recognised in profit or loss in the same period as the hedging transaction. The gain or loss associated with hedging or the part of hedging which is ineffective, is immediately recognised in profit or loss. If the hedging instrument or hedging ceases, but the transaction covered by hedging is not yet realised, profits and losses, recognised in equity, are instead recognised in profit or loss when the transaction takes place. If the transaction to be hedged is deemed no longer probable, gains or losses deferred in the Statement of Comprehensive Income are recognised immediately in profit or loss.

If hedge accounting cannot be applied, gains or losses from measurement at present value of the financial derivative are immediately recognised in profit or loss.

LONG-TERM PROVISIONS

The Group recognises provisions for risks and charges when it has a legal or implicit obligation to third parties and it is likely that Group resources will have to be used to meet the obligation and when the amount of the obligation itself can be reliably estimated. Changes in estimates are recognised in profit or loss when the change takes place. If the effect is considerable, provisions are calculated discounting future cash flows estimated at a discount rate gross of taxes, to reflect current market changes in the fair value of money and specific risks of the liability.

RETIREMENT FUNDS AND EMPLOYEE BENEFITS

Where the benefit schemes have been clearly defined, the liabilities related to benefits to employees granted at the moment of, or after, termination of employment are determined separately for each scheme on the basis of actuarial assumptions estimating the amount of future benefits accrued by the employee at the reporting date (the so-called "projected unit credit method"). Liabilities, recognised in the financial statements net of any assets serving the plan, are entered for the period when the right accrues. Liabilities are measured by independent actuaries.

The cost components of defined benefits are recognised as follows:

- the costs relative to services are recognised in the Income Statement under employee costs;
- net finance costs on liabilities or assets with defined benefits are recognised in the Income Statement as financial income/(borrowing costs), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking account of the payment of contributions and benefits during the period;
- the re-measurement components of net liabilities, which include actual gain and losses, the return on assets (excluding interest income recognised in the Income Statement) and any change in the limit of the assets, are immediately recognised as "Other comprehensive income (expense)". These components must not be reclassified to the Income Statement in a subsequent period.

TERMINATION BENEFITS

Termination benefits are recognised at the closest of the following dates: i) when the Group can no longer withdraw the offer of such benefits and ii) when the Group recognises the costs of restructuring.

TAX ASSETS AND TAX LIABILITIES

Deferred taxes are determined based on the temporary taxable differences between the value of the asset and liability and their tax value. Deferred tax assets are measured only to the extent to which it is likely that adequate future taxable sums exist against which the deferred taxes can be used. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent to which it is no longer likely that sufficient taxable income exists allowing for all or a portion of said assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, considering the rates in effect or which are known to come into effect. Deferred tax liabilities are directly recognised in profit or loss, except for items directly recognised in the statement of comprehensive income, in which case relative deferred taxes are also recognised in the statement of comprehensive income. In the case of reserves of undistributed profits of subsidiaries and since the Group is able to control distribution times, deferred taxes are allocated for the reserves when distribution is expected in the future.

Deferred tax assets and liabilities are recognised at their net value when they may be offset in the same tax jurisdiction.

PAYABLES

Payables are shown at fair value and subsequently measured on the basis of the amortised cost method, which coincides with the nominal value of trade payables with due dates within the norm for commercial transactions.

REVERSE FACTORING

To guarantee suppliers easier credit conditions, the Group – mainly through the companies of the Piaggio group – has established factoring agreements, and typically supply chain financing or reverse factoring agreements. Based on the agreements, suppliers may, at their discretion, transfer receivables due from the Group to a lender and collect amounts before maturity.

In some cases, payment terms are extended further in agreements between the supplier and the Group; these extensions may be interest or non-interest bearing.

The Group has established a specific policy to assess the nature of reverse factoring operations. Based on the content of agreements, which differs by area of origin, the Finance function, at a central level, analyses the clauses of agreements in qualitative terms, as well as legal aspects in order to assess regulatory references and the type of transaction assignment (as provided for by IAS 9 B3 3.1). In some cases, as payment terms have been extended, quantitative analysis is carried out to verify the materiality of changes in contract terms, based on quantitative tests as required by IAS 9 B3.3.6.

In this context, relations, for which a primary obligation with the supplier is maintained and any deferment, if granted, does not significantly change payment terms, are still classified as trade liabilities.

RECOGNITION OF REVENUES

Based on the five-step model introduced by IFRS 15, the group measures revenues after identifying the contracts with its customers and relative performance to provide (transfer of goods and/or services), after determining the transaction price it considers due in exchange for performance, and evaluating the procedure for satisfying the performance (performance at a given time versus performance over time).

In particular, the Group measures revenues only if the following requirements have been met (requirements to identify the "contract" with the customer):

- a) the contract has been approved by the parties to the contract (in writing, verbally or in compliance with other standard business practices) and the parties undertake to meet their respective obligations; an agreement therefore exists between the parties that establishes the rights and obligations to be met, regardless of the form by which the agreement is made;
- b) the Group can identify each party's rights in relation to the goods or services to be transferred;
- c) the Group can identify the payment terms for the goods or services to be transferred;
- d) the contract has commercial substance; and
- e) it is probable that the Group will receive the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer.

If the above requirements are not met, the relative revenues are recognised when: (i) the Group has already transferred control of the goods and/or provided the services to the customer and all or nearly all of the consideration from the customer has been received and cannot be reimbursed; or (ii) the contract has ended and the consideration received by the Group from the customer cannot be reimbursed.

If the above requirements are instead met, the Group adopts the following rules for recognition. Revenues for the sale of vehicles and spare parts are recognised when control of the good is transferred to the purchaser, or when the customer can use in full the good or substantially benefit from it.

Revenues are represented net of discounts, including, among others, sales incentive programmes and bonuses to customers, as well as taxes directly connected with the sale of the goods.

Revenues from the provision of services are recognised when the services are provided based on their progress.

Revenues also include lease payments recognised on a straight line basis for the duration of the contract.

GRANTS

Equipment grants are recognised in the financial statements when their payment is certain and are recognised in profit or loss based on the useful life of the asset for which the grants have been provided. Operating grants are recognised in the financial statements, when their payment is certain and are recognised in profit or loss in relation to costs for which the grants have been provided.

With specific reference to the subsidiary Intermarine S.p.A. operating in the marine sector, the company benefits from different types of Ministerial contributions. Intermarine primarily benefits from ministerial research grants, out of national and Community funds, due on the research and development costs incurred and capitalised, are entered under Other payables and will be offset against the amortisation and depreciation entries of the capitalised costs they are related to in the Income statement. For projects that entail the building of a prototype, the subsidy granted for the costs incurred is entered in the Income statement account in proportion to the work progress status of the underlying construction.

FINANCIAL INCOME

Financial income is recognised on an accrual basis and includes interest income on invested funds, exchange differences receivable and income from financial derivatives, when not offset in hedging transactions. Interest income is recognised in profit or loss when it matures, considering the actual return.

FINANCE COSTS

Finance costs are recognised on an accrual basis and include interest expense on financial payables calculated using the effective interest rate method, exchange differences payable and losses on derivatives. The share of interest payable on rights of use - leases is charged to the income statement using the actual interest method.

DIVIDENDS

Dividends recognised in profit or loss, from non-controlling interests, are recognised on an accrual basis, and therefore at the time when, following the resolution to distribute dividends by the subsidiary, the relative right to payment arises.

TAXES ON INCOME

Taxes represent the sum of current and deferred tax assets and liabilities. Taxes allocated under statutory accounting circumstances of individual companies included in the scope of consolidation are recognised in the consolidated financial statements, based on taxable income estimated in compliance with national laws in force at the end of the reporting period, considering applicable exemptions and tax receivables owing. Income taxes are recognised in profit or loss, with the exception of those taxes relative to items directly deducted from or charged to the Statement of Comprehensive Income. Taxes are recorded under “Tax payables” net of advances and withheld taxes. Taxes due in the event of the distribution of reserves as withheld taxes recognised in the financial statements of individual Group companies are not allocated, as their distribution is not planned.

Immsi S.p.A., with the subsidiaries Piaggio & C. S.p.A., Piaggio Concept Store Mantova S.r.l., Aprilia Racing S.r.l., Apuliae S.r.l., Intermarine S.p.A., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l. and Pietra Ligure S.r.l., opted to be a part of the Group taxation system, as provided for by Articles 117 and following of the Consolidated Income Tax Act (National Consolidated Tax Convention). In exercising this option, each company which is party to the National Consolidated Tax Convention transfers its tax income (taxable income or tax loss) to the consolidating company: the consolidating company therefore determines one taxable base for the group of companies that are party to the National Consolidated Tax Convention, and may therefore offset taxable income against tax losses in one tax return. The latter recognises a receivable from consolidated companies transferring taxable income, while for companies with tax losses, the consolidating company records a related payable equal to corporate income tax on the portion of the loss actually offset at a Group level.

EARNINGS PER SHARE

Earnings per share are calculated by dividing the income or loss attributable to Parent Company shareholders by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares. Diluted profits per share are calculated by dividing profits or losses attributed to Parent Company shareholders by the weighted average of the ordinary shares in circulation, adjusted to take account of the effects of all the potential ordinary shares with a diluting effect. Any shares related to the *stock option plan are considered as shares that may be potentially issued*. The adjustment to make to the number of stock options to calculate the number of adjusted shares is determined by multiplying the number of stock options by the subscription cost and dividing it by the share market price.

USE OF ESTIMATES

The preparation of the financial statements and notes in compliance with IFRS requires management to make estimates and assumptions which have an impact on the values of assets and liabilities and on disclosure regarding contingent assets and liabilities at the end of the reporting period. Actual results could differ from estimates.

Moreover, estimates are used to measure intangible assets tested for impairment and to identify allocations for bad debts, for obsolete inventories, amortisation and depreciation, impairment of assets, employee benefits, taxes, restructuring provisions and other allocations and funds. Estimates and assumptions are periodically revised and the effects of any change are immediately recognised in profit or loss.

In the current ongoing uncertainty of the global economic and financial scenario, assumptions made as to future trends are marked by a considerable degree of uncertainty. Therefore the possibility in the next reporting period of results that differ from estimates cannot be ruled out, and these could require even significant adjustments which at present cannot be predicted or estimated.

The critical measurement processes and key assumptions used by the Group in adopting IFRS and that may have a significant impact on figures in the Consolidated Financial Statements or for which a risk exists that significant differences in value may arise in relation to the carrying amount of assets and liabilities in the future are summarised below.

- Recoverable value of non-current assets

Non-current assets include Property, Plant and Equipment, Goodwill, Other Intangible Assets, Investment Property, Investments and Other Financial Assets. The Group periodically revises the carrying amount of non-current assets held and used and of assets held for sale, when facts and circumstances make this necessary. This analysis is carried out at least annually for goodwill, and whenever facts and circumstances make it necessary. Analysis of the recoverability of the carrying amount of goodwill is generally based on estimates of expected cash flows from the use or sale of the asset and adequate discount rates to calculate the fair value. For investment property, the Group appoints an independent expert at the end of each reporting period (six-monthly or annually) to measure the "Fair value less cost of disposal" based on a market approach. When the carrying amount of a non-current asset is impaired, the Group recognises a write-down equal to the excess between the carrying amount of the asset and its recoverable value through use or sale, determined with reference to cash flows of the most recent company plans.

- Recoverability of deferred tax assets

The Group has deferred tax assets from deductible temporary differences and theoretical tax benefits from losses to be carried forward. In estimating recoverable value, the Group considered the results of company plans in line with the results used for impairment testing and approved by the Boards of Directors of the consolidated companies. Net deferred tax assets allocated on this basis refer to temporary differences and tax losses which, to a significant extent, may be recovered over an indefinite period, and are therefore compatible with a context in which an end to current difficulties and uncertainties and an upswing in the economy could take longer than the time frame of the above-mentioned estimates. In relation to Immsi S.p.A., Piaggio & C. S.p.A., Piaggio Concept Store Mantova S.r.l., Aprilia Racing S.r.l., Apuliae S.r.l., Intermarine S.p.A., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l. and Pietra Figure S.r.l. it should be noted that, as part of the Group's National Consolidated Taxation System, the recoverability of deferred tax assets is also related to the taxable income of the companies participating in the National Consolidated Taxation System.

- Pension schemes and other termination benefits

Provisions for employee benefits and net borrowing costs are measured using an actuarial method that requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers financial parameters such as the discount rate and growth rates of salaries and considers the likelihood of potential future events occurring on the basis of demographic parameters such as relative mortality rates and employee resignations or retirements. The assumptions used for the valuation are explained in detail in the paragraph Provisions for pensions and similar obligations.

- Provisions for bad debts

The provision for bad debts reflects management's estimate of expected losses related to receivables. The Group adopts the simplified approach of IFRS 9 and recognises expected losses for all trade receivables based on the residual duration, defining the allocation based on the historical experience of credit losses, adjusted to take into account specific forecasts referred to creditors and the economic environment (Expected Credit Loss – ECL concept).

- Provision for obsolete inventories

The provision for obsolete inventories reflects management's estimate of impairment losses expected by the Group, determined based on past experience. Anomalous market price trends could have an effect on future inventory write-downs.

- Provision for product warranties

At the time of a product's sale, the Group makes provisions relative to estimated costs for the product warranty. This provision is estimated based on historical information about the nature, frequency and average cost of warranty jobs.

- Potential liabilities

The Group recognises a liability for ongoing legal disputes when it considers a financial outflow likely and when the amount of the losses arising therefrom may be reasonably estimated. If a financial outflow is possible, but the amount cannot be determined, it is recorded in the notes to the Financial Statements. The Group is subject to legal and tax proceedings concerning complex and difficult legal issues, of varying degrees of uncertainty, including facts and circumstances relative to each case, jurisdiction and different applicable laws. Given the uncertainties concerning these issues, it is hard to predict with certainty the outflow arising from these disputes and it is therefore possible that the value of provisions for legal proceedings and disputes of the Group may vary as a result of future developments in proceedings underway.

The Group monitors the status of ongoing proceedings and consults its legal and tax advisers.

- Amortisation/Depreciation

The cost of assets is depreciated/amortised on a straight line basis over their estimated useful life, which for rights of use coincides with the assumed contract duration. The economic useful life of Group assets is determined by Directors at the time of purchase; the calculation is based on historical experience gained in years of operations and on knowledge of technological innovations that may make the asset obsolete and no longer economical.

The Group periodically evaluates technological and segment changes, in order to update the remaining useful life. This periodic updating could change the amortisation/depreciation period and therefore amortisation/depreciation charges of future years.

- Income tax

The Group is subject to different income tax laws in various jurisdictions. Group tax liabilities are determined based on management valuations referred to transactions of which the tax effect is not certain at the end of the reporting period. The Group recognises the liabilities that could arise from future inspections of tax authorities based on an estimate of taxes that will be due. If the outcome of inspections differs from management's estimates, significant effects on current and deferred taxes could arise.

TRANSACTIONS WITH SUBSIDIARIES AND RELATED PARTIES

Transactions with subsidiaries and related parties are described in the Report on Operations and in the Note, referred to herein.

NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS 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 impacts on the reform of 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".

Amendments to IFRS 16

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.

These amendments have applied since 1 January 2020. The effects are not considered to be significant.

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, the IASB issued the new standard IFRS 17 "Insurance Contracts". The new standard will replace IFRS 4 and will be effective from 1 January 2023.
- 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 narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and annual revisions to IFRS 1, IFRS 9, IAS 41 and IFRS 16. The amendments will be applicable with effect from 1 January 2022.
- In August 2020, the IASB published some amendments to IFRS 7, IFRS 4 and IFRS 16. The amendments will be effective from 1 January 2021.

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 standard *IFRS 8 - Operating segments* requires operating segments to be identified on the basis of an internal reporting system which top company management utilises to allocate resources and to assess performance.

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

Primary sector: business areas

Income statement at 31 December 2020

In thousands of Euros	Sector property and the holding	Sector industrial	Sector marine	Group Immsi
Net sales to third parties	1,455	1,313,690	61,622	1,376,767
Intercompany net revenues	0	0	0	0
NET SALES	1,455	1,313,690	61,622	1,376,767
OPERATING INCOME (EBIT)	-6,930	70,856	2,519	66,445
Income/(loss) from investments	0	504	0	504
Financial income				28,270
Borrowing costs				65,815
PROFIT BEFORE TAX				29,404
Taxes				13,598
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS				15,806
Gain (loss) from assets held for sale or disposal				0
PROFIT (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS				15,806
Earnings for the period attributable to non-controlling interests				6,052
GROUP PROFIT (LOSS) FOR THE PERIOD				9,754

Statement of financial position at 31 December 2020

In thousands of Euros	Sector property and the holding	Sector industrial	Sector marine	Group Immsi
Segment assets	317,181	1,658,818	151,729	2,127,728
Investments in affiliated companies	0	159	18	177
TOTAL ASSETS	317,181	1,658,977	151,747	2,127,905
TOTAL LIABILITIES	356,726	1,286,965	122,265	1,765,956

Other information at 31 December 2020

In thousands of Euros	Sector property and the holding	Sector industrial	Sector marine	Group Immsi
Investments in property, plant and equipment and intangible assets	2,150	140,351	707	143,208
Depreciation, amortisation and write-downs	1,061	122,682	4,154	127,897
Cash flow from operating activities	-23,971	193,210	-504	167,162
Cash flow from investing activities	-2,283	-135,548	-659	-138,490
Cash flow from financing activities	20,263	-7,164	5,620	18,719

Secondary sector: geographic segments

The following table presents the financial position and performance of the Group for 2019 in relation to geographic segments “of origin”, that is, with reference to the country of the company which realised the revenues or which owns the assets.

The distribution of revenues by geographic segment of “destination”, that is, with reference to the customer’s country, is analysed in the Notes to the Consolidated Financial Statements at 31 December 2019 under the item net sales in the Income Statement.

Income statement at 31 December 2020

In thousands of Euros	Italy	Rest of Europe	India	United States	Rest of World	Group Immsi
Net sales to third parties	811,383	29,363	233,031	53,334	249,656	1,376,767
Intercompany net revenues	0	0	0	0	0	0
NET SALES	811,383	29,363	233,031	53,334	249,656	1,376,767

Statement of financial position at 31 December 2020

In thousands of Euros	Italy	Rest of Europe	India	United States	Rest of World	Group Immsi
Segment assets	1,688,854	23,530	214,272	30,311	170,761	2,127,728
Investments in affiliated companies	160	17	0	0	0	177
TOTAL ASSETS	1,689,014	23,547	214,272	30,311	170,761	2,127,905

In thousands of Euros	Italy	Rest of Europe	India	States United	Rest of World	Group Immsi
Total receivables *	64,882	9,492	55,948	5,370	5,510	141,202
Total payables **	384,881	20,876	116,549	4,226	68,712	595,244

*) Contract work in progress and Tax receivables are not included.

**) Payables for Current taxes and Financial liabilities are not included.

Other information at 31 December 2020

In thousands of Euros	Italy	Rest of Europe	India	United States	Rest of World	Group Immsi
Investments in property, plant and equipment and intangible assets	111,104	944	20,557	3,574	7,029	143,208
Depreciation, amortisation and write-downs	92,527	6,175	16,443	2,654	10,098	127,897

For comparability, corresponding tables referring to 31 December 2019 are shown below:

Income statement at 31 December 2019

In thousands of Euros	Sector property and the holding	Sector industrial	Sector marine	Group Immsi
Net sales to third parties	4,817	1,521,325	64,593	1,590,735
Intercompany net revenues				0
NET SALES	4,817	1,521,325	64,593	1,590,735
OPERATING INCOME (EBIT)	-18,090	104,546	8,800	95,256
Income/(loss) from investments	0	919	0	919
Financial income				15,814
Borrowing costs				58,543
PROFIT BEFORE TAX				53,446
Taxes				30,472
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS				22,974
Gain (loss) from assets held for sale or disposal				0
PROFIT (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS				22,974
Earnings for the period attributable to non-controlling interests				15,085
GROUP PROFIT (LOSS) FOR THE PERIOD				7,889

Statement of financial position at 31 December 2019

In thousands of Euros	Sector property and the holding	Sector industrial	Sector marine	Group Immsi
Segment assets	320,827	1,626,241	161,805	2,108,873
Investments in affiliated companies	0	147	18	165
TOTAL ASSETS	320,827	1,626,388	161,823	2,109,038
TOTAL LIABILITIES	359,581	1,242,581	132,563	1,734,725

Other information at 31 December 2019

In thousands of Euros	Sector property and the holding	Sector industrial	Sector marine	Group Immsi
Investments in property, plant and equipment and intangible assets	2,093	140,872	612	143,577
Depreciation, amortisation and write-downs	644	126,861	3,668	131,173
Cash flow from operating activities	-22,363	215,670	99	193,406
Cash flow from investing activities	60,422	-135,131	-552	-75,261
Cash flow from financing activities	-21,982	-79,113	-1,879	-102,974

Secondary sector: geographic segments

Income statement at 31 December 2019

In thousands of Euros	Italy	Rest of Europe	India	United States	Rest of World	Group Immsi
Net sales to third parties	850,207	31,011	430,304	56,290	222,923	1,590,735
Intercompany net sales						0
NET SALES	850,207	31,011	430,304	56,290	222,923	1,590,735

Statement of financial position at 31 December 2019

In thousands of Euros	Italy	Rest of Europe	India	United States	Rest of World	Group Immsi
Segment assets	1,638,950	24,585	253,769	37,632	153,937	2,108,873
Investments in affiliated companies	135	30	0	0	0	165
TOTAL ASSETS	1,639,085	24,615	253,769	37,632	153,937	2,109,038

In thousands of Euros	Italy	Rest of Europe	India	United States	Rest of World	Group Immsi
Total receivables *	67,922	6,965	49,361	6,630	4,212	135,090
Total payables **	366,712	35,320	123,097	6,547	60,500	592,176

*) Contract work in progress and Tax receivables are not included.

**) Payables for Current taxes and Financial liabilities are not included.

Other information at 31 December 2019

In thousands of Euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of World</i>	<i>Group Immsi</i>
Investments in property, plant and equipment and intangible assets	108,115	674	23,809	1,726	9,253	143,577
Depreciation, amortisation and write-downs	101,478	2,470	14,043	2,857	10,325	131,173

- F - INFORMATION ON THE MAIN ASSET ITEMS

Amounts are stated in thousands of Euro unless otherwise indicated.

- F1 - INTANGIBLE ASSETS	866,099
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Net intangible assets at 31 December 2020 amounted to €866,099 thousand, up by €17,246 thousand compared to 31 December 2019, mainly due to the capitalisation of development costs for new products and new engines, as well as the acquisition of software, detailed below:

In thousands of Euros	<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	39,622	49,787	0	0	515	89,924
Change in the scope of consolidation	0	0	0	0	0	0
Other movements	5,266	(1,139)	62,715	0	415	67,257
Gross amounts at 31 December 2019	363,381	468,789	190,862	625,421	10,824	1,659,277
Accumulated amortisation at 31 December 2018	229,712	328,368	88,961	11,439	9,811	668,291
Amortisation	32,418	35,185	4,823	0	221	72,647
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	7,595	(1,107)	62,716	0	282	69,486
Accumulated amortisation at 31 December 2019	269,725	362,446	156,500	11,439	10,314	810,424
Net amounts at 31 December 2019	93,656	106,343	34,362	613,982	510	848,853
Gross amounts at 31 December 2019	363,381	468,789	190,862	625,421	10,824	1,659,277
Increases	35,670	52,687	0	0	90	88,447
Change in the scope of consolidation	0	0	0	0	0	0
Other movements	(14,414)	1,226	0	0	(545)	(13,733)
Gross amounts at 31 December 2020	384,637	522,702	190,862	625,421	10,369	1,733,991
Accumulated amortisation at 31 December 2019	269,725	362,446	156,500	11,439	10,314	810,424
Amortisation	28,694	33,783	4,823	0	283	67,583
Change in the scope of consolidation	0	0	0	0	0	0
Other changes	(8,617)	(977)	0	0	(521)	(10,115)
Accumulated amortisation at 31 December 2020	289,802	395,252	161,323	11,439	10,076	867,892
Net amounts at 31 December 2020	94,835	127,450	29,539	613,982	293	866,099

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

Development costs

Development costs include costs for products, vessels and engines in projects for which there is an expectation, for the period of the useful life of the asset, to realise revenues that will allow for the recovery of the costs incurred. This item includes assets under construction for €41,715 thousand, entirely ascribable to the Piaggio group, which instead represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.

With particular reference to the **industrial sector** (Piaggio group), development expenditure for new projects capitalised in 2020 refers to the study of new Euro 5 vehicles and engines (including a new commercial vehicle in partnership with the Foton Motor Group), that will feature as the top products in the 2020-2022 range.

Borrowing costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the actual assets. During 2020, development costs of approximately €16,227 thousand were recognised directly by the Piaggio group in profit or loss.

With reference to the **marine sector** (Intermarine S.p.A.), total development costs capitalised at 31 December 2020 in intangible assets, net of amortisation, amounted to €3,212 thousand. It should be noted that in previous years two important research projects were launched called "Submerged fin hydrofoils" and "Enviroaliswath".

For further details on main research and development activities of companies belonging to the Immsi Group, see the Non-Financial Statement included in the Report on Operations.

Concessions, patents, industrial and similar rights

The net balance of this item, amounting to €127,450 thousand at 31 December 2020, refers nearly entirely to the Piaggio group and chiefly to new calculation, design and production techniques and methodologies developed by the group for the main new products of the 2020-2022 range, of which €71,878 thousand are assets under construction.

Trademarks and licences

Trademarks and licences with a finite life, totalling €29,539 thousand, are broken down as follows:

<i>In thousands of Euros</i>	Net value As of 31 December 2020	Net value at 31 December 2019	Change
Guzzi trademark	9,750	11,375	(1,625)
Aprilia trademark	19,158	22,351	(3,193)
Foton licence	611	611	0
Other	20	25	(5)
Total brands	29,539	34,362	(4,823)

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

The Foton licence was acquired following agreements signed in 2018 between Piaggio and the Foton Motor Group for the development and manufacture of a new range of light commercial four-wheelers. The licence will be amortised over 10 years, from production start-up, expected in February 2021.

Goodwill

The goodwill recognised by the Group was unchanged compared to the balance at the end of 2019. The item in question is broken down in the following table:

In thousands of Euros	Net Balance at 31.12.2020
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. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition of any impairment losses. At 1 January 2004 goodwill is no longer amortised: the recoverable value of the cash-generating unit to which the goodwill was allocated is verified by determining the recoverable value (value in use) and submitted to an impairment test, applying the method required by the International Accounting Standard IAS 36. Such value has been estimated on the basis of:

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

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

Goodwill has been allocated to the Intermarine and Piaggio group cash-generating units. The impairment testing for both the cash-generating units was conducted in-house by Immsi S.p.A.'s management, in order to support the Company's Board of Directors in the application of the procedure set out in the accounting standard IAS 36.

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 the considerations related to the estimate of the utilisation value of the cash-generating unit and to its use for the purposes of the impairment test were developed considering the Piaggio group at consolidated level. The carrying amount of goodwill allocated to the Piaggio group cash-generating unit is approximately €579.5 million. The main assumptions and hypotheses used to determine the recoverable value of the cash-generating unit regard i) the use of forecast economic and financial data of the Piaggio group; ii) the discount rate used for discounting estimated expected cash flows; iii) the use of the expected growth rate for the calculation of the terminal value consistently with the approach of the perpetuity growth.

As regards the figures as of point i), analyses were based on predicted financial flows relative to a four-year period assumed from 2021 budget data (approved by the Board of Directors of Piaggio & C. S.p.A. on 28 January 2021) supplemented by forecast data relative to 2022-2024.

With reference to the value of point ii), for discounting the estimated expected cash flows, a weighted average discount rate calculated beginning from the discount rates related to the different geographic segments of operation of the Piaggio group for its own cash-generating units has been used, that reflect the current market evaluations of the cost of money and that take account of the specific risks of the business and of the geographic segment in which the different cash-generating units of the Piaggio group operate. In particular, to establish the cost of its equity (“ K_e ”) according to the CAPM (“Capital Asset Pricing Model”) a) a variable long-term risk-free rate for the different areas of operation of the group was considered; b) a market risk premium in an unconditional form (normal long-term premium), in order to avoid the risk of running into a “double counting” of the country risk associated to the group’s operational areas; c) Beta coefficients also taking into account the Beta coefficients of main listed companies that are comparable to the Piaggio group. The cost of debt (“ K_d ”) net of taxes was estimated taking account of the target financial structure that can be related to main listed companies comparable to the Piaggio group as well as – prudentially in order to mitigate the positive impact of the current expansive monetary policy – a long-term risk-free rate. The average weighted discount rate (“WACC”) used for impairment testing net of taxes is therefore estimated to be equal to approximately 7.12% the increase in the WACC compared to the previous year (6.34% at 31 December 2019).

As regards point iii) when processing the impairment test, the final value was determined using a weighted average perpetual growth rate (“g rate”), calculated starting from different “g rates”, determined by the Piaggio group for its own internal cash-generating units; this average weighted “g rate” was estimated as being equal to 1.33% (broadly in line with the figure used at 31 December 2019).

Analyses did not identify any impairment losses: therefore, no impairment loss was reflected in the data of the Consolidated Financial statements of the Immsi Group at 31 December 2020. With the above values of the basic assumptions considered, the goodwill test regarding the Piaggio group cash-generating unit was passed with a broad margin. In addition, also on the basis of the indications contained in the Document Banca d’Italia/Consob/Isvap no. 2 of 6 February 2009 and in the document Banca d’Italia/Consob/Isvap no. 4 of March 2010, sensitivity analysis was carried out on the test results compared to the basic assumptions used such as the perpetual growth rate used to process the final value (“g rate”) and the discount rate (“WACC”), that affect the estimate of the value of use of the cash-generating unit Piaggio group: the impairment test was passed in all reasonably considered cases.

In addition, on the basis of the requirements of Consob warning no. 1/21 of 16 February 2021 and the recommendations provided by ESMA in the Public Statement “European common enforcement priorities for 2020 annual financial reports”, besides the base scenario just commented on, a scenario was developed that continues to be further penalised by the continuation of the pandemic, notwithstanding the excellent performance achieved by the Group in the second half of 2020, with the exception of India, as proof of the resilience of the business. The world’s population is looking for independent mobility solutions to replace public transport. The assumed scenario envisages an average contraction for the period of approximately 19.6% compared to the base scenario, to reflect the current situation and the expected reaction times of each market, using the EBITDA delta between the final figure for 2020 and that of 2019 as a driver. Notwithstanding this further element of strong penalisation, due to the above considerations, the outcome of the goodwill test related to the Piaggio group cash-generating unit was successful.

As regards the **Intermarine** cash-generating unit, the company coincides with the definition of the "marine sector" identified by the Immsi Group in its own segment reporting, in compliance with IFRS 8 – Operating segments: The carrying amount of goodwill allocated to this cash-generating unit is approximately €34.4 million. The main assumptions and hypotheses used to determine the recoverable value of the cash-generating unit regard i) the use of forecast economic and financial data of Intermarine; ii) the discount rate used for discounting estimated expected cash flows; iii) the expected growth rate for calculating the terminal value, consistently with the approach of discounting back the "perpetual growth".

As regards values of point i) the analyses were based on a hypothesis of forecast financial flows relative to a five-year time line inferable from budget data for 2021, supplemented with forecast data for the period 2022-2025 prepared by the management of Intermarine S.p.A.: the data processed as above were approved by the Board of Directors of the company on 1 March 2021. In this regard, forecast data considered – uncertain and variable by nature – reflect the evolution of the company's order portfolio as well as its future industrial and commercial strategies: such data, in particular, is essentially based on the acquisition of future contracts, in relation to which negotiations are currently under way. Updates, revisions or negative developments relative to the aforesaid assumptions and forecasts occurring after the reporting period of this evaluation could influence, even significantly, the results of impairment testing. In this regard, during preceding years, the final results of the marine sector showed deviations compared to estimates in financial forecasts used, even after several exceptional and unforeseeable events: given the intrinsically uncertain nature of the forecast data considered, it cannot be excluded that these deviations may continue to take place even in the future, with respect to the forecast data used in the impairment test carried out at 31 December 2020.

As regards the value of point ii), for discounting the estimated expected cash flows of Intermarine, a discount rate was used that reflects current market evaluations of the cost of money and takes account of the specific risks of the business and geographic segment in which the company operates. In particular, the cost of equity (" K_e ") was determined according to the CAPM ("Capital Asset Pricing Model"). For this purpose, we considered a) a long-term risk-free rate; b) a market risk premium in an unconditional form (normal long-term premium); c) a Beta coefficient calculated by taking into account also the Beta coefficient of a sample of companies comparable to the company, operating in the leisure and defence shipbuilding sector. For the purpose of estimating the aforementioned rate, a specific risk premium equal to 2.5% was also considered. The cost of debt (" K_d ") net of taxes was estimated taking account of the expected financial structure of a panel of listed companies comparable to Intermarine as well as – prudentially in order to mitigate the positive impact of the current expansive monetary policy - a long-term risk-free rate. The weighted average discount rate used for the purposes of the impairment test net of taxes is therefore estimated equal to approximately 7.78% (8.41% at 31 December 2019).

As regards point iii) when processing the impairment test, the final value was determined using a perpetual growth rate ("g rate"), prudentially estimated as being equal to 0.25%.

The analyses conducted did not highlight any impairment losses with reference to the test of goodwill allocated to the Intermarine cash-generating unit: therefore, no impairment of goodwill is reflected in the data of the Consolidated Financial statements of the Immsi Group at 31 December 2020. Sensitivity analysis was carried out on the test results compared to the basic assumptions used such as the perpetual growth rate used to process the final value ("g rate") and the discount rate ("WACC"), that affect the estimate of the value of use of the cash-generating unit Intermarine: the test concerning goodwill allocated to the cash-generating unit in question was passed in all reasonably considered cases.

Considering that the analyses conducted to estimate the recoverable value both for the Piaggio group cash-generating unit and for the Intermarine cash-generating unit has also been determined on the basis of estimates, the Group cannot assure that there will not be an impairment of goodwill in future periods.

Given the current market weakness, the various factors used in processing estimates could require revision in the future. The Group will constantly monitor these factors and the possible existence of future impairment losses.

Other intangible assets

The item “Other intangible assets with a finite life” totalling €293 thousand, includes expenses incurred by Piaggio Vietnam.

- F2 - PROPERTY, PLANT AND EQUIPMENT 336,850

Net property, plant and equipment at 31 December 2020 amounted to €336,850 thousand, compared to €337,988 thousand at 31 December 2019, and comprise assets owned by the Piaggio group for €297,857 thousand, of Intermarine S.p.A. for €17,260 thousand, of Is Molas S.p.A. for €20,327 thousand and of Immsi S.p.A. for €1,225 thousand.

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	616	4,013	29,980	11,537	28	7,457	53,631
Decreases	0	(13)	(17,537)	(9,631)	0	(4,645)	(31,826)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other movements	0	29,180	1,312	187	958	5,697	37,334
Gross amounts at 31 December 2019	45,324	224,747	538,308	524,774	16,479	68,420	1,418,052
Accumulated depreciation at 31 December 2018	0	87,958	407,151	497,563	14,475	50,906	1,058,053
Depreciation	0	10,797	21,963	9,363	210	7,717	50,050
Uses	0	(13)	(17,463)	(9,630)	0	126	(26,980)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	41	1,952	1,651	(115)	(4,588)	(1,059)
Accumulated depreciation at 31 December 2019	0	98,783	413,603	498,947	14,570	54,161	1,080,064
Net amounts at 31 December 2019	45,324	125,964	124,705	25,827	1,909	14,259	337,988
Gross amounts at 31 December 2019	45,324	224,747	538,308	524,774	16,479	68,420	1,418,052
Increases	685	9,613	25,532	18,672	0	8,052	62,554
Decreases	0	(738)	(6,646)	(3,341)	0	(1,221)	(11,946)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other movements	0	(4,700)	(17,721)	(216)	38	(1,085)	(23,684)
Gross amounts at 31 December 2020	46,009	228,922	539,473	539,889	16,517	74,166	1,444,976
Accumulated depreciation at 31 December 2019	0	98,783	413,603	498,947	14,570	54,161	1,080,064
Depreciation	0	11,607	21,618	9,330	255	8,198	51,008
Uses	0	(5)	(6,393)	(2,955)	0	0	(9,353)
Change in the scope of consolidation	0	0	0	0	0	0	0
Other changes	0	(1,345)	(10,201)	(107)	(75)	(1,865)	(13,593)
Accumulated depreciation at 31 December 2020	0	109,040	418,627	505,215	14,750	60,494	1,108,126
Net amounts at 31 December 2020	46,009	119,882	120,846	34,674	1,767	13,672	336,850

Note: the item “Other movements” includes exchange differences arising from the translation of financial statements in foreign currency, reclassifications and write-downs.

Property, plant and equipment are depreciated at rates considered suitable for representing their useful life and in any case according to depreciation on a straight line basis, to which reference is made to paragraph D – *Accounting standards and measurement criteria*.

Property, plant and equipment at 31 December 2020 included approximately €1,767 thousand relative to freely transferable assets attributable to Intermarine, comprising light constructions, buildings and relative renovation costs, built on state-owned land in the Municipality of Messina. Buildings built on state-owned land are depreciated based on the remaining duration of the concession. These assets, held because of a concession agreement, at its expiry, must be freely and in a perfect state of operation transferred to the granting body.

Furthermore, finance costs on loans acquired to finance the building of assets that require a substantial period of time to be ready for use are capitalised as part of the cost of the assets themselves: in this regard, the Group capitalised finance costs for €395 thousand in the year.

Land and buildings

Land and industrial property refer to production facilities of the Piaggio group located in Pontedera (Pisa), Noale and Scorzè (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India) and Vinh Phuc (Vietnam), to the industrial complex of Intermarine S.p.A. in Sarzana (SP) and to the tourist/hotel complex managed by Is Molas S.p.A. in the Municipality of Pula (Cagliari).

The item also includes a building located in Pisa, used as a warehouse by Piaggio & C. S.p.A.. The Group recognised €6,483 thousand for assets under construction at owned property.

Plant and machinery

Plant and machinery substantially refers to the Piaggio group's production sites located in Pontedera (Pisa), Noale and Scorzè (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam), as well as structures owned by Intermarine S.p.A. and facilities at the tourist-hotel complex managed by Is Molas S.p.A., for a total net value (including leased assets) of €120,846 thousand. The Group recognised €15,451 thousand for assets under construction and uses overall fully depreciated plant and machinery for a gross value of approximately €23,525 thousand.

This item includes the net value of the assets held through leases of €8,988 thousand, consisting of the Vespa painting plant located in Pontedera.

Industrial and commercial equipment

The value of industrial and commercial equipment amounts to €34,674 thousand. The balance includes assets under construction for about €16 million, mainly attributable to the Piaggio group.

Main investments in equipment were made by the Piaggio group and concerned moulds for new vehicles launched during the year or scheduled to be launched in the first half of next year, moulds for new engines and specific equipment for assembly lines.

Other assets

The “Other assets” item comprises vehicles, furniture, office fittings and EDP systems. Other assets are recognised for a total value of €13,672 thousand, net of relative depreciation. The Group uses fully depreciated assets belonging to this category for a gross value of €2,026 thousand and recognised assets under construction for €1,503 thousand.

Rights of use

Rights of use, which refer to operating leases, finance leases and lease payments made in advance for the use of property, are included in the individual categories to which they refer.

The Group has stipulated rental/hire contracts for offices, plants, warehouses, company accommodation, cars and forklift trucks. The rental/lease agreements are typically for a fixed duration, but extension options are possible.

At 31 December 2020, the net value of right of use assets amounted to €35,846 thousand, broken down as follows: buildings for €22,297 thousand, plant and machinery for €8,988 thousand, concessions for €886 thousand and other assets for €3,675 thousand. Commitments for lease payments falling due are described in detail in the section on Financial liabilities.

Details of changes in 2020 are reported below:

	<i>Opening balance at 31.12.2019</i>	<i>Purchases and/or increases</i>	<i>Sales and/or decreases</i>	<i>Depreciation</i>	<i>Other changes</i>	<i>Closing balance 31.12.2020</i>
Historical cost	49,693	7,901	-791	0	-1,522	55,281
Depreciation	-10,522	0	0	-9,180	267	-19,435
Total rights of use	39,171	7,901	-791	-9,180	-1,255	35,846

The Income Statement includes the following amounts relating to lease agreements:

	2020	2019
Depreciation of rights of use	9,180	8,104
Financial charges for rights of use	1,534	1,379
Rental payments (not IFRS 16)	9,580	11,192

In 2020, leasing agreements subject to IFRS 16 resulted in a cash outflow of €9,649 thousand.

Warranties

At 31 December 2020, the Group had land and property encumbered by mortgages or pledges in favour of financial institutions to guarantee bank loans, to which reference is made in the paragraph I – *Commitments, risks and guarantees*.

- F3 - INVESTMENT PROPERTY	4,600
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At 31 December 2020, investment property of the Immsi Group was recognised amounting to €4,600 thousand, attributable to the property, plant and machinery of the Spanish site at Martorelles of the Piaggio group.

Since the group does not consider this site to be strategic and having identified an interested party to purchase it in the last quarter, it decided to dispose of it. The property was sold on 17 February 2021. The carrying amount at 31 December 2020 was determined on the basis of the price defined in the sales contract, the negotiation of which was already in progress and defined in its essential elements at the end of December 2020. It should be noted that in the period between 31 December 2020 and the date of sale, no events occurred that would have altered the value.

The Group uses the "fair value model" as provided for in IAS 40, thus the measurement updated during 2020 resulted in profit adjusted to fair value, equal to €4,603 thousand being recognised under other costs in the income statement for the period.

If the cost criterion had still been used instead of fair value, the valuation would have been the same. During 2020, costs incurred for management of the site amounted to €238 thousand.

- F4 - EQUITY INVESTMENTS	9,157
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The table below details the item Equity investments at 31 December 2020:

In thousands of Euros	<i>Balance at 31.12.2019</i>	<i>Reversals / Write-downs</i>	<i>Reclassifications / Exchange differences</i>	<i>Balance at 31.12.2020</i>
Investments in subsidiaries	17	(2)	0	15
Equity investments in affiliated companies and joint ventures	8,918	504	(280)	9,142
TOTAL	8,935			9,157

The increase of the above item refers mainly to the equity valuation of the investment in the Zongshen Piaggio Foshan Motorcycles Co. Ltd..

Below is the corresponding table related to changes that occurred during 2019:

In thousands of Euros	<i>Balance at 31.12.2018</i>	<i>Reversals / Write-downs</i>	<i>Reclassifications / Exchange differences</i>	<i>Balance at 31.12.2019</i>
Investments in subsidiaries	20	(3)	0	17
Equity investments in affiliated companies and joint ventures	7,942	919	57	8,918
TOTAL	7,962			8,935

The table below details Investments at 31 December 2020:

Investments	% Group	Carrying amount at 31 December 2020
Accounted for using the equity method:		
Rodriquez Pietra Ligure S.r.l.	100.00%	15
Accounted for using the cost method:		
Total subsidiaries		15
Accounted for using the equity method:		
Zongshen Piaggio Foshan Motorcycle Co. LTD.	45.00%	8,965
Total joint ventures		8,965
Accounted for using the equity method:		
S.A.T. Societé d'Automobiles et Triporteurs S.A.	20.00%	0
Depuradora d'Aigües de Martorelles S.C.C.L.	22.00%	17
Pontedera & Tecnologia S.c.r.l.	20.45%	142
Accounted for using the cost method:		
Consorzio CTMI – Messina	34.21%	18
Total associates		177
TOTAL		9,157

The investment in Zongshen Piaggio Foshan Motorcycles Co. Ltd was classified under the item "joint ventures" in relation to agreements made in the contract signed on 15 April 2004 between Piaggio & C. S.p.A. and its partner Foshan Motorcycle Plant, and the Chinese company Zongshen Industrial Group Company Limited. Piaggio & C. S.p.A.'s investment in Zongshen Piaggio Foshan Motorcycles is equal to 45%, of which 12.5% through the direct subsidiary Piaggio China Company Ltd. The carrying amount of the investment is equal to €8,965 thousand and refers to shareholders' equity

pro-rata adjusted to take into account the measurement criteria adopted by the Group.

The following table summarises the main balance sheet data of the joint venture determined by the percentage of ownership:

figures in thousands of Euros	31.12.2020	31.12.2019
Working capital	4,808	4,198
Financial debt	1,950	1,823
Total assets	4,175	4,515
NET CAPITAL EMPLOYED	10,933	10,536
Provisions	169	112
Financial debt	0	0
Shareholders' equity	10,764	10,424
TOTAL SOURCES OF FINANCING	10,933	10,536
Shareholders' equity attributable to the Group	10,764	10,424
Elimination of margins on internal transactions	(1,799)	(1,671)
Value of the investment	8,965	8,753

The reconciliation of Shareholders' Equity at the end of 2019 and at 31 December 2020 is presented below:

Opening balance at 1 January 2020	8,753
Profit (Loss) for the period	614
<i>Other comprehensive income</i>	(274)
Elimination of margins on internal transactions	(128)
Closing balance at 31 December 2020	8,965

- F5 - OTHER FINANCIAL ASSETS	4,793
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- Non-current portion

Other non-current financial assets amount to €37 thousand, and consist of investments held in other minor companies by the Piaggio group.

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

- Current portion

Other current financial assets amounted to €4,756 thousand compared to €7,430 thousand at the end of the previous year.

The item includes the equity investment (equal to 279,639 shares) held by Immsi S.p.A. in Unicredit S.p.A., measured at fair value at the reference date of 31 December 2020 equal to e2,139 thousand, down by €1,502 thousand compared to 31 December 2019. The Parent Company adjusted the carrying amount of the share package to the value recognised at 31 December 2020, recognising the adjustment in other comprehensive income.

Current financial assets also include €2,617 thousand regarding the short-term portion of the fair value of cross currency swaps on a private debenture loan related to Piaggio & C. S.p.A.

- F6 - TAX RECEIVABLES
27,302

Current and non-current tax receivables amount to a total of €27,302 thousand, down on the previous year mainly due to the lower VAT receivables of Piaggio & C. S.p.A., and are detailed below:

- Non-current portion

In thousands of Euros	<i>Balance at 31.12.2020</i>	<i>Balance at 31.12.2019</i>
VAT receivables	859	4,209
Income tax receivables	10,790	9,886
Other tax receivables	750	19
TOTAL	12,399	14,114

Tax receivables due after 12 months refer exclusively to receivables of the Piaggio group.

- Current portion

In thousands of Euros	<i>Balance at 31.12.2020</i>	<i>Balance at 31.12.2019</i>
VAT receivables	10,175	15,067
Income tax receivables	2,836	2,639
Other tax receivables	1,892	3,186
TOTAL	14,903	20,892

Immsi S.p.A. has tax consolidation contracts with the subsidiaries Piaggio & C. S.p.A., Piaggio Concept Store Mantova S.r.l., Aprilia Racing S.r.l., Apuliae S.r.l., Intermarine S.p.A., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l. and Pietra Ligure S.r.l.. As regards contracts signed with these companies, the Parent Company Immsi S.p.A., as consolidating entity, recognised tax receivables for €114 thousand in its financial statements, relative to withholding taxes transferred from companies of the agreement, recognised in the current portion as they concern disposal to subsidiaries pursuant to Article 43-ter of Italian Presidential Decree 602/73 to be offset in 2021.

- F7 - DEFERRED TAX ASSETS
138,488

At 31 December 2020, net deferred tax assets that will fall due within 12 months total €11,790 thousand (€11,780 thousand at 31 December 2019) while those falling due beyond 12 months amount to €126,698 thousand (€122,661 thousand at 31 December 2019): these values are recorded net of deferred tax liabilities which are uniform as regards maturity and nature. Deferred tax liabilities were determined applying the tax rate in effect in the year when temporary differences occur.

Deferred tax assets recognised mainly refer to the Piaggio group for €64,686 thousand (€63,190 thousand at 31 December 2019), Intermarine S.p.A. with €43,332 thousand (compared to €46,058 thousand at 31 December 2019) and Is Molas S.p.A. with €18,275 thousand (€16,665 thousand at 31 December 2019). In general, reference is made to temporary differences measured in 2020 and previous years and losses of 2020 and previous years.

As regards the measurements to define the deferred tax assets, the Group mainly took account of i) the tax regulations in the various countries in which it operates; ii) their impact in terms of timing differences and any tax benefits deriving from the use of prior tax losses in consideration of their falling due; (iii) the tax rate in effect in the period in which the temporary differences will reverse (iv) the projected economic results for each individual company and the economic and tax effects; and v) of the agreements and plans of national tax consolidation over a period of five years.

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

Gross deferred tax assets are as follows:

	<i>Taxable amount</i>	<i>Tax effect</i>	<i>Recognised</i>	<i>Not recognised</i>
Temporary differences for allocations to provisions	89,731	23,951	n/a	n/a
Other differences	53,794	12,073	n/a	n/a
Total of provisions and other changes	143,525	36,024	34,900	1,124
Tax losses	523,220	126,704	103,588	23,116
Grand total at 31 December 2020	666,745	162,728	138,488	24,240

Unrecognised deferred tax assets amount to €24,240 thousand and refer to prior year losses and other temporary differences attributable to the Piaggio group.

For comparability, the corresponding table at 31 December 2019 is shown below:

In thousands of Euros

	<i>Taxable amount</i>	<i>Tax effect</i>	<i>Recognised</i>	<i>Not recognised</i>
Temporary differences for allocations to provisions	94,302	25,195	n/a	n/a
Other differences	52,742	11,607	n/a	n/a
Total of provisions and other changes	147,044	36,802	34,753	2,049
Tax losses	497,683	120,544	100,127	20,417
Grand total at 31 December 2019	644,727	157,346	134,880	22,466

- F8 - TRADE RECEIVABLES AND OTHER RECEIVABLES	151,392
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- Non-current portion

Trade receivables and other receivables included under non-current assets total €29,536 thousand against €17,232 thousand at 31 December 2019. The item mainly includes deferred charges for €17,164 thousand, security deposits for €1,618 thousand, receivables to the Fondazione Piaggio for €81 thousand and a receivable of €1,684 thousand recognised by Is Molas and relative to the "Le Ginestre" proceedings.

The item in question includes trade receivables due after 12 months recognised by Intermarine S.p.A. and to this date entirely written down for €1,203 thousand.

- Current portion

Trade receivables and other current receivables are represented by the following:

In thousands of Euros	<i>Balance at 31.12.2020</i>	<i>Balance at 31.12.2019</i>
Trade receivables	74,979	84,635
Amounts due from affiliated companies	71	137
Amounts due from joint ventures	841	2,282
Other receivables	45,965	40,142
TOTAL	121,856	127,196

The item "Trade receivables" comprises amounts due from normal sales transactions, stated net of a provision for bad debts of €29,767 thousand, which at 31 December 2020 had increased by €1,906 thousand compared to 31 December 2019.

The following table shows the movements of the current and non-current provision in question during 2020:

In thousands of Euros	
Balance at 31.12.2019	29,064
Increases for allocations	2,571
Decreases for use	(665)
Balance at 31.12.2020	30,970

The Piaggio group sells a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to essentially optimise, monitor and manage its trade receivables, besides offering its customers an instrument for funding their own inventories, and, as regards factoring without recourse, the substantial transfer of risks and benefits.

At 31 December 2020, trade receivables still due, sold without recourse, totalled €93,590 thousand: of this amount, the Piaggio group received advance payments for €92,707. At 31 December 2020, advance payments received from factoring companies and banks for trade receivables sold with recourse totalled €9,133 thousand, with a counter entry recorded in current liabilities.

Intermarine also signs contracts with major Italian factoring companies for the assignment of trade receivables without recourse. In particular, Banca IFIS granted a limit of €36.7 million for advance payments and/or assignments without recourse on the contracts for the minesweeper platform and Gaeta, outstanding at 31 December 2020 for €10.3 million, while the limit granted by Banca Carige for €3 million was fully available at 31 December 2020.

The balance of receivables from affiliated companies refers instead to amounts owing from the Consortium CTMI, while receivables from joint ventures refer to Zongshen Piaggio Foshan Motorcycle Co. Ltd..

Other receivables include: €10,230 thousand recognised by the Indian affiliate related to a receivable for the contribution recognised by the Indian Government on investments made in previous years, advances to suppliers for €6,771 thousand mainly recognised by the subsidiary Intermarine S.p.A., accrued income and prepaid expenses for a total of €6,628 thousand, advances to employees for €1,213 thousand, security deposits for €323 thousand, receivables related to ministerial contributions for €523 thousand and other receivables of various kinds.

Finally other receivables include the equivalent value of works in progress to order net of advances received, referring entirely to the subsidiary Intermarine S.p.A., whose composition is given below.

In thousands of Euros				
	<i>Balance at 31.12.2019</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance at 31.12.2020</i>
Contract work in progress gross of advances	164,035	61,573	(112,452)	113,156
Contractual advances received from customers	154,697			102,966
Contract work in progress net of advances	9,338			10,190
Costs sustained	121,110			77,755
Margins recognised (net of losses)	42,925			24,951

- F9 -	ASSETS / LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL	27,514
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The net carrying amount of assets held for sale amounts to €27,514 thousand and refers to the property portfolio of Pietra Ligure acquired in 2007 and recognised under buildings held for disposal in relation to contracts and obligations undertaken by the company.

Gross assets held for sale amount to €33,514 thousand and include the above-mentioned complex acquired at public auction by the State for a total of €19.1 million and the valuation of the right to use the area equal to the current value of the State fees provided for the concession in favour of Pietra Ligure S.r.l., recognised under assets in accordance with IFRS 16, as a contra entry of the financial liability related to the current value of future payments recorded under liabilities related to assets held for sale. 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 2020.

- F10 -	INVENTORIES	305,824
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Inventories are measured at the lower of cost and market value and totalled €305,824 thousand at the end of the period, comprising:

In thousands of Euros	<i>Balance at 31.12.2020</i>			<i>Balance at 31.12.2019</i>		
	<i>Cost</i>	<i>Write-off</i>	<i>Net</i>	<i>Cost</i>	<i>Write-off</i>	<i>Net</i>
Consumables	53	0	53	48	0	48
Raw materials	116,467	(15,463)	101,004	122,541	(15,201)	107,340
Work in progress and semi-finished products	127,521	(10,541)	116,980	131,561	(12,510)	119,051
Finished products	106,459	(18,672)	87,787	127,807	(21,042)	106,765
TOTAL	350,500	(44,676)	305,824	381,957	(48,753)	333,204

The above write-downs were necessary due to stocks of raw materials no longer usable in the production process and obsolete or slow-moving finished products and goods.

At 31 December 2020, the Piaggio group had inventories of €189,864 thousand, net of the allowance for doubtful accounts, regarding components, accessories and two, three and four-wheeler vehicles. Intermarine S.p.A. contributed €49,059 thousand for the recognition mainly of raw materials and work in progress for prototypes, own constructions and repairs. Finally, Is Molas S.p.A. recognised €66,901 thousand of inventories at the end of the reporting period relating to the hotel business, as well as work in progress and semi-finished products comprising land, volumes, costs for services and consultancy for the property development project relating to the allotment located in Is Molas - Cagliari.

- F11 - CASH AND CASH EQUIVALENTS **249,886**

Cash and cash equivalents at the end of the period totalled €249,886 thousand against €212,596 thousand at 31 December 2019, as detailed in the table below:

In thousands of Euros	<i>Balance at 31.12.2020</i>	<i>Balance at 31.12.2019</i>
Cheques	0	20
Cash and cash equivalents	64	90
Securities	0	62,116
Receivable due from banks within 90 days	249,822	150,370
TOTAL	249,886	212,596

The aggregate in question refers to cash, current bank accounts, deposits refundable on demand and other short-term high-liquidity financial investments readily convertible into cash and subject to an insignificant risk of change in value.

The item Securities refers to deposit agreements entered into by the Indian subsidiary of the Piaggio group to effectively use temporary liquidity, while the item receivables due from banks within 90 days (attributable to the Piaggio group for €230,093 thousand), mainly refers to bank and postal deposits.

The table below reconciles the amount of cash and cash equivalents above with cash and cash equivalents recognised in the Statement of Cash Flows.

In thousands of Euros	<i>Balance at 31.12.2020</i>	<i>Balance at 31.12.2019</i>
Cash and cash equivalents	249,886	212,596
Current account overdrafts	(1,187)	(541)
TOTAL	248,699	212,055

- F12 - BREAKDOWN OF RECEIVABLES BY VALUATION METHOD

Information on the carrying amount of financial assets and operating receivables at 31 December 2020 and 31 December 2019, with particular reference to the accounting standards adopted, is given below.

- Operating assets

In thousands of Euros

Values at 31 December 2020	Assets at FVPL	Assets at FVOCI	Financial instruments derivatives	Assets at cost depreciated/ amortised cost	Total
Non-current					
Tax receivables				12,399	12,399
Other receivables				29,536	29,536
Total non-current operating receivables	0	0	0	41,935	41,935
Current					
Trade receivables				75,891	75,891
Tax receivables				14,903	14,903
Other receivables	205		1,232	34,338	35,775
Total current operating receivables	205	0	1,232	125,132	126,569

In thousands of Euros

Values at 31 December 2019	Assets at FVPL	Assets at FVOCI	Financial instruments derivatives	Assets at cost depreciated/ amortised cost	Total
Non-current					
Tax receivables				14,114	14,114
Other receivables				17,232	17,232
Total non-current operating receivables	0	0	0	31,346	31,346
Current					
Trade receivables				87,054	87,054
Tax receivables				20,892	20,892
Other receivables			123	30,681	30,804
Total current operating receivables	0	0	123	138,627	138,750

- Financial assets

Values at 31 December 2020	Assets at FVPL	Assets at FVOCI	Financial instruments derivatives	Assets at cost depreciated/ amortised cost	Total
Non-current					
Other financial assets	37		0		37
Total non-current financial assets	37	0	0	0	37
Current					
Other financial assets		2,139	2,617		4,756
Cash and cash equivalents				249,886	249,886
Securities				0	0
Total current financial assets	0	2,139	2,617	249,886	254,642

In thousands of Euros

Values at 31 December 2019	Assets at FVPL	Assets at FVOCI	Financial instruments derivatives	Assets at cost depreciated/ amortised cost	Total
Non-current					
Other financial assets	37		3,475		3,512
Total non-current financial assets	37	0	3,475	0	3,512
Current					
Other financial assets		3,641	3,789		7,430
Cash and cash equivalents				150,480	150,480
Securities				62,116	62,116
Total current financial assets	0	3,641	3,789	212,596	220,026

- G - INFORMATION ON THE MAIN LIABILITY ITEMS

Amounts are stated in thousands of Euro unless otherwise indicated.

- G1 -	SHAREHOLDERS' EQUITY	361,949
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Shareholders' equity at 31 December 2020 amounted to €361,949 thousand, of which €229,445 thousand referred to consolidated shareholders' equity attributable to the Group and €132,504 thousand referring to capital and reserves of minorities.

Share capital

At 31 December 2020, the share capital of Immsi S.p.A., fully subscribed and paid up, comprised 340,530,000 ordinary shares with no nominal value, for a total of €178,464,000.00.

As already stated, at 31 December 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 unlimited voting rights.

Legal reserve

The legal reserve comprises reserves allocated following the distribution of profits of Immsi S.p.A. from the year 2000 to the year 2019, in accordance with provisions of law and totalled €8,978 thousand at the end of 2020.

Other reserves

The details of the item Other reserves are shown in the table, amounting to €90,926 thousand at the end of 2020.

In thousands of Euros	Share premium reserve	IAS transition reserve	Reserves as per Law 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		(14,037)	(14,037)
Overall earnings for the period					(5,304)	51	(1,338)	0	(6,592)
Balances at 31 December 2020	94,874	5,300	4,602	1,153	(20,027)	(5,852)	(29,573)	40,448	90,926

The share premium reserve includes the consideration for the shares subscribed following the Immsi S.p.A. capital increases finalised in 2005 and 2006, net of utilisations to cover losses of €342 thousand, for a total value of €94,874 thousand. Other reserves also include the reserve generated by the transition to international accounting standards made by the Group at 1 January 2004, amounting to €5,300 thousand, details of which are provided in the Report on the Financial Statements at 31 December 2005, also available at www.immsi.it. The reserve for the measurement of financial instruments was negative by €29,573 thousand, mainly due to: the recognition in other comprehensive income of the fair value adjustment of equity financial instruments held by the Parent Company, such as the investment in Unicredit, amounting to a negative €12,725 thousand after the adjustment in 2020 of a negative €1,502 thousand, Alitalia - CAI, amounting to €14,778 thousand,

and the residual part due to the recognition of gains (losses) on financial hedging instruments. Other changes mainly include the effect of the Parent Company waiving receivables in favour of certain subsidiaries in order to strengthen their shareholders' equity.

Losses carried forward

Losses carried forward amount to €58,675 thousand negative and refer to cumulative Group results.

Capital and reserves of non-controlling interests

At 31 December 2020 the balance of share capital and reserves attributable to third party shareholders totalled €132,504 thousand, down by €1,379 thousand compared to 31 December 2019.

Statement of Comprehensive Income

At 31 December 2020, the overall result for the period showed a profit of €4,211 thousand, of which €1,049 thousand pertaining to non-controlling interests, against the recognition of negative components that may not be reclassified in future in profit or loss for a total of €1,411 thousand, mainly due to the fair value adjustment of instruments representing capital held by the Parent Company, partially offset by actuarial gains on defined benefit plans, as well as negative components which may be reclassified in future in profit or loss, amounting to €10,184 thousand, chiefly relating to translation losses recognised by the Piaggio group.

- G2 -	FINANCIAL LIABILITIES	1,059,815
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Financial liabilities at 31 December 2020 amounted to €1,059,815 thousand: the portion recognised as non-current liabilities amounted to €571,517 thousand, compared to 550,280 at 31 December 2019, while the portion recognised as current liabilities amounted to €488,298 thousand, compared to €469,865 thousand at 31 December 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 €2,152 thousand, recognised in full in the current portion.

At 31 December 2020, total interest expense was recognised by the Group, amounting to €4,872 thousand due to non-controlling interests of Group companies accrued on loans received.

As already stated, net financial debt does not include financial assets and liabilities arising from the fair value measurement of financial derivatives used for hedging and otherwise, the fair value adjustment of related hedged items, financial liabilities referred to assets held for sale, related accruals and payables for interest expense accrued on loans received.

All financial liabilities are measured in accordance with accounting standards and based on the amortised cost method (except for liabilities with hedging derivatives measured at Fair Value Through Profit & Loss, for which the same measurement criteria used for the derivative are applied). According to this method, the nominal amount of the liability is decreased by the amount of relative costs of issue and/or stipulation, in addition to any costs relating to refinancing of previous liabilities. The amortisation of these costs is determined on an effective interest rate basis, and namely the rate which discounts the future flows of interest payable and reimbursements of principle at the net carrying amount of the financial liability.

The following tables summarise the composition by type of the gross financial debt.

- Non-current portion

In thousands of Euros	Balance at 31.12.2020	Balance at 31.12.2019
Bonds	272,579	282,099
Payables due to banks	278,633	242,560
Amounts due under leases	19,987	22,225
Amounts due to other lenders	318	127
TOTAL	571,517	547,011

- Current portion

In thousands of Euros	Balance at 31.12.2020	Balance at 31.12.2019
Bonds	11,038	11,022
Payables due to banks	399,021	382,759
Amounts due under leases	8,850	8,902
Amounts due to subsidiaries (*)	7	8
Amounts due to other lenders	62,357	59,290
TOTAL	481,273	461,981

*) not consolidated on a global integration basis

The composition of gross financial debt is as follows:

In thousands of Euros	Balance at 31.12.2020	Balance at 31.12.2019	Nominal value at 31.12.2020	Nominal value at 31.12.2019
Bonds	283,617	293,121	291,050	302,101
Payables due to banks	677,654	625,319	679,313	627,097
Amounts due under leases	28,837	31,127	28,837	31,127
Amounts due to subsidiaries (*)	7	8	7	8
Amounts due to other lenders	62,675	59,417	62,675	59,417
TOTAL	1,052,790	1,008,992	1,061,882	1,019,750

*) not consolidated on a global integration basis

The following table shows the reimbursement plan for gross financial debt at 31 December 2020 of the Group:

In thousands of Euros	Nominal value at 31.12.2020	Portions falling due within 12 months	Portions falling due within 31.12.2022	Portions falling due within 31.12.2023	Portions falling due within 31.12.2024	Portions falling due within 31.12.2025	Portions falling due Beyond
Bonds	291,050	11,050	30,000	0	0	250,000	0
Payables due to banks	679,313	389,876	153,976	72,603	21,191	18,334	23,333
Amounts due under leases	28,837	8,848	5,324	6,088	3,485	3,078	2,014
Amounts due to subsidiaries (*)	7	7	0	0	0	0	0
Amounts due to other lenders	62,675	62,357	71	71	71	71	34
TOTAL	1,061,882	472,138	189,371	78,762	24,747	271,483	25,381

*) not consolidated on a global integration basis

The following table analyses gross financial debt by currency and interest rate (net of financial liabilities for operating leases):

In thousands of Euros				
	<i>Balance at</i>	<i>Balance at</i>	<i>Nominal value</i>	<i>Interest rate at</i>
	<i>31.12.2019</i>	<i>31.12.2020</i>	<i>at</i>	<i>31.12.2020</i>
			<i>31.12.2020</i>	
Euros	949,403	999,774	1,008,736	3.19%
Vietnamese Dong	16,404	27,884	27,884	3.35%
Japanese Yen	2,788	2,688	2,818	2.65%
Indian Rupee	9	0	0	n/a
Indonesian Rupiah	193	470	470	n/a
US Dollar	17,091	0	0	n/a
TOTAL	985,888	1,030,816	1,039,908	3.19%

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 falling due on 31 December 2022 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 €9,728 thousand, of which 4.8 million for instalments repayable within 12 months. This line provides for two covenants to be verified at 31 December of each year, one of which was met at the end of 2020, while for the second covenant an exemption from verification has been requested and obtained, as well as a Value to Loan, also met at the end of 2020;
- a partially amortised credit line granted until December 2022 by Banca Nazionale del Lavoro for a nominal amount of €30 million and recognised at the amortised cost of €29,705 thousand. This loan provides for a benchmark rate equal to the variable Euribor rate increased by a spread. Moreover, it provides for a minimum listing of the Piaggio share and compliance with two covenants, to be assessed at 31 December of each year, met at the end of 2020, and a Value to Loan also met at the end of the year.
- a credit line amortised with Istituto Monte dei Paschi di Siena for a total of €30 million, falling due in June 2023, repositioned following a moratorium. The agreements have a benchmark rate equal to the Euribor increased by a spread, two covenants and a Value to Loan to verify, and met at 31 December 2020. The loan is recognised according to the amortised cost equal to €17,397 thousand, of which €7 million for instalments repayable within 12 months;
- a loan from Banca Ifis for a nominal amount of €10 million falling due on 31 December 2022, repositioned following a moratorium, 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 €5,378 thousand, of which €2,307 thousand for instalments repayable within 12 months. This loan provides for two covenants to be verified at 31 December each year and respected at the end of 2020 as well as a Value to Loan also met at 31 December 2020;
- credit lines, falling due in January 2021, granted at the end of 2022 by Intesa Sanpaolo for €15 and €25 million, besides a Bullet – Multi Borrower line with Intesa Sanpaolo, granted for €125 million, of which €82.7 million to Immsi S.p.A., €30 million to ISM Investimenti S.p.A. and €12.3 million to Intermarine S.p.A. These loans have a benchmark rate equal to the Euribor plus a spread, as well as compliance with a verified Value to Loan, verified and complied with at 31 December 2020;
- a revolving credit line, equal to €15 million, disbursed in December 2020 by Unicredit at a benchmark rate equal to the Euribor increased by a spread, falling due at the end of 2021. The agreements include a covenant to be verified quarterly, which was complied with at 31 December 2020;

- four amortised credit lines granted between December 2018 and July 2019 by Banco BPM for a nominal amount of €4.5 million falling due in December 2022, €4 million falling due in March 2023, €5 million falling due in June 2023 and €6.5 million falling due in September 2023; all final maturities have been repositioned following a moratorium. all lines disbursed have a benchmark rate equal to Euribor plus a spread and are recognised at amortised cost at the end of 2020 for a total of €14,423 thousand, of which €5 million in instalments repayable during 2021. To cover the risk of interest rate fluctuation for cash flows, Immsi S.p.A. signed four interest rate swap hedging contracts, which at 31 December 2020 changed the variable rate into a fixed rate for 33% of the nominal value of related loans;
- a €10 million bullet loan granted by ING Bank in December 2020, falling due in July 2022, with a benchmark rate equal to the Euribor increased by a spread;
- two credit lines for advances granted by UBI Banca, one for a value of €5 million with revocable maturity and one for a value of €5 million renewed in February 2020 until January 2022; both lines accrue interest at a benchmark rate equal to the Euribor increased by a spread;
- a securities loan agreement between Immsi S.p.A. and Banca Akros, which - against a loan of 580,491 Unicredit shares, envisages a cash collateral from the bank of approximately €4,122 thousand equivalent to the market value of the share at the date of subscription net of a spread, which takes into account any downward fluctuations in the share. The contract, which expires on withdrawal, envisages a fee equal to 0.05% and interest expense equal to the EONIA increased by a spread, calculated on the cash collateral disbursed by Banca Akros. Immsi received 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 related to a revolving line of credit granted by Intesa Sanpaolo S.p.A. was not used at the end of the year.

During 2020, the Company agreed with certain banks with which it has amortising credit lines, a moratorium for a period of 12 months on the instalments falling due and the consequent repositioning of the same at the end of the repayment schedule, in line with arrangements provided by the banking system for the majority of companies with credit lines.

Piaggio group

- €29,955 thousand (nominal value of €30,000 thousand) medium-term loan from the European Investment Bank to finance Research & Development investments planned for the 2016-2018 period. The loan will mature in December 2023 and has a repayment schedule of 7 fixed-rate annual instalments. The contractual terms envisage loan covenants;
- a €69,913 thousand (nominal value €70,000 thousand) medium-term loan granted by the European Investment Bank to support Research and Development projects of investment plans, scheduled for the Piaggio group's Italian sites in the 2019-2021 period. The loan will mature in February 2027 and has a repayment schedule of 6 fixed-rate annual instalments. The contractual terms envisage loan covenants;
- a syndicated loan of €66,795 thousand (nominal value of €67,500 thousand), totalling €250,000 thousand, taken out in June 2018 and consisting of a four-year tranche (with a year's extension at the discretion of the borrower) of €187,500 thousand as a revolving credit line (nominal value of €5,000 thousand used at 31 December 2020) and a tranche of €62,500 thousand as a five-year loan with amortisation. The contractual terms envisage loan covenants;

- a €19,949 thousand medium-term loan (nominal value of €20,000 thousand) granted by Banca Nazionale del Lavoro. The loan will fall due in June 2022 with a repayment schedule of quarterly instalments and 12-month prepayment;
- an €2,716 thousand medium-term loan (nominal value of €2,720 thousand) granted by UBI Banca. The loan will fall due at the end of June 2021 and has a repayment plan of quarterly instalments;
- a €13,971 thousand medium-term loan (nominal value of €14,000 thousand) granted by Banca Popolare Emilia Romagna. The loan will fall due in early December 2023 and has a repayment plan of six-monthly instalments;
- a €29,890 thousand loan (nominal value of €30,000 thousand) granted by Banco BPM with a repayment schedule of six-monthly instalments and last payment in July 2025. An interest rate swap has been taken out on this loan to hedge the interest rate risk. The contractual terms envisage loan covenants;
- a €59,990 thousand medium-term loan (nominal value of €60,000 thousand) from Cassa Depositi e Prestiti and Monte dei Paschi di Siena. The loan will fall due in December 2021, with a single repayment on maturity;
- a €3,482 thousand medium-term loan (nominal value of €3,500 thousand) granted by Interbanca-Banca IFIS. The loan will fall due at the end of September 2022 and has a quarterly repayment plan. The contractual terms envisage loan covenants;
- a medium-term loan of €5,059 thousand (with nominal value of €5,062 thousand) granted by Banca del Mezzogiorno, falling due in early January 2023, with a six-monthly repayment plan. The loan includes an additional €20,000 thousand tranche granted as a revolving credit line, undrawn at 31 December 2020. The contractual terms envisage loan covenants;
- a €1,850 thousand medium-term loan for VND 51,157,822 thousand granted by VietinBank to the subsidiary Piaggio Vietnam (for a total amount of VND 414,000,000 thousand) to fund the Research & Development investment plan. The loan will fall due in June 2021;
- a €47 thousand loan from Intesa Sanpaolo granted pursuant to Italian Law 346/88 on subsidised applied research.

Piaggio has a revolving credit line for €20,000 thousand (undrawn at 31 December 2020) granted by Intesa Sanpaolo and falling due at the beginning of January 2022.

All the above financial liabilities are unsecured. Based on results at 31 December 2020, all covenants on the above loans had been met.

Intermarine S.p.A.

- a loan granted by Intesa Sanpaolo for €12,300 thousand as part of the multi-line credit facility obtained by Immsi S.p.A., guaranteed by a lien on Piaggio shares; this loan falling due at the end of January 2021 has been extended until the end of January 2022;
- a revolving credit line with Intesa Sanpaolo up to a maximum of €18 million, of which €11.5 million used at 31 December 2020, falling due at the end of January 2021 and extended until the end of January 2022; the line is secured by a lien on Piaggio shares;
- a mortgage loan of €10,000 thousand, with Banca BPER at the end of 2018, falling due in 5 years, with 18 months' pre-amortisation in six-monthly instalments starting from June 2020, secured by a first mortgage on the Sarzana shipyard for €18,000 thousand, with an insurance constraint and a comfort letter from Immsi of €13,000 thousand. Following requests for a moratorium due to the COVID-19 emergency, the date the loan falls due was extended to December 2024, with the first instalment postponed to December 2021;
- financial payables to Banca IFIS for advance payments of the contract for the minesweeper platforms outstanding for €7,923 thousand at 31 December 2020, with repayment in annual instalments by the end of 2022 according to the advances invoiced to the client. Following the moratorium requests due to the COVID-19 emergency, the repayments scheduled for 2020 were postponed starting from January 2021 and the amount of the line was increased

- to €10,500 thousand, of which €2,600 thousand repaid in December. The contract advance line is assisted by a comfort letter from RCN Finanziaria and Immsi;
- financial payables to Banca IFIS for the advance on the Gaeta contract used for €4,500 thousand at 31 December 2020, with repayment due by the end of 2022 based on the advances invoiced to the customer. Following the moratorium requests due to the COVID-19 emergency, the repayments scheduled for 2020 were postponed starting from January 2021 and the amount of the line was increased to €4,500 thousand, used in full at 31 December 2020. The contract advance line is assisted by a comfort letter from RCN Finanziaria and Immsi;
 - a loan granted by Banca Nazionale del Lavoro for €4,000 thousand, with repayment in quarterly instalments and maturity at 24 months, outstanding at 31 December 2020 for €3,500 thousand. Following the moratorium requests due to the COVID-19 emergency, the date the loan falls due was extended by 9 months with repayments postponed from May to November 2020. This loan is assisted by a letter of patronage from Immsi;
 - a €5,000 thousand loan granted by Banca Nazionale del Lavoro, revolving for assistance in the management of working capital, fully available at 31 December 2020, with individual drafts maturing at 180 days, guaranteed by Immsi patronage;
 - an unsecured loan granted by Banca Carige for an original amount of €2,000 thousand, falling due in September 2021, refinanced in November 2020 for €2,500 thousand, with pre-amortisation and monthly repayments assisted by the Guarantee Fund Mediocredito Centrale and a letter of patronage from by Immsi;
 - a loan granted by Credit Agrigole Italia for €5,000 thousand, falling due in 24 months, with quarterly repayments, amounting to €3,143 thousand at 31 December 2020. Following the moratorium requests due to the COVID-19 emergency, the date the loan falls due was extended by 9 months with repayments postponed from April to January 2021. This financing is secured by an Immsi guarantee.

Intermarine has short-term overdraft facilities of €2,235 thousand, undrawn at 31 December 2020.

Is Molas S.p.A.

- a loan at a variable rate granted by Monte dei Paschi di Siena in December 2017 falling due in 5 years for €14,250 thousand at 31 December 2020, with pre-amortisation and subsequent repayment in six-monthly instalments. Following the moratorium request due to the COVID-19 emergency, the date the loan falls due was extended by 12 months, with the repayments of June and December postponed. The bank also waived the covenants to be verified at 31 December 2020. This loan is assisted by a guarantee issued by Immsi S.p.A..

To guarantee a part of the debt of the Parent Company and the subsidiaries Intermarine S.p.A. and ISM Investimenti S.p.A., at 31 December 2020 Immsi S.p.A. pledged approximately 165.7 Piaggio million shares, while an additional 13.6 million Piaggio shares are unencumbered.

The item Bonds for €283,617 thousand (nominal value of €291,050 thousand) refers to:

- €11,038 thousand (nominal value of €11,050 thousand) for the debenture loan (US Private Placement) issued in July 2011 for \$75,000 thousand, fully subscribed by an American institutional investor repayable in five annual instalments starting from July 2017, with semi-annual coupon. At 31 December 2020 the fair value measurement of the debenture loan was equal to €13,203 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;

- €29,948 thousand (nominal value of €30,000 thousand) for a five-year private debenture loan issued in June 2017 and wholly subscribed by Fondo Sviluppo Export, the fund set up by SACE and managed by Amundi SGR. The issue has no specific rating or listing on a regulated market;
- €242,631 thousand (nominal value equal to €250,000 thousand) refers to the high yield debenture loan issued at the end of April 2018 for €250,000, maturing at the end of April 2025 and with semi-annual coupon at a fixed annual nominal rate.

The company may repay in advance:

- all or part of the amount of the high yield debenture loan issued at the end of April 2018, according to the conditions indicated in the indenture. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IFRS 9 b4.3.5;
- all or part of the amount of the private placement issued at the end of June 2017, according to the conditions indicated in the contract. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IFRS 9 b4.3.5.

Finance lease payables of €6,863 thousand (nominal value of €6,871 thousand) refer to the finance lease of €6,782 thousand (nominal value of €6,790 thousand) granted as a Sale&Lease back of a production plant of Piaggio & C. S.p.A. and the finance lease of €81 thousand granted by VFS Servizi Finanziari to Aprilia Racing for the use of vehicles (non-current portion of €69 thousand).

Amounts due to other lenders, totalling €62,675 thousand, of which €62,357 falling due within the year, are broken down mainly as follows:

- two shareholder loans of €6,000 and €9,624 thousand respectively granted to RCN Finanziaria S.p.A. by Intesa Sanpaolo (shareholder of the company), which under an agreement made in June 2019 must be 80% repaid within 3 years of the signing of the supplementary agreement;
- a shareholder loan for €37,528 thousand from Intesa Sanpaolo S.p.A. (formerly Imi Investimenti S.p.A.), shareholder of the company, to ISM Investimenti S.p.A. This loan had expired, as of the contract, at the end of 2018, but could no longer be collected as it was subject, as of the clause included in the respective contract, to repayment of the bank loan to ISM Investimenti from Intesa Sanpaolo S.p.A. of €30 million;
- a subsidised loan for a total of €389 thousand granted by the Region of Tuscany for investments in research and development (non-current portion equal to €318 thousand);
- financial advances from factoring companies and banks for trade receivables assigned with recourse, totalled €9,133 thousand.

Covenants

The main loan agreements entered into by Group companies require – in line with market practices for borrowers with a similar credit standing – compliance with:

- financial covenants, on the basis of which the financed company undertakes to comply with certain levels of contractually defined financial indices, with the most significant - in particular for the Piaggio group - comprising the ratio of net financial debt/gross operating margin (EBITDA), measured on the consolidated perimeter of the Group, according to definitions agreed on with lenders;
- negative pledges according to which the company may not establish collaterals or other constraints on company assets;

- “*pari passu*” clauses, on the basis of which the loans will have the same repayment priority as other financial liabilities;
- change of control clauses, which are effective if the majority shareholder loses control of the company;
- the cross default clauses, based on which, in the event of default on a loan, the default automatically extends to the other lines;
- limitations on the extraordinary operations the company may carry out.

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

- pay dividends or distribute capital;
- make some payments;
- grant collaterals for loans;
- merge with or establish some companies;
- sell or transfer own assets.

The measurement of financial covenants and other contract commitments is monitored by the Group companies on an ongoing basis. Any failure to comply with these covenants and other contractual commitments applied to the loans mentioned above - if not adequately remedied within the agreed time - could result in the requirement of early repayment of the related outstanding debt.

- G3 -	TRADE PAYABLES AND OTHER PAYABLES	595,244
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Trade payables and other payables totalled €595,244 thousand, of which €583,146 thousand due after the year.

Trade payables and other current payables are detailed below:

In thousands of Euros	<i>Balance at 31.12.2020</i>	<i>Balance at 31.12.2019</i>
Trade payables	528,140	529,343
Amounts due to parent companies	342	675
Amounts due to joint ventures	5,449	5,318
Other payables	49,215	49,390
TOTAL	583,146	584,726

With particular reference to the Piaggio group, to facilitate credit conditions for its suppliers, the group has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements.

These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.

At 31 December 2020, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €206,362 thousand (€197,640 thousand at 31 December 2019). Amounts due to joint ventures at 31 December 2020, equal to €5,449 thousand, mainly refer to purchases made by Piaggio Foshan Motorcycles of the Piaggio group.

The “Other current payables” item is detailed below:

In thousands of Euros	<i>Balance at 31.12.2020</i>	<i>Balance at 31.12.2019</i>
Amounts due to employees	16,214	19,871
Liabilities connected to hedging instruments	544	46
Advances from customers	30	19
Amounts due to company boards	684	665
Amounts due to social security institutions	9,953	9,940
Other amounts due to third parties	840	425
Other amounts due to affiliated companies	1	9
Other amounts due to joint ventures	3	26
Accrued expenses	6,792	4,809
Deferred income	3,061	3,169
Other payables	11,093	10,411
TOTAL	49,215	49,390

Amounts due to employees include holidays accrued and not taken and other remuneration to pay, at 31 December 2020, while amounts due to social security institutions basically refer to amounts owing for items payable by companies and employees relative to salaries and wages as well as sums accrued and not paid.

Liabilities related to hedging instruments include the fair value of hedging derivatives, in particular for foreign exchange and commodities risk, as well as the fair value of an interest rate swap designated as a hedge (recognised in accordance with the cash flow hedge principle).

- G4 -	PROVISIONS FOR SEVERANCE LIABILITIES AND SIMILAR OBLIGATIONS	38,254
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The reserve for pensions and similar obligations at 31 December 2020 amounted to €38,254 thousand, down by €4,352 thousand compared to the figure at 31 December 2019.

Below is the breakdown of its composition and movements:

In thousands of Euros	<i>Balance at 31.12.2019</i>	<i>Service cost</i>	<i>Actuarial (gain) loss</i>	<i>Interest cost</i>	<i>Uses and other movements</i>	<i>Balance at 31.12.2020</i>
Termination benefits	41,738	8,842	111	181	(13,577)	37,295
Other funds	868	0	0	0	91	959
TOTAL	42,606	8,842	111	181	(13,486)	38,254

The item Other provisions is mainly attributable to the Piaggio group and includes i) provisions for personnel set aside by foreign companies of the group; and ii) the supplementary indemnity fund for customers, that represents the indemnities owing to the agents of the Piaggio group in case of the agency contract winding up due to events not ascribable to them.

Uses refer to the payment of benefits already accrued in previous years and transfers of pension funds, while allocations refer to benefits accrued in the period.

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

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

- Technical annual discount rate from -0.08% to +0.53%;
- Annual inflation rate 0.8%;
- Annual rate of increase in termination benefit 2.10%.

As regards the discount rate, the *iBoxx Corporates AA* index (Piaggio group, duration 7-10 and Intermarine duration 5-7) and the *iBoxx Corporates A* index (Immsi duration 10+ and Is Molas duration 5-7) were used as the benchmark for the valuation.

The table below shows the effects, in absolute terms, at 31 December 2020, which would have occurred following changes in reasonably possible actuarial assumptions:

	Termination benefits provision
<i>In thousands of Euros</i>	
Turnover rate +2%	36,457
Turnover rate -2%	37,966
Inflation rate +0.25%	37,670
Inflation rate - 0.25%	36,616
Discount rate +0.50%	35,537
Discount rate -0.50%	38,862

The average duration of the bond ranges from 7 to 23 years, while future payments estimated in the Group are equal to:

Year	Future amounts
<i>In thousands of Euros</i>	
1	4,948
2	1,672
3	2,323
4	1,268
5	1,429

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

The German and Indonesian subsidiaries of the Piaggio group have provisions for employees identified as defined benefit plans. At 31 December 2020, these provisions amounted to €126 thousand and €219 thousand.

- G5 -	OTHER LONG-TERM PROVISIONS	38,132
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The balance of other long-term provisions, including the portion due within 12 months, totalled €38,132 thousand at the end of December 2020, registering an increase of €1,425 thousand compared to 31 December 2019.

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

In thousands of Euros	<i>Balance at 31.12.2019</i>	<i>Provisions</i>	<i>Uses</i>	<i>Others movements</i>	<i>Balance at 31.12.2020</i>	<i>Of which current</i>
Provision for product warranties	21,962	8,848	(8,367)	(608)	21,835	14,565
Provisions for risk on investments	22	0	(5)	0	17	0
Provision for contractual risks	3,863	531	(19)	50	4,425	1,425
Other provisions for risks and charges	10,860	1,667	(2,666)	1,994	11,855	8,718
TOTAL	36,707	11,046	(11,057)	1,436	38,132	24,708

The Provision for product warranties refers to allocations recognised at 31 December 2020 by the Piaggio group for €19,106 thousand and by Intermarine S.p.A. for €2,729 thousand for technical warranty operations on products covered by warranties, which are expected to be carried out in the contractual warranty period. As regards – in particular – the forecasts made by the Piaggio group, this period varies according to the type of goods sold and the market, and is also determined by the customer take-up to commit to planned maintenance.

With reference to Intermarine S.p.A., the company allocates this reserve for maintenance under warranty to be carried out in the future years on naval vessels under construction, delivered during the year and/or in previous years, determined on the basis of the estimate of costs incurred in the past for similar vessels.

- G6 -	DEFERRED TAX ASSETS/LIABILITIES	13,635
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The item deferred tax liabilities, down on figures for 2019 by €4,873 thousand, was equal to €13,635 thousand and referred to provisions made by individual companies based on applicable national laws. The balance was offset by €290 thousand by deferred tax assets, of a uniform maturity and type.

The decrease is due to the release of part of the taxes recognised by Immsi S.p.A. for the sale in December 2019 of the property in Rome and the release of deferred tax liabilities on reserves distributed by the Indian subsidiary of Piaggio & C. S.p.A.,.

Deferred tax assets were recognised by the Piaggio group for €5,227 thousand, by the Parent Company Immsi S.p.A. for €8,033 thousand (mainly concerning the capital gain realised on the sale of the property situated in Rome, taxable for corporate income tax purposes over several financial years) and by Intermarine S.p.A. for €375 thousand.

- G7 - CURRENT TAXES **14,876**

The item Current taxes - which includes tax payables recognised in the financial statements of individual consolidated companies, allocated as regards taxes based on applicable national legislation - decreased by €3,701 thousand compared to the end of 2019, and is broken down as follows:

In thousands of Euros	<i>Balance at 31.12.2020</i>	<i>Balance at 31.12.2019</i>
Due for income tax	7,547	11,153
VAT payables	200	1,094
Amounts due for withholding tax	6,314	5,920
Amounts due for local taxes	230	134
Other payables	585	276
TOTAL	14,876	18,577

Payables for withheld taxes made refer mainly to withheld taxes on employees' earnings, on employment termination payments and on self-employed earnings.

- G8 - BREAKDOWN OF PAYABLES BY VALUATION METHOD

Information on the carrying amount of financial liabilities and operating payables at 31 December 2020 and 31 December 2019, with particular reference to the accounting standards adopted, is given below.

- Operating liability

In thousands of Euros	Liabilities at	Derivative	Liabilities at	Total
Values at 31 December 2020	FVPL	financial instruments	amortised cost	
Non-current				
Other payables		268	11,830	12,098
Total non-current operating payables	0	268	11,830	12,098
Current				
Trade payables			533,931	533,931
Tax payables			14,876	14,876
Other payables		544	48,671	49,215
Total current operating payables	0	544	597,478	598,022

In thousands of Euros	Liabilities at	Derivative	Liabilities at	Total
Values at 31 December 2019	FVPL	financial instruments	amortised cost	
Non-current				
Other payables			7,450	7,450
Total non-current operating payables	0	0	7,450	7,450
Current				
Trade payables			535,336	535,336
Tax payables			18,577	18,577
Other payables		46	49,344	49,390
Total current operating payables	0	46	603,257	603,303

- Financial liability

In thousands of Euros

	Liabilities at	Adjustment	Derivative	Liabilities at	Total
Values at 31 December 2020	FVPL	to FV	financial instruments	amortised cost	
Non-current					
Bank loans				278,633	278,633
Bonds				272,579	272,579
Other loans				318	318
Leases				25,987	25,987
Total non-current financial liabilities	0	0	0	577,517	577,517
Current					
Bank loans				399,021	399,021
Bonds		2,152		11,039	13,191
Other loans				67,236	67,236
Leases				8,850	8,850
Total current financial liabilities	0	2,152	0	486,146	488,298

In thousands of Euros

	Liabilities at	Adjustment	Derivative	Liabilities at	Total
Values at 31 December 2019	FVPL	to FV	financial instruments	amortised cost	
Non-current					
Bank loans				242,560	242,560
Bonds		3,269		282,099	285,368
Other loans				127	127
Leases				28,231	28,231
Total non-current financial liabilities	0	3,269	0	553,017	556,286
Current					
Bank loans				382,759	382,759
Bonds		3,265		11,022	14,287
Other loans				63,917	63,917
Leases				8,902	8,902
Total current financial liabilities	0	3,265	0	466,600	469,865

- H - INFORMATION ON THE MAIN INCOME STATEMENT ITEMS

Amounts are stated in thousands of Euro unless otherwise indicated.

Before analysing the individual item, it is pointed out that the general information on costs and revenues is contained in the Report on Operations, in accordance with Article 2428 of the Italian civil code.

- H1 - NET SALES

1,376,767

Revenues from sales and services at 31 December 2020 amounted to €1,376,767 thousand, down by 13.5% (€-213,968 thousand) compared to the previous year. The decrease is attributable to the industrial sector (€-207,635 thousand, -13.6%), in addition to the decline in the real estate and holding sector (€-3,362 thousand) and the marine sector (€-2,971 thousand).

This item is stated net of premiums given to the customers of the Piaggio group (dealer) and it does not include transport costs recharged to customers and the recovery of advertising costs invoiced, which are shown under other operating income.

Below is a division of net sales by business sectors and by geographic segment of destination, that is, referring to the nationality of the customer:

In thousands of Euros	Financial Year 2020		Financial Year 2019	
	Amount	%	Amount	%
Property and holding sector	1,455	0.1%	4,817	0.3%
Industrial sector	1,313,690	95.4%	1,521,325	95.6%
of which Two-Wheeler business	1,040,900	75.6%	1,055,100	66.3%
of which Commercial Vehicle business	272,790	19.8%	466,225	29.3%
Shipyard segment	61,622	4.5%	64,593	4.1%
TOTAL	1,376,767	100.0%	1,590,735	100.0%

By geographic segment

In thousands of Euros	Financial Year 2020		Financial Year 2019	
	Amount	%	Amount	%
Italy	248,500	18.0%	287,410	18.1%
Other European countries	586,761	42.6%	584,238	36.7%
Rest of the world	541,506	39.3%	719,087	45.2%
TOTAL	1,376,767	100.0%	1,590,735	100.0%

- H2 - COSTS FOR MATERIALS

835,350

Costs for materials totalled €835,350 thousand, compared to €936,495 thousand for the previous year. The percentage of costs accounting for net sales went up compared to the previous year, from 58.9% in 2019 to 60.7% in the current period.

The item includes €8,569 thousand (€14,377 thousand in 2019) for purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan, that are sold on European and Asian markets. The item in question does not include costs recharged to customers and tenants, for an equal amount, and costs related to assets held for disposal, which are recognised separately in a specific item in the Income Statement. The following table details the content of this item:

In thousands of Euros	Financial Year 2020	Financial Year 2019
Change in inventories of finished products, work in progress and semi-finished products	11,153	3,849
Change in capitalised piecework	0	0
Purchase of raw materials and consumables	810,716	936,152
Change in raw materials and consumables	13,481	(3,506)
TOTAL	835,350	936,495

- H3 - COST OF SERVICES AND USE OF THIRD-PARTY ASSETS	225,654
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Cost of services and use of third-party assets totalled €225,654 thousand, down by €47,419 thousand over the previous year. Below is a breakdown of this item:

In thousands of Euros	Financial Year 2020	Financial Year 2019
Transport costs	36,702	38,669
Product warranty costs	1,270	2,815
Advertising and promotion	40,049	49,657
Outsourced manufacturing	27,064	32,442
External maintenance and cleaning costs	10,466	11,018
Employee costs	8,374	17,281
Technical, legal, tax, administrative consultancy, etc.	17,686	20,099
Sundry commercial expenses	4,627	9,703
Energy, telephone, postage costs, etc.	14,346	17,746
Services provided	779	674
Insurance	5,108	5,339
Cost of company boards	5,174	5,384
Sales commissions	429	840
Part-time staff and staff of other companies	2,343	4,244
Bank charges and commission	5,674	5,163
Quality-related events	7,114	3,663
Other expenses	28,869	37,144
TOTAL COSTS FOR SERVICES	216,074	261,881
TOTAL COSTS FOR LEASES AND RENTALS	9,580	11,192
TOTAL COSTS FOR SERVICES, LEASES AND RENTALS	225,654	273,073

The item under review includes Related Party Transactions for €608 thousand, which are detailed in a paragraph contained within this Report.

- H4 - EMPLOYEE EXPENSE

230,798

Employee costs are broken down as follows:

In thousands of Euros	<i>Financial Year 2020</i>	<i>Financial Year 2019</i>
Salaries and wages	172,982	185,246
Social security contributions	43,538	47,761
Termination benefits	8,842	9,007
Personnel restructuring costs	3,853	3,718
Other costs	1,583	2,433
TOTAL	230,798	248,165

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

	<i>Financial Year 2020</i>	<i>Financial Year 2019</i>
Senior management	116	116
Middle managers and white-collar workers	2,517	2,583
Blue collars	3,936	4,081
TOTAL	6,569	6,780

Employee costs increased in absolute terms by €17,367 thousand compared to figures for the previous year (-7%).

Employee costs include €3,853 thousand relating to costs for mobility plans mainly for the Pontedera and Noale production sites, while in 2019 these costs, relative to the same production sites, were equal to €3,718 thousand.

The average number of employees was affected by seasonal workers in the summer months (with fixed-term contracts and fixed-term service contracts) used to deal with typical peaks in demand in the summer months.

The Group's average number of employees in 2020 was 6,569, down by 212 (-3.1%) compared to 31 December 2019.

As required by international accounting standards, no costs for stock options were recognised under employee costs in 2020, as in 2019.

**- H5 - DEPRECIATION AND IMPAIRMENT COSTS OF
PROPERTY, PLANT AND EQUIPMENT**

51,071

Depreciation and impairment costs recognised at 31 December 2020 for property, plant and equipment is listed below, with depreciation rates indicated in the section on accounting standards adopted by the Group:

In thousands of Euros	<i>Financial Year 2020</i>	<i>Financial Year 2019</i>
Depreciation of buildings	11,607	10,797
Depreciation of plant and machinery	21,618	22,581
Depreciation of industrial and commercial equipment	9,330	11,039
Depreciation of assets to be given free of charge	318	273
Depreciation of other assets	8,198	7,717
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	51,071	52,407

Impairment testing did not result in the recognition of costs, while in 2019 €2,294 thousand had been recognised under the item plant, machinery and industrial and commercial equipment. Based on IFRS 16 - Leases, the following depreciation relating to rights of use was recognised during the year:

In thousands of Euros	Financial Year 2020	Financial Year 2019
Depreciation of rights of use relating to buildings	6,105	5,267
Depreciation of rights of use relating to plant and machinery	856	856
Depreciation of rights of use relating to industrial and commercial equipment	0	108
Amortisation of rights of use relating to non-compensated revertible assets	172	128
Amortisation of rights of use relating to other assets	2,047	1,745
DEPRECIATION OF RIGHTS OF USE RELATING TO PROPERTY, PLANT AND EQUIPMENT	9,180	8,104

- H6 -	AMORTISATION AND IMPAIRMENT COSTS OF FINITE LIFE INTANGIBLE ASSETS	68,719
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The amortisation and impairment costs of finite life intangible assets are broken down as follows:

In thousands of Euros	Financial Year 2020	Financial Year 2019
Amortisation of development costs	29,830	34,745
Amortisation of concessions, patents, industrial and similar rights	33,664	35,084
Amortisation of trademarks and licences	4,823	4,823
Amortisation software	119	113
Amortisation of other intangible assets with a finite life	283	221
AMORTISATION OF INTANGIBLE ASSETS	68,719	74,986

The reduction in the item Amortisation and impairment costs of finite life intangible assets, mainly relating to the Piaggio group, is connected with the planned concentration of market launches of new vehicles and new Euro 5 engines in the last part of the year and the concurrent end of the amortisation plans of some projects.

As set out in more detail in the paragraph on intangible assets, as from 1 January 2004, goodwill is no longer amortised, but tested annually for impairment. For further details, readers are referred to Explanatory and Additional Note F1 – *Intangible Assets*.

Amortisation of intangible assets does not include impairment of goodwill during 2020 or in the previous year, as – based on tests carried out – it was not necessary to carry out impairment because goodwill was considered recoverable through future financial flows relative to the cash-generating units the goodwill was allocated to.

This item includes the result of impairment related in particular to development projects for which production plans were revised as part of the 2021-2024 Business Plan prepared by Piaggio, which resulted in the recognition of expenses of €1,136 thousand (€2,339 thousand in 2019).

- H7 - OTHER OPERATING INCOME **129,006**

The “Other operating income” item comprises:

In thousands of Euros	<i>Financial Year 2020</i>	<i>Financial Year 2019</i>
Gains on the disposal of property, plant and equipment	650	124
Sponsorship	2,352	3,475
Grants	4,772	6,075
Recovery of sundry costs	34,635	34,573
Licence rights	2,640	2,887
Sale of materials and sundry equipment	764	1,132
Insurance settlements	2,329	3,043
Increases in fixed assets from internal work	50,733	52,136
Reversal of provisions for risks and other provisions	1,702	1,805
Rent receipts	3,801	5,723
Other operating income	24,628	18,022
TOTAL	129,006	128,995

The item grants includes €2,104 thousand for state and EU grants for Piaggio & C. S.p.A. research projects. The grants are recognised in profit or loss, with reference to the amortisation and depreciation of capitalised costs for which the grants were received. This item also includes contributions for exports (€1,128 thousand) received from the Indian subsidiary of the Piaggio group and contributions received from Intermarine for €732 thousand for research projects.

In compliance with paragraph 125 of Law 124/2017 of 4 August 2017, details per project of funds received during 2020 are given at the end of this Note.

“Recovery of sundry costs” (less the amount in reduction of costs incurred) are related to transport costs recharged to customers, the charges for which are classified under “Cost of services and use of third-party assets”.

The item under review includes Related Party Transactions for €1,329 thousand, which are detailed in a paragraph contained within this Report.

**- H8 - IMPAIRMENT REVERSALS (LOSSES) NET OF
TRADE AND OTHER RECEIVABLES** **(3,523)**

The item amounted to €3,523 thousand at 31 December 2020 for net impairment, and is broken down as follows:

In thousands of Euros	<i>Financial Year 2020</i>	<i>Financial Year 2019</i>
Release of provisions	18	12
Losses on receivables	39	131
Write-downs of receivables in working capital	3,502	2,711
TOTAL	(3,523)	(2,830)

- H9 - OTHER OPERATING EXPENSE	24,213
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The item Other operating expense at 31 December 2020 amounted to €24,213 thousand and is broken down as follows:

In thousands of Euros	<i>Financial Year 2020</i>	<i>Financial Year 2019</i>
Losses on the disposal of property, plant and equipment	72	12,293
Duties and taxes not on income	5,718	5,869
Provisions for product warranty	8,848	10,646
Provisions for future and other risks	2,198	2,302
Other operating expense	7,377	5,408
TOTAL	24,213	36,518

This item shows a decrease of €12,305 thousand, mainly as a result of the recognition in the previous year of the capital loss recorded on the sale of the Parent Company's property in Rome.

-H10- RESULTS OF ASSOCIATES	504
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The item recorded a positive balance at 31 December 2020 of €504 thousand and mainly refers to the equity measurement of the investment held by the Piaggio group in the joint venture Zongshen Piaggio Foshan Motorcycle Co. Ltd..

-H11 - FINANCIAL INCOME	28,270
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Financial income recognised by the Group in 2020 is detailed below:

In thousands of Euros	<i>Financial Year 2020</i>	<i>Financial Year 2019</i>
Interest income	1,415	3,645
Exchange gains	26,622	11,785
Income from fair value hedging and interest rates	206	0
Dividends	25	111
Other income	2	273
TOTAL	28,270	15,814

During 2020, financial income was lower by €12,456 thousand compared to the figure recorded for the previous year. This increase is mainly due to higher exchange rate gains, which are substantially offset by higher exchange rate losses recognised under financial expenses.

- H12 - FINANCE COSTS

65,815

Finance costs at 31 December 2020 are broken down as follows:

In thousands of Euros	<i>Financial Year 2020</i>	<i>Financial Year 2019</i>
Interest payable on bank loans	19,227	20,708
Interest payable on loans from third parties	8,405	8,151
Interest payable on debenture loans	12,351	12,646
Other interest payable	785	1,087
Commissions payable	1,963	2,258
Exchange losses	21,899	11,982
Fair value and interest rate hedging charges	658	347
Financial component of retirement funds and termination benefits	171	226
Other charges	356	1,138
TOTAL	65,815	58,543

Financial expenses in 2020 increased by €7,272 thousand compared to the previous year, mainly due to the increase in foreign exchange losses more than offset by the increase in foreign exchange gains.

- H13 - TAXES

13,598

Taxation on the income of companies consolidated on a line-by-line basis recognised in the Financial Statements at 31 December 2020 amounted to €13,598 thousand, and is broken down as follows:

In thousands of Euros	<i>Financial Year 2020</i>	<i>Financial Year 2019</i>
Current taxes	22,047	38,938
Deferred tax assets/liabilities	(8,449)	(8,466)
TOTAL	13,598	30,472

Taxes for the period fell by €16,874 thousand compared to 31 December 2019. The tax rate stood at 46.3% compared to 57% in 2019, mainly as a result of the reduction in tax on income produced and distributed by the Piaggio group's Indian subsidiary.

The Parent Company Immsi S.p.A., Piaggio & C. S.p.A., Piaggio Concept Store Mantova S.r.l., Intermarine S.p.A., Apuliae S.r.l., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l., Pietra Ligure S.r.l. and Aprilia Racing S.r.l. are party to the National Consolidated Tax Convention, and were therefore able to offset approximately 13.3 million of losses for the year with equal amounts of taxable income.

Below is a reconciliation between the theoretical tax burden and the actual tax burden:

	TOTAL
Profit before tax	29,404
Theoretical rate (24%)	
Theoretical income taxes	7,057
Effect arising from tax differences and the difference between foreign tax rates and the theoretical rate	-1,564
Tax effect arising from losses for the year not offset	5,208
Tax effect arising from deferred taxes	-4,507
Taxes on income generated abroad	6,992
Other differences	-1,531
Income tax recognised in the financial statements (IRES)	11,655
IRAP	1,943
Income taxes recognised in the financial statements	13,598

The effect arising from regional production tax was determined separately, as this tax is calculated based on profit before tax.

- H14 - GAIN/LOSS ON THE DISPOSAL OF ASSETS	0
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At the end of the reporting date, there were no gains or losses from assets held for sale or disposal, as well as for the previous year.

- H15 - EARNINGS FOR THE PERIOD	9,754
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At 31 December 2020, the Immsi Group posted a profit for the period of €9,754 thousand, after allocation profit to non-controlling interests of €6,052 thousand.

- I - COMMITMENTS, RISKS AND GUARANTEES

The main guarantees issued by banks on behalf of **Piaggio & C. S.p.A** in favour of third parties are listed below:

Type	In thousands of Euros
Guarantee of BCC-Fornacette issued to Pisa Customs Authorities for handling Piaggio goods at the Pisana docks and at Livorno Port	200
Guarantee of BCC-Fornacette issued for Piaggio & C. S.p.A. in favour of Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	1,321
Guarantee of BCC-Fornacette issued in favour of Motoride SpA to reimburse VAT following the deductible tax surplus	298
Guarantee of Banco di Brescia issued in favour of the Municipality of Scorzè, to guarantee the urbanisation and construction of the plant in Scorzè	166
Guarantee of Banca Intesa Sanpaolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	140
Guarantee of Banca Intesa Sanpaolo issued to the Ministry of the Defence National Algeria, to guarantee contract obligations for the supply of vehicles	158
Guarantee of Banca Nazionale del Lavoro issued in favour of Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles (5,000 tricycles)	475
Guarantee of Banca Nazionale del Lavoro issued in favour of Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	469

The main guarantees given to third parties recorded by **Intermarine** are detailed below:

Subject	In thousands of Euros
Italian public entities for minesweepers and lookouts	15,754
Italian operator for the supply of integrated minesweeper platforms	16,125
Ministries for research projects	3,383
Foreign public entity of Arab countries	1,558
Various minor items	1,570

Guarantees to third parties referred to above are mainly relate to guarantees issued for contracts ongoing with the following customers.

A guarantee of the amount owing to Bper of €10 million was secured by a first mortgage on the Sarzana shipyard for €18 million.

With reference to the company **Is Molas S.p.A.**, €11.8 million were recognised relative to the value of the commitments undertaken with the Municipality of Pula on 26 March 2015 and 16 October 2020, following the stipulation of the New Additional Planning Act.

With reference to the subsidiaries **Pietra S.r.l.** and **Pietra Ligure S.r.l.**, two guarantees were issued on their behalf, the first by Intesa Sanpaolo in favour of the Municipality of Pietra Ligure and the State Property Agency of Genoa for €302 thousand, and the second by Unicredit in favour of the State Property Agency of Genoa for €288 thousand.

With reference to the **Parent Company Immsi S.p.A.**, and the guarantees issued in favour of Group companies, see the section “Commitments, risks and guarantees” in the “Notes to the Financial Statements at 31 December 2020” of the separate financial statements of Immsi S.p.A..

- L - TRANSACTIONS WITH RELATED PARTIES

Reference should be made to the relevant paragraph as regards the main business relations of Group companies with related parties.

- M - NET FINANCIAL POSITION

Net financial debt of the Immsi Group at 31 December 2020 is shown below. Further details of the main components are provided in the tables in the Report on Operations and the related information below them:

(in thousands of Euros)	31.12.2020	31.12.2019
Cash and cash equivalents	-249,886	-212,596
Other short-term financial assets	0	0
Medium/long-term financial assets	0	0
Short-term financial payables	481,273	461,981
Medium/long-term financial payables	571,517	547,011
Net financial debt *)	802,904	796,396

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

- N - DIVIDENDS PAID

The Parent Company did not distribute dividends during 2020 or 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.

	Financial Year 2020	Financial Year 2019
Net profit attributable to ordinary shareholders (in thousands of Euro)	9,754	7,889
Average weighted number of shares in circulation during the year	340,530,000	340,530,000
Basic earnings per share	0.029	0.023

Diluted earning per share

Diluted earning per share is calculated by dividing the net income/loss for the year attributable to Parent Company Ordinary Shareholders by the average weighted number of shares in issue during the year, taking account of the diluting effect of potential shares. Any treasury shares held are excluded from this calculation.

The Company had no category of potential ordinary shares at 31 December 2020, therefore the diluted income per share coincides with the basic earning per share indicated above.

- P - INFORMATION ON FINANCIAL INSTRUMENTS

Information on financial instruments, the risks connected with them, as well as “sensitivity analysis” in accordance with requirements of IFRS 7 that came into force on 1 January 2007, is given below.

Financial and operational assets and liabilities are described in full in sections F and G of the Notes, to which reference is made.

Lines of credit

At 31 December 2020 the Immsi Group had irrevocable credit lines available until maturity amounting to €1,297 million. For further details readers are referred to the Note G2 on Financial liabilities.

Management of financial risks

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

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

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

Capital management and liquidity risk

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

The **Parent Company Immsi S.p.A.** provides financing for the Group’s subsidiaries and/or issues guarantees to facilitate their funding: these operations are regulated under normal market conditions.

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

in the Eurozone.

For greater coverage of the risk of liquidity, at 31 December 2020 the Immsi Group had unused credit lines available for €481.3 million (€389.5 million at 31 December 2019) of which €220.3 million falling due within 12 months and €261.1 million falling due at a later date.

As regards financial requirements for the next 12 months, considering credit lines that are due to mature over the year and the Group's financial commitments to support the development of its initiatives, the Directors have taken and will take in the next few months, actions to find solutions that guarantee a financial balance, while considering the possible risk of future trends in weak equity markets, that represent an element of uncertainty as to the scale of credit lines granted at present to the Group, also in the light of the uncertainty related to the COVID-19 pandemic.

Exchange rate risk management

The Immsi Group – particularly through the subsidiaries of the Piaggio group and through the subsidiary Intermarine S.p.A. – operates in an international context where transactions are conducted in currencies 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 exchange rate risk management policy which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flows. This policy analyses:

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

Cash flow hedging related to the Piaggio group

As of 31 December 2020, the Group had undertaken the following futures transactions (recognised based on the regulation date) relative to payables and receivables already recognised to hedge the transaction exchange risk:

In thousands

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
Piaggio & C.	Purchase	CNY	62,000	7,823	7/02/2021
Piaggio & C.	Purchase	JPY	50,000	398	8/04/2021
Piaggio & C.	Purchase	USD	14,450	12,886	3/02/2021
Piaggio & C.	Sale	CAD	800	515	19/03/2021
Piaggio & C.	Sale	JPY	285,000	2,295	29/01/2021
Piaggio & C.	Sale	USD	78,000	64,310	4/03/2021
Piaggio Vietnam	Sale	USD	45,000	1,044,878,000	22/02/2021
Piaggio Vespa BV	Sale	SGD	750	465	8/06/2021
Piaggio Vespa BV	Sale	VND	279,960,908	9,917	28/4/2021
Piaggio Indonesia	Purchase	USD	1,661	23,716,651	3/02/2021
Piaggio Vehicles Private Limited	Sale	USD	6,275	465,688	10/02/2021

As of 31 December 2020, the group had undertaken the following transactions to hedge the business exchange risk:

In thousands

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Expiry Medium
Piaggio & C.	Purchase	CNY	936,000	113,352	23/10/2021
Piaggio & C.	Purchase	USD	50,000	40,796	27/05/2021
Piaggio & C.	Sale	GBP	8,000	8,911	4/07/2021

To hedge the business risk, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders. At 31 December 2020, the total fair value of hedging instruments for exchange risk recognised on an hedge accounting basis was positive by €765 thousand. During 2020, gains were recognised in other comprehensive income for €765 thousand and gains from other comprehensive income were reclassified to profit/loss for the year for €687 thousand.

The net balance of cash flows during 2020 is shown below, divided by main currency:

	Amounts in millions of Euros
	Cash Flow 2020
Pound Sterling	17.4
Indian Rupee.....	(52.8)
Croatian Kuna	2.4
Swedish Krone.....	4.2
US Dollar.....	60.4
Canadian Dollar	7.7
Indonesian Rupiah.....	28.6
Vietnamese Dong	(70.6)
Chinese Yuan*).....	(32.3)
Japanese Yen	(1.7)
Singapore Dollar	(2.7)
Total cash flow in foreign currency	(39.4)

* Cash flow partially in euro

The subsidiary **Intermarine** also hedges risks deriving from exchange rate fluctuations through specific transactions linked to individual job orders with invoicing in currencies other than the euro. In particular, the exchange rate risk policy adopted by the group has resulted in the total elimination of all risk through the definition of a fixed-term exchange rate to hedge exchange rate fluctuations. At 31 December 2020 there was no hedging on interest or exchange rates.

In view of the above, a hypothetical 3% appreciation/depreciation of the Euro would generate, respectively, potential profits of €1,455 thousand and losses of €1,545 thousand.

Management of the interest rate risk

The exposure to interest rate risk arises from the necessity to fund operating activities, both industrial and financial, of Group companies and to use available liquidity. Changes in interest rates may affect the costs and returns of investment and financing operations: this risk arises from fluctuations in interest rates and the impact this may have on future cash flows arising from floating rate financial assets and liabilities. Therefore, the Group regularly measures and controls its exposure to interest rates changes with the aim of reducing the fluctuation of borrowing costs limiting the risk of a potential rise in interest rates: This objective is achieved through an adequate mix of fixed and variable rate exposure, and the use of derivatives, mainly interest rate swaps and cross currency swaps.

With reference to the **Piaggio group**, at 31 December 2020, the following hedging derivative instruments were recognised:

Cash flow hedge derivatives

an interest rate swap to hedge the variable-rate loan for a nominal amount of €30,000 thousand from Banco BPM to Piaggio & C. S.p.A.. The purpose of this instrument is to manage and mitigate exposure to interest rate risk; in accounting terms, the instrument is recognised on a cash flow hedge basis, with profits/losses arising from the fair value measurement allocated to a specific reserve in Shareholders' equity; at 31 December 2020, the fair value of the instrument was negative by €302 thousand; sensitivity analysis of the instrument, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on equity, net of the related tax effect, of €455 thousand and €-473 thousand respectively.

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 31 December 2020, the fair value of the instrument was €2,169 thousand. The net economic effect arising from the valuation of the instrument and the underlying private bond is equal to €-395 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, equal to €8 thousand, 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 €-2 thousand and €-166 thousand respectively.

In thousands of Euros	FAIR VALUE
<i>Piaggio & C. S.p.A.:</i>	
<i>Interest Rate Swap</i>	(302)
<i>Cross Currency Swap</i>	2,169

Moreover, the Parent Company Immsi S.p.A. activated an interest rate swap to change a part of flows for interest relative to loans with Banco BPM from a variable to a fixed rate. At 31 December 2020, the fair value of the instruments was negative and equal to €5 thousand. In 2020, profits of €8 thousand were recognised under other comprehensive income.

Credit risk management

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

In thousands of Euros	31 December 2020	31 December 2019
Bank funds and securities	249,822	212,506
Financial assets	4,793	10,942
Tax receivables	27,302	35,006
Trade and other receivables	151,392	144,428
Total	433,309	402,882

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

With reference to the subsidiary **Intermarine**, whose business typically means that receivables are concentrated with a few customers, the most significant customers in quantitative terms are public organisations: moreover, in general production to order requires substantial advance payments by the customer as works progress, thereby reducing the credit risk. To minimise credit risk, Intermarine also signs contracts with major Italian factoring companies for the assignment of trade receivables without recourse.

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

Fair value measurement hierarchy levels

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

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

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

IFRS 7 also requires the fair value of debts recognised on an amortised cost basis to be measured, for disclosure purposes only.

The table below shows the figures regarding the financial debt of the Piaggio group:

In thousands of Euros	Carrying value	Carrying amount	Fair Value *
High yield debenture loan	250,000	242,631	256,205
Private debenture loan 2021	11,050	11,038	13,203
Private debenture loan 2022	30,000	29,948	30,248
EIB (R&D loan 2016-2018)	30,000	29,955	30,096
BEI RDI	70,000	69,913	67,914
Loan from B. Pop. Emilia Romagna	14,000	13,971	13,992
Revolving syndicated loan	5,000	4,497	5,170
Syndicated loan falling due in 2023	62,500	62,289	63,046
Loan from MCC	5,062	5,059	5,081
Loan from Banca Ifis	3,500	3,482	3,583
Loan from BNL	20,000	19,949	19,951
Loan from Banco BPM	30,000	29,890	30,069

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

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

The table below shows the assets and liabilities valued at fair value at 31 December 2020, by fair value measurement hierarchy levels.

In thousands of Euros	Level 1	Level 2	Level 3
Assets measured at fair value			0
Hedging financial derivatives	2,139	0	0
Investment property		2,169	0
Other assets		0	4,600
		1,437	37
Total assets	2,139	3,606	4,637
Liabilities measured at fair value		(13,203)	0
Hedging financial derivatives		(4)	0
Other liabilities		(812)	0
Total liabilities	0	(14,019)	0
Balance at 31 December 2020	2,139	(10,413)	4,637

Hierarchical level 1 includes the carrying amount of the investment held by Immsi S.p.A. in Unicredit S.p.A., down by €1,502 thousand compared to 31 December 2019 following an increase in the share price recorded during the year.

Hierarchical level 2 includes among the assets the positive value of the derivative hedging financial instruments attributable to the Piaggio group, while the liabilities include the negative value of the derivative financial instruments (interest rate swap) attributable to the Parent Company Immsi S.p.A..

Lastly hierarchical level 3, under investment property mainly includes the fair value of the investment property relating to the former Spanish premises of Piaggio group in Martorelles, Spain.

The following table highlights changes that occurred within various levels during 2020:

In thousands of Euros	Level 1	Level 2	Level 3
Balance at 31 December 2019	3,641	(21,625)	9,240
Gain and (loss) recognised in profit or loss		(234)	(4,603)
Gain (loss) recognised in the statement of comprehensive income	(1,502)	396	0
Increases/(Decreases)	0	11,050	0
Balance at 31 December 2020	2,139	(10,413)	4,637

Q - INFORMATION PURSUANT TO LAW 124/2017

Law 124 of 4 August 2017 requires disclosure to be provided on funding, contributions, paid appointments and financial benefits of any kind received at national level from the public administration. In this regard, the next table shows the funding received by the Immsi Group during 2020:

Beneficiary body	Project	Funding entity	Funds (in thousands of Euros)
Piaggio group	Made in Italy	Ministry of Development	241.7
Piaggio group	C-Mobile	European Commission	18.3
Piaggio group	I_HeERO	Inea	57.6
Piaggio group	Safe	Inea	10.9
Piaggio group	FUTURE-RADAR	European Commission	8.8
Piaggio group	Pioneer	European Commission	30.6
Piaggio group	Adamo	Region of Tuscany	149.4
Total			528.3

For the purposes of Law 124/2017, considering the specific transparency obligations that already exist as regards public contracts, the provisions in paragraph 125 on disclosure to include in the notes, only refer to positions that do not entail remuneration for business services, but which instead entail financial benefits / donations.

- R - SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Information on significant events occurring after the reporting period and on the business outlook is provided in the Directors' Report on Operations.

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND INVESTMENTS AT 31 DECEMBER 2020

Pursuant to Consob Resolution no. 11971 of 14 May 1999 as amended (Article 126 of the Regulations), a list of Immsi Group companies and its material investments is set out below. The list states the companies, divided according to consolidation procedure.

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

Company name	Currency	Share Capital (subscribed and paid-up)	% of Share Capital owned	% votes (if different)
LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS ON A LINE-BY-LINE BASIS				
Immsi S.p.A.; Mantua (MN) – Italy Parent Company	Euros	178,464,000.00		
Apuliae S.r.l. Lecce – Italy Immsi S.p.A. investment: 85.69%	Euros	220,000.00	85.69%	
ISM Investimenti S.p.A. Mantua (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. Mantua (MN) – Italy Investment of Pietra S.r.l.: 100.00%	Euros	10,000.00	100.00%	
Immsi Audit S.c.a r.l. Mantua (MN) – Italy Immsi S.p.A. investment: 25.00% Is Molas S.p.A. investment: 25.00% Piaggio & C. S.p.A. investment: 25.00% Intermarine S.p.A. investment: 25.00%	Euros	40,000.00	100.00%	
RCN Finanziaria S.p.A. Mantua (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 (Pisa) – 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 (Pisa) – 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%	
Nacional Motor S.A. Barcelona – Spain Piaggio & C. S.p.A. investment: 100.00%	Euros	60,000.00	100.00%	

Company name	Currency	Share Capital (subscribed and paid-up)	% of Share Capital owned	% votes (if different)
Piaggio Asia Pacific PTE Ltd. Singapore – Singapore Piaggio Vespa B.V. investment: 100.00%	SGD	100,000.00	100.00%	
Piaggio Advanced Design Center Corp. Pasadena – USA Piaggio & C. S.p.A. investment: 100.00%	USD	100,000.00	100.00%	
Piaggio China Co. Ltd.Ss Hong Kong – China Piaggio & C. S.p.A. investment: 100%	USD	12,136,000.00	100%	
Piaggio Concept Store Mantova S.r.l. Mantua - 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: 85.65%	USD	14,827.07	85.65%	
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%	

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%
Pontedera & Tecnologia S.c.r.l. Pontedera (Pisa) – 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	53,040.00	34.21%
Fondazione Piaggio Pontedera (Pisa) – Italy Piaggio & C. S.p.A. investment: 66.67%	Euros	103,291.38	66.67%

* * *

This document was published on 8 April 2021 by authorisation of the Chairman of the Company, Roberto Colaninno.

Certification of the Consolidated Financial Statements pursuant to Article 154-bis of Legislative Decree 58/98

The undersigned Roberto Colaninno, as Chairman of the Board of Directors, Michele Colaninno, as Chief Executive Officer and Andrea Paroli, as Executive in charge of financial reporting of Immsi S.p.A., certify, also taking into account provisions of Article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

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

of the administrative and accounting procedures for preparing the consolidated financial statements at 31 December 2020.

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

In addition, it is certified that the consolidated financial statements at 31 December 2020:

- were drawn up in compliance with applicable international accounting standards recognised by the European Union in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to accounting records;
- are adequate for giving a true and fair view of the financial position, performance and cash flows of the Issuer and of companies included in the scope of consolidation.

The Report on Operations includes reliable analysis of operations, as well as the situation of the Issuer and of companies included in the scope of consolidation, along with a description of the main risks and uncertainties to which they are exposed.

19 March 2021

The Chairman
Roberto Colaninno

Executive in charge of
financial reporting
Andrea Paroli

Chief Executive Officer
Michele Colaninno



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of IMMSI SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of IMMSI Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2020, the consolidated income statement, statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and supplementary notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of IMMSI SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311



Key Audit Matters
Auditing procedures performed in response to key audit matters

Assessment of the recoverability of deferred tax assets

*Note F7 to the consolidated financial statements
“Deferred tax assets”*

Deferred tax assets in the consolidated financial statements of the IMMSI Group as of 31 December 2020 amounts to Euro 138,488 thousand, equal to 6,5% of total assets, and primarily relates to prior years’ tax losses as well as to temporary differences on provisions and other temporary differences.

Management’s main assumptions in the assessment of the recoverability of deferred tax assets relate to forecasts of future economic and market situation and of future taxable profits of the consolidated companies.

Assessing the recoverability of deferred tax assets is a key audit matter given the significant of their amounts and the complexity of the valuation process.

We obtained an understanding and evaluated the procedures adopted by the Group in order to determine the recoverability of the carrying amount of deferred tax assets.

Our audit procedures consisted of assessing the reasonableness of the estimates made by management in forecasting the future taxable profits of the IMMSI Group companies utilized to assess the recoverability of the carrying amount of deferred tax assets related to prior years’ tax losses and other temporary differences.

Assessment of the recoverability of goodwill

*Note F1 to the consolidated financial statements
“Intangible assets”*

Goodwill, which amounts to Euro 613,982 thousand, equal to 28,9% of total assets as of 31 December 2020 is allocated to cash generating units identified on a business segment basis and is primarily related to the “industrial” sector - Piaggio Group (Euro 579,492 thousand) and to the “marine” sector – Intermarine SpA (Euro 34,428 thousand).

Impairment testing of goodwill is required at least once a year, even if there are no indicators suggesting that impairments might exist.

As of 31 December 2020 the Group carried out specific impairment tests determined on the basis

We obtained an understanding and evaluated the allocation process of goodwill to cash generating units on the basis of the current organizational structure, which did not change compared to previous years.

We evaluated the estimates made by management with regard to the expected cash flows inferred from budget data for 2021 and supplemented by forecast data for 2022-2024 as regards goodwill allocated to cash generating unit related to “industrial” sector, and by forecast data for 2022-2025 as regards goodwill allocated to cash generating unit related to “marine” sector.

Furthermore, with the support of PwC network experts, we retraced the methods



Key Audit Matters

of discounted value of expected cash flows from use of the assets related to each single cash generating unit (Unlevered Discounted Cash Flow Method), compared to the carrying amount of assets and liabilities attributed to the respective cash generating unit.

Management's main estimates relate to forecasts of future economic and market situation, especially in relation to expected future cash flows and to calculation of the discount rate applied. Assessment of the recoverability of goodwill is a key audit matter considering the complexity of the evaluation process that requires a significant level of estimation by management.

Auditing procedures performed in response to key audit matters

used to calculate the discount rate and the steady growth rate of financial cash flows beyond the time period of the plan approved by management of Piaggio & C SpA for the "industrial" sector and by management of Intermarine SpA for the "marine" sector. The analysis was specifically focused on the cash generating units identified by management, verifying also the correct determination of the carrying amount of assets and liabilities attributed to each single cash generating unit. We conducted sensitivity analyses in relation to the significant assumptions adopted by management, also with the support of PwC network experts, in order to determine whether there was any impairment of investments in subsidiaries and in order to evaluate the effects of changes in significant assumptions on the results of the impairment test.

Finally, we verified the information included in the notes to the financial statements as of 31 December 2020.

Verification of the capitalisation criteria related to investments in development costs, industrial patent and intellectual property rights

Note F1 to the consolidated financial statements "Intangible assets"

With reference to the "industrial" sector, during the financial year 2020 the Group made investments amounting to Euro 88,3 million, mainly in relation to the study of new vehicles and new engines, which feature and will feature as the future products in the 2020-2022 range. The net book value as of 31 December 2020 of development costs and industrial patent rights amounts to Euro 222,3 million, equal to approximately 10,4% of total assets.

Given the size of the annual investments and the high degree of professional judgement required to

We obtained an understanding and evaluated the procedure adopted by the Group for capitalizing development costs, industrial patent and intellectual property rights. We then obtained details of the costs capitalized by project, and analyzed on a sample basis, the increases and decreases during the year with particular attention to compliance with the requirements of international accounting standard "IAS 38 – intangible assets" adopted by the European Union for the capitalization of internally generated intangible assets. Our procedures included discussion with management aimed at understanding the



Key Audit Matters

verify the compliance with the requirements of international accounting standard “IAS 38 – intangible assets” adopted by the European Union, we considered it necessary to focus on this specific financial statement area. Management’s main estimates relate to the technical feasibility and the availability of adequate resources, including financial resources, to complete the product being developed, the intention to complete the product for sale, as well as the verification of the existence of future cash flows from the sale of the product that are adequate to support the future recoverability of the costs capitalized and recorded in the consolidated financial statements.

Auditing procedures performed in response to key audit matters

characteristics of the various projects. We also verified, on a sample basis, the estimated future cash flows and management’s subsequent monitoring of the estimated future cash flows, which occurs at least once a year.

Short-term net financial debt of the Parent Company

Note A to the consolidated financial statements “General aspects” and note G2 to the consolidated financial statements “Financial liabilities”

Short term net financial debt of the Parent Company IMMSI SpA amounts to Euro 162,4 million. As of 31 December 2020 the Parent Company granted 165,721 million shares of Piaggio & C SpA as collateral for existing loans and credit lines, which require the compliance to financial covenants and Value to Loan to be monitored on a regular basis.

Due to the significant amount of the Parent Company’s exposure toward the banking system and to the uncertainty related to the stock price of shares used to guarantee this exposure, as well as the importance of the information included by management in the notes to the financial statements regarding this aspect, the understanding and the analysis of management’s forecasts regarding the financial needs of the Parent Company for the next twelve months and of the actions taken and to take by them in order

We obtained and analyzed the calculation of the net financial position of the Parent Company, the calculation of the financial covenants and the calculation of the Value to Loan ratios, and we verified the compliance with them as of 31 December 2020.

We obtained management’s forecasts regarding the financial needs of the Parent Company for the next twelve months and we analyzed the actions taken and to take by them in order to ensure the financial stability of the Parent Company also through specific discussions and critical analyses.

We obtained audit evidence regarding the existing relationship of the Parent Company with the banking system, in particular obtaining and analyzing the documentation related to the facilities, the terms of the contracts, the existing guarantees, also through receiving specific data and information directly from the banks.

We verified the information included by management in the supplementary notes to the consolidated financial statements, and the



Key Audit Matters

to ensure the financial stability of the Parent Company is a key audit matter.

Auditing procedures performed in response to key audit matters

correspondence and adequacy with respect to the elements used by them to evaluate the financial stability of the Parent Company for the next twelve months.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate IMMSI SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting



- from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
 - We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
 - We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
 - We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014



On 11 May 2012, the shareholders of IMMSI SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2012 to 31 December 2020.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of IMMSI SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the IMMSI Group as of 31 December 2020, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the IMMSI Group as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of IMMSI SpA as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of IMMSI SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.



Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Verona, 8 April 2021

PricewaterhouseCoopers SpA

Signed by

Alessandro Vincenzi
(Partner)

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

IMMSI S.p.A.

Financial Statements
at
31 December 2020

Immsi S.p.A. Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Shareholders' Equity, detailing amounts attributable to Related-Party and intergroup transactions:

Statement of Financial Position

In thousands of Euros

ASSETS	Notes	31/12/2020	31/12/2019
NON-CURRENT ASSETS			
Intangible assets		0	1
Plant, property and equipment	C1	1,225	1,392
Investment Property	C2	0	0
Investments in subsidiaries and associates	C3	309,780	302,431
Other financial assets	C4	288,062	291,502
- of which related parties and intergroup		288,062	291,502
Tax receivables	C5	0	0
Deferred tax assets	C6	1,624	0
Trade receivables and other receivables	C7	13,017	13,254
- of which related parties and intergroup		12,889	12,823
TOTAL NON-CURRENT ASSETS		613,708	608,580
ASSETS HELD FOR DISPOSAL			
		0	0
CURRENT ASSETS			
Trade receivables and other receivables	C7	5,069	6,318
- of which related parties and intergroup		4,045	4,654
Tax receivables	C5	413	211
Other financial assets	C4	3,593	4,886
- of which related parties and intergroup		1,455	1,245
Cash and cash equivalents	C8	8,460	14,444
TOTAL CURRENT ASSETS		17,535	25,859
TOTAL ASSETS		631,243	634,438
LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		178,464	178,464
Reserves and retained earnings		191,167	183,680
Net profit for the period	E10	4,891	8,994
TOTAL SHAREHOLDERS' EQUITY	D1	374,522	371,138
NON-CURRENT LIABILITIES			
Financial liabilities	D2	71,226	43,184
- of which related parties and intergroup		345	202
Trade payables and other payables	D5	4	13
Retirement fund and similar obligations	D3	373	380
Other long-term provisions		0	0
Deferred tax assets/liabilities	D4	8,033	10,395
TOTAL NON-CURRENT LIABILITIES		79,636	53,973
LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL			
		0	0
CURRENT LIABILITIES			
Financial liabilities	D2	172,312	201,131
- of which related parties and intergroup		161	158
Trade payables	D5	1,915	3,427
- of which related parties and intergroup		782	813
Current taxes	D6	876	2,983
Other payables	D5	1,982	1,787
- of which related parties and intergroup		139	176
TOTAL CURRENT LIABILITIES		177,085	209,328
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		631,243	634,438

Income Statement

In thousands of Euros

	Notes	2020	2019
Financial income	E1	29,192	38,126
- of which related parties and intergroup		29,189	37,875
Borrowing costs	E2	(23,647)	(18,791)
- of which related parties and intergroup		(15,020)	(7,956)
Income/(loss) from investments		0	0
Operating income	E3	2,015	4,564
- of which related parties and intergroup		2,015	2,350
Costs for materials		(18)	(20)
Costs for services, leases and rentals	E4	(3,155)	(3,234)
- of which related parties and intergroup		(422)	(208)
Employee costs	E5	(1,271)	(1,134)
Depreciation of plant, property and equipment	E6	(401)	(403)
Amortisation of intangible assets with a definite life		0	0
Other operating income	E7	187	124
- of which related parties and intergroup		80	80
Net reversals (write-downs) of trade and other trade receivables			
Other operating costs	E8	(277)	(14,357)
PROFIT BEFORE TAX		2,625	4,873
Taxes	E9	2,266	4,120
EARNINGS AFTER TAX FROM OPERATING ACTIVITIES		4,891	8,994
Gain (loss) from assets held for sale or disposal		0	0
NET PROFIT FOR THE PERIOD	E10	4,891	8,994

Statement of Comprehensive Income

In thousands of Euros

	Notes	2020	2019
NET PROFIT FOR THE PERIOD	E10	4,891	8,994
Items that may be reclassified to profit or loss:			
Effective portion of profit (losses) from instruments to hedge cash flows		8	10
Items that will not be reclassified in the income statement:			
Gains (losses) from the fair value measurement of financial assets		(1,502)	874
Actuarial gains (losses) on defined benefit plans		(13)	(23)
TOTAL GAINS (LOSSES) OF THE PERIOD	D1	3,384	9,855

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

Cash Flow Statement

In thousands of Euros

This table shows the changes in cash and cash equivalents, net of short-term bank overdrafts (equal to €0 thousand at 2020 December and €523 thousand at 31 December 2019).

	Notes	31/12/2020	31/12/2019
Operating activities			
Profit before tax	E10	2,625	4,874
Depreciation of property, plant and equipment	E6	401	403
Provisions for risks and for severance indemnity and similar obligations	D3	68	65
Write-downs / (Reversals)	C3-C4	15,000	7,900
Losses / (Gains) on the disposal of property, plant and equipment (including investment property)		-	12,172
Financial income (1)	E1	(12,694)	(12,123)
Dividend income (2)		(16,498)	(26,003)
Borrowing costs	E2	8,647	10,891
Change in working capital			
(Increase) / Decrease in trade receivables (3)	C7	1,486	4,314
Increase / (Decrease) in trade payables (4)	D5	(1,327)	(515)
Increase / (Decrease) in provisions for severance liabilities and similar obligations	D3	(75)	(18)
Other changes		11,362	6,686
Cash generated from operating activities		8,995	8,646
Net finance costs paid	E2	(7,572)	(9,252)
Taxes paid		(2,829)	(126)
Cash flow from operations		(1,406)	(732)
Investing activities			
Investment in property, plant and equipment (including investment property)	C1-C2	(17)	(215)
Sale price, or repayment value, of plant, property and equipment (including investment property)	C2	-	62,500
Investment in intangible assets		-	(1)
Loans provided and interest accrued (5)	C4	(20,682)	(37,682)
Financial income received		3	80
Dividends from investments (2)		16,498	26,003
Cash flow from investing activities		(4,198)	50,685
Financing activities			
Loans received	D2	29,840	27,102
Outflow for repayment of loans	D2	(28,110)	(60,607)
Reimbursement of rights of use	D2	(1,587)	(1,264)
Cash flow from financing activities		143	(34,769)
Increase / (Decrease) in cash and cash equivalents		(5,461)	15,184
Opening balance		13,921	(1,263)
Exchange differences		-	-
Closing balance		8,460	13,921

(1) of which €12,691 thousand deriving from loans, subleases of rights of use and guarantees granted to Group companies;

(2) dividends paid out by Piaggio & C. S.p.A.;

(3) of which €544 thousand increase for receivables from companies in the Group;

(4) of which a €68 thousand decrease related to payables to companies in the Group and other Related Parties;

(5) entirely relating to loans granted to subsidiaries

Changes in Shareholders' Equity

Note D1

In thousands of Euros	Share capital	Share premium reserve A - B	Reserves for the fair value measurement of financial assets	Reserves for the fair value measurement of hedging instruments	Reserve for the measurement of entities under common control	Investment Property Revaluation reserve	Actuarial evaluation reserve on defined benefit plans	Revaluation reserve A - B - D	Legal reserve A	Other legal reserves A - B - D	IAS transition reserve	Earnings reserve	Earnings for the period	Shareholders' equity
Balances at 31 December 2018	178,464	94,874	(26,875)	(23)	65,087	42,838	(21)	4,602	8,191	1,153	(1,614)	(12,138)	6,746	361,283
Allocation of earnings to legal reserve									337				(337)	0
Allocation of earnings to dividends														0
Allocation of earnings to retained earnings/losses												6,409	(6,409)	0
Other changes						(42,838)						42,838		0
Net profit income			874	10			(23)						8,994	9,855
Balances at 31 December 2019	178,464	94,874	(26,001)	(13)	65,087	0	(44)	4,602	8,528	1,153	(1,614)	37,109	8,994	371,138
In thousands of Euros														
Balances at 31 December 2019	178,464	94,874	(26,001)	(13)	65,087	0	(44)	4,602	8,528	1,153	(1,614)	37,109	8,994	371,138
Allocation of earnings to legal reserve									450				(450)	0
Allocation of earnings to dividends														0
Allocation of earnings to retained earnings/losses												8,544	(8,544)	0
Net profit income			(1,502)	8			(13)						4,891	3,384
Balances at 31 December 2020	178,464	94,874	(27,503)	(5)	65,087	0	(57)	4,602	8,978	1,153	(1,614)	45,653	4,891	374,522

Available for:

A: Cover losses B: Share capital increase

C: Distribution to shareholders D: Distribution to shareholders under tax suspension

Notes to the financial statements at 31 December 2020

Note	Description
A	General features
B	Accounting standards and measurement criteria
C	Information on main assets
C1	Plant, property and equipment
C2	Investment Property
C3	Investments in subsidiaries and associates
C4	Other financial assets
C5	Tax receivables
C6	Deferred tax assets
C7	Trade receivables and other receivables
C8	Cash and cash equivalents
W	Information on main liabilities
D1	Shareholders' equity
D2	Financial liabilities
D3	Provisions for severance liabilities and similar obligations
D4	Deferred tax assets/liabilities
D5	Trade payables and other payables
D6	Current taxes
E	Information on main Income Statement items
E1	Financial income
E2	Borrowing costs
E3	Operating income
E4	Costs for services, leases and rentals
E5	Employee costs
E6	Depreciation of plant, property and equipment
E7	Other operating income
E8	Other operating costs
E9	Taxes
E10	Net profit for the period
F	Commitments, risks and guarantees
G	Net debt
H	Dividends paid
I	Proposal to allocate profit for the period
L	Group and Related-Party Transactions
M	Risks and uncertainties
N	Auditing costs
O	Significant events after the reporting period

A – General aspects

Immsi S.p.A. (the Company) is a limited company established under Italian law and has registered offices in Mantua - P.zza Vilfredo Pareto, 3 and sub-offices in via Abruzzi, 25 – Rome and via Broletto, 13 – Milan. The main activities of the Company and its subsidiaries (the Group) are described in the first section of the Directors' Report on operation.

At 31 December 2020, Immsi S.p.A. was directly and indirectly controlled, pursuant to Article 93 of the TUF, by Omniaholding S.p.A., a company wholly owned by the Colaninno family, through the subsidiary Omniainvest S.p.A.. Pursuant to Article 2427 paragraph I of the Civil Code, Omniaholding S.p.A., with registered office in Mantua - Via Marangoni 1/E - is the entity that prepares the consolidated financial statements of the largest group of companies to which the Company belongs as a subsidiary. The consolidated financial statements of Omniaholding S.p.A. are available at the registered office of the company.

Following the coming into force of European Regulation no. 1606 in July 2002, Immsi S.p.A. has adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission, the updates of those pre-existing ones (IAS), as well as the documents of the International Financial Reporting Interpretations Committee (IFRIC) deemed applicable to the transactions carried out by the Company.

Decree 58/1998, as well as in compliance with provisions issued pursuant to Article 9 of Legislative Decree 38/2005 (Consob Resolution no. 15519 dated 27/07/06 containing "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated 27/07/06 containing "Changes and additions to the Regulation on Issuers" adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28/07/06 containing "Corporate reporting required in accordance with Article 114, paragraph 5 of Legislative Decree 58/98"). The Company did not consider presentation of segment reporting, as established in IFRS 8, as significant.

The currency used in preparing these financial statements is the euro and amounts are expressed in and rounded to thousands of Euro (unless otherwise indicated).

Information on significant events occurring after the reporting period and on the business is provided in the Directors Report on Operations at 31 December 2020.

These Financial Statements are audited by PricewaterhouseCoopers S.p.A. pursuant to the appointment granted by the Shareholders' Meeting on 11 May 2012 for the period 2012-2020.

Presentation of Financial Statements

The Financial Statements of Immsi S.p.A. consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Shareholders' Equity and the Notes.

As provided for by Consob Ruling no. 15519 of 27 July 2006, the financial statements include specific evidence of related-party and intergroup transactions.

In relation to options in IAS 1 "Presentation of Financial Statements", Immsi S.p.A. opted to present the following types of accounting statements:

- **Statement of Financial Position:** The Statement of Financial Position is presented in sections with Assets, Liabilities and Shareholders' Equity indicated separately. Assets and Liabilities are shown in the financial statements on the basis of their classification as current and non-current;

- **The Income Statement** is presented with the items classified by nature of costs. The Company, in view of the economic importance of the financial component in relation to the real estate and services component, has adopted a format for the Income Statement which shows the main activity of Immsi S.p.A. at the top of the statement;
- **The Statement of Comprehensive Income** is presented in accordance with the provisions of IAS 1 revised, net of a possible tax component. Items presented in "Other comprehensive income(expense)" are grouped based on whether they are potentially reclassifiable to profit or loss.
- **Cash Flow Statement:** The Cash Flow Statement is presented divided into areas generating cash flows, as indicated by international accounting standards. The Statement adopted by Immsi has been prepared using the indirect method;
- **Statement of Changes in Shareholders' Equity:** the Statement of Changes in Shareholders' Equity is presented, as required by the revised version of IAS 1. It includes the Statement of Comprehensive Income. Reconciliation between the opening and closing balance of each item for the period is presented.

B - Accounting standards and measurement criteria

The directors have drawn up the financial statements on the basis of historic cost, taking into account, where appropriate, adjustments to value, with the exception of financial statement items which according to IFRS must be shown at fair value, as set out in the valuation criteria.

The financial statements have been prepared on a going concern basis with reference to a future period of 12 months from 31 December 2020.

As regards financial requirements for the next 12 months, considering credit lines that are due to mature over the year and the Group's financial commitments to support the development of its initiatives, the Directors have taken and will take in the next few months, actions to find solutions that guarantee a financial balance, while considering the possible risk of future trends in weak equity markets, that represent an element of considerable uncertainty as to the scale of credit lines granted at present to the Company, also in the light of the uncertainty due to the COVID-19 pandemic. In this regard, it should be noted that the current price of the Piaggio share enable guarantees to be granted for all loans of the Parent Company, and in addition at 31 December 2020, there were approximately 13.6 million Piaggio shares outstanding for guarantees, that may potentially be used for new loans.

The accounting policies used to prepare these financial statements are the same as those used to prepare the financial statements for the year ended 31 December 2019.

There were no atypical or unusual transactions during 2020 and the corresponding period of the previous year, as defined in Consob Communication no. DEM/6037577 of 28 April 2006 and no. DEM/6064293 of 28 July 2006.

It should be noted that in 2020 there were no significant non-recurring transactions, while in 2019 the Company disposed of the property owned in Rome, classified in the Investment property category. The sale was finalised with the property fund Investire Sgr S.p.A. at a price of €62.5 million. The property was valued at approximately €74.7 million, thus the Company recorded a capital loss of approximately €12.2 million, plus additional selling expenses of approximately €1.4 million. With the sale, Immsi extinguished the mortgage loan recorded on the property to guarantee a residual debt of approximately €31.5 million. This transaction meets the requirements of significant non-recurring transactions, as defined in Consob Communication no. DEM/6064293 of 28 July 2006.

The international accounting standards adopted are listed and summarised below.

Intangible assets

An intangible asset is recorded only if it is identifiable, verifiable and it is likely to generate future economic benefits and its costs can be reliably determined.

These assets are recognised at acquisition or production cost and amortised on a straight line basis over their estimated useful life, if they have a definite useful life. Intangible assets with an indefinite useful life are not amortised but are subject to impairment testing.

The amortisation period for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period: if the expected useful life proves different from previous estimates, the amortisation period is changed accordingly.

Plant, property and equipment

Property, plant and equipment are recorded at purchase cost, including directly related charges, net of accumulated depreciation and impairment losses. For an asset that justifies capitalisation, the cost also includes any borrowing costs that are directly attributable to acquisition, construction or production of the asset.

The costs incurred following the purchase are capitalised only if they increase the future economic benefits inherent in the asset to which they refer. All other costs are recorded in the income statement when they are incurred.

Property, plant and equipment in progress are valued at cost and are depreciated from the period in which they come into operation.

Depreciation is determined on a straight-line basis over the estimated useful life of the assets or, in the case of disposal, until the end of the previous year.

Land is not depreciated.

Profits and losses arising from the sale or disposal of assets are measured as the difference between the sales revenues and net carrying amount of the asset and are recognised in profit or loss for the period.

At 31 December 2020, the Company did not hold any assets under finance lease agreements.

Other property, plant and equipment are depreciated applying the rates indicated below, reduced by half for fixed assets acquired during the year:

Plant and machinery	from 15% to 30%
Furniture and fittings, electrical machines	12%
Personal computers, hardware, EDP and telephone systems	20%
Vehicles	25%
Other equipment	15%

Lease agreements as lessor

Lease agreements for property, plant and machinery entered into as lessor require the recognition of an asset representing the right of use of the leased asset, and a financial liability for the obligation to undertake contract payments. In particular, the lease liability is initially recognised as being equal to the present value of future payments to make, adopting a discount rate equal to the implicit interest rate of the lease, or if this cannot easily be determined, by using the incremental financing rate of the lessor. After initial recognition, the lease liability is recognised at amortised cost using the effective interest rate and is redetermined following contract renegotiation, changes in rates, or changes in the recognition of any contract options.

The right of use, recognised in the item "Property, plant and equipment", is initially recorded at cost and then adjusted to take into account recognised depreciation charges, any impairment losses and effects related to any redetermination of lease liabilities.

The Company has opted for some simplifications, allowed by the Standard, excluding agreements of less than 12 months (short term, calculated on the residual duration, on first-time adoption), and of a value below 5 thousand euros (low value).

In the case of partial subleases of property leases, the Company does not recognise the related right of use in 'Property, plant and equipment' but recognises a finance lease asset corresponding to the portion of the main contract subleased to a third party.

Investment Property

As provided for by IAS 40, a non-instrumental property owned in order to obtain rent and/or for the appreciation of the property is measured at fair value.

Investment property is not amortised and is eliminated from the financial statements when sold or when the investment property is unusable in the longer term and no future economic benefits are expected from its sale.

The Company annually revises the carrying amount of investment property held or more frequently if required by facts or circumstances.

Investments

Equity investments in subsidiaries and affiliated companies are recorded at cost adjusted for any impairment.

Purchase and sale flows relative to investments are based on the FIFO criterion.

Impairment

Property, plant and equipment and equity investments in subsidiaries and affiliated companies are tested for impairment annually, or more frequently. If there is evidence that such assets have suffered a prolonged or significant loss in value, the asset's recoverable amount is estimated to determine the amount of the impairment and it is immediately observed in the Income Statement. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the asset's cash-generating unit. The recoverable amount is the higher of an asset's fair value less costs to sell (if available) and its value in use. In evaluating the value in use, estimated future cash flows are discounted to the present value, which reflects current market valuations of the actual value of money and specific risks of the asset.

If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than the related carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset is land or buildings other than investment property recognised at revalued amounts, in which case the loss is charged to the respective revaluation reserve.

As regards the measurement of equity investments, if any portion belonging to losses of the investee attributable to the Company exceeds the carrying amount of the investment and the Company is liable for them, the value of the investment is reset and the portion of any further losses is recorded as a provision in liabilities.

Should the recorded write-down no longer be valid, the book value of the asset is increased to the new value arising from the estimate made of its recoverable value, but not more than the net carrying amount that the asset would have had if the write-down for impairment losses had not been made.

The restored value is posted to the Income statement.

Receivables

Trade receivables and other receivables are initially recognised at fair value and subsequently recognised based on the amortised cost method, net of the provisions for write-downs. The provisions of IFRS 9 introduce a new method of impairment that takes account of expected credit losses.

For trade receivables, the Company adopts the simplified approach allowed by the new standard, measuring the credit loss allowance for an amount equal to the losses expected over the full lifetime of the credit.

Cash and cash equivalents

This item includes cash in hand, on demand deposit accounts and other highly-liquid short-term financial investments, which are readily convertible into cash and have an insignificant risk of losing value.

Financial assets

Financial assets are recognised in and deleted from the financial statements based on the settlement date.

IFRS 9 requires the entity to test the business model relative to financial management and contractual cash flows and classify financial assets accordingly. The standard defines the three categories in which financial assets are classified:

- a) financial assets measured at amortised cost (AC);
- b) financial assets measured at fair-value-through-other comprehensive income (FVTOCI);
- c) financial assets measured at fair-value-through-profit-or-loss (FVTPL).

Under IFRS 9, the requirements for classifying a financial asset at AC or FVTOCI are tested; if a financial asset cannot be classified as either AC or FVTOCI, it is classified as FVTPL.

Immsi S.p.A. adopts the following business models:

- a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (the “hold to collect and sell” business model);
- a business model whose objective is to hold financial assets intended for collecting contractual cash flows (the “hold to collect” business model), measured at fair value through other comprehensive income.

As regards the procedure for the impairment of financial assets established by IFRS 9, the provision to recognise to hedge losses is determined considering full lifetime expected credit losses, using a method that considers whether, at the end of the reporting period, the credit risk relative to a financial instrument has increased considerably after initial recognition or otherwise.

Financial liabilities

Financial liabilities include loans that are recognised at the original sums received and are recognised and reversed from the financial statements on the basis of their trade date. Non-current financial liabilities which differ from financial liabilities measured at fair value and recognised in the Income statement, are entered net of the accessory acquisition fees and, subsequently, are measured with the amortised cost method, using the effective interest rate.

The Company's activities are exposed primarily to financial risks from changes in interest rates. The Company uses derivative instruments to hedge risks arising from changes in interest rates on certain irrevocable commitments and planned future transactions. Derivatives are initially measured at fair value represented by the initial amount.

Derivative financial instruments are used solely for hedging purposes, in order to hedge against fluctuations in interest rates. In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated.

Financial liabilities hedged with derivative instruments are booked according to the methods established for hedge accounting, applicable to the cash flow hedge: the profit and loss portion on the hedging instrument that is considered actual coverage is charged in the prospectus of the Statement of Comprehensive Income, the aggregate gain or loss is removed from Shareholders' equity and recognised in profit or loss in the same period during which the hedged transaction is recognised. The ineffective portion of the profits and losses on the hedging instrument is entered in the Comprehensive Income.

If a hedging instrument or hedge relationship is terminated, but the hedged transaction has not yet been completed, the aggregate gains and losses, up to that moment recorded in Shareholders' equity, are recognised in profit or loss at the moment when the related transaction takes place. If the hedged transaction is no longer expected to occur, the unrealised gains or losses suspended in Shareholders' equity are recognised immediately in the Income statement.

Payables

Payables are shown at fair value and subsequently valued on the basis of the amortised cost method, which coincides with the nominal value of trade payables with due dates within the norm for commercial transactions.

Employee benefits

With the adoption of the IFRS, termination benefits accrued up to 31 December 2006, that will now be held by the company, is considered a defined benefit obligation to be recorded in accordance with IAS 19 "Employee Benefits", consequently, it must be recalculated using the projected unit credit method, by undertaking actuarial valuations at the end of each period.

Liabilities for employee termination benefits recognised in the financial statements represent the present value of liabilities for defined benefit plans adjusted to take account of actuarial gains and losses and unrecorded costs related to previous employment services.

The cost components of defined benefits are recognised as follows:

- costs relative to services are recognised in profit or loss under employee expense;
- net borrowing costs of liabilities or assets with defined benefits are recognised in profit or loss as financial income/(borrowing costs), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking account of the payment of contributions and benefits during the period;
- the re-measurement components of net liabilities, which include actual gain and losses, the return on assets (excluding interest income recognised in the Income Statement) and any change in the limit of the assets, are immediately recognised as "Other comprehensive income (expense)". These components must not be reclassified to the Income Statement in a subsequent period.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated on all temporary taxable differences between the carrying amount and their tax value.

Deferred tax assets on tax losses are recognised only to the extent that the existence of adequate future taxable income of the Group against which to use this positive balance is considered likely. The value of deferred tax assets is revised annually and is reduced to the extent to which the existence of sufficient taxable income to allow the whole or partial recovery of such assets is no longer probable.

Deferred tax assets and the provision for deferred tax liabilities are offset when there is a legal right to offset them and when the taxes are due to the same tax authority.

Deferred taxation is determined on the basis of the tax rates which are expected to be applied in the periods in which such temporary differences will occur or be extinguished.

Deferred taxes may not be discounted and are classified as non-current assets and liabilities.

Finance income and costs

Finance income and costs are recorded on an accrual basis.

Financial income includes dividends, interest income on invested funds and income arising from financial instruments.

Interest receivable is recognised in profit or loss when it matures, considering the actual return.

Interests due on financial payables are calculated using the effective interest rate method.

Dividends in the Income statement are recognised when, following the resolution by an investee company to distribute a dividend, the relative credit right arises.

Operating revenues and costs

Costs and revenues from the sale of assets are recognised in the financial statements only when the risks and related benefits of ownership of the assets are transferred while, as concerns services, costs and revenues, they are recognised in profit or loss with reference to their progress and the benefits achieved at the date of the financial statements.

The reporting criteria required by IFRS 15 are applied to one or more operations as a whole when they are so closely connected that the commercial result cannot be valued without making reference to such operations as to a single whole, therefore the income from re-charging costs for materials and services sustained by Immsi S.p.A. on behalf of companies in the Group or third parties is not recognised in profit or loss as it is offset against the relative costs that generated it.

Current taxes

Income taxes for the year are calculated using the tax rates in force at end of the reporting period and are recognised in profit or loss, except for items directly charged or debited to Shareholders' equity, in which case the tax effect is recognised directly as a reduction or increase in the Shareholders' equity item.

Other taxation unrelated to income is included in other operating expense.

Income tax for regional production tax is recognised in the amounts due to the tax authorities net of advances. While as for Italian Tax on Corporate Income it is noted, that since 2007 the Company has signed a national consolidated tax convention with some companies of the Group, therefore the payables, advance payments and withholdings suffered were transferred at the end of the year to the fiscal consolidated company. Immsi, as the consolidating company, has recognised in its own financial statements the net effect of the amount due to companies transferring tax losses and tax receivables, and the receivable due from companies transferring a taxable amount with a counter entry of the cumulative receivable or payable vis-à-vis the tax authorities.

Use of estimates

The preparation of the financial statements and notes in compliance with IAS/IFRS requires Management to make estimates and assumptions that have an impact on the values of assets and liabilities in the financial statements and on disclosure relating to contingent assets and liabilities at the reporting date. Actual results could differ from estimates. Estimates are used, among others, to evaluate activities subject to impairment testing, and to identify provisions for bad debts, amortisation and depreciation, impairment losses of assets, employee benefits, taxes and other provisions and reserves. Estimates and assumptions are periodically revised and the effects of any change are recognised in profit or loss.

It should be pointed out that, in particular, considering the current global economic and financial crisis, assumptions about future trends reflect a significant degree of uncertainty. Consequently, the Group cannot rule out the possibility that next year's results will differ from estimates and may require adjustments that are even considerable and which are not foreseeable and cannot be estimated at present.

The critical measurement processes and key assumptions used by Immsi in adopting IFRS and that may have a significant impact on figures in the Financial Statements or for which a risk exists that significant differences in value may arise in relation to the carrying amount of assets and liabilities in the future are summarised below.

- Recoverable value of non-current assets

Non-current assets include property, plant and equipment, investments and receivables from subsidiaries. Immsi periodically reviews the carrying amount of non-current assets whenever facts and circumstances make it necessary. This analysis is carried out at least annually for investments, and whenever facts and circumstances make it necessary. Analysis of the recoverability of the carrying amount is generally based on estimates of expected cash flows from the use or sale of the asset and adequate discount rates to calculate the fair value. When the carrying amount of a non-current asset is impaired, Immsi recognises a write-down equal to the excess between the carrying amount of the asset and its recoverable value through use or sale, determined with reference to cash flows of the most recent company plans approved by the Boards of Directors of investees.

- Recoverability of deferred tax assets

Immsi has deferred tax assets on temporary differences and tax losses that can be recovered over an indefinite period of time. Immsi S.p.A. adheres to the National Tax Consolidation system of the Group, therefore the recoverability of deferred tax assets is also related to the taxable income of the companies that are part of the National Tax Consolidation.

- Pension schemes and other termination benefits

Provisions for employee benefits and net borrowing costs are measured using an actuarial method that requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers financial parameters such as the discount rate and growth rates of salaries and considers the likelihood of potential future events occurring on the basis of demographic parameters such as relative mortality rates and employee resignations or retirements. The assumptions used for the valuation are explained in detail in the paragraph Provisions for pensions and similar obligations.

- Provisions for bad debts

The provision for bad debts reflects management's estimate of expected losses related to receivables. Immsi adopts the simplified approach of IFRS 9 and recognises expected losses for all trade receivables based on the residual duration, defining the allocation based on the historical experience of credit losses, adjusted to take into account specific forecasts referred to creditors and the economic environment (Expected Credit Loss – ECL concept).

- Potential liabilities

Immsi recognises a liability for ongoing legal disputes when it considers a financial outflow likely and when the amount of the losses arising therefrom may be reasonably estimated. If a financial outflow is possible, but the amount cannot be determined, it is recorded in the notes to the Financial Statements.

Immsi monitors the status of ongoing proceedings and consults its legal and tax advisers.

- Amortisation/depreciation

The cost of assets is depreciated/amortised on a straight line basis over their estimated useful life, which for rights of use coincides with the assumed contract duration. The economic useful life of assets is determined by Directors at the time of purchase; the calculation is based on historical experience gained in years of operations and on knowledge of technological innovations that may make the asset obsolete and no longer economical. Immsi periodically assesses these circumstances to update the remaining useful life. This periodic updating could change the amortisation/depreciation period and therefore amortisation/depreciation charges of future years.

- Income tax

The tax liabilities of Immsi are determined based on management valuations referred to transactions of which the tax effect is not certain at the end of the reporting period. Immsi recognises the liabilities that could arise from future inspections of tax authorities based on an estimate of taxes that will be due. If the outcome of inspections differs from management's estimates, significant effects on current and deferred taxes could arise.

New accounting standards applicable as 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 impacts on the reform of 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".

Amendments to IFRS 16

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.

During 2020, Immsi S.p.A. made use of this expedient, recognising in the income statement a gain of €42 thousand relating to a short-term discount granted by the lessor on rents relating to a building used by the Company.

These amendments have applied since 1 January 2020. The effects are not considered to be significant.

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, the IASB issued the new standard IFRS 17 “Insurance Contracts”. The new standard will replace IFRS 4 and will be effective from 1 January 2023.
- 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 narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and annual revisions to IFRS 1, IFRS 9, IAS 41 and IFRS 16. The amendments will be applicable with effect from 1 January 2022.
- In August 2020, the IASB published some amendments to IFRS 7, IFRS 4 and IFRS 16. The amendments will be effective from 1 January 2021.

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

C – Information on main assets

C1	Plant, property and equipment	1,225
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Changes in property, plant and equipment are broken down as follows:

Assets at 31.12.19	1,392
- Capital amount	3,052
- Accumulated depreciation	-1,660
Increases for rights of use	217
Increases for investments	17
Decreases for depreciation	-401
Decreases for disposals	0
- (Capital amount)	-25
- Accumulated depreciation	25
Assets at 31.12.20	1,225
- Capital amount	3,261
- Accumulated depreciation	-2,036

The item includes rights of use, plant, furniture and fittings, office and electronic machinery, cars and various equipment.

Changes in the item rights of use, almost entirely related to leased offices, are detailed below:

	<i>Opening balance at 31.12.2019</i>	<i>Purchases and/or increases</i>	<i>Sales and/or decreases</i>	<i>Depreciation</i>	<i>Other changes</i>	<i>Closing balance at 31.12.2020</i>
Historical cost	1,646	325	0	0	-108	1,863
Depreciation	-355	0	0	-359	0	-714
Total rights of use	1,291	325	0	-359	-108	1,149

The Income Statement includes the following amounts relating to lease agreements:

	2020	2019
Depreciation of rights of use	359	355
Financial charges for rights of use	135	169
Rental payments (not IFRS 16)	61	66

In 2020, leasing agreements subject to IFRS 16 resulted in a cash outflow of €1,587 thousand.

C2	Investment Property	-
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The Company did not hold any investment property at 31 December 2020, or in the previous period. On 19 December 2019 the Company sold the property located in Via Abruzzi, Rome, to the real estate fund Investire SGR S.p.A.. The sale price amounted to €62.5 million, recognising in the income statement under "Other operating costs" a capital loss of €12.2 million to adjust the value of the investment property to the sale price, plus additional selling expenses of approximately €1.4 million, mainly for commercial brokerage costs, consultancy and property maintenance costs.

As part of the sale agreements, it was contractually agreed to deposit part of the sale price (€1.5 million) in an escrow account in the name of and managed by the notary, to serve as a guarantee on post-sale obligations borne entirely by the Company. In case of fulfilment or non-fulfilment of the above obligations, the amount will be released by the notary public either to the Company or to the acquiring counterparty. In 2020, the notary released €0.8 million to the Company following the fulfilment of part of the agreed obligations within the established deadlines. The formalities for the release of the remaining €0.7 million are in progress and are expected to be formalised within the deadline agreed between the parties.

C3	Investments in subsidiaries and associates	309,780
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The total value of investments in subsidiaries and associated companies totalled €309,780 thousand, up by €7.3 million compared to the value recognised at 31 December 2019, due to the Parent Company's waivers, with conversion into reserves for future capital increases in favour of subsidiaries, partially offset by the write-down (-€15 million) of the investment in ISM Investimenti S.p.A..

The main data from the last financial statements approved by the Boards of subsidiaries are given below.

Company Name and Head office	Share capital	Shareholders' equity	Net profit	% of Share Capital owned	Pro rata shareholders' equity	Difference between pro rata shareholders' equity and carrying amount	No. of shares	Carrying amount
Apuliae S.r.l. Lecce	220	156	-72	85.69%	134	-1,205	n/a	1,339
ISM Investimenti S.p.A. Mantua	6,655	8,200	-8,302	72.64%	5,957	-952	6,654,902	6,909
Piaggio & C. S.p.A. Pontedera (Pisa)*	207,614	299,321	36,749	50.21%	150,303	-92,952	358,153,644	243,255
RCN Finanziaria S.p.A. Mantova*	1,000	2,934	-4,758	72.51%	2,127	-37,379	2,000,000	39,506
Pietra S.r.l. Milan	40	24,729	-154	77.78%	19,234	473	n/a	€18,761
Immsi Audit S.C.a R.L. Mantova	40	40	0	25.00%	10	0	n/a	10

*) percentage net of treasury shares.

APULIAE S.r.l.

The investment in Apuliae S.r.l. is recognised in the financial statements at the value underwritten at the time of incorporation, which took place in December 2003 and increased by the amount paid for a future capital increase in January 2004 for €2 million and in December 2012 for €92 thousand. Following the prolonged suspension of the refurbishment of the building "former Colonia Scarciglia" located in Santa Maria di Leuca (Lecce), Immsi wrote down the investment by € 2,453 thousand in 2006. The Extraordinary Shareholders' Meeting of Apuliae in 2008 resolved to partially cover the accumulated losses at 31 December 2007 equal to €2,490 thousand by reducing the share capital and cancelling the reserve of €2 million paid in by Immsi. The General Meeting in late 2012 resolved

to partially cover the accumulated losses at 30 September 2012 amounting to €620 thousand through a reduction of the share capital. In light of the losses due to the continuing suspension of activities, the Extraordinary Shareholders Meeting of Apuliae S.p.A. held in February 2017 decided on a further reduction in share capital by a sum corresponding to the losses at 31 December 2016 of €497 thousand and simultaneously to transform the company into a Private Limited Company pending the potentially positive outcome of ongoing disputes and the resumption of business. On 9 March 2020, the Extraordinary Shareholders' Meeting of the company resolved to further reduce the share capital from €500 thousand to €220 thousand, corresponding to the amount of accumulated losses at 31 December 2019 of €272 thousand, as well as an allocation of the remaining €8 thousand to the balance sheet item "Other Reserves".

For an update on the progress of the assessment ordered by the Judicial Authorities leading to the suspension of restructuring activities in March 2005, see the sections dealing with the Property sector and holding company as well as Ongoing disputes in the Directors Report at 31 December 2020.

ISM INVESTIMENTI S.p.A.

The company ISM Investimenti S.p.A., whose minority shareholder is IMI Investimenti S.p.A., following a capitalisation transaction, acquired from Immsi S.p.A. the shares, equal to 60% of the capital, relating to the investment in Is Molas S.p.A., previously held directly by Immsi S.p.A., paying a sum of €84 million. The transaction was in line with Immsi's strategy of concentrating part of the Group's tourism and real estate development activities in an ad hoc company, with the aim of associating partners that would strengthen the Group's capital capacity with these initiatives. On the basis of agreements between the shareholders, Immsi S.p.A. has maintained control of Is Molas S.p.A..

Following the conversion into shares in 2013 of the convertible financial instruments issued and subscribed by shareholders in 2010, Immsi S.p.A. holds 4,834,175 category A shares, while IMI Investimenti S.p.A. holds 1,820,727 category B shares and the investment (in terms of voting rights) comprises 72.64% and 27.36% respectively. In this regard, considering the analyses of the impairment tests carried out at the end of 2020 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 47.64% at 31 December 2020, up on the figure of 41.81% at the end of 2019.

With the intention of consolidating ISM Investimenti's capital base, in December 2019 the Company waived an amount of €2 million (receivables for accrued interest), and in March, May and December 2020 an overall amount of €15.8 million, of which €11.7 million capital shares of loans granted and €4.1 million receivables for accrued interest, contributing to the subsidiary's shareholders' equity with these waivers (€17.8 million cumulative), recognised in a specific reserve for a future Immsi capital increase.

The value of the investment is €952 thousand greater than the pro-rata shareholders' equity. The recoverable value of the investment in ISM Investimenti S.p.A. was determined via an impairment test carried out on 31 December 2020 as "value in use", using the Unlevered Discounted Cash Flows Method actualising the anticipated cash flows of Is Molas S.p.A..

As regards the discount rate for the present value discounting of the estimated expected cash flows of Is Molas, a discount rate was used that reflects current market evaluations of the cost of money and takes account of the specific risks of the business segment in which the company operates. In particular, the cost of equity ("Ke") was determined according to the CAPM ("Capital Asset Pricing Model"). For this purpose, we considered a) a long-term risk-free rate; b) a market risk premium in an unconditional form (normal long-term premium); c) a Beta coefficient calculated by taking into account also the Beta coefficient of a sample of companies comparable to the company. For the purpose of estimating the aforementioned rate, a specific risk premium considered suitable to reflect

the elements of risk included windy in the forecasts assumptions used in the 2021-2031 was also considered. The cost of debt ("Kd") was estimated taking account of the expected financial structure of a panel of listed companies comparable to Is Molas as well as – prudentially in order to mitigate the positive impact of the current expansive monetary policy - a long-term risk-free rate. The discount rate ("WACC") used for the purposes of the impairment test before tax was therefore estimated as being equal to approximately 10.54%.

The enterprise value also includes the value of the main tourist accommodation units and golf courses equal to the market value discounted to the year of completion. The impairment testing also considered the shareholder agreements between the two shareholders of ISM Investimenti S.p.A. (Immsi S.p.A. and IMI Investimenti S.p.A.) in force since 2008, and subsequently modified, which include the provision of a precise hierarchy in the repayment of the company's sources of financing, both with regard to capital and to loans.

These analyses revealed that the value in use of this equity investment was the same as its carrying amount at 31 December 2020. The Directors, on the basis of the contents of the joint Bank of Italy/Consob/Isvap document, no. 2 dated 6 February 2009, and Bank of Italy/Consob/Isvap document no. 4 dated March 2010, carried out a sensitivity analysis on the results of the test based on varying assumptions such as the discount rate net of taxes, which affects the estimate of the value in use of the tested investment. The sensitivity analyses conducted, with worst-case scenarios compared to the model's assumptions, indicated further impairment losses. In particular, also considering that the evolution and effects of the COVID-19 pandemic on the global economy and in particular on the tourism sector are still difficult to determine, the Directors deemed it more appropriate to refer to a more prudent scenario, in particular opting for the assumption of a reduction in the value of the investment of approximately €15 million.

Updates, revisions or negative developments relative to the aforesaid assumptions and forecasts occurring after the reporting period of this evaluation could influence, even significantly, the results of impairment testing. Given the intrinsically uncertain nature of the forward looking data considered, we cannot exclude that these variances may continue to take place even in the future with respect to the forward looking data used with reference to the assessments carried out at 31 December 2020.

Given that the analyses conducted to determine the recoverable amount were also carried out on the basis of estimates, the existence of adequate cash flows to allow the recovery of the carrying amount of the equity investment and the period within which those flows will be produced, is dependent on the outcome of initiatives provided within the forecast data of Is Molas S.p.A.. Given the current crisis in the reference markets and the financial markets, the Company can not guarantee that there will be no impairment loss of the equity investment in future periods: in view also of the fact that a number of factors - both internal and external to Is Molas - considered in the calculation of the estimates could be revised in the future, the company will constantly monitor these factors and the possible existence of future impairment losses.

Reference is made to the sections on the Property and holding sector and Disputes in progress in the Directors' Report and the Financial Statements of the Immsi Group at 31 December 2020 for an update on the Is Molas real estate project.

PIAGGIO & C. S.p.A.

Immsi S.p.A.'s investment in Piaggio & C. S.p.A. was recognised under assets at 31 December 2020 for €243,255 thousand, and remained unchanged compared to 31 December of the previous year. As a result of the buyback of 130,000 shares by Piaggio & C. S.p.A. in 2020, Immsi's ownership stake changed from 50.20% on 31 December 2019 to 50.21% on 31 December 2020.

The value of the investment calculated based on the specific listing at December 2020 amounted to €483,470 thousand.

The portion of share capital at 31 December 2020 was €92,952 thousand more than the pro-rata shareholders' equity. This difference is considered by the Directors to be recoverable in relation to the development plans of the Piaggio group as backed up by the impairment test carried out on 31 December 2020. Analyses conducted did not highlight any impairment loss as regards the carrying amount of the investment held by Immsi S.p.A. in Piaggio & C. S.p.A..

In particular, with the values considered for the main basic assumptions adopted for impairment testing (i.e. weighted average "g rate" for the Piaggio group equal to approximately 1.33% and average weighted WACC for the Piaggio group estimated to be approximately 7.12%), the test concerning the value in use of the investment held in the Piaggio group was passed with a broad margin. In addition, also on the basis of the indications contained in the Document Banca d'Italia/Consob/Isvap no. 2 of 6 February 2009 and in the document Banca d'Italia/Consob/Isvap no. 4 of March 2010, sensitivity analysis was carried out on the test results compared to the basic assumptions used such as the perpetual growth rate used to process the final value ("g rate") and the discount rate ("WACC"), that affect the estimate of the value of use of the cash-generating unit Piaggio group: the impairment test was passed in all reasonably considered cases.

In addition, on the basis of the requirements in Consob warning notice 1/21 of 16 February 2021 and the recommendations provided by ESMA, besides the scenario described above, a further scenario more penalised by the continuation of the pandemic was assumed, which synthetically envisages an average contraction in the period for all CGUs of the Piaggio group of approximately 19.6% ("Worst Case Scenario"). Despite this additional element of strong penalisation, the value in use is still higher than the book value of Immsi S.p.A.'s investment in Piaggio & C. S.p.A..

Given the current market weakness, the various factors used in processing estimates could require revision; the Company will constantly monitor these factors as well as any impairment losses.

For more details on impairment testing and the relative underlying assumptions, see the Notes to the consolidated financial statements of the Immsi Group.

Lastly, of the 179,328,621 Piaggio shares held by Immsi S.p.A. at 31 December 2020, 165,720,962 thousand Piaggio shares were filed to guarantee loans granted by banks to Group companies.

RCN Finanziaria S.p.A.

The equity investment in RCN Finanziaria S.p.A. was recognised in the financial statements at the end of the reporting period for €39,506 thousand, equal to 72.51%, up by €6.5 million compared to the figure at 31 December 2019.

With the intention of consolidating RCN Finanziaria S.p.A.'s capital base, in December 2019 the Company waived an amount of €1 million (receivables for accrued interest), and in March and December 2020 an overall amount of €6.5 million, (receivables for accrued interest), contributing to the subsidiary's shareholders' equity with these waivers (€7.5 million cumulative), recognised in a specific reserve for a future Immsi capital increase.

The portion of the investment at 31 December 2020 was €37,379 thousand more than the pro-rata shareholders' equity. This difference is considered by the Directors to be recoverable in relation to development plans of the indirect subsidiary Intermarine S.p.A. as backed up by the impairment test carried out on 31 December 2020.

The main hypotheses and assumptions used in determining the recoverable value of the stake, based on the Unlevered Discounted Cash Flows Method, related to i) the use of forecast economic and asset data of Intermarine S.p.A., approved by the Board of Directors on 1 March 2021, a wholly owned subsidiary of RCN Finanziaria S.p.A.; ii) the discount rate used for discounting estimated expected cash flows; and iii) the expected growth rate for calculating the terminal value, consistently with the approach of discounting back the "perpetual growth". The discount rate ("WACC") used for the purposes of the impairment test net of taxes is therefore estimated at approximately 7.78% (8.41% at 31 December 2019). For further details regarding the assumptions underlying the determination of the WACC, readers are referred to the comments made in the Notes on the Immsi Group's consolidated financial statements. These analyses revealed that the value in use of this investment may be higher

than the related amount at 31 December 2020. In addition, also on the basis of the indications in the Bank of Italy/Consob/Isvap joint document no. 2 dated 6 February 2009 and in the Bank of Italy/Consob/Isvap document no. 4 of March 2010, sensitivity analysis was carried out on the results of the test in relation to the change in basic assumptions such as the WACC and the forecast perpetual growth rate (“g rate”), which condition the estimate of the value in use of the investment tested. The sensitivity analyses show how the worst-case scenario in terms of the WACC and g rate reduce hedging margins, or that the recovery value may be lower than the carrying amount of the investment held in RCN Finanziaria S.p.A..

Considering the above, the Company believes that it is reasonable to confirm the value of the investment in RCN, also in light of the large number of orders to be acquired included in the 2021-2025 Plan and the continuing health emergency relating to the worldwide spread of the COVID-19 virus.

The forecast data considered – uncertain and variable by nature – reflect the evolution of the company’s order portfolio as well as its future industrial and commercial strategies. Updates, revisions or negative developments relative to the aforesaid assumptions and forecasts occurring after the reporting period of this evaluation, could influence, even significantly, the results of impairment testing. In this regard, – in the course of previous periods – the final results of Intermarine S.p.A. were significantly different from the financial forecasts, partly as a result of exceptional, unforeseeable events. Given the intrinsically uncertain nature of the forward looking data considered, we cannot exclude that these variances may continue to take place even in the future with respect to the forward looking data used with reference to the assessments carried out at 31 December 2020. On the other hand, it should be noted that the negative difference between final 2020 figures and the economic objectives indicated in Intermarine's budget is mainly due to the slowdown in the development of programmes as a result of the COVID-19 health emergency and the forecasts included in the budget for the re-use of semi-finished products that remained the property of Intermarine following the termination of the contract with the Asian shipyard, while the net financial position confirmed the forecast targets set.

Lastly, an impairment loss for the investment was recorded in the past amounting to €22,607 thousand, based on the results of impairment testing carried out in 2010, 2011, 2012 and 2013, reinstated in 2017 and 2018 for a total amount of €11.5 million.

Given that the analyses conducted to determine the recoverable amount were also carried out on the basis of estimates, the existence of adequate cash flows to allow the recovery of the carrying amount of the equity investment and the period within which those flows will be produced, is dependent on the outcome of initiatives provided within the forecast data of Intermarine S.p.A.. Given the current difficulties in the reference markets and the financial markets, the management of the Company can not guarantee that there will be no impairment loss of the equity investment in future periods: as a number of factors - both internal and external to Intermarine S.p.A. - considered in the calculation of the estimates could also be revised in the future, the Company will constantly monitor these factors and the possible existence of future impairment losses.

PIETRA S.r.l.

At the end of 2006, Immsi S.p.A. acquired a 77.78% investment in Rodriquez Pietra Ligure S.r.l., which was then transformed into Pietra S.r.l., recognised in the financial statements for a total of €18,761 thousand, corresponding to the amount paid on the initial underwriting and at subsequent capital increases.

This company, originally established by Rodriquez Cantieri Navali S.p.A. (now Intermarine S.p.A.), was then sold to the two current shareholders (Immsi S.p.A. and Intesa San Paolo S.p.A.), in order to sign an agreement to sell the future receivable relating to the Pietra Ligure shipyard project with Rodriquez Cantieri Navali S.p.A..

At the same time as the sale of the receivable, Rodriquez Cantieri Navali S.p.A. granted Pietra S.r.l. subscription rights for the acquisition of the entire stake in the Pietra Ligure S.r.l, the newco assigned the industrial complex along with the area transferred from the State, at the price of €300 thousand. The option was exercised in late May 2015.

This project refers to the shipyard area located in Pietra Ligure (Savona) that – in the intentions of the subsidiary – would be turned into a property complex with apartments, a hotel, mooring places, shops and other services. The area concerned was acquired during a public auction in 2007. Reference is made to the sections on the Property and holding sector and Disputes in progress in the Directors' Report and the Financial Statements at 31 December 2020 for an update on the situation.

Lastly, in 2008, a company was established called IMMSI Audit Società Consortile di Internal Auditing del Gruppo Immsi a R.L. (IMMSI Audit S.c.a r.l.), with Immsi S.p.A. subscribing 25% of the share capital, equal to €10 thousand.

C4	Other financial assets	291,655
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Below is a breakdown of other financial assets held by Immsi S.p.A.:

In thousands of Euros	2020	2019
Other non-current financial assets:	288,062	291,502
Financial receivables due from Group companies	288,062	291,502
Other current financial assets:	3,593	4,886
Financial assets fair value to OCI	2,139	3,641
Financial receivables due from Group companies	1,455	1,245
Total other financial assets	291,655	296,388

Non-current financial assets chiefly include the reclassification of the loans granted by Immsi S.p.A. to Group companies, in addition to the related accrued interest, for which the budget forecasts of these same subsidiaries do not allow for repayment in the course of 2021. These financial receivables amounted to €285,213 thousand and included €47,638 thousand from interest accruing at the end of 2020.

In particular, the Company has receivables amounting to €140,557 thousand due from RCN Finanziaria S.p.A. (including €31,426 thousand falling due on agreed loans) which include, among others, two convertible shareholder loans subscribed by the Parent Company, of €30.5 million and €12 million respectively, falling due in June 2022 on the basis of shareholders' agreements signed in June 2019 with the minority shareholder Intesa Sanpaolo S.p.A. (formerly IMI Investimenti S.p.A.). As commented on the previous item "Investments", the Company waived €6.5 million in receivables due for interest accrued on existing loans to RCN Finanziaria, in March and December 2020, contributing it to the subsidiary's shareholders' equity to underwrite future capital increases.

The Company has receivables with ISM of €61,292 thousand, of which €31.8 million granted to enable the subsidiary to join in the operations to increase the share capital of Is Molas S.p.A., and including €683 thousand for interest accrued on the loans granted. The shareholders' loan (originally €18 million) is contractually due at the end of 2018 but is not due as it is subject, together with the loan of the other minority shareholder Intesa Sanpaolo S.p.A. (formerly IMI Investimenti S.p.A.), as per the clause included in the respective contracts, to the repayment of the bank loan of €30 million granted to ISM Investimenti by Intesa Sanpaolo S.p.A..

As commented on the previous item "Investments", in March, May and December 2020, the Company waived a total of €15.8 million, of which €11.7 million as the principal of loans granted and €4.1 million of receivables for interest accrued, contributing it to the subsidiary's shareholders' equity to underwrite future capital increases.

Receivables from Is Molas S.p.A. amount to €75,347 thousand (of which € 61,346 thousand for loans and €14,001 thousand for interest accrued on the loans granted).

Lastly receivables referring to Pietra S.r.l. and Pietra Ligure S.r.l. amounted to €7,055 thousand (of which €5,661 thousand for loans and €1,394 thousand for interest accrued) and to Apuliae S.r.l. for €962 thousand (of which €828 thousand for loans and €134 thousand for interest).

The interest receivable at the end of 2020 on loans granted to Group companies, despite their financial nature, do not contribute to the determination of the net financial position.

Other non-current financial assets include €2,849 thousand in financial receivables due from the subsidiaries Piaggio & C. S.p.A. and Intermarine S.p.A. which, by virtue of the application of IFRS16 "Leases", represent the discounted value of sub-lease payments for property rights-of-use due after 31 December 2021.

It should be noted that the value of sub-rentals, relating to contracts to which IFRS 16 has been applied, amounted to €1,323 thousand in 2020.

Non-current financial assets also include the investment held in Alitalia – CAI by Immsi S.p.A., which has remained unchanged compared to 31 December 2019, at 2.18%. Considering events relative to the airline company and in particular the compulsory administration ordered in May 2017 and the full write-down of the investment in Alitalia – SAI by Alitalia – CAI, Company management decided to reset the carrying amount.

Other-current financial assets amounting to €3,593 thousand at 31 December 2020 include €1,455 thousand in financial receivables due from the subsidiaries Piaggio & C. S.p.A. and Intermarine S.p.A. which, by virtue of the application of IFRS16 "Leases", represent the discounted value of sub-lease payments for property rights-of-use due before 31 December 2021, and €2,139 for the investment in UniCredit.

In relation to the investment in Unicredit, the Company held 279,639 shares at 31 December 2020 and has adjusted the carrying amount of the investment to the value recognised at 31 December 2020, i.e. €2,139 thousand, recognising the adjustment in other comprehensive income for a negative €1,502 thousand. As required by IFRS 9, these adjustments will not subsequently be transferred to profit (loss) for the year, but the Company may transfer the accumulated profit or loss to shareholders' equity when it is disposed of.

It should be pointed out that the Unicredit shares referred to above are bound up to 31 December 2020 as a result of a security loan contract guaranteed by cash collateral that the Company undersigned with Banca Akros as from December 2007 and periodically renewed. Contractually the agreements between the parties only transfer the rights and duties deriving from their possession for the duration of the contract, therefore the shareholding is registered in the assets of Immsi for a liability equal to the liquidity disbursed by the Bank as collateral.

C5	Tax receivables	413
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The Company opted to be a part of the Group taxation system, as provided for by Articles 117 et seq. of the Consolidated Income Tax Act (National Consolidated Tax Convention) along with the subsidiaries Piaggio & C.. S.p.A., Aprilia Racing S.r.l., Apuliae S.r.l., Intermarine S.p.A., RCN Finanziaria S.p.A., ISM Investimenti S.p.A., Pietra S.r.l., Pietra Ligure S.r.l. and Piaggio Concept Store Mantova S.r.l.. For the agreements underwritten with these companies, as the consolidating company, Immsi S.p.A., included in its financial statements current tax receivables of €114 thousand and the withholding tax paid and transferred by the companies involved. The remainder is made up of VAT receivables of €213 thousand and IRAP receivables of €86 thousand.

C6	Deferred tax assets	1,624
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The Company recognised gross deferred tax assets totalling €1,913 thousand, of which €289 thousand related to temporary differences for costs deductible in subsequent years, offset against deferred tax liabilities as they relate to the same income taxes payable to the tax authorities and recoverable on a forward-looking basis with similar timing, as well as €1,624 thousand corresponding to the Company's past tax losses recoverable on the basis of estimates of future taxable income that will be contributed by the companies participating in the Immsi Group's domestic tax consolidation system.

C7	Trade receivables and other receivables	18,086
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Current trade receivables and other receivables refer to trade receivables from third parties and from Group companies for service contracts, fees paid for positions held by employees of the Parent Company, interest, fees on guarantees and expenses charged for activities managed by Immsi S.p.A. on behalf of subsidiaries. This item includes receivables due from companies belonging to the Immsi Group for €14,093 thousand, and namely Is Molas for €6,270 thousand, RCN Finanziaria for €5,633 thousand, Piaggio for €565 thousand, ISM Investimenti for €926 thousand, Intermarine for €639 thousand and the remainder from other group companies.

The Company prudently recognised trade receivables and other receivables for €12,889 thousand from other Group companies, whose budget estimates did not reasonably expect repayment during 2021, in the non-current portion.

Other current receivables of Immsi S.p.A., as the consolidating company, defined in the national consolidated tax convention, include the net receivable from companies party to the convention, for a total amount of €2,840 thousand.

Trade receivables are recorded net of a bad debt reserve prudently allocated for €707 thousand against the uncertain recoverability of approximately €690 thousand receivables due to Immsi S.p.A. from Volare Group relative to the rental of a portion of the property of Via Pirelli – Milan sold by Immsi during 2005. In this respect, the Volare Group has been in receivership since the end of 2004 and Immsi, proving its debts, has been admitted to the benefit. The filing of the plan to distribute assets relative to privileged creditors pursuant to Article 2764 of the Italian Civil Code (receivables of lessors of property) is pending.

As indicated in the previous note "Investment property", at 31 December 2020, part of the sale price of the property located in Via Abruzzi, Rome, was deposited in an escrow account in the name of and managed by the notary public (€0.7 million out of the original €1.5 million) as security for post-closing obligations of the Company to be fulfilled within the first half of 2021 and recognised under other current receivables. In 2020, the Company collected €800 thousand released by the Notary Public in connection with the fulfilment of part of the contractual obligations.

The Company does not have any receivables from foreign companies and receivables with a residual duration of more than 5 years.

C8	Cash and cash equivalents	8,460
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This item covers cash and current bank accounts. The decrease compared to the balance at 31 December 2019 is mainly due to the financial support given to the subsidiaries for loans granted.

D - Information on main liabilities

D1	Shareholders' equity	374,522
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Share capital

At 31 December 2020, the share capital of Immsi S.p.A. totalled €178,464,000.00, fully subscribed and paid up, and represented by 340,530,000 ordinary shares with no nominal value.

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

As regards proxies to increase share capital and authorisations to purchase treasury shares, see the 2020 Report on Corporate Governance and Ownership.

Other reserves and retained earnings

The item Other reserves at 31 December 2020 is broken down as follows:

- legal reserve comprising provisions approved following the distribution of the profit for the year for €8,978 thousand;
- legal reserves for a total of €1,153 thousand;
- revaluation reserve for property, plant and equipment, established in accordance with Law 413/91 by Sirti and transferred to Immsi following the demerger for €4,602 thousand;
- share premium reserve that includes the increases in share capital of €44,880 thousand in early 2005, as well as €50,336 thousand in 2006, net of uses of €342 thousand to cover losses in 2014;
- evaluation reserve under common control equal to €65,087 thousand, in compliance with guidelines as of OPI (Assirevi preliminary guidelines on IFRS) no. 1, whose underlying operation, concerning the subsidiaries Is Molas S.p.A. and ISM Investimenti S.p.A., is commented on in the Investments item.

Other reserves include, on the negative side, the component arising from the retrospective valuation of actuarial profit/loss regarding bonds with defined benefits of €57 thousand, revision according to fair value of financial assets of €27,503 thousand, the reserve for the transition to international accounting standards of €1,614 thousand and the reserve relating to fair value of the interest rate swap hedging instruments of €5 thousand.

No others changes are recorded in the three previous years' reserves to cover losses, increase capital or distribute profit to shareholders.

As a result, the Shareholders' Equity of the Company includes profits carried forward for €45,653 thousand; the increase compared to the balance at 31 December 2019 is due to the resolution to allocate the previous year's result (positive €8,544 thousand).

Statement of Comprehensive Income

During 2020, the Statement of comprehensive income shows a profit for the period of €3,384 thousand, against a positive variation of the fair value of the Interest Swap hedging instrument of €8 thousand, a negative adjustment of €13 thousand to the valuation of defined benefit plans relating to the actuarial loss generated in 2020 and the lower value of the investment in Unicredit against the value at the end of 2019 of €1,502 thousand.

D2	Financial liabilities	243,538
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The item at 31 December 2020 included bank borrowings of €238,453 thousand, of which €170,879 thousand recognised under current liabilities, and payables for rights of use, recognised in accordance with the new IFRS16 "Leases", totalling €5,085 thousand, of which €1,433 thousand due by 31 December 2021.

During the year, the Company agreed with certain banks with which it has amortising credit lines, a moratorium for a period of 12 months on the instalments falling due and the consequent repositioning of the same at the end of the repayment schedule, in line with arrangements provided by the banking system for the majority of companies with credit lines.

Below is the detail of the breakdown of bank debt:

- a loan from Banca Popolare dell'Emilia Romagna for a nominal amount of €15 million falling due on 31 December 2022 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 €9,728 thousand, of which 4.8 million for instalments repayable within 12 months. This line provides for *two covenants* to be verified at 31 December of each year, one of which was met at the end of 2020, while for the second covenant an exemption from verification has been requested and obtained, as well as a Value to Loan, also met at the end of 2020;
- a partially amortised credit line granted until December 2022 by Banca Nazionale del Lavoro for a nominal amount of €30 million and recognised at the amortised cost of €29,705 thousand. This loan provides for a benchmark rate equal to the variable Euribor rate increased by a spread. Moreover, it provides for a minimum listing of the Piaggio share and compliance with two covenants, to be assessed at 31 December of each year, met at the end of 2020, and a Value to Loan also met at the end of the year;
- a credit line amortised with Istituto Monte dei Paschi di Siena for a total of €30 million, falling due in June 2023, repositioned following a moratorium. The agreements have a benchmark rate equal to the Euribor increased by a spread, two covenants and a Value to Loan to verify, and met at 31 December 2020. The loan is recognised according to the amortised cost equal to €17,397 thousand, of which €7 million for instalments repayable within 12 months;
- a loan from Banca Ifis for a nominal amount of €10 million falling due on 31 December 2022 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 €5,378 thousand, of which €2,307 thousand for instalments repayable within 12 months. This loan provides for two covenants to be verified at 31 December each year and respected at the end of 2020 as well as a Value to Loan also met at 31 December 2020;
- credit lines, falling due in January 2021, granted at the end of 2022 by Intesa Sanpaolo for €15 and €25 million, besides a Bullet – Multi Borrower line with Intesa Sanpaolo, granted for €125 million, of which €82.7 million to Immsi S.p.A., €30 million to ISM Investimenti S.p.A. and €12.3 million to Intermarine S.p.A. These loans have a benchmark rate equal to the Euribor plus a spread, as well as compliance with a verified Value to Loan, verified and complied with at 31 December 2020;
- a revolving credit line, equal to €15 million, disbursed in December 2020 by Unicredit at a benchmark rate equal to the Euribor increased by a spread, falling due at the end of 2021. The agreements include a covenant to be verified quarterly, which was complied with at 31 December 2020;
- four amortised credit lines granted between December 2018 and July 2019 by Banco BPM for a nominal amount of €4.5 million falling due in December 2022, €4 million falling due in March 2023, €5 million falling due in June 2023 and €6.5 million falling due in September 2023; all final maturities have been repositioned following a moratorium. all lines disbursed have a benchmark rate equal to Euribor plus a spread and are recognised at amortised cost

at the end of 2020 for a total of €14,423 thousand, of which €5 million in instalments repayable during 2021. To cover the risk of interest rate fluctuation for cash flows, Immsi S.p.A. signed four interest rate swap hedging contracts, which at 31 December 2020 changed the variable rate into a fixed rate for 33% of the nominal value of related loans;

- a €10 million bullet loan granted by ING Bank in December 2020, falling due in July 2022, with a benchmark rate equal to the Euribor increased by a spread;
- two credit lines for advances granted by UBI Banca, one for a value of €5 million with revocable maturity and one for a value of €5 million renewed in February 2020 until January 2022; both lines accrue interest at a benchmark rate equal to the Euribor increased by a spread;
- a securities loan agreement between Immsi S.p.A. and Banca Akros, which - against a loan of 580,491 Unicredit shares, envisages a cash collateral from the bank of approximately €4,122 thousand equivalent to the market value of the share at the date of subscription net of a spread, which takes into account any downward fluctuations in the share. The contract, which expires on withdrawal, envisages a fee equal to 0.05% and interest expense equal to the EONIA increased by a spread, calculated on the cash collateral disbursed by Banca Akros. Immsi received 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 31 December 2020.

To guarantee Immsi S.p.A.'s debt, as indicated above, at 31 December 2020 the Company had deposited Piaggio shares for 13.6 million free of encumbrances, while a further 154.27 million Piaggio shares were deposited as pledges.

Nominal financial payables, by contractual due date, are shown below:

In thousands of Euros	Within 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
Payables to banks	170,879	61,744	6,292	-	-	-	238,915
Payables for rights of use	1,433	1,444	1,324	419	415	50	5,085
Total	172,323	63,177	7,616	419	415	50	244,000

D3	Provisions for severance liabilities and similar obligations	373
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Liabilities only include the reserve for termination benefits totalling €373 thousand at the end of 2020. As provided for by Legislative Decree 252/2005 and by Law 296 of 27 December 2006, since Immsi has fewer than 50 employees, the termination benefit of employees that did not opt to assign the benefit to other types of supplementary welfare schemes, continued to be managed by the company, unless otherwise indicated by personnel.

New IFRS identify the liability relating to termination benefits using the actuarial measurement method. An estimate is made of the probable employment period in the company for each employee. For this period, annual salaries were revalued based on an inflation rate of 0.80% and a quota (at the legal rate) was set aside for TFR.

The portion of termination benefit already accrued, and which will accrue at the foreseeable date of termination of employment, is revised as required by law and discounted by a rate equal to 0.53%. As regards the discount rate, the iBoxx Corporates A rating with a 10+ duration at 31 December 2020 was used as the valuation reference.

The annual rate used for the increase in TFR was 2.10%, and the rate for the increase in salaries was 1.50%.

The table below shows the effects, at 31 December 2020, which would have occurred following changes in reasonably possible actuarial assumptions:

<i>In thousands of Euros</i>	Termination benefits provision
Turnover rate +2%	365
Turnover rate -2%	383
Inflation rate +0.25%	380
Inflation rate - 0.25%	366
Discount rate +0.50%	355
Discount rate -0.50%	393

Estimated future payments are shown below:

<i>In thousands of Euros</i>	Future amounts
1	21
2	21
3	21
4	22
5	22

The average duration of the bond is 12.9 years.

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

Movements in the fund during the year are shown below:

<i>In thousands of Euros</i>	
Balance at 31.12.2019	380
Service cost	20
Interest cost	4
Benefits paid	(44)
Actuarial (gain)/loss	13
Balance at 31.12.2020	373

As foreseen by the amendment to IAS 19, the cost components relating to the provision of work and net borrowing costs, equal to €24 thousand, were directly recognised in profit or loss, whereas the recognition of actuarial loss arising from the re-measurement each year of liabilities, equal to €13 thousand, was recorded in the Statement of Comprehensive Income.

D4	Deferred tax liabilities	8,033
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Deferred tax liabilities at 31 December 2020 totalled €8,323 thousand, net of the portion of deferred tax assets allocated for temporary differences in that they are consistent by nature and tax authority. Gross deferred tax liabilities primarily consist of €7,535 thousand for IRES (Italian Tax on Corporate Income) for the remaining three-fifths of the tax gain realized on the sale of the investment property in Via Abruzzi, Rome, which is taxable in future years in accordance with the law.

D5	Trade payables and other payables	3,901
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Other current and non-current payables include €5 thousand represent the mark to market at the end of 2020 of four interest rate swap (IRS) contracts entered into with Banco BPM during 2019 to specifically hedge the risk of interest rate fluctuations with regard to 50% of the original loan agreements with Banco BPM falling due between 31 December 2021 and 30 September 2022. At 31 December 2020, the total notional amount of the IRS contracts was €4,729 thousand, representing approximately 33% of the residual nominal value of the loan contracts with Banco BPM. since the contracts are designated as hedge accounting, the related change in fair value is recorded in the Statement of Comprehensive Income in a specific equity reserve.

Current trade payables refer to invoices received and not yet paid and to invoices to be received recognised on an accrual basis and total €1,915 thousand, of which €782 thousand to Related Parties and other companies of the Group.

Other current payables mainly include payables to social security institutes for €250 thousand, payables to employees and company bodies for €784 thousand, accrued liabilities and deferred income for €947 thousand, of which €139 thousand to related parties.

At the end of 2020, no trade payables and other payables due to foreign companies or payables due after 5 years were recognised.

D6	Current taxes	876
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Current taxes at 31 December 2020 are represented by withholding taxes on income from employment and self-employment for €169 thousand and for €707 thousand by the estimate at 31 December 2020 of the IRES payable arising from the net excess taxable income not offset by losses contributed by the companies participating in the tax consolidation of the Immsi Group.

E - Information on the main Income Statement items

E1	Financial income	29,192
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Details of financial income for 2020 and a relative comparison with the previous year are given below:

In thousands of Euros	2020	2019
Dividends from subsidiaries	16,498	26,003
Interests and commission from subsidiaries	12,691	11,872
Other financial income	3	251
Total	29,192	38,126

The decrease in financial income compared to the previous year is mainly due to the lower flow of dividends paid by the subsidiary Piaggio & C. S.p.A..

E2	Borrowing costs	23,647
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Financial expenses at 31 December 2020 amounted to a total of €23,647 thousand (€18,791 thousand at 31 December 2019) and included, as previously commented under the item "Investments", on the basis of the impairment test performed at 31 December 2020, the €15 million write-down of the investment in ISM Investimenti S.p.A. (€7.9 million in the previous financial year). The decrease, compared to the previous year, of €2,244 thousand in interest expense and other financial charges is mainly due to lower average debt in 2020.

E3	Operating income	2,015
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In 2020, operating income amounted to €2,015 thousand and related entirely to service contracts in place with Group companies. In the previous year, the total amount of €4,564 thousand also included the accrued revenue of €2,549 thousand from the lease of the property in Rome, which was sold on 19 December 2019, of which €335 thousand was from Group companies.

Revenues from recharging costs for materials and services sustained by Immsi S.p.A. on behalf of Group companies are not recognised in profit or loss as they are offset by relative costs generating them, as provided for by IFRS 15, according to which the commercial result of operations that in their entirety are strictly related, may not be measured without referring to such operations as a whole.

E4	Costs for services, leases and rentals	3,155
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Cost of services and use of third-party assets, net of costs recharged in accordance with IFRS 15 as described above, total €3,155 thousand, of which approximately €422 thousand deriving from intergroup transactions and with related parties, the details of which are provided at the end of these Notes.

Cost of services and use of third-party assets are broken down as follows:

In thousands of Euros	2020	2019
External maintenance and cleaning expenses	89	187
Employee costs	79	94
Technical, legal, tax, administrative consultancy, etc.	842	574
Energy, telephone, postal costs, etc.	57	71
Insurance	29	36
Board of Directors operating costs	1,584	1,783
Board of Statutory Auditors operating costs	148	147
Communication and publication costs	10	11
Certification fees	73	77
Listing rights and Securities Centralised Administration	112	104
Building service fees, security and porter costs	36	50
Bank charges	10	10
Expenses for website handling and maintenance	11	5
Charges for property rentals	2	2
Charges for rents and other rentals	59	64
Miscellaneous expenses	14	19
Total	3,155	3,234

E5	Employee costs	1,271
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Personnel costs recorded in 2020 refer to salaries for about €861 thousand, social security charges for €342 thousand and provisions for termination benefits for €68 thousand. For further details on this last item, please refer to the item Provisions for pensions and similar obligations.

Immsi S.p.A. currently has no employee stock option plan.

As required by paragraph 1-bis of Article 78 of the Consob Regulation on Issuers, the Company did not carry out operations for the purchase or subscription of shares by employees pursuant to Article 2358 of the Italian Civil Code.

The average workforce paid in the year is 10 employees, of which 2 senior managers.

E6	Depreciation of plant, property and equipment	401
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Depreciation of property, plant and equipment recognised in 2020 amounted to €401 thousand and refers to electronic machines, hardware, vehicles, furniture and fittings and miscellaneous equipment as well as the depreciation of rights of use (€358 thousand) recognised in accordance with the application of the new accounting standard IFRS 16 "Leases".

As regards investments during the year, it was deemed appropriate to apply the depreciation rates reduced by 50% due to their limited use. The Company also fully depreciated those assets of minor value whose use had essentially ended during the year.

E7	Other operating income	187
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This item amounted to €187,000 at the end of the period, net of income generated from costs recharged as provided for by IFRS 15, and mainly included income for compensation paid by the Company's employees for corporate offices held within the Group, contingencies and the recovery of insurance costs and damages, as well as income of €42 thousand related to a short-term "COVID" discount granted by the lessor on rents related to a building used by the Company and accounted for on the basis of the practical expedient of IFRS 16 amended in May 2020.

E8	Other operating costs	277
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Details of other operating expense are indicated below:

In thousands of Euros	2020	2019
losses on the disposal of investment property	-	12,172
ancillary charges for the sale of the investment property	36	1,362
Municipal property tax	-	523
other taxes and duties	184	226
other operating charges	57	74
Total	277	14,357

As shown in the detail above, the item included in 2019 the capital loss of €12.2 million corresponding to the difference between the book value of the property in Rome and the sale value, additional selling expenses for €1.4 million mainly for commercial brokerage costs, consultancy and maintenance charges of the property as well as local council tax of €523 thousand.

E9	Taxes	(2,266)
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In 2020, the Company recognised a net income of €2,266 thousand under "Taxes" mainly deriving from the allocation to the income statement of deferred tax assets on prior losses of the Company of approximately €1.6 million, recognised on the basis of the tax projections of the companies adhering to the Immsi Group's tax consolidation system that allow for future recoverability as well as the income of approximately €1.1 million deriving, as provided for in the regulations, from the transfer to the consolidation of the Company's tax surpluses that allowed for the deductibility of financial expenses that would otherwise be non-deductible to the companies adhering to the Immsi consolidation system.

The estimate at 31 December 2020 of the Company's IRES resulted in the recognition of current tax liabilities of approximately €2.7 million in the income statement, partially offset for €2.4 million by the reversal to the income statement of deferred taxes allocated in previous years. In particular, it should be noted that the tax gain realised on the sale of the property in Rome at the end of 2019, amounting to €52.3 million, is taxable only for IRES purposes in equal instalments spread over five tax years from 2019 to 2023.

The estimated IRAP for 2020 resulted in current tax liabilities of approximately €0.2 million being recognised in the income statement.

The item profit before tax, in terms of the portion comprising financial items, accounted for a minimum part of taxable income as regards income tax, because most components comprise tax-neutral items; these are commented on under the item Financial Income.

By participating in the Group's national tax consolidation as consolidating company, the Company has fully offset its income taxable for IRES purposes, as mentioned above, with tax losses contributed by the other participating subsidiaries.

F – Commitments, risks and guarantees

As part of the sale agreement for the Rome property with the counterparty Investire SGR S.p.A., it was contractually agreed to deposit part of the sale price (€1.5 million) in an escrow account in the name of and managed by the notary, to serve as a guarantee on post-sale obligations borne entirely by the Company. In case of fulfilment or non-fulfilment of the above obligations, the amount will be released by the notary public either to the Company or to the acquiring counterparty. In 2020, €0.8 million was released in favour of the Company.

In December 2019, the Company signed a lease agreement with Investire SGR S.p.A. for a portion of the property (for office use) located on the 4th floor of the building in Rome - Via Abruzzi; as a security deposit, the Company paid Investire SGR S.p.A. €125 thousand, corresponding to four months' rent.

Intesa Sanpaolo issued a revocable signed credit line equal to €400 thousand, of which Immsi used €350 thousand for the Defined Benefits Pension Scheme of the Intesa Sanpaolo Group with which Immsi stipulated a lease contract in December 2008 for the property located in Milan – via Broletto 13.

As regards the credit lines and bank loans received, the Company deposited approximately 156.37 million Piaggio shares as a pledge (for details see the item Financial liabilities), in addition to 11.45 million Piaggio shares to guarantee the loan given to a Group company.

As part of the supply contract for five catamarans to the Sultanate of Oman, for which Intermarine stipulated a signature line of agreement with a pool of banks for an amount of 84.5 million US dollars to guarantee payment of the consideration envisaged in the contract signed with the Sultanate of Oman for 90 million US dollars, Immsi counter-guaranteed the “pre-delivery performance bond”, “advanced payment bond” and “post-delivery bond” issued by the above banks for a maximum amount of 60 million US dollars by issuing a bank guarantee, and a letter of patronage for any part exceeding such amount in relation to Intermarine S.p.A.’s obligations to channel payments. The post-delivery guarantees amounting to USD 1.9 million matured in September 2020, the client has formalised the release of the guarantee commitment and formal paperwork is underway between the banks to cancel them.

Immsi also issued a surety in favour of Banco BPM for advances on a contract and as a counter guarantee for the post delivery sureties that this bank has issued to the Italian Navy. The amount guaranteed at the end of 2020 was equal to €4.4 million.

Another letter of patronage was issued by Immsi in favour of Banca Carige in relation to the line for advances on invoices and to guarantee the loan granted to Intermarine S.p.A., used at the end of 2020 for €2.5 million. A similar guarantee was issued in favour of Banca Bper for the loan granted to Intermarine and outstanding at the end of 2020 for €10 million.

Immsi S.p.A. also issued patronage to guarantee the loans granted by BNL to Intermarine outstanding at 31 December 2020 for a total of €8.5 million.

In relation to the credit lines existing between Intermarine S.p.A. and Banca IFIS S.p.A., in the form of advances on contracts for 3 Minesweeper Platforms with the Italian Navy arising from the Gaeta contract, a comfort letter was issued to Banca IFIS by the direct parent company RCN Finanziaria S.p.A., confirmed by Immsi S.p.A.. The value of the guarantees at the end of 2020 was equal to €12.4 million in total.

Immsi issued a guarantee in favour of Credit Agricole to guarantee the loan granted by the same bank to Intermarine S.p.A. for €5 million. As at 31 December 2020, the amount of the guarantee was €3.2 million.

The subsidiary pays remuneration to Immsi for the issue of these guarantees, in proportion to the amounts guaranteed.

In December 2017, Immsi issued a guarantee for €10 million in favour of MPS to guarantee the loan it furnished to Is Molas for €20 million, for which the subsidiary paid remuneration to Immsi in proportion to the guaranteed amount.

Lastly, Immsi, in relation to the €30 million loan granted to ISM Investimenti S.p.A. by Intesa Sanpaolo, undertook, in the interests of IMI Investimenti S.p.A., to grant a shareholder loan for the amount necessary to enable ISM to repay its debt in full, if it fails to refinance this amount due to Intesa Sanpaolo on the market.

G – Net financial position

The composition of net financial position at 31 December 2020 of Immsi S.p.A. is shown below. Net financial position is represented by (current and non-current) financial liabilities, minus cash on hand and other cash and cash equivalents, as well as other (current and non-current) financial receivables. Net financial position does not include other financial assets and liabilities arising from the fair value measurement of financial derivatives used as hedging and interest accrued on investments. The tables below show the items used to determine the indicator. In compliance with CESR recommendation of 10 February 2005 “Recommendations for the consistent implementation of the European Commission’s Regulation on Prospectuses”, the indicator, thus formulated, represents aspects monitored by the Company’s management and differs from recommendations in Consob Communication no. 6064293 of 28 July 2006, as it also includes the non-current portion of financial receivables.

<i>In thousands of Euros</i>	31/12/2020	31/12/2019
Cash and cash equivalents	8,460	14,444
Other short-term financial assets	1,455	1,245
Medium/long-term financial assets	240,424	241,084
Short-term financial payables	(172,312)	(201,131)
Medium/long-term financial payables	(71,226)	(43,184)
Net debt	6,801	12,458

The net financial position at 31 December 2020 was positive for €6,801, down from the positive figure of €12,458 thousand recorded at the end of the previous year.

<i>In thousands of Euros</i>	31/12/2020	31/12/2019
Cash generated internally	18,649	14,804
Change in net working capital	(12,589)	332
Net cash flow generated from operations	6,060	15,136
Acquisition of intangible assets	0	(1)
Purchase of property, plant and equipment	(17)	(215)
Net decrease from property disposals	0	62,500
Acquisition of controlling investments, net of disposal	(11,700)	0
Change in net financial position	(5,657)	77,420
Initial net financial position	12,458	(64,962)
Closing net financial position	6,801	12,458

H - Dividends paid

Immsi S.p.A. did not distribute dividends in 2020 or 2019.

I - Proposed allocation of the profit/loss for the year

The Financial Statements at 31 December 2020 record a profit for the year equal to €4,890,551. The Board of Directors of the Company proposes allocating the profits, after the deduction of 5% equal to €244,528 to be allocated the Legal Reserve, to partially cover previous losses.

L - Group and Related-Party Transactions

As regards disclosure on related-party transactions as of IAS 24 undertaken by Immsi S.p.A., the transactions undertaken with these entities were carried out in normal market conditions or according to specific regulatory provisions.

Pursuant to Regulation no. 17221 regarding transactions with Related Parties issued by Consob on 12 March 2010 and subsequently integrated and amended, the Company adopted a procedure aimed at governing the approval process for transactions with Related Parties, as set out in greater detail on the website www.immsi.it under Governance.

The main economic effects (excluding revenues to deduct from subsidiaries and parent companies in compliance with IFRS 15) and financial effects of Related-Party transactions and their impact on financial statement items of Immsi S.p.A. at 31 December 2020, compared to the amount recognised for the same related parties in 2019, are shown below:

Main economic and financial items	2020 amounts in thousands of Euros	% accounting for financial statement items	Description of the nature of transactions	2019 amounts in thousands of Euros
Transactions with Related Parties:				
<i>Current trade payables</i>	32 216	1.7% 11.3%	<i>Tax advisory services provided by Studio Girelli e Associati</i> <i>Legal advisory services provided to corporate bodies</i>	36 0
<i>Costs for services, leases and rentals</i>	60 216	1.9% 6.8%	<i>Tax advisory services provided by Studio Girelli e Associati</i> <i>Legal advisory services provided to corporate bodies</i>	58 0
Transactions with Parent companies:				
<i>Non-current financial liabilities</i>	345	0.5%	<i>Financial liabilities on Omniaholding S.p.A. lease rights-of-use</i>	202
<i>Current financial liabilities</i>	161	0.1%	<i>Financial liabilities on Omniaholding S.p.A. lease rights-of-use</i>	158
<i>Current trade payables</i>	7	0.4%	<i>Security Loan Fees</i>	328
<i>Costs for services, leases and rentals</i>	25	0.8%	<i>Building service fees for offices in Mantova provided by Omniaholding S.p.A.</i>	26
<i>Borrowing costs</i>	30	0.3%	<i>Finance costs for rights of use and Commission on the Loan of Securities</i>	35
Transactions with Subsidiaries:				
<i>Trade receivables and other receivables non-current</i>	5,633	43.3%	<i>Amounts due from RCN Finanziaria S.p.A. for recharged costs</i>	5,628
	6,270	48.2%	<i>Receivables due from Is Molas S.p.A. for recharged costs and a consulting agreement</i>	6,250
	926	7.1%	<i>Amounts due from ISM Investimenti S.p.A. for recharged costs and interest</i>	894
	60	0.5%	<i>Receivables from Pietra S.r.l., Pietra Ligure S.r.l. and Apuliae S.r.l. for recharged costs</i>	52
<i>Current trade receivables and other receivables</i>	640	12.6%	<i>Receivables from Intermarine S.p.A. for recharged expenses, commission and consultancy contract</i>	400
	558	11.0%	<i>Receivables due from Piaggio & C. S.p.A. for expenses charged, advisory contracts and the payment of fees</i>	505
	2,840	56.0%	<i>Amounts due from the national consolidated tax convention</i>	3,749
<i>Other non-current financial assets</i>	140,557	48.8%	<i>Loans granted to RCN Finanziaria S.p.A. and interest</i>	142,276
	75,347	26.2%	<i>Loans granted to Is Molas S.p.A. and interest</i>	66,334
	61,292	21.3%	<i>Loans granted to ISM Investimenti S.p.A. and interest</i>	71,367
	7,055	2.4%	<i>Loans granted to Pietra S.r.l. and Pietra Ligure S.r.l. and interest</i>	6,147
	962	0.3%	<i>Loans granted to Apuliae S.r.l. and interest</i>	863
	2,849	1.0%	<i>Financial receivables ob sublease rights of use from Piaggio & C. S.p.A. and Intermarine S.p.a.</i>	4,516
<i>Other current financial assets</i>	1,455	40.5%	<i>Financial receivables ob sublease rights of use from Piaggio & C. S.p.A. and Intermarine S.p.a.</i>	1,245
<i>Current trade payables</i>	497	25.9%	<i>Payables due to Piaggio & C. S.p.A. for expenses charged</i>	435
	29	1.5%	<i>Amounts due to Immsi Audit S.c. a r.l. for internal audit activities</i>	14
<i>Other current payables</i>	139	7.0%	<i>Deferred income from Piaggio & C. S.p.A.</i>	176

Main economic and financial items	2020 amounts in thousands of Euros	% accounting for financial statement items	Description of the nature of transactions	2019 amounts in thousands of Euros
<i>Financial income</i>	16,498	56.5%	<i>Dividends from Piaggio & C. S.p.A.</i>	26,003
	106	0.4%	<i>Interest on sublease rights of use from Piaggio & C. S.p.A.</i>	141
	4,722	12.1%	<i>Interest income from RCN Finanziaria S.p.A.</i>	4,619
	222	0.5%	<i>Interest on sublease rights of use and guarantee fees from Intermarine S.p.A.</i>	206
	2,663	6.3%	<i>Interest income and guarantee fees from Intermarine S.p.A.</i>	2,420
	4,708	11.1%	<i>Interest income from ISM Investimenti S.p.A.</i>	4,248
	235	0.5%	<i>Interest income from Pietra S.r.l.</i>	205
35	0.1%	<i>Interest income from Apulia S.r.l.</i>	33	
<i>Operating income</i>	1,000	49.6%	<i>Consultancy and assistance contract Piaggio & C. S.p.A.</i>	1,324
	1,000	49.6%	<i>Consultancy and assistance contract and Intermarine S.p.A.</i>	1,011
	15	0.7%	<i>Service contract with Immsi Audit S.c.a.r.l.</i>	15
<i>Costs for services, leases and rentals</i>	64	2.0%	<i>Internal auditing services by Immsi Audit S.c.a.r.l.</i>	66
	58	1.8%	<i>Amounts recharged from Piaggio & C. S.p.A.</i>	58
<i>Borrowing costs</i>	-	-	<i>Interest payable to Piaggio & C. S.p.A.</i>	21
<i>Other operating income</i>	80	42.6%	<i>Payment of fees from Piaggio & C. S.p.A.</i>	80

Figures including non-deductible VAT.

As regards relations, guarantees and commitments ongoing with Group companies, see item F - Commitments, Risks and Guarantees.

M - Risks and uncertainties

Financial instruments

With reference to financial instruments, already commented on in the Notes, the Parent Company did not recognise any differences between the fair value and the carrying amount for all items in question, excluding investments in Unicredit, the details of which are included in the section on financial assets. At 31 December 2020, the Company had no long-term fixed rate assets and/or liabilities for which it is necessary to recalculate the relative value according to current market rates.

In thousands of Euros	31.12.2020	31.12.2019
ASSETS		
NON-CURRENT ASSETS		
Other financial assets	288,062	291,502
Financial receivables	288,062	291,502
Financial assets	0	0
CURRENT ASSETS		
Other financial assets	4,886	4,886
Financial receivables	1,455	1,245
Financial assets	2,138	3,641
LIABILITIES		
NON-CURRENT LIABILITIES		
Financial liabilities	71,226	43,184
Payables due to banks	67,574	37,733
Other financial payables	3,652	5,451
CURRENT LIABILITIES		
Financial liabilities	172,312	201,131
Payables due to banks	170,879	199,512
Other financial payables	1,433	1,619

Interest Rate Risk

Variations in interest rates on the market can impact the fair value of a financial asset or liability. Exposure to market risk arising from the variation in interest rates is mainly connected to medium and long-term loans.

The following table shows the nominal value of the Company's financial assets and liabilities, that are exposed to interest rate risk, divided depending on whether they are contractually subject to fixed or variable rates (net of any specific hedging instruments for interest rate changes).

In thousands of Euros	Total
Total fixed rate	-4,729
Total variable rate	3,389

An increase or decrease of 1% of the Euribor with reference to the net specific exposure of Immsi S.p.A. would have produced greater or lesser interest for approximately €34 thousand per year.

Price Risk

Concerning the price risk on investments held by the Company and classified as other financial assets available for sale, see the comments in this Note.

Credit risk

The following table analyse by maturity the item of Trade receivables, including written-down or guaranteed payables, with comments in the Notes to the financial statements.

In thousands of Euros	31.12.2020	31.12.2019
Receivables past due:		
0-30 days	360	576
30-60 days	19	27
60-90 days	8	100
> 90 days	1,268	986
Total receivables past due	1,655	1,689
Total receivables maturing	271	15
Total	1,926	1,704

Tax receivables were not used in the first few months of 2021 while other receivables mainly comprising accruals and deferrals and €700 thousand by the escrow deposit set up with the notary public to guarantee post-sale obligations on the sale of the investment property in Via Abruzzi in Rome;

Liquidity Risk

The Company could suffer from possibly critical situations concerning the subsidiaries, especially those for which it has granted financing. Immsi S.p.A. in fact provides loans and issues guarantees in favour of the Group's subsidiaries to facilitate their funding; these operations are regulated under normal market conditions.

With reference to the debt position, in 2020, the Company renewed the expired credit lines with new loans and agreed with some banks with which there are amortising credit lines, a moratorium for a period of 12 months on the instalments falling due and the consequent repositioning of the same at the end of the repayment schedule, in line with arrangements provided by the banking system for the majority of companies with credit lines.

Liquidity risk arises from the possibility of the available financial resources being insufficient to meet future payments under financial obligations at the scheduled time and in the specified manner.

At the end of 2020, the Company had unused credit lines amounting to €4.6 million in the form of a revolving credit line granted by Intesa Sanpaolo.

As regards financial requirements for the next 12 months, considering credit lines that are due to mature over the year and Immsi S.p.A.'s financial commitments to support the development of its initiatives, the Directors have taken and will take in the next few months, actions to find solutions that guarantee a financial balance, while considering the possible risk of future trends in weak equity markets, that represent an element of uncertainty as to the scale of credit lines granted at present, also in the light of the content of the section on "Significant events after the reporting period", in relation to the COVID-19 pandemic.

Fair value measurement hierarchy levels

As regards financial instruments recognised at fair value in the Statement of Financial Position, IFRS 7 requires these values to be classified on the basis of hierarchical levels which reflect the significance of the inputs used in determining fair value. These levels are as follows:

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

With reference to the assets measured at fair value that are listed on an active market, held by Immsi S.p.A. (level 1), the Unicredit shares held in portfolio at 31 December 2020, amounting to 279,639 securities, for a total value at that date of €2,138 thousand, are reported. The fair value of the investment, represented by the share price at the end of 2020, decreased by approximately €1,502 thousand compared to the end of the previous year.

At 31 December 2020, non-current liabilities included the negative fair value, totalling €5 thousand, of four interest rate swaps (IRS) entered into during 2019 to hedge approximately 33% of the nominal value of loans with Banco BPM (formerly Banco Popolare) falling due between 31 December 2021 and 30 September 2022. At the end of 2020, the total notional amount of IRS contracts was approximately €4.7 million (level 2 financial instruments).

Financial assets measured at fair value for which there are no observable market data include the investment held in Alitalia - Compagnia Aerea Italiana S.p.A., whose value has been fully written down as described above.

As per IFRS 7, which requires the fair value of debts recognised to be measured on a amortised cost basis for disclosure purposes only, it is believed that this fair value substantially equals the nominal value of the liability.

N - Auditing costs

In relation to the reporting obligations pursuant to section 149-*duodecies* of the Consob Regulation on Issuers, regarding fees for the period for the appointment by Immsi S.p.A. of an independent auditor, in 2020 fees paid to PricewaterhouseCoopers S.p.A. amounted to €56,651 for the auditing of the accounts and the “limited assurance engagement” for the Consolidated Non-financial Statement.

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

The Shareholders' Meeting of the Company held on 14 May 2020, having acknowledged that with the approval of the Financial Statements at 31 December 2020, the engagement for the legal audit of the accounts conferred for the financial years 2012 - 2020 would expire, resolved to appoint the independent auditors Deloitte & Touche S.p.A. for the statutory auditing of the accounts of Immsi S.p.A. for the financial years 2021-2029.

O - Significant events after the reporting period

At the reporting date, the Company was monitoring developments in certain factors of instability that had occurred, such as the COVID-19 emergency. In fact, in 2020, a factor of macroeconomic instability related to the spread of COVID-19 emerged, which, in the first few weeks of 2020, initially affected economic activity in China and then other countries. The solution appears to be linked to the availability of a vaccine, with roll-out starting in the USA and England in mid-December 2020.

In this difficult context, 2020 results confirm the Company's – and especially the Group's – effective response to the pandemic that has hit the world economy.

Forecasts for next year are complex however, as they depend on how the COVID-19 emergency will unfold – with the virus spreading quickly in the last quarter in Europe, and on the government measures taken in the meantime to limit the spread and to support the economy in countries where the Group is present.

* * *

This document was published on 8 April 2021 by authorisation of the Chairman of the Company, Roberto Colaninno.

Certification of the financial statements pursuant to Article 154-bis of the Legislative Decree 58/98

The undersigned Roberto Colaninno, as Chairman of the Board of Directors, Michele Colaninno, as Chief Executive Officer and Andrea Paroli, Executive in charge of financial reporting of Immsi S.p.A., certify, also taking account provisions of Article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

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

of the administrative and accounting procedures for preparing the financial statements during 2020.

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

In addition, it is certified that the Financial Statements at 31 December 2020:

- were drawn up in compliance with applicable international accounting standards recognised by the European Union in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to accounting records;
- are adequate for giving a true and fair view of the financial position, performance and cash flows of the Issuer.

The Report on Operations includes reliable analysis of operations, as well as the situation of the Issuer, along with a description of the main risks and uncertainties to which they are exposed.

19 March 2021

The Chairman
Roberto Colaninno

Executive in charge of
financial reporting
Andrea Paroli

Chief Executive Officer
Michele Colaninno



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of IMMSI SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of IMMSI SpA (the Company), which comprise the statement of financial position as of 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzini 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

Key Audit Matters

Auditing procedures performed in response to key audit matters

Recoverability of investments in subsidiaries

Note C3 to the financial statements “Investments in subsidiaries and associates”

The carrying amount of investments in subsidiaries and associates as at 31 December 2020 is Euro 309,780 thousand, equal to 49% of total assets.

The amount is composed mainly of:

- a) Investment in Piaggio & C SpA for Euro 243,255 thousand, equal to 50,21% of the share capital;
- b) Investment in ISM Investimenti SpA (the Company which controls IS Molas SpA) for Euro 6,909 thousand, equal to 72,64% of the share capital;
- c) Investment in RCN Finanziaria SpA (the Company which controls Intermarine SpA) for Euro 39,506 thousand, equal to 72,51% of the share capital.

Investments in subsidiaries are accounted for using the cost method adjusted for any impairment.

Their carrying amount is tested for impairment at least once a year.

As at 31 December 2020, the Company prepared specific impairment test reports based on the discounted future cash flows that are expected to flow from the investments.

The valuation of the recoverable amount of Investments in subsidiaries and associates is a key audit matter considering that it depends on estimates based on inputs not always based on observable market data.

We obtained an understanding and evaluated the procedures adopted by the Company in order to determine the recoverability of the carrying amount of investments in subsidiaries.

We evaluated the estimates made by management with regard to the expected cash flows inferred from budget data for 2021 and supplemented by forecast data for 2022-2024 as regards Investment in Piaggio & C SpA, by forecast data for 2022-2031 as regards Investment in ISM Investimenti SpA, and by forecast data for 2022-2025 as regards Investment in RCN Finanziaria SpA.

Furthermore, also with the support of PwC network experts, we retraced the methods used to calculate the discount rate and the steady growth rate of financial cash flows beyond the time period of the plan approved by management of the subsidiaries.

We conducted sensitivity analyses in relation to the significant assumptions adopted by management, also with the support of PwC network experts, in order to determine whether there was any impairment of investments in subsidiaries and in order to evaluate the effects of changes in significant assumptions on the results of the impairment test.

Finally, we verified the information included in the notes to the financial statements as of 31 December 2020.

Short-term net financial debt

Note B to the financial statements “Accounting standards and measurement criteria” and note D2 to the financial statements “Financial liabilities”

We obtained and analyzed the calculation of the net financial position of the Company, the calculation of the financial covenants and the calculation of the loan to value ratios, and we



Key Audit Matters

Short term net financial debt of IMMSI SpA amounts to Euro 162,4 million. As of 31 December 2020 the Company granted 165,721 million shares of Piaggio & C SpA as collateral for existing loans and credit lines, which require the compliance to financial covenants and Value to Loan to be monitored on a regular basis.

Due to the significant amount of the Company's exposure toward the banking system and to the uncertainty related to the stock price of shares used to guarantee this exposure, as well as the importance of the information included by management in the notes to the financial statements regarding this aspect, the understanding and the analysis of management's forecasts regarding the financial needs of the Company for the next twelve months and of the actions taken and to take by them in order to ensure the financial stability of the Company is a key audit matter.

Auditing procedures performed in response to key audit matters

verified the compliance with them as of 31 December 2020.

We obtained management's forecasts regarding the financial needs of the Company for the next twelve months and we analyzed the actions taken and to take by them in order to ensure the financial stability of the Company also through specific discussions and critical analyses.

We obtained audit evidence regarding the existing relationship with the banking system, in particular obtaining and analyzing the documentation related to the facilities, the terms of the contracts, the existing guarantees, also through receiving specific data and information directly from the banks. We verified the information included by management in the notes to the financial statements, and the correspondence and adequacy with respect to the elements used by them to evaluate the financial stability of the Company for the next twelve months.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 11 May 2012, the shareholders of IMMSI SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2012 to 31 December 2020.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of IMMSI SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of IMMSI SpA as of 31 December 2020, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of IMMSI SpA as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of IMMSI SpA as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.



Verona, 8 April 2021

PricewaterhouseCoopers SpA

Signed by

Alessandro Vincenzi
(Partner)

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

**Report of the Board of Statutory Auditors to the General Meeting
of IMMSI S.p.A.**

pursuant to Article 153 of Legislative Decree 58/98 and Article 2429 of the Italian Civil Code.

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Dear Shareholders,

The Financial Statements of IMMSI S.p.A. for the year ended 31 December 2020, prepared in accordance with IAS/IFRS, which show a net profit of € 4,890,551, compared with € 8,993,671 in the previous year, are submitted for your review.

You are also presented with the Consolidated Financial Statements for the year ended 2020, which show a profit of €15,806,000 (compared to €22,974,000 in the previous year), broken down into profit attributable to minority interests of €6,052,000 and profit attributable to the Group of €9,754,000. The Company has also prepared the "Consolidated Non-Financial Statement", prepared in accordance with Legislative Decree 254/2016.

The Company's Financial Statements and the Group's Consolidated Financial Statements as well as the Consolidated Non-Financial Statement, prepared by the Directors in accordance with the law, have been duly communicated by them to the Board of Statutory Auditors together with the Directors' Report on Operations, the Report on Corporate Governance and Ownership Structure and the Report on Remuneration. The Board has also received the reports of the independent auditors.

To the best of our knowledge, the Directors have not departed from the legal provisions relating to the preparation of the financial statements and have taken into account, in preparing the financial reports, the provisions issued in implementation of Article 9 of Legislative Decree 38/2005, the interpretations of IFRIC (formerly "SIC") and the Bank of Italy/Consob/Isvap Documents 2 of 6 February 2009 and 4 of 3 March 2010. With reference to the consolidated non-financial statement, as a section of the Directors' Report on Operations, the Board of Statutory Auditors, based on the

provisions of Article 3, paragraph 4, of Legislative Decree 254/2016, verified - also in light of indications from the independent auditors in their report issued on 8 April 2021, pursuant to Article 3, paragraph 10, of Legislative Decree 254/2016 and Article 5 of Consob Regulation 20267/2018 - that provisions and criteria for presentation, also regarding the guidance on this statement, were complied with in full, and did not identify any elements requiring disclosure in this report.

During the 2020 financial year, the Board of Statutory Auditors carried out the supervisory activities required by law, also taking into account Consob communications on corporate controls and the Board's activities. It therefore monitored: (i) compliance with the law and deed of incorporation, (ii) compliance with principles of proper administration, (iii) the adequacy of the Company's organisational structure for those aspects under its responsibility, the internal control system and the administrative and accounting system, as well as the reliability of the latter in correctly representing operations, (iv) procedures for the actual adoption of the corporate governance rules set out in the Corporate Governance Code of the Committee for Corporate Governance of listed companies which the Company is party to, and (v) the adequacy of the instructions given to subsidiaries pursuant to Article 114, paragraph 2, of the Consolidated Law on Finance. In addition, the Board of Statutory Auditors, in its capacity as the "Internal Control and Audit Committee" pursuant to Article 19 of Legislative Decree 39 of 27 January 2010, has put in place the supervision provided for in the first paragraph of that article - in letters a), b), c), d), e), f) - as amended by Legislative Decree 135/2016. The Board of Statutory Auditors, in accordance with the provisions of Article 2429 of the Italian Civil Code and Article 153 of Legislative Decree 58/98 and in consideration of the indications of Consob set forth in Communication DEM/1025564 of 06.04.2001, as amended by Communication 6031329 of 07.04.2006, therefore reports the following.

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1. The most important economic and financial operations carried out by the Company in the 2020 financial year have been fully described by the Directors in the Report on Operations. The Board of Statutory Auditors became aware of this through its participation in Board meetings and through meetings with the Company's management. The Board of Statutory Auditors was able to ascertain that the operations carried out were not imprudent, risky, in conflict of interest, contrary to the resolutions of the Shareholders' Meeting and the Articles of Association or such as to compromise the integrity of the company's assets.

2. No atypical and/or unusual transactions were carried out in the 2020 financial year, either with third parties, or Group companies, or related parties, as also attested by the Directors in the paragraph "content and form of the consolidated financial statements" of the notes to the consolidated financial statements; for a list of ordinary transactions that the Group or the Parent Company IMMSI has undertaken with related parties or other Group companies, reference is made to the section "Transactions with Group companies and Related Parties", in the Directors Report, as regards the Group; reference is also made to the Notes to the Financial Statements, section "L - Transactions with Group companies and Related Parties", only as regards IMMSI. These transactions mainly concern trade and financial receivables/payables, supplies of materials, financial, tax and contractual consulting services, leases, and financial charges. These documents also describe in detail the related economic effects, stating that the transactions take place in normal market conditions or according to specific regulatory provisions. The Board of Statutory Auditors considers that these transactions are suitable and in the company's interest. The Report also states that, in accordance with Regulation 17221 on related party transactions issued by Consob on 12 March 2010 and subsequently amended, the Company has adopted the procedure governing the approval of related party transactions. The Directors' Report on Operations and the Notes to the Consolidated Financial Statements, as well as the Notes to the Separate Financial Statements, state

that there were no non-recurring transactions in the 2020 financial year, unlike the previous year.

3. The Board of Statutory Auditors considers the information provided by the Directors in the Report on Operations and in the notes to the separate financial statements on intra-group transactions and transactions with related parties to be adequate.

4. The independent auditors PricewaterhouseCoopers S.p.A. audited the financial statements and issued their reports on 8 April 2021, which were unqualified, with no emphasis of matter. The independent auditors declare that the financial statements and the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2020, of the results of their operations and of their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the measures implementing Article 9 of Legislative Decree 38/05. Each of these documents also contains the "Report on other legal and regulatory provisions" with the related opinions pursuant to Article 14, paragraph 2, letter e), of Legislative Decree 39/10 and Article 123-bis, paragraph 4, of Legislative Decree 58/98, which are unqualified. Finally, the Board of Statutory Auditors examined the content of the Report of PricewaterhouseCoopers S.p.A. on the consolidated non-financial statement issued on 08 April 2021 pursuant to Article 3, paragraph 10, of Legislative Decree 254/2016 and Article 5 of Consob Regulation 20267/2018, which does not contain any findings or emphasis of matter.

5. No reports pursuant to Article 2408 were received by the Board of Auditors during the 2020 financial year.

6. No complaints were received by the Board of Auditors during the 2020 financial year.

7. The independent auditors PricewaterhouseCoopers S.p.A. issued the statement pursuant to Article 6 paragraph 2) letter a) of European Regulation 537/2014 and pursuant to paragraph 17 of ISA Italia 260. The Board of Statutory Auditors has carried out checks - also at Group level. These show that "statutory audit services" resulted in fees paid to PricewaterhouseCoopers of €43,228 for IMMSI alone and €619,239 for the rest of the Group (of which € 369,314 refer to the subsidiary Piaggio & C. S.p.A. and €147,681 refer to Piaggio subsidiaries). The analysis also shows that the independent auditors provided - on behalf of Group subsidiaries - "certification services" for €91,000 (entirely attributable to Piaggio & C. S.p.A. and its subsidiaries), audit services for the "Consolidated Non-Financial statement" and the "Corporate Social Responsibility Report" (concerning IMMSI S.p.A. for €13,423 and Piaggio & C. S.p.A. and its subsidiaries for €54,000), as well as "other services" for €203,000 (relative to Piaggio & C. S.p.A.). In the aforementioned statement, the independent auditors certified that in the period from 1 January 2020 to the date of the statement, the ethical principles set out in Articles 9 and 9 bis of Legislative Decree 39/2010 had been complied with and no situations were found that compromised independence pursuant to Articles 10 and 17 of Legislative Decree 39/2010 and Articles 4 and 5 of European Regulation 537/2014.

In addition, the Board of Auditors has taken note of the Transparency Report prepared by the independent auditors and published on its website pursuant to Article 13 of European Regulation 537/2014.

8. Assessments have also shown that the PricewaterhouseCoopers network obtained fees for "audit services" entirely from subsidiaries of Piaggio & C. S.p.A. for €406,277. In addition, the Network obtained fees of €44,270 from subsidiaries of Piaggio & C. S.p.A. for "certification services".

Also in light of the above observations and those contained in point 7 above, and considering the international dimension of the Group, the Board of Statutory Auditors believes that no critical aspects have emerged regarding the independence of the independent auditors.

9. During the 2020 financial year, the Board of Statutory Auditors provided, where necessary, the opinions and observations required by law. The content of these opinions did not conflict with subsequent resolutions passed by the Board of Directors.

10. The Board of Directors met 6 times in 2020, and the Board of Auditors always attended the meetings; the Control and Risks Committee met six times; the Remuneration Committee met once; the Appointments Committee did not need to meet during the 2020 financial year, while the Board of Statutory Auditors held 10 meetings during which it also met with the independent auditors PricewaterhouseCoopers S.p.A.. The meetings of the Control and Risks Committee are normally extended to the entire Board of Statutory Auditors, in order to ensure the sharing of intra-company information flows.

11. It is considered that the Company has complied with principles of proper administration and that the resolutions of the Board of Directors have been taken in the interest of the company.

12. The Board of Statutory Auditors, for those aspects under its responsibility, considers the Company's organisational structure to be adequate, also with regard to its actual business operations, mainly as the holding of a group comprising approximately 39 companies in diversified sectors, (of which 32 are consolidated in the group's financial statements) in particular the industrial sector (especially in the "two-wheeler" and "commercial vehicles" business), the marine sector and property/holding sector. Operations are mainly focused on the financing of subsidiaries, as well as on the management and optimisation of these investments. As regards this activity, the direct presence of IMMSI Directors on the Boards of Group companies strengthens their control. The Board of Statutory Auditors monitored the Company's organisational structure as part of its periodic audits

and also verified the organisational of the Group's organisation chart, with particular regard to those of the administrative area. The Board of Statutory Auditors - together with the Control and Risks Committee - receives periodic and systematic information from the Group Internal Audit Department, also concerning the subsidiaries. The Board of Statutory Auditors liaises with the Boards of Statutory Auditors of subsidiaries, for the companies Piaggio & C. and Intermarine, Pietra and Pietra Ligure, also facilitated by a member of the Parent Company's Board of Statutory Auditors being present: this facilitated the exchange of useful information on issues of common interest. The Board of Statutory Auditors has received information on financial positions of the subgroups, some of which (the marine and property sectors), have been provided with financial support or the necessary financial guarantees from IMMSI to carry out their respective activities, as explained in the chapter "marine sector: Intermarine", and in the chapter "The property and holding sector" in the Directors' Report on Operations. The evolution of net debt and of the financial situation as a whole - as summarised in the section "Economic performance and financial position of the Group" (in the same Directors' Report) - have been systematically monitored by the Board in its meetings, also in relation to the hedging provided to lending institutions with securities owned by IMMSI. During the year, the Board of Statutory Auditors was periodically updated about developments in this situation and these hedges - which benefited from the upward trend of the share price of the listed subsidiary Piaggio & C. S.p.A., following the initial spread of the COVID-19 pandemic. The Board also met systematically with the Administrative Director of IMMSI, regarding the pandemic, to monitor the Group's financial strategies, as well as the results of monitoring the net financial position and liquidity situation, also separately by business segment. These meetings were usually attended by the Chairman of the Control and Risks, Committee, who is also Deputy Chairman of the Company, and/or by the entire Control and Risks Committee. The Board of Statutory Auditors was informed about these aspects by the Chief Executive Officer, who gave evidence of the dialogue established with financial

institutions. The Board confirms the attention paid by Directors to this issue and the adequacy of the organisational and administrative structure with regard to the monitoring process. The Notes to the Consolidated Financial Statements, in paragraph G2 Financial liabilities, and the Notes to the Separate Financial Statements, in paragraph D2 Financial liabilities, provide a breakdown of bank debt by institution and credit line, also indicating the related due dates. These paragraphs provide both a summary and an analytical view of the situation, the conditions for compliance with applicable covenants and - for the Parent Company in the aforementioned section D2 - the amount of payables due to banks and liabilities for rights of use, broken down by contractual maturity (within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years, over 5 years), which shows the overall composition of the Parent Company's debt as of 31 December 2020. Finally, it should be noted that the Report on Operations provides an overview, and information in several parts, on the measures taken by the Group to combat the health emergency, including in the workplace.

13. The Board of Statutory Auditors monitored the adequacy of the internal control system, gathering information from, among others, the Directors, the independent auditors and the head of the internal audit department and Managing Director of IMMSI Audit S.C. a r.l..

IMMSI outsourced internal audit services to IMMSI Audit S.C. a r.l., as did other Group companies and in particular the main subsidiary Piaggio & C. S.p.A.. IMMSI Audit S.C. a r.l. also monitored the organisational and management model in support of the Supervisory Board pursuant to Legislative Decree 231/01 and outsourced controls, functional to the checks required by Law 262/05 and the activities of the Manager in charge of preparing the company accounts and documents. The Board of Statutory Auditors systematically interacted with the head of the audit department, with positive findings (as already noted in previous years) concerning activities carried out and their effectiveness, and in respect of which - regarding the cycles and business functions audited during the 2020

financial year - no inefficiencies of the Company were identified requiring disclosure in this report.

The Board of Statutory Auditors continuously monitored risk control system, which the head of the internal audit department reported on in the Internal Audit Report for the year 2020.

The head of the internal audit department, considering that the plan for the 2018-2020 period had been completed and taking into account the impact on business and control activities of the SARS-COV-2 emergency, prepared a new annual audit plan only for 2021. This plan will then be linked to a three-year planning period, as is standard practice. The criteria for defining the 2021 plan appear to have a continuity with previous years, also taking into account the advisability of configuring the plan dynamically, i.e. adapting it to needs that may arise due to developments in the aforementioned health emergency. The new plan was approved by IMMSI's Board of Directors on 4 March 2021. It should be noted that at Group level - for the same reasons related to the health emergency - annual plans were also adopted at subsidiaries, including the listed subsidiary Piaggio & C. S.p.A.

The activities actually carried out in 2020 - discussed in a detailed final report examined by the Control and Risks Committee and the Board of Statutory Auditors, and also monitored during the year - were positively assessed by the Board, which received summary feedback on the audit activities carried out for the benefit of both the Parent Company and the subsidiaries, also with an opinion provided on the problems indicated and their resolution or mitigation.

The Board of Statutory Auditors therefore considered the controls system to be adequate. The Board of Statutory Auditors, in its capacity as "Internal Control and Audit Committee", worked positively with the Control and Risks Committee, comprised of Directors, continually exchanging information, and all members of the Board of Statutory Auditors were invited to attend related meetings.

Lastly, the Board of Statutory Auditors interfaced with the Supervisory Board - which has a member of the Board of Statutory Auditors - also interacting with regard to updating the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001.

During the meetings of the Control and Risks Committee, no issues emerged that require disclosure in this report.

Taking the above into account, the Board of Statutory Auditors considers that the internal control system is, at present, adequate.

14. The Board of Statutory Auditors, for those aspects under its responsibility, considered the administrative/accounting system to be adequate and deems it suitable to correctly represent operations. In this regard, the Board of Statutory Auditors was periodically informed of the support activities provided to the Manager in charge of preparing the company accounts and documents (for which the Company also used IMMSI Audit S.c. a r.l. in relation to checks to be carried out in compliance with Law 262/2005, as mentioned above), that involved an analysis of the corporate areas considered strategic and an assessment of related risks, including a review of the processes to mitigate such risks. From the exchange of information with the head of administration and from meetings with the independent auditors, the Board of Statutory Auditors noted the validity of this system's operation. The Chairman of the Company, the Chief Executive Officer and the Manager in charge of preparing the company accounts and documents issued the certification required by Article 154-bis, paragraph 5, of Legislative Decree 58/1998. In advance of the Board meeting approving the financial statements, the Control and Risks Committee examined the results of impairment procedures and discussed them with the independent auditors, in the presence of the Board of Statutory Auditors.

15. Pursuant to Article 114 of Legislative Decree 58/98, the Company issues appropriate instructions to its subsidiaries in order to obtain the information necessary to comply with the disclosure obligations provided for by law. It should also be noted that the Company's Directors are present in the main subsidiaries.

16. During 2020 and afterwards, up to the date of this report, the Board of Statutory Auditors periodically held meetings with the independent auditors PricewaterhouseCoopers to exchange data and information relevant to their respective duties as required by point 3 of Article 150 of Legislative Decree 58/98; no findings came to light during these meetings. The Board of Statutory Auditors acknowledges that it has had the opportunity to analyse with the independent auditors aspects (also in the context of "key aspects", identified as such in the Report to the "Internal Control and Audit Committee" referred to below) concerning, among others: i) the recoverability of the carrying amount of investments in subsidiaries and the recoverability of goodwill, ii) the recoverability of deferred tax assets, iii) investments in development costs, industrial patents and intellectual property rights, iv) the net short-term financial indebtedness of the Parent Company, including within the Group. Moreover, in order to review the aspects referred to in Article 19, paragraph 1, point c) of Legislative Decree 39/2010 (as amended by Legislative Decree 135/2016), the Board of Statutory Auditors also examined the relevant aspects of the audit plan, including, among others, significant risks and related audit responses. This examination also included a discussion - with the independent auditors - of the main risk cases. In addition to the above, the Board of Statutory Auditors considered the other "significant aspects" indicated by the independent auditors, and namely: (a) the progress of the IS MOLAS property development project; (b) the progress of negotiations for new orders in the shipbuilding sector; (c) the Ching-Fu arbitration relating to the same sector; (d) the assessment of the impacts of COVID-19 in various sectors of the Group. The Board of Statutory Auditors also examined the report of the independent auditors in accordance with Article 11 of European

Regulation 537/204 - also discussing it with said independent auditors - in which PricewaterhouseCoopers declares the following: a) no significant deficiencies were identified in the internal control system in relation to the financial reporting process that - in the professional judgement of this Company - are sufficiently important to be brought to the attention of the Internal Control and Audit Committee; b) the audit did not identify any material uncertainties regarding the going concern of the Company and the Group; (c) no cases of fraud or suspected fraud were identified; d) no matters deemed significant concerning actual or alleged non-compliance with laws and regulations or statutory provisions, to submit to the attention of the Internal Control and Audit Committee, were identified. The Board of Statutory Auditors, in carefully examining this Report - including the "key aspects" of the audit of the financial statements and the consolidated financial statements mentioned above - noted its structure, which includes: 1) the content of the Audit Report, 2) the audit approach, 3) the audit findings and 4) the audit team and independence. This report is forwarded to the Directors by the Board, together with its observations.

17. In the "Report on Corporate Governance and Ownership Structure" pursuant to Article 123-bis of the Consolidated Law on Finance, accompanying the financial statements, the Directors provide detailed information on the corporate governance system, highlighting the degree of compliance with the indications provided by the Corporate Governance Code - July 2018 (in force until 31 December 2020) - and, where indicated, by the Corporate Governance Code - January 2020 (in force from 1 January 2021). In particular, the Company has set up the Committee for the Remuneration of Directors, the Control and Risks Committee, the Appointments Committee, and appointed a Lead Independent Director and Director in charge of the internal control and risk management system. The Company has a "procedure for the public disclosure of inside information", a "procedure for the management of the insider list" and a "procedure for compliance with insider trading obligations". The Company has adopted the procedure governing the approval and

management of transactions with Related Parties, pursuant to Article 4 of Consob Regulation 17221 of 12 March 2010, overseen by IMMSI also through its subsidiaries. The Related Parties Committee is in place when it has at least three independent directors: this circumstance occurred at all times during the 2020 financial year. The eligibility of independent directors, in terms of their independence, as set out in Article 3 of the Corporate Governance Code and Article 148, paragraph 3, letters b) and c) of Legislative Decree 58/98, was reviewed during the 2020 financial year by the Board of Directors on 25 March 2020 and again verified during the approval of the Governance Report, on 19 March 2021. On these occasions, the Board of Statutory Auditors acknowledged that the criteria and review procedures used by the Board of Directors to evaluate independence requirements had been correctly adopted. The Board of Statutory Auditors also verified the independence requirements of its members on the basis of the same criteria, notifying the Board of Directors. In this regard, it is acknowledged that the Board, in its meetings of 16 March 2015, 13 May 2015, 23 March 2016, 23 March 2017, 21 March 2018, 10 May 2018, 25 March 2019, 25 March 2020 - and most recently 19 March 2021, also pursuant to the new Corporate Governance Code - with reference to the members of the control body, resolved on the following, without prejudice to assessments made by the Board of Statutory Auditors regarding its composition: (i) to deem it appropriate, in the interest of the Company, to not apply criterion 3.C.1 point e) of the Corporate Governance Code (referred to in criterion 8.C.1 of the same Code) with reference to the Auditor Alessandro Lai; (ii) to recognise that the requirements of independence pursuant to article 148, paragraph 3, of the TUF and Article 2, Recommendation 7 of the Corporate Governance Code had been met by all the members of the Board of Statutory Auditors. The individual members of the Board of Statutory Auditors also certify compliance with limits on the number of positions that may be held, as indicated in Article 148-bis, paragraph 1, of Legislative Decree 58/98. The members of the Board of Statutory Auditors have shared the need, in the event of transactions in which they may have an interest on their own behalf

or on behalf of others, to report this situation to the Board of Directors and to other members of the Board of Statutory Auditors.

The Company has a well-established Code of Ethics, Organisational, Management and Control Model pursuant to Legislative Decree 231/2001 and Supervisory Board, of which a standing member of the Board of Statutory Auditors was a member in 2020. The Company ensures it updates these documents, in particular aligning with Legislative Decree 231/2001 in relation to provisions on new offences included in the law.

The Company proposes to the Shareholders' Meeting a Report on the remuneration policy and compensation paid to Immsi S.p.A. (the "Remuneration Report") prepared in accordance with Article 123-ter of Legislative Decree 58/1998 and Article 84-quater of Consob Regulation 11971/1999 and in compliance with Annex 3A, tables 7-bis and 7-ter of the same regulation.

The Remuneration Report takes into account the amendments introduced by Legislative Decree 49 of 10 May 2019 - implementing Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 (the so-called "Shareholders' Rights Directive II"), amending Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies with regard to the encouragement of long-term shareholder engagement.

Finally, the Board of Statutory Auditors points out that during the 2019 financial year, it had started the procedure to assign the statutory audit engagement for the period 2021-2029, a procedure that was completed in 2020 and brought to the attention of the Shareholders' Meeting in 2020. Therefore, during the current financial year, the independent auditors will change, as already decided.

18. The Board of Statutory Auditors, in the course of the audit activities carried out during the year, did not identify any omissions, reprehensible facts or serious irregularities and therefore does not deem it necessary to provide any disclosure to the Control Bodies or to the Shareholders' Meeting as provided for by paragraph 1 of Article 153 of Legislative Decree 58/98.

19. The Board of Statutory Auditors has no proposal to submit to the Shareholders' Meeting, pursuant to Article 153, paragraph 2 of Legislative Decree 58/98, other than the indication below regarding the approval of the financial statements.

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The Board of Statutory Auditors notes that in the chapter "Significant events occurring after the end of the financial year and outlook for 2021", the Directors state that the Group is monitoring the evolution of certain instability factors that have emerged, including in relation to the COVID-19 emergency; the Report on Operations provides detailed information of this matter, with regard to the various areas in which the Group operates and the different impact profiles.

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The Board of Statutory Auditors, in light of the considerations made and for those aspects under its responsibility, finds no reason to oppose the approval of the Financial Statements as at 31 December 2020 and approves the proposal made by the Board of Directors regarding the allocation of profit for the year.

Having reached the end of its three-year term of office, the Board of Statutory Auditors would like to thank the Chairman, the Chief Executive Officer, the Directors and Management for the support they have always provided in the performance of their duties.

Mantua, 08 April 2021.

For the Board of Statutory Auditors - The Chairman

Signed by

(prof. Alessandro Lai)

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